



# REQUEST FOR PROPOSALS

## Duke Energy Carolina's Long Term Capacity and Energy Needs Beginning in 2016/2017

Dated: October 26, 2012  
Proposals Due: November 27, 2012

Complete Information on this RFP can be found at:  
<http://DukeEnergyCarolinaRFP.com>



## **1.0 Introduction**

Duke Energy Carolinas, LLC (DEC) has a need for up to 700 MWs of dispatchable, traditional supply side capacity and energy from non- peaking resources beginning in either 2016 and/or 2017. The purpose of this RFP is to serve as one of the several possible options for DEC to consider to meet its future capacity needs.

Specific requirements for this Request for Proposals (RFP) are as follows:

- Resource(s) for up to 700 MWs (summer) of dispatchable, traditional non- peaking capacity and energy beginning by either June 1, 2016 and/or June 1, 2017
- Term of 15-20 years for capacity and energy
- Traditional non- peaking proposals must be for a minimum block of 50 MWs (summer capacity)
- Capacity and energy from generation resources must have firm deliverability to DEC's Balancing Authority Area
- Bids will be compared to a DEC self-build combined cycle option
- Preference for bids located in DEC's service area

DEC has retained Burns & McDonnell (B&M) to act as an independent third party consultant to assist with this RFP. All respondents will directly interface with B&M for all communications including questions, RFP clarification issues and RFP bid submittal.

Duke Energy Corporation (Duke Energy), the largest electric power holding company in the United States, supplies and delivers energy to approximately 7 million U.S. customers. The company has nearly 49,600 MWs of owned regulated electric generating capacity in the Midwest and the Carolinas and natural gas distribution services in Ohio and Kentucky. DEC owns more than 19,000 MW of safe, reliable electric generation and provides competitively priced electricity to almost 2.4 million electric customers.

Headquartered in Charlotte, N.C., Duke Energy is a Fortune 250 company traded on the New York Stock Exchange under the symbol DUK. More information about the company is available on the internet at [www.duke-energy.com](http://www.duke-energy.com).

## **2.0 Objective**

The purpose of the RFP is to solicit and screen for potential competitive proposals to be used as resource alternatives to DEC's self-build combined cycle option. DEC desires to select resources that offer the maximum value based on cost and non-cost attributes, to the Company and to customers.

## **3.0 General Terms**

DEC is requesting up to 700 MW (summer) of dispatchable, traditional non- peaking capacity and energy beginning in 2016 and/or 2017 to fulfill the needs of its resource plan. DEC will not accept proposals for

projects on DEC property, the purchase of new or existing energy facilities, energy efficiency, DSM, renewable projects, affiliate bids or peaking proposals with a capacity factor less than 20%.

A. Delivery Point

The delivery point for the energy and capacity will be DEC's Balancing Authority Area.

B. Contract Capacity

For dispatchable, traditional non- peaking resources, contract capacity should be stated at summer ambient conditions of 100 degrees F, 40% relative humidity and 95% lagging power factor. For resources outside of the DEC balancing authority, the Contract Capacity should be given at the Delivery Point. Combined cycle resources may have a "Block A", excluding supplemental duct firing contract capacity block and a "Block B", supplemental duct-fired contract capacity block because of the different operating characteristics of the blocks.

C. Quantity & Delivery Date

DEC will accept dispatchable, traditional non- peaking bids which have a minimum of 50 MW summer capacity. DEC is seeking up to 700 MW to meet its resource plan. Bids must have a minimum capacity factor of 20%.

Respondents must deliver capacity and energy for a minimum of fifteen years but not more than 20 years beginning by June 1, 2016 and/or June 1, 2017.

D. Capacity and Energy Pricing

Pricing should be comprised of a capacity component on a \$/kw-yr basis and an energy component consisting of start costs (\$/start), variable O&M (\$/MWh), and fuel costs (\$/MMBtu), as applicable. A heat rate must be given for conversion of fuel costs to \$/MWh. Alternatively, a fixed "dispatch" cost may be provided on a \$/MWh basis.

Proposals must provide a detailed description of the pricing terms and conditions. During any subsequent discussions and/or negotiations, DEC may request modifications to the proposed contract structure scheme in order to accommodate its own operational or administrative requirements.

Bidder is responsible for complying with all applicable state and federal environmental regulations and requirements, including SO<sub>2</sub> allowances, NO<sub>x</sub> allowances and emission fees. Environmental costs should be included as a fixed \$/MWh price as indicated in the term sheet.

E. Contract Term

Proposal term must be for at least fifteen (15) years and cannot extend past twenty (20) years.

F. Fuel Supply

The proposal must indicate the most applicable fuel pricing point and any applicable Local Distribution Company (LDC) charges. Fuel supply proposals may include either a fuel index formula or fixed fuel price. For all indexed bids, a fuel pricing formula must be provided which must supply sufficient detail for DEC to understand the formula components for estimation of the cost of fuel, in \$/MMBtu, for the proposal term. For evaluation purposes, Duke plans to use its own fundamental fuel price forecast for estimates of natural gas commodity pricing for each bid.

If applicable, the cost of any firm gas pipeline transportation must be included. Firm gas transportation must be provided by the respondent. All pertinent details on the firm gas transportation arrangement and total cost such as daily transportation volume and any transportation demand rate information necessary for DEC to understand the total cost of firm gas transportation on a monthly and annual basis must be included.

G. Location

Proposal must identify the generation resources that have been proposed and their location. Capacity and energy from the generation resources must be delivered to DEC's Balancing Authority Area. DEC will not accept proposals for projects on DEC property. There will be a preference for projects located in DEC's Balancing Authority Area.

H. Transmission

Proposals must contain appropriate discrete transmission costs for firm deliverability to the DEC Balancing Authority Area. For resources located outside of the DEC transmission system, describe the firm transmission arrangements to DEC, including all transmission providers involved and the transmission services required (including any ancillary services required and appropriate congestion cost). Respondents should provide an estimate of the annual transmission related cost into DEC for delivery of the capacity based on the current tariff rates and anticipated congestion cost of all transmission providers involved. Respondents will have the responsibility to secure and provide all transmission services necessary for firm delivery of capacity and energy.

I. Other

DEC has a preference for assets that can provide Automatic Generation Control (AGC) to DEC's control center.

J. Project Data

Any existing projects bidding into this RFP should provide three years of operating data such as capacity factors, heat rate, outages, etc. Any new projects bidding into this RFP should provide a scope and schedule for the project (including permitting, purchase of equipment, etc.) to achieve commercial operation in time to meet RFP deadlines.

## 4.0 Instructions to Respondents

### A. Overview of Process

B&M has set-up an e-mail address [DukeEnergyCarolinaRFP@burnsmcd.com](mailto:DukeEnergyCarolinaRFP@burnsmcd.com) to collect all communications and questions from potential respondents as well as a web site <http://dukeenergycarolinarfp.com/> to provide uniform communications including updates and specific detail as may be provided from time to time through this bidding process.

The bid process will include the activities and events as indicated in the schedule shown below. Proposal opening will be performed in private by B&M on a confidential basis. Proposals will be reviewed for completeness and offers that do not include the information requirements of this RFP will be notified and allowed five (5) business days to conform. All conforming proposals will be sent to DEC for evaluation. The evaluation of the bids will be performed by DEC with assistance provided by B&M. Respondents selected for the short list may or may not be invited to begin negotiations of final details of the offers.

#### **Duke Energy Carolinas RFP Schedule**

<b>Event</b>	<b>Anticipated Date</b>
Release of RFP	October 26, 2012
Notice of Intent to Bid	November 9, 2012
Proposal Submittal Deadline	November 27, 2012
Selection of Short List	January 25, 2013
Complete Negotiations	1st Quarter 2013

### B. Notice of Intent to Bid (Attachment A)

Each potential respondent is requested to advise B&M of its intent to submit a proposal by submitting a Notice of Intent to Bid (NOIB), attached hereto as **Attachment A: Notice of Intent to Bid**. The Notice of Intent to Bid form may be e-mailed, to the following address: [DukeEnergyCarolinaRFP@burnsmcd.com](mailto:DukeEnergyCarolinaRFP@burnsmcd.com) .

Respondent's contact information, as supplied in the NOIB, will provide a vehicle for B&M to communicate any updates/revisions to the RFP in a timely manner. Therefore, we encourage respondents to submit a NOIB by November 9, 2012.

### C. Nondisclosure Agreement (Attachment B) and Response Package (Attachment C)

Respondents to this RFP are required to sign **Attachment B: Nondisclosure Agreement (NDA)** in its present form. Respondents to this RFP area also required to complete the **Attachment C: Response Package** to be eligible to compete in the solicitation process. Respondents should

organize their proposals as described in **Section 4.0: Proposal Organization**. All applicable information contained in the proposal must be addressed, including:

**Attachment B: Nondisclosure Agreement (NDA)**

**Attachment C: Response Package**

All correspondence concerning this RFP should be sent via e-mail to:

[DukeEnergyCarolinaRFP@burnsmcd.com](mailto:DukeEnergyCarolinaRFP@burnsmcd.com) .

Phone inquiries regarding this RFP will not be entertained. Individual questions submitted by a respondent to B&M will be answered with responses sent via email back to the respondent. Responses to frequently asked questions may be placed on the RFP Website for the benefit of all respondents, although care will be taken not to identify any specific respondent(s).

#### D. Deadline and Method for Submitting Proposals

All proposals submitted in response to this RFP must be received by B&M no later than **5:00 PM EST on November 27, 2012**. DEC will not guarantee evaluation of proposals associated with this RFP if submitted after this time.

Respondents are required to submit three (3) hard copies of each proposal and a CD with the spreadsheets provided in **Attachment C: Response Package** to the address below. It is further required that multiple proposals submitted by each respondent be identified separately. **Emailed proposals will not be accepted**. Financial statements, annual reports and other large documents may be referenced via a web site address.

Burns & McDonnell  
Attn: Jon Summerville  
9400 Ward Parkway  
Kansas City, MO 64114

## **5.0 Proposal Organization**

### A. Executive Summary

Please provide an overview of the proposal and project. Include an overview of the technology, size, fuel type, project benefits, land control, permit status, interconnection status, and location. Please also complete **Section A: General Information** located in **Attachment C: Response Package** for all projects.

## B. Proposal Limitations

Please describe in reasonable detail any economic, operational or system conditions that might affect the respondent's ability to deliver energy as offered. As discussed earlier, any existing projects bidding into this RFP should provide three years of operating data such as capacity factors, heat rate, outages, etc. Any new projects bidding into this RFP should provide a scope and schedule for the project (including permitting, purchase of equipment, etc.) to achieve commercial operation in time to meet RFP deadlines.

## C. Technical Proposal & Cost

Please describe in reasonable detail the source of the capacity and energy. Operational information and pricing should be given as indicated in the **Attachment C: Response Package, Section B: Supply Side Term Sheet**

## D. Company Data

Please include information on the respondent's corporate structure (including identification of any parent companies), a copy of the respondent's most recent quarterly report containing unaudited consolidated financial statements that is signed and verified by an authorized officer of respondent attesting to its accuracy, a copy of respondent's most recent annual report containing audited consolidated financial statements and a summary of respondent's relevant experience. Financial statements, annual reports and other large documents may be referenced via a web site address.

# **6.0 Proposal Evaluation and Contract Negotiations**

## A. Initial Proposal Review

After the proposal submittal deadline, B&M will privately open all responses and review for completeness and responsiveness. B&M may request that a respondent provide additional information or clarification to its original proposal. B&M will make such requests in writing via email and specify a deadline for compliance. Failure to provide the requested information or clarification by the deadline may result in disqualification of the proposal. All conforming proposals will be sent to DEC for evaluation as a resource alternative to DEC's self-build combined cycle option. .

## B. Short List Development

DEC will then evaluate all proposals to meet both capacity and energy needs. Proposals will be evaluated based on present value economics and meeting all criteria as discussed in **Section 3: General Terms**. DEC will compare all bids to a Duke self-build combined cycle option.

During the evaluation process, DEC may or may not choose to initiate discussions with one or more respondents. Discussions with a respondent shall in no way be construed as commencing contract negotiations.

B. Contract Negotiations

DEC will contact the respondent in writing of its interest in commencing contract negotiations. DEC's commencement of and participation in negotiations shall not be construed as a commitment to execute a contract. Contract negotiations will include present value analysis and evaluation of other factors including location, credit, relevant experience, technology feasibility, permitting, deliverability, etc. If a contract is negotiated, it will not be effective unless and until it is fully executed with the receipt of all required regulatory approvals.

**7.0 Reservation of Rights**

Nothing contained in this RFP shall be construed to require or obligate DEC to select any proposals or limit the ability of DEC to reject all proposals in its sole and exclusive discretion. DEC further reserves the right to withdraw and terminate this RFP at any time prior to the proposal deadline, selection of a short list or execution of a contract.

All proposals submitted to DEC pursuant to this RFP shall become the exclusive property of DEC and may be used for any reasonable purpose by DEC. DEC and B&M shall consider materials provided by respondent in response to this RFP to be confidential only if such materials are clearly designated as "Confidential". Respondents should be aware that their proposal, even if marked "Confidential", may be subject to discovery and disclosure in regulatory or judicial proceedings that may or may not be initiated by DEC. Respondents may be required to justify the requested confidential treatment under the provisions of a protective order issued in such proceedings. If required by an order of an agency or court of competent jurisdiction, DEC may produce the material in response to such order without prior consultation with the respondent.