

**REQUEST FOR PROPOSALS**

**FOR**

**CAPACITY**

**JUNE 2011**

Levitan & Associates, Inc.

Procurement Administrator on behalf of

**Illinois Power Agency**

For

**Ameren Illinois Company**

**ISSUE DATE: April 6, 2011**

**DUE DATE: April 13, 2011**

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ATTACHMENT A – Confirmation Agreement

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1.0 Introduction

Levitan & Associates, Inc. (“LAI”), as Procurement Administrator on behalf of the Illinois Power Agency (“IPA”), is issuing this Request for Proposals (“RFP”) for capacity to serve customers of Ameren Illinois Company covering the period June 1, 2011 through June 30, 2011. Ameren Illinois Company serves about 1.2 million customers throughout Illinois. The Ameren Illinois Company is a subsidiary of Ameren Corporation, headquartered in St. Louis, Missouri. More information about Ameren Illinois Company can be found at <http://www.ameren.com>.

The IPA seeks to procure adequate capacity to meet 100% of Ameren Illinois Company’s monthly capacity requirements for the month of June 2011. The capacity will be procured in accordance with the resource adequacy requirements of eligible customers that are served under fixed price, bundled service tariffs. Eligible customers include retail customers in the following customer classes that have peak demand less than 400 kW and whose service has not been declared competitive: residential (DS-1); non-residential less than 150 kW (DS-2); non-residential from 150 kW to 400 kW (DS-3A); and, lighting service (DS-5).

2.0 Background

Under the Electric Service Customer Choice and Rate Relief Law of 1997 (the “Customer Choice Law” or the “Law”), retail customers were provided the opportunity to purchase their power and energy requirements from alternative suppliers. The Customer Choice Law also contained provisions to restructure the State's electric utility industry, in particular, incentives for electric utilities to divest generation assets. After residential rates were discounted in accord with the Customer Choice Law, retail rates for all customers were frozen. Further, the utilities filed delivery service rates for those customers that elected to take their power supply from other retail suppliers. During this transition period, Ameren Illinois Company utilized long-term purchased power agreements (“PPAs”) to provide capacity, energy and certain ancillary services to their full requirements customers. By January 1, 2007 the transition period and the PPAs used to supply this service ended.

Facing the end of the transition period and the coincident expiration of the PPAs, Ameren Illinois Company participated in the Illinois Commerce Commission (“ICC” or “Commission”) approved Illinois Auction in September 2006. The goal of the Illinois Auction was to procure the full requirements service – capacity, energy and ancillary services – needed to meet the requirements of the retail customers who continued to rely on the Ameren Illinois Company at the end of the transition period. For customers with peak demands up to 1 MW, the Illinois Auction produced contracts with varying terms covering total load: 17 months for about one-third, 29 months for the next one-third, and 41 months for the last one-third. Upon expiration of the transition period, Ameren Illinois

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Company's rates were unfrozen, thereby exposing customers to rate increases consistent with changes in market prices. As a result of the rate increases, Public Act 095-0481 was signed into law, including the Illinois Power Agency Act (IPA Act) and modifications to the Public Utility Act (PUA). The IPA Act and PUA replaced the Illinois Auction with a portfolio procurement process. This legislation declared that customer classes with peak demands of 400 kW or more to be competitive by no later than May 2010 for the Ameren Illinois Company. The legislation also established the IPA to administer a procurement process beginning in August 2008. Under Section 16-111.5(a) of the PUA, Ameren Illinois Company had oversight responsibility for procuring capacity, energy, and renewable energy credits (RECs) for eligible retail customers for the period June 1, 2008 through May 31, 2009. Procurement responsibility then shifted to the IPA and the IPA's administrator to facilitate the procurement process to ensure additional power purchases from June 1, 2009.

