



REQUEST FOR PROPOSALS

For Up to 300 MW Capacity or Capacity and Energy

Duke Energy Indiana

Dated: July 9, 2013
Proposals Due: August 5, 2013

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



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1.0 Background

Duke Energy Indiana, Inc. is requesting capacity or capacity and energy to potentially replace 300 MWs from coal generating facilities that could possibly retire. These retirements could be necessary as a result of the multiple emerging environmental regulations including the EPA Mercury and Air Toxic Standards (MATS) rule and other water quality, fish impingement, and coal residual standards. The company will consider multiple capacity alternatives including Power Purchase Agreements (PPA), Tolling Agreements (TA), Asset Purchases, existing coal to natural gas conversion, and new self build generation. Duke Energy Indiana will allow company affiliates to participate in this RFP.

2.0 Introduction & Company Information

Duke Energy Indiana, Inc. has a need for capacity or capacity and energy resources beginning June 1, 2016 in order to meet its MISO Planning Reserve Margin Requirement and serve its customers needs economically.

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

- Resources of up to 300 MWs of Unforced Capacity (UCAP) or Capacity (UCAP) and Energy beginning June 1, 2016
- Traditional supply side and renewable proposals must be for a minimum block of 50 MWs UCAP
- PPA and TA contract terms must be for a minimum of 5 years and a maximum of 10 years; asset purchases must have remaining asset life of at least 10 years
- Resources must be operated by a MISO market participant, unit contingent and dispatchable (or schedulable) into MISO
- Capacity must be located in MISO or have firm deliverability to the MISO border
- Energy can be either physical or financial with following delivery options:
 - If physical energy and in MISO, then the energy must be delivered at the generator node
 - If physical energy and external to MISO, then the energy must be delivered to the MISO border
 - If financial energy, then the delivery point is CIN.PSI
- Duke Energy Indiana will not accept proposals for projects on Duke Energy property, energy efficiency, or demand side management (DSM)
- Asset Purchases of coal generating facilities will not be accepted.

Duke Energy Indiana 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), an energy company headquartered in Charlotte, NC, supplies and delivers energy to approximately 7.2 million U.S. customers. The company has nearly 49,700 MWs

of owned regulated electric generating capacity in the Midwest and the Southeast and natural gas distribution services in Ohio and Indiana.

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.

3.0 General Terms

Duke Energy Indiana is requesting up to 300 MW of capacity or capacity and energy in connection with its MISO Planning Reserve Margin Requirements and to serve its customers' energy needs economically. Duke Energy Indiana requires that resources be dispatchable/schedulable into MISO and unit contingent.

A. Product Definition

Duke Energy Indiana is seeking the following products in its RFP:

1. Capacity (MW) -or-
2. Capacity (MW) and Energy (MWh),

Traditional supply side and renewable proposals are acceptable, but Renewable Energy Certificates are not desired at this time.

In order to participate in this RFP, resources must be a certified Capacity Resource as defined by MISO. Resources external to MISO must demonstrate firm Transmission Service from the resource to the MISO border. Firm Transmission Service must be obtained to deliver at least the ICAP amount of the Capacity Resource from the external resource to the MISO border.

B. Proposal Types

Duke Energy Indiana is interested in potentially executing a contract for traditional supply side and/or renewable resources with one of the following proposal types:

1. Purchase Power Agreements (PPA)
2. Tolling Agreements (TA)
3. Asset Purchase

C. Contract Capacity

The contract capacity shall be stated in terms of MISO UCAP. Duke Energy Indiana will accept bids with a minimum UCAP of 50 MW up to a maximum UCAP of 300 MW.

D. Delivery Date & Term

Duke Energy Indiana is seeking up to 300 MW of capacity or capacity and energy beginning June 1, 2016. A minimum term of 5 years is required up to a maximum term of 10 years. Asset purchases must have a remaining plant life of at least 10 years.

E. Delivery Point

Capacity must be located in MISO or have firm delivery to the MISO border. Energy that is either physical or financial is acceptable. If the product is physical energy which is located in MISO, then the delivery point is at the generator node. If the product is physical energy external to MISO, then the delivery point is the MISO border. If the product is financial energy, then the delivery point is the CIN.PSI node. Preference is for energy pricing at the CIN.PSI Pricing Node including applicable congestion and losses.

F. Contract Pricing

1. Purchase Power Agreements/Tolling Agreements

All PPA/TA pricing should be comprised of a capacity component on a \$/kw-yr basis and an energy component consisting of a non-fuel variable O&M (\$/MWh) component and a fuel cost (\$/MMBtu) component. A heat rate must be given for conversion of fuel costs to \$/MWh. Alternatively, a fixed “dispatch” price may be provided on a \$/MWh basis. The total variable pricing (non-fuel variable O&M +fuel) of the unit charged to Duke Energy Indiana must be equal to the MISO dispatch price. Duke Energy Indiana prefers non-fuel variable pricing to be on a fixed price or fixed escalation rate basis (e.g. 2%, 3% escalation rate). This information must be provided in **Attachment B: Response Package** under either **Section B: Purchase Power or Tolling Term Sheet** or **Section C: Asset Purchase Term Sheet**.

