

Met-Ed/Penelec/Penn Power SPAEC RFP Frequently Asked Questions - General

<u>FAQ#</u>	<u>Date of Posting</u>	<u>Question / Answer</u>
001	1/19/2021	Question: Can the information session be attended via webinar, and how can companies register?
		Answer: The Bidder Information Session on January 28, 2021 at 11 am Eastern Time will be held online through a webinar. Companies that send their contact information to pa-spaec-rfp-2021@brattle.com will receive information by email regarding how to attend the webinar (close to the date of the Information Session).
002	1/19/2021	Question: Are there restrictions regarding when the solar systems were installed?
		<p>Answer: No. Any SPAECs generated in the applicable Reporting Year may be used, as long as they comply with the supplier obligations under the RFP, which can be found in Article I.3 of the RFP Rules and the SPAEC Purchase and Sale Agreement (SPAECPSA) at https://www.firstenergycorp.com/upp/pa/rec_procurements/spaec2021/supplier-documents.html.</p> <p>A qualified SPAEC must meet the definition of an Alternative Energy Credit corresponding to the production of solar photovoltaic electricity as set forth in Pennsylvania's Alternative Energy Portfolio Standards (AEPS) Act, as modified by Act 40 of 2017 (requiring qualifying credits to be produced in Pennsylvania).</p>
003	1/19/2021	Question: Is the procurement for generation from June 1, 2021 to May 31, 2023, or may older generation be used?
		<p>Answer: The SPAECs must be generated in the applicable Reporting Year (see the SPAECPSA, Article 3.2). The Reporting Year is defined in Article 1.1 of the SPAECPSA as "the year in which May 31 of the twelve month period beginning June 1 and ending May 31 occurs" (e.g., the Reporting Period 2022 means June 1, 2021 through May 31, 2022). Additional details on the delivery of the product by the SPAEC supplier can be found in the SPAECPSA and Article I.3 of the RFP Rules at https://www.firstenergycorp.com/upp/pa/rec_procurements/spaec2021/supplier-documents.html.</p>
004	1/19/2021	Question: Does one tranche represent 500,000 kWh of power? In other words, is a SPAEC representative of a similar amount of power as one SREC?
		Answer: Bidders are not bidding to supply solar power or capacity. Bidders are bidding to supply tranches of SPAECs. A tranche represents an obligation to supply 500 SPAECs annually

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		in each of the 2022 and 2023 Reporting Years. Reporting Year 2022 is the time period from June 1, 2021 to May 31, 2022, and Reporting Year 2023 is the time period from June 1, 2022 to May 31, 2023. A SPAEC is the tradable certificate that represents one MWh of electricity generated from a qualifying solar photovoltaic ("PV") resource. Therefore one tranche is equivalent to the SPAECs associated with 500 MWh or 500,000 kWh of solar PV generation provided annually.
005	1/19/2021	Question: Do the solar-generated RECs have to be locally sourced? Are there any requirements with respect to the vintage or locale?
		Answer: The delivered SPAECs do not have to be from a specific facility (i.e., they are not unit contingent). SPAECs must be from a solar PV resource sourced in Pennsylvania. The Companies will only accept SPAECs that comply with the Pennsylvania AEPS Act, as modified by Act 40 of 2017, and that are generated through PJM Environmental Information Services Inc.'s ("PJM-EIS") Generation Attributes Tracking System ("GATS"). For more information, please follow the link below to the Pennsylvania Alternative Energy Credit Program Website. https://www.pennaeps.com/resourceessupport See FAQ #003 for vintage restrictions.
006	1/19/2021	Question: The forms do not ask to define specifically what facility the SPAECs are going to be generated from. Can the SPAECs be generated from multiple facilities or acquired in the market (after reward of RFP) for instance?
		Answer: See FAQ # 002.
007	1/19/2021	Question: Should a bidder win tranches, and subsequently not be deemed creditworthy by the Company (which would require the bidder to post the full Credit Exposure Amount), could the bidder decline to execute the SPAECPSA? This is assuming that the bidder has already posted the appropriate pre-bid security.
		Answer: No. Each bid (as represented in the Part 2 Form) represents a binding commitment to execute the SPAEC Purchase and Sale Agreement (SPAECPSA). Therefore, if a Bidder is awarded tranches, the Bidder is obligated to execute the SPAECPSA within 3 business days of