Continuing with this year's procurement, under Section 16-111.5(d) of the PUA, the IPA filed a procurement plan with the ICC. On December 21, 2010, the ICC approved the procurement plan with certain modifications.<sup>1</sup> Consistent with the requirements of the PUA, the procurement plan identifies the portfolio of energy and power products to be procured. As Procurement Administrator for the 2011 procurement cycle, LAI is authorized to serve as the interface between Ameren Illinois Company and bidders. In issuing this RFP, LAI has the responsibility for receiving and reviewing all bids, and submitting a confidential report to the ICC recommending acceptance or rejection of bids. The IPA Act and the PUA authorize the Procurement Monitor to monitor the interactions among the Procurement Administrator, suppliers and the utilities and to report to the Commission on progress of the procurement process. The Procurement Monitor also consults with the Procurement Administrator regarding the development and use of benchmark price criteria, standard form contracts, credit policies, and bid documents. Boston Pacific Company, Inc. has been selected to be the Procurement Monitor for this procurement process.

### 3.0 Purpose and Scope

The IPA intends to procure capacity on behalf of Ameren Illinois Company for the period June 1, 2011 through June 30, 2011, consistent with the ICC-approved procurement plan. The IPA will also solicit bids for additional capacity products, physically-settled energy products and renewable energy credits to serve eligible customer load through separate RFPs.

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<sup>1</sup> 10-0563 (Illinois Power Agency – Petition for Approval of Procurement Plan) Order December 21, 2010.

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The capacity to be procured under this RFP consists of the following monthly “Planning Resource Credits” (“PRCs”) as such term is defined in the MISO Documents<sup>2</sup>:

<b>Month</b>	<b>PRC Quantity (# of PRC)</b>
June 2011	1200

Each PRC Quantity above represents the quantity in MW of Unforced Capacity; as such term is defined in the MISO Documents, during the applicable Period of Delivery.

**3.1 Product Definition**

The PRCs delivered under this Confirmation Agreement shall be usable to satisfy the MISO Resource Adequacy Requirements (“RAR”) of Buyer. PRCs must be deliverable to the AMIL Local Balancing Authority area, but can include Aggregate PRCs, Local PRCs, and External PRCs, including any PRCs properly generated from Demand Response Resources (“DRR”) and/or PRCs properly generated from Load Modifying Resources (“LMR”) pursuant to the MISO RAR. Additionally, Seller must transfer the PRCs to Buyer using the Module E Capacity Tracking tool, or any successor system (“MECT”). The MECT counterparty code for Ameren Illinois Company is AMCP.

**3.2 Bidding Requirements**

Bidders may offer a bid for the monthly Contract Quantity requirement subject to the following restrictions:

1. PRCs shall be bid in whole MW amounts with a minimum bid quantity no less than 10 PRCs, in increments of 10 PRCs, and a maximum quantity equal to the Contract Quantity. Each bid increment must have an associated price.
2. Bidders may not offer bids with contingencies, such that acceptance of one bid is conditioned upon the acceptance or rejection of another bid.

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<sup>2</sup> “MISO Documents” refer to the MISO Business Practice Manuals, as the same may be amended, collectively with MISO’s Open Access Transmission, Energy and Operating Reserve Markets Tariff (“ASM Tariff”) on file with the FERC, as may be amended from time to time.

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4.0 Other Requirements

4.1 Contract

Ameren Illinois Company expects to enter into binding contracts with the winning bidders. A draft of the proposed contract is included with this RFP as Attachment A, Confirmation Agreement. The terms and conditions specified in the proposed contract are designed to be consistent with the terms and conditions of the Edison Electric Institute Master Purchase and Sale Agreement Version 2.1.

Prospective bidders will be provided the opportunity to comment on the draft contract. Bidders should download the contract documents and submit comments in red-lined form via email to [aiurfp@levitan.com](mailto:aiurfp@levitan.com). The contract comments will be reviewed by the Procurement Administrator, Procurement Monitor, Ameren Illinois Company, IPA and ICC. Based on comments received from bidders during the Bidder Comment Period, the Procurement Administrator reserves the right to modify the terms of the contract prior to the date when binding bids are due. Bidders must agree to the terms of the final contract in advance of submitting binding bids. The terms of the contract will not be subject to negotiation with the winning bidders.

5.0 RFP Schedule and Procedure

5.1 Schedule

The following schedule and deadlines apply to this RFP. Subject to the provisions of the IPA Act, LAI reserves the right to revise this schedule at any time with the concurrence of the IPA and the Procurement Monitor. Announcements regarding any schedule revisions will be posted on the RFP website at <http://www.levitan.com/AIURFP>.

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<b>Activity</b>	<b>Date</b>
RFP Issued	April 6, 2011
Draft Contract Documents Issued	April 6, 2011
Bidder Contract Comment Period Ends	April 8, 2011, 12:00 pm CPT
Final Contracts Posted to Website	April 8, 2011
Bidder Practice Session	April 11, 2011
Bidder Pre-Qualification and Registration Form Due	April 12, 2011, 12:00 pm CPT
Binding Bids Due	April 13, 2011, 12:00 pm CPT
Procurement Administrator Submits Report to ICC	April 14, 2011
Preliminary Notifications to Bidders	April 14, 2011
ICC Approval of Recommendation	April 15, 2011
Final Notifications to Bidders	April 15, 2011
Contracts Executed with Selected Suppliers	April 18, 2011
PRCs transferred in MECT	April 19, 2011

5.2 Communications

LAI's points of contact for this RFP are:

John Bitler  
Vice President & Principal  
(617) 531-2818 x22  
jrb@levitan.com

Sara Wilmer  
Executive Consultant  
(617) 531-2818 x15  
sw@levitan.com

All questions regarding this RFP must be submitted in writing via the procurement website at: <http://www.levitan.com/AIURFP>. Questions should not be directed to Ameren Illinois Company. Questions and responses will be posted on the website. All identifying information will be redacted from the questions and responses prior to posting.

The Binding Bid must be submitted through the secure procurement website at <http://www.levitan.com/AIURFP>.

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**5.3 Bidder Pre-Qualification and Registration**

All bidders will be required to complete a Bidder Pre-Qualification and Registration Form certifying that they are not part of a joint venture or participating in a bidding agreement with another bidder for the purposes of submitting a bid under this RFP, and they will execute the Confirmation Agreement if selected as a winning bidder. The Bidder Registration Form also includes contact information and information needed for contract preparation. The Bidder Pre-Qualification and Registration Form can be downloaded from the procurement website, and must be submitted by 12:00 pm CPT on Tuesday, April 12, 2011.

For this RFP there will not be a requirement for bidders to post a pre-bid letter of credit.

**5.4 Binding Bids**

Registered bidders shall submit binding, firm and irrevocable bids for each product offered no later than 12:00 noon CPT, April 13, 2011. Binding bids must be submitted on the form provided on the secure procurement website. Bids shall be priced at \$ per PRC. Bids must be offered as sealed, binding commitment with pay-as-bid-settlement with a fixed price. The bidder will be responsible for providing Capacity for all hours of the term.

**5.5 Notification and Award**

In accordance with the IPA Act, the Procurement Administrator will evaluate the binding bids immediately after 12:00 noon CPT, April 13, 2011, and will submit a confidential report of the procurement and the bids recommended for selection the next day to the ICC.<sup>3</sup> Preliminary award notifications will be made to bidders following submission of the Procurement Administrator's bidding report to the ICC. As specified in Section 16-111.5 (f), the ICC shall review the confidential report and shall accept or reject the recommendations of the procurement administrator within two business days after receipt of the report.

The Procurement Administrator will notify the successful bidder(s) immediately upon receiving approval from the ICC. The successful bidders will be required to sign the contract upon notification that they have been selected. The maximum time between the close of bidding and the execution of the contract, which is specified by the PUA, is 7 business

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<sup>3</sup> The Procurement Monitor, who must also submit a post-bidding report to the ICC, has also committed to submitting their report to the ICC one day after Bid Day.

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days, based on the following provisions: (a) The Procurement Administrator and the Procurement Monitor will submit separate confidential reports on the procurement results and recommendation to the ICC within 2 business days after opening the bids;<sup>4</sup> (b) The ICC will review the reports and accept or reject the recommendations of the Procurement Administrator within 2 business days of after receipt of the reports;<sup>5</sup> and (c) The Ameren Illinois Company will enter into binding contracts with the winning bidders within 3 business days after the ICC approves the results of the procurement.<sup>6</sup>

6.0 Evaluation Process and Criteria

6.1 Evaluation of Binding Bids

Upon receipt of binding bids from Registered Bidders, the Procurement Administrator will evaluate the bids in accordance with the requirements specified in Section 16-111.5 (e) of the PUA. Bids will be evaluated based on price to arrive at the lowest cost combination of bids that satisfy the monthly Contract Quantities, subject to price benchmarks. The Procurement Administrator, in consultation with the Procurement Monitor, the ICC Staff, and the IPA, will establish market-based price benchmarks for the purpose of independently evaluating the bids received. The benchmarks will be considered confidential but will be subject to review and approval by the ICC prior to bidding. By submitting a binding bid, the bidder agrees to execute the contract upon award.

6.2 Bids Not Subject to Subsequent Negotiation

Illinois law grants procurement administrators the “discretion to negotiate to determine whether bidders are willing to lower the price of bids that meet the benchmarks approved by the Commission; [and further provides that] any post-bid negotiations with bidders shall be limited to price only and shall be completed within 24 hours after opening the sealed bids and shall be conducted in a fair and unbiased manner; [and further provides that] in conducting the negotiations, there shall be no disclosure of any information derived from proposals submitted by competing bidders; [and further provides that] if information is disclosed to any bidder, it shall be provided to all competing bidders.” (220 ILCS 5/16-111.5(c)(1)(vii))

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<sup>4</sup> As stated previously, the Procurement Administrator and Procurement Monitor have both committed to shorten this timeline by submitting their reports to the ICC one day after Bid Day.

<sup>5</sup> The ICC intends to review and approve results on April 15, 2011.

<sup>6</sup> Ameren Illinois Company intends to enter into binding contracts with the winning bidders on April 18, 2011.

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Illinois law also requires the procurement administrator to “notify potential bidders that the procurement administrator may enter into a post-bid price negotiation with bidders that meet the applicable benchmarks.”

(220 ILCS 5/16-111.5(e)(1)) **In accordance with this discretion, LAI has chosen NOT to engage in any post-bid price negotiations as a part of this RFP.**

**6.3 Binding Bids**

All bids must remain open, firm and binding until 5:00 pm on April 19, 2011 or until the Illinois Commerce Commission has approved the results of the procurement event.

Those bids that are identified as winning bids following the Commission’s approval of the procurement event must remain open, firm and binding until April 22, 2011 or until the bidder has executed a contract, whichever comes first.

**7.0 Confidentiality**

Except for bidder’s questions on the RFP, all information provided through the secure procurement website will be considered confidential. The Procurement Administrator will take reasonable precautions and use reasonable efforts to maintain the confidentiality of all Bidder Pre-Qualification and Registration Forms and Binding Bids submitted. Bidders should be aware that, in addition to employees of the Procurement Administrator, the Procurement Monitor will have concurrent access to all information on the secure procurement website. The Procurement Monitor is under contract with the ICC, and has pledged to protect all confidential information to which the Procurement Monitor has access during this RFP. The ICC will also receive confidential reports from the Procurement Administrator and from the Procurement Monitor, which may contain confidential information submitted by bidders. The winning bidders and the load weighted average of the winning bid prices for each product will be announced publicly after the ICC approves the RFP results and the Procurement Administrator’s recommendations. In addition, the ICC determined that that the number of megawatts awarded for each contract type and for each contract term will be publicly disclosed after a Commission vote accepting a procurement administrator recommendation to accept certain bids, provided there are at least three winning bidders in the entire procurement event.

Prior to the selection of winning bids, bidders will be prohibited from (i) disclosing any information about their bids to other parties and (ii) receiving information about competing bids from other parties. No party will disclose the terms or conditions of such agreements, except (i) to those persons who have a need to know and have agreed to keep such information confidential, and (ii) to

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comply with any applicable law, rule, regulation, tariff, or court order, consistent with PUA section 16-111.5(h).

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**ATTACHMENT A – Confirmation Agreement**