

PROCUREMENT WORKING GROUP

MEETING NOTES

JULY 12, 2004

The meeting began at 1 p.m. in Springfield at the ICC offices with numerous individuals participating by teleconference.

It was decided that Scenario 10 (Re-Regulation) was adequately discussed by Constellation New Energy at the Joint workshop negating the need for a separate presentation at the Procurement Working Group. Comments, pro and con, are due by the close of business on July 20, 2004.

Discussion was held regarding the elimination of Scenario 3. It was decided that a new presentation of Scenario 3 would be scheduled when someone volunteered to make the presentation. Discussions of Scenario 3 Pros and Cons were delayed pending the presentation.

Discussions were then focused on the “pros” of Scenario 3A. Following are the consensus “pros” and “Factuals” for Scenario 3A:

PROS

1. *Allows more flexibility in mix of products.* 1. *Allows more flexibility in mix of products.*
(**CONSENSUS**)
2. *Provides for laddering of product types and terms which can dilute exposure to volatility or market power.* (**CONSENSUS**)
3. *Provides for a flexible plan, which may include long term and short term (including spot purchases) developed in a transparent public process making use of regulatory, utility, and other stakeholder expertise and including an assessment of wholesale supply contracts, market power, to manage risk on behalf of customers and suppliers accommodate changing supply, demand and market conditions over time.* (**CONSENSUS**)
4. *May include auctions where appropriate as well as RFPs for competitive procurement.*
(**CONSENSUS**)
5. *Allows for non-price considerations to be included in portfolio planning, such as fuel and technology diversity, demand response programs, energy efficiency, and encouragement of new generator entry and investment and, as such, can enhance by security.* (**CONSENSUS**)
6. *Assuming a competitive generation marketplace, results in market-based rates for customers.*
(**CONSENSUS**)

7. *Would appear to be capable of producing stable rates for applicable customers and suppliers within relevant time periods (monthly, quarterly, annually or multi-year periods) (CONSENSUS)*

8. *Allows for incorporation of RPS green power requirements. (CONSENSUS)*

9. *Enhances wholesale competition and market liquidity by opening up the procurement process to third-party suppliers through the utilization of competitive bidding. (CONSENSUS)*

10. *Facilitates generating companies with smaller or specialized asset portfolios being able to participate directly as suppliers to the utilities because the generating companies do not need diversified capacity mixes more critical to serving vertical tranches in order to participate. (CONSENSUS)*

11. *To the extent this scenario provides for a priori approval of the portfolio by the regulator uncertainty associated with after-the-fact prudence reviews is reduced. (CONSENSUS)*

FACTUAL

2. Suppliers of vertical tranches take on all generation-related responsibilities, including portfolio/risk management. **(Consensus)**

3. Risks and responsibilities would be shared between suppliers and the utility. **(Consensus)**

Mike Freeman and Elizabeth Moler presented Scenario 4. The presentation is to be placed on the Commission website.

Comments on Scenarios 6, 10 and 4 are due by the close of business July 20, 2004.

The July 19, 2004 Procurement Working Group meeting will be held at Constellation New Energy from 1:00 p.m. until 4:00 p.m. Issues to be discussed include Scenario 3A “Cons” and “Prose and Cons” for Scenario 5. A matrix of common issues among the Scenarios will be discussed. The last item for July 19 will be Scenario 11 by Mark Baird from Reliant.