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		<p>the approval of the RFP results by the Pennsylvania Public Utility Commission. See the RFP Rules (Article IV.3.6).</p> <p>Article 5 of the SPAECPSA describes the credit and security provisions of the agreement. A Bidder's Credit Exposure Amount under the SPAECPSA is determined by multiplying 200% of the SPAEC Price by the SPAEC Quantity per Reporting Year (where this quantity equals the number of tranches that the Bidder is awarded, multiplied by 500 SPAECs per tranche).</p> <p>A Bidder also may obtain an Unsecured Credit Limit (UCL). A Bidder applies for Unsecured Credit based on the instructions contained in the Part 1 Form (see Section 2, Creditworthiness Information, as well as Article IV.2. of the RFP Rules for additional description).</p> <p>As long as the SPAEC Supplier or its Guarantor meets the Minimum Rating, no security will be required so long as the Credit Exposure Amount does not exceed the SPAEC Supplier's or its Guarantor's UCL Amount. In the event that the SPAEC Supplier's or its Guarantor's Credit Exposure Amount exceeds its UCL Amount, the SPAEC Supplier or its Guarantor shall be required to post security in the form of cash or letter of credit in an amount equal to the positive difference between the Credit Exposure Amount and the UCL Amount.</p> <p>Bidders will be notified of their qualification status by February 17, 2021. At that time, each Bidder will receive notification regarding the amount of Unsecured Credit that they have been granted. So, Bidders will be aware of their standing with respect to Unsecured Credit before Bids are due.</p>
008	1/19/2021	<p>Question: Can a Bidder provide multiple pricing for a bid, as long as the Bidder remains below the overall tranche cap?</p> <p>Could the Bidder submit multiple Part 2 forms? If the Bidder submits multiple Part 2 forms, is it then necessary to submit separate letters of credit for each form?</p>
		<p>Answer: A Bidder <u>cannot</u> submit multiple Part 2 forms. A Bidder submits a single Part 2 form, and specifies a single price per SPAEC that applies to all tranches offered by the Bidder.</p>
009	1/19/2021	<p>Question: Can we markup the Purchase and Sale Agreement, or are we required to accept the proposed Purchase and Sale Agreement as presented?</p>

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		<p>Answer: The Solar Photovoltaic Alternative Energy Credit Purchase and Sale Agreement (SPAECPSA) is a document that is approved as a standard form by the Pennsylvania Public Utility Commission during each of the Companies' default service proceedings. As such, it must be accepted as presented and may not be marked up.</p> <p>To become a Qualified Bidder by completing the Part 1 form (and having that form accepted), an Officer of the Bidder must certify that they have read the SPAECPSA and that the Bidder accepts all of the terms of the SPAECPSA without modifications. This is also stipulated in Article IV.3.5 of the RFP Rules.</p>
010	1/19/2021	<p>Question: If a Bidder is not rated by at least two of S&P, Moody's, or Fitch, can the Bidder still obtain unsecured credit?</p>
		<p>Answer: Yes, as specified in Article 5.1.3 of the SPAECPSA, the Bidder may submit three years of audited, balance sheet, income, and cash flow statements and associated financial notes for review. If the review deems the Bidder to be creditworthy, the Bidder is eligible to receive an unsecured credit limit (UCL) equal to 6% of its Tangible Net Worth.</p>
011	1/19/2021	<p>Question: Is there a carve out for smaller suppliers?</p>
		<p>Answer: No, there is no carve out for smaller suppliers.</p>
012	1/19/2021	<p>Question: Is there a threshold below which non-public companies who don't have audited financials can participate?</p>
		<p>Answer: Anyone can participate in the SPAEC RFP as long as they can meet the requirements to become a qualified Bidder, and fulfill the requirements of the SPAEC Purchase and Sale Agreement (SPAECPSA). The posting of pre-bid security, which can be done via cash or a letter of credit, must be included as part of the Bid package. The SPAECPSA requires that a SPAEC supplier who is unable to meet the creditworthiness requirements sufficient to obtain an unsecured credit limit provide security in the form of cash or letter of credit.</p>
013	1/19/2021	<p>Question: Is there a minimum threshold below which pre-bid security is not needed?</p>

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		<p>Answer: No, pre-bid security must be provided with all bid proposals. This is specified in Section 2 of the Part 2 Form and Section V.3 of the RFP Rules. Pre-bid security is equal to 10% of the security required under the SPAECPSA, where the latter equals twice the offered price multiplied by the number of SPAECs offered annually. Hence,</p> $\text{Pre-Bid Security} = 10\% \times (2 \times \text{Price Offer}) \times (500 \times \text{Tranches Offered})$