The seller of the capacity will be responsible for all relevant MISO resource performance assessment penalty charges. Bidder is responsible for complying with all applicable state and federal environmental regulations and requirements, including SO₂ allowances, NO_x allowances and emission fees.

2. Asset Purchase Price

The purchase price of the asset should be stated in millions of dollars. Operational data must also be given as detailed in **Attachment B: Response Package** under **Section C: Asset Purchase Term Sheet**. Purchases of coal assets are not desired at this time.

G. Fuel Supply

1. Gas

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 Duke Energy Indiana to understand the formula components for estimation of the cost of fuel, in \$/MMBtu, for the proposal term. For evaluation purposes, Duke Energy Indiana plans to use its own fundamental fuel price forecast for estimates of natural gas commodity pricing for each bid.

For natural gas pipeline capacity, if firm transportation is included in the bid, then the cost of should be specified. Provide appropriate details including-- Maximum Daily Transportation Quantity (MDTQ) and any transportation demand rate information expressed as a Daily Demand Rate per MMBtu (100% LF) necessary for Duke Energy Indiana to understand the total cost of firm gas transportation on a monthly and annual basis. Please provide the upstream interstate and LDC provider.

This information must be provided in **Attachment B: Response Package** under either **Section B: Purchase Power or Tolling Term Sheet** or **Section C: Asset Purchase Term Sheet**.

2. Coal

The proposal must provide coal specifications and projected coal prices. Asset purchases of coal will not be accepted at this time. This information must be provided in **Attachment B: Response Package**.

H. Location

Proposals must contain unit contingent offers. Proposal must identify the generation resources that have been proposed and their location. There will be a preference for assets with the following declining order of preference:

1. Assets located in MISO Local Resource Zone 6
2. Assets located in MISO
3. Assets external to MISO with firm deliverability to the MISO Border

I. Transmission

Resources external to MISO must demonstrate firm Transmission Service from the resource to the MISO border. Firm Transmission Service must be obtained to deliver at least the ICAP amount of the Capacity Resource from the external resource to the MISO border. PPA/TA suppliers are responsible for all delivery and loss charges to the delivery point.

4.0 Instructions to Respondents

A. Overview of Process

B&M has set-up an e-mail address DukeEnergyIndianaRFP@burnsmcd.com to collect all communications and questions from potential respondents as well as a web site <http://DukeEnergyIndianaRFP.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 business days to conform. All conforming proposals will be sent to Duke Energy Indiana for evaluation with the respondent's name and other identifying information redacted from the proposal. The evaluation of the bids will be performed by Duke Energy Indiana 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 Indiana RFP Schedule

Event	Anticipated Date
Release of RFP	July 9, 2013
Proposal Submittal Deadline	August 5, 2013
Selection of Short List	September 16, 2013
Complete Negotiations	First Quarter 2014

B. Nondisclosure Agreement (Attachment A) and Response Package (Attachment B)

Respondents to this RFP are required to sign **Attachment A: Nondisclosure Agreement (NDA)** in its present form. Respondents to this RFP area also required to complete the **Attachment B: 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 A: Nondisclosure Agreement (NDA)

Attachment B: Response Package

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

DukeEnergyIndianaRFP@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 August 5, 2013**. Duke Energy Indiana 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 B: 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

The proposal must include an executive summary, proposal limitations, the technical and cost aspects and relevant company data.

A. Executive Summary

Please provide an overview of the proposal and project. Include an overview of the technology, fuel type, project benefits and location. Please also complete **Section A: General Information** located in **Attachment B: 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 capacity and energy as offered.

C. Technical Proposal & Cost

Please describe in reasonable detail the source of the capacity and energy. For Purchase Power Agreement and Tolling Agreements, operational information and pricing should be given as indicated in the **Section B: PPA/TA Term Sheet** section located in **Attachment B: Response Package**. All proposed asset purchase proposals shall fill **Section C: Asset Purchase Term Sheet** section located in **Attachment B: Response Package**.

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 and review all responses 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 Duke Energy Indiana for evaluation with the respondent's name and other identifying information redacted from the proposal.

B. Short List Development

Duke Energy Indiana will then evaluate all proposals to meet both capacity and energy needs. Proposals will be evaluated based on present value economics and other factors that may include, but will not be limited to location, credit, relevant experience, technology feasibility, permitting, deliverability and impact to Duke Energy Indiana's balance sheet.

During the evaluation process, Duke Energy Indiana 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.

C. Contract Negotiations

Duke Energy Indiana will contact the respondent in writing of its interest in commencing contract negotiations. Duke Energy Indiana's commencement of and participation in negotiations shall not be construed as a commitment to execute a contract. 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 Duke Energy Indiana to select any proposals or limit the ability of Duke Energy Indiana to reject all proposals in its sole and exclusive discretion. Duke Energy Indiana 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 Duke Energy Indiana pursuant to this RFP shall become the exclusive property of Duke Energy Indiana and may be used for any reasonable purpose by Duke Energy Indiana. Duke Energy Indiana 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 Duke Energy Indiana.

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, Duke Energy Indiana may produce the material in response to such order without prior consultation with the respondent.