

VECTREN POWER SUPPLY

Evansville, IN

REQUEST FOR PROPOSALS

FOR

Renewable Energy and Associated Credits

Beginning no later than 2012

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1.0 Purpose of Request for Proposals

Vectren Corporation is an energy and applied technology holding company headquartered in Evansville, Indiana. Vectren's energy delivery subsidiaries provide gas and/or electricity to over one million customers in adjoining service territories in Indiana and Ohio. Southern Indiana Gas and Electric Company, Inc. d/b/a Vectren Power Supply, Inc., an Indiana corporation ("Vectren Power Supply"), serves over 136,000 electric customers in southwest Indiana. Vectren Power Supply is a member of the Midwest ISO.

VECTREN POWER SUPPLY is seeking to procure renewable energy. This procurement would include the capacity, physical energy and associated renewable attributes in the form of renewable energy credits (REC). For this RFP, Vectren Power Supply seeks to purchase up to 250,000 MWhs of renewable energy per year, depending on the cost, availability and other factors to be considered. The preferred term of the contract for the renewable energy beginning no later than 2012 is 10 years, or for such term as agreeable to the Parties.

In addition, Vectren Power Supply will entertain offers for the sale of the renewable energy facility

2.0 Instructions to Bidders

2.1 General

- 2.1.1 Nothing contained in this RFP shall be construed to require or obligate VECTREN POWER SUPPLY to select any proposals or limit the ability of VECTREN POWER SUPPLY to reject all proposals in its sole and exclusive discretion. VECTREN POWER SUPPLY further reserves the right to withdraw and terminate this RFP at any time prior to the execution of a contract.
- 2.1.2 The submission of a proposal to VECTREN POWER SUPPLY shall constitute a Bidder's acknowledgment and acceptance of all the terms, conditions and requirements of this RFP.
- 2.1.3 Subject to 2.1.4, all proposals submitted to VECTREN POWER SUPPLY pursuant to this RFP shall become the exclusive property of VECTREN POWER SUPPLY and may be used for any reasonable purpose by VECTREN POWER SUPPLY.
- 2.1.4 VECTREN POWER SUPPLY shall consider materials provided by Bidder in response to this RFP to be confidential only if such materials are clearly designated as "Confidential". Bidders 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 VECTREN POWER SUPPLY. Bidders 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, VECTREN POWER SUPPLY may produce the material in response to such order without prior consultation with the bidder.

2.1.6 Bidders shall be responsible for all costs and issues associated with bids; contract negotiations; completion of the contract; all taxes, duties, fees and other charges associated with the delivery of capacity and energy under the contract; and compliance with all local, state and federal laws that may affect the contract.

2.2 Overview of Process

2.2.1 VECTREN POWER SUPPLY has set-up an e-mail address to collect all internet communication from potential bidders as well as to provide uniform communication including updates and specific detail as may be provided from time to time through this bidding process. The e-mail address is **VECTRENRF@burnsmcd.com**

2.2.2 The bid process will include the activities and events as indicated in the schedule shown in **Exhibit A**. Bid opening will be performed in private. Proposals will be screened and offers that do not meet the information requirements of this RFP will be notified and allowed one week to conform. The evaluation of the bids will be performed by VECTREN POWER SUPPLY with assistance provided by Burns & McDonnell. Bidders on any short list developed may be invited to begin negotiations of final details of the offers. Final evaluation of the offers, considering contract terms, will then be performed.

2.3 Notice of Intent to Bid

2.3.1 Each potential Bidder is requested to advise VECTREN POWER SUPPLY by the date shown in Exhibit A of its intent to submit a proposal by submitting a Notice of Intent to Bid.

2.3.2 The Notice of Intent to Bid form may be faxed or e-mailed, to the following address:

Vectren Power Supply Renewable RFP c/o
Kiah Harris
Burns & McDonnell
Fax: (816) 822-3027
Email: **VECTRENRF@burnsmcd.com**

2.4 Deadline and Method for Submitting Proposals

2.4.1 Proposals must be submitted in the complete name of the party expecting to execute any resulting contract with VECTREN POWER

SUPPLY. The proposal must be executed by a person who is duly authorized to bind the Bidder to a contract.

2.4.2 All proposals submitted in response to this RFP must be received by VECTREN POWER SUPPLY no later than 4:00 PM CST on the date shown in Exhibit A.

2.4.3 **VECTREN POWER SUPPLY reserves the right to reject proposals received after the specified date and time set forth in Exhibit A.**

2.4.4 Bidders are required to provide three (3) bound sets of all documents, including exhibits, as part of its proposal. It is further requested that multiple proposals submitted by each Bidder be identified separately. Proposals must be delivered to the following address:

Attn: Kiah Harris
Burns & McDonnell
9400 Ward Parkway
Kansas City, MO 64114

2.4.5 Emailed proposals will be acceptable and must be received by VECTREN POWER SUPPLY no later than 4:00 PM CST the date shown in Exhibit A. Email proposals must be followed up within three business days with hardcopy proposals that conform in full to the requirements of Sections 2.4.1 and 2.4.4 and all other requirements stated in this RFP.

2.5 Questions and Interpretation of RFP

VECTREN POWER SUPPLY requests that all questions concerning this RFP be submitted in writing to Burns & McDonnell at the e-mail address indicated in Section 2.2.1. Answers will be posted to the web site as they become available, typically within two to three business days. Bidders are encouraged to check the web site for updates. VECTREN POWER SUPPLY will not be responsible for other explanations or interpretations of the RFP. Written questions will be accepted by VECTREN POWER SUPPLY until one week before the proposal submittal deadline.

It shall be the obligation of the bidder to identify to VECTREN POWER SUPPLY any conflicting statements, need for clarification, or omissions of pertinent data from the RFP before bids are due. Any questions not resolved by the bid date shall be identified in the proposal and a statement made as to the basis of the proposal.

2.6 Requirements of the Proposals

2.6.1 Proposals must be provided in the format outlined in Section 3.0. The content of proposal(s) shall be subject to the requirements of this RFP. VECTREN POWER SUPPLY requests that all exhibits,

documents, schedules, etc. submitