

ABATE PROPOSAL TO BALANCE SUPPLY AND DEMAND

1. The local utility should forecast demand for electricity without market intervention related to incremental efforts to control demand.
 - (a) The local electric utility shall also forecast sales. The local utility should make these forecasts over a period of time that extends beyond the time needed to construct a baseload generating unit. The local utility should list the assumptions used in the forecast including the level of sales that will be made by others to customers located in its service territory based on an average of lost sales over the last four years. The local utility shall conduct a sensitivity analysis of the most critical variables.
 - (b) System Reliability/reserves. The local utility should calculate the cost of meeting several planning reserve margins such as:

LOLP - 1 day in:

10 years \$ cost

8 years \$ cost

5 years \$ cost

The local utility should reassess the level of planning reserve margins based on participation in MISO. Generally, participation in MISO should lower planning reserve margins.

- (c) The local utility shall file its forecast with the PSC every two (2) years or in conjunction with any rate case, whichever is shorter. This forecast shall be available to the public.
2. The local utility should analyze its current inventory:
 - (a) Plants owned by utility as adjusted for:
 - Retirements.
 - Clean Air effects.
 - (b) Demand Control:
 - Mandatory.
 - Voluntary.
 - Rate changes needed to make rates cost based.
 - Interruptible rates.

- (c) PPA's with third parties. (PURPA and non-PURPA).

Adjust for termination with advent of Day 2.

Adjust for termination if natural gas is primary fuel.

- 3. The local utility should analyze spot market availability vs local production using cost and reliability as the primary criteria. The local utility should identify the dollar cross over point when it should be more economical to build rather than to depend on the wholesale market.
- 4. The local utility should identify the needed characteristics and other factors such as timing of new additions. These characteristics may include capacity, dispatchability, availability, etc.:

- (a) Baseload, intermediate, peaking, DSM and timing. (assumes all options will be reliable).

- 5. The local utility should identify available options and Clean Air Act / CO2 assumptions.

New generation (traditional or unconventional).

New PPA's (with performance standards).

Transmission upgrades.

Cogeneration and dispersed generation.

Demand control:

Retail pricing signals.

Efficiency measures.

Utility and third party programs.

Energy Standards.

The utility should develop both a short term (3 year) and long term (10 year) plan to balance supply with demand.

- 6. The assessment criteria used should be:
 - (a) Cost as reflected in retail rates.
 - (b) Reliability of meeting system needs.
 - (c) Longevity.

7. Acquisition process:

- (a) The utility should prepare a draft RFP for each category soliciting a competitive bid. (Utilities may bid).
 - i. Informal input/consensus on RFP by stakeholders and potential bidders.
 - ii. PSC approval of an RFP with aid of 3rd party evaluator and PSC Staff. Approval includes consensus items and contested items which the PSC will ultimately determine the outcome.
 - iii. Utility releases RFP approved by the PSC to the public.
 - iv. All bids must include:
 - 1. Capacity payments measured in dollars per kilowatt month over the contract period.
 - 2. An initial energy charge measured in dollars per kilowatt hour, plus an estimate of future energy prices, if not fixed.
 - 3. Operating characteristics, including fuel type and heat rate.
 - 4. The requested term of the contract if over the minimum 20-year contract term for generation supply. The requested term for demand control related measures.
 - 5. The qualifications of the bidder.
 - 6. A tentative timeline and milestones for construction/installation/implementation.
 - 7. A description of any other benefits associated with the bid.
 - 8. The project acceptance criteria and long term performance standards.
 - v. Standardized agreements may be developed by the utility and any complaints related thereto will be adjudicated by the PSC.

- (b) Bid review by 3rd party evaluator accompanied by a Staff report utilizing the following criteria:
 - i. Price.
 - ii. Reliability.
 - iii. Longevity.
 - iv. Other factors in case of a tie.
- (c) Contested case with PSC selection of winners.
- (d) The cost of the competitive bid(s) is just and reasonable for ratemaking and Act 304 approval.
- (e) If utility wins and proposes to use ratebase property, this property will be removed from ratebase at fair value in an expedited contested case.
- (f) If timeline and milestones are met and facilities, etc., are used and useful, then there will be a rate increase.
- (g) If timeline and milestones are not met, bid acceptance may be revoked by the PSC on its own motion or on the complaint made by any interested party.
- (h) There should be no public assistance or incentives for any particular option.