

POWER SUPPLY FREQUENTLY ASKED QUESTIONS

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Why is Memphis Light Gas and Water “MLGW” not issuing an “open” power supply request for proposal “RFP”?

An “open” RFP is appropriate when the buyer already has appropriate transmission service and wide-ranging access to wholesale power markets. Midcontinent Independent System Operator “MISO” analysis of MLGW’s integration clearly spells out the need for local generation, in concert with the new transmission interconnections to MISO South, in order to reliably serve the load in Memphis/Shelby County. Meanwhile, MLGW’s IRP process identified specific, local thermal generation portfolios that would reliably and economically serve the Memphis/Shelby County load. Therefore, the RFP for traditional thermal generation resources (i.e. combined-cycle and combustion turbine technologies) is required to ensure these reliability requirements are met. It is anticipated that the “renewables RFP” will be utilized as an “open” RFP and will encompass varying types of alternative power supply products including financially-firm capacity and energy block purchases to ensure that the most economical combination of resources can be evaluated against the IRP portfolios.

Does MLGW need local generation to join MISO?

MISO conducted an analysis that assumed all MLGW load would be served by available generation in MISO South (e.g. All MISO option). Based on these assumptions, there were a number of reliability issues that were identified, including potential voltage collapse issues. MISO believes that a substantial portion of the generation serving MLGW could be located at remote sites given the transmission expansion scenarios investigated to date, but that there is likely a minimum level of generation that should be located locally within MLGW system. *Reference: MISO Membership Assessment Report, Page 35.*

Does MLGW have to build their own generation if they choose to leave the Tennessee Valley Authority “TVA”?

Local generation could either be owned and operated by MLGW and/or owned and operated by independent power producers who supply energy to MLGW through power purchase agreements.

Can MLGW use TVA transmission system to purchase power from MISO or other entities?

The IRP was designed under the conservative assumption that MLGW completely severs its interconnections to TVA and creates a new connection to MISO. TVA has made it clear that it “TVA will not consider wheeling [allowing MLGW to use TVA’s transmission assets as part of its connection to MISO] for MLGW or agree to any other power supply options that utilize any part of the TVA transmission system to deliver power to MLGW as those actions would erode the protections established by Congress for TVA’s remaining customers and its ratepayers under current regulations TVA”. In this letter, TVA’s position is based on Federal Legislation entitled the Anti-Cherry-picking Amendment to the Federal Power Act (Section 212) that prohibits FERC from ordering TVA to wheel power that would be consumed within the TVA Fence. *Reference: Integrated Resource Plan Report, Page 38.*

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Is MLGW limited to the portfolios recommended in the Integrated Resource Plan?

No. However, the IRP will be utilized to determine the general mix of assets and locations of interest in the power supply Request for Proposal “RFP”.

How will the generation and transmission RFPs be issued?

GDS will prepare the necessary RFP documentation, including all technical bid specifications and forms, and provide the RFP documents to MLGW, which will be made available on MLGW’s website. It is expected that this will be a public process and all interested parties will be able to view the general RFP documents on MLGW’s website. GDS will support MLGW with the issuance of the RFP, which will start by creating and issuing a press release through MLGW’s normal procurement communication channels and industry trade publications, along with an email distribution to GDS’ 600+ proprietary industry vendor contacts. MLGW will also host a “pre-bid” conference and GDS will assist with the organization of the conference and provide all necessary technical support to address all vendor related questions on the RFPs.

Has GDS ever led a RFP process of this scale and scope?

GDS and Stanley have combined to offer expertise in developing and administering RFPs of the scale specified by MLGW. This includes leading RFP processes for full and partial-requirements PPAs, long-term capacity and energy products of over 1000 MW, power plants of over 1000MW and transmission infrastructure up to 500kV. Combined, the two companies have been engaged by over sixty (60) utilities in the past five (5) years to facilitate RFPs and/or PPA/EPC contract negotiations. Additionally, Stanley brings a wealth of experience in engineering, procurement and construction of large-scale generation and transmission projects.

Has GDS worked with MISO in the past?

Over the past 15 years, GDS has assisted numerous public power entities with integration into MISO along with on-going consulting support for all transmission and market operations, including resource procurement and related acquisition of transmission service. The on-going consulting support includes interfacing with MISO on technical and regulatory matters, representation of clients in MISO stakeholder groups, and managing daily market operations and on-going Market Participant obligations (examples include MISO market portal submittals, annual activities for resource and capacity obligations, generation and transmission outage reporting, demand and energy bidding, generation interconnection requests, and transmission expansion plan project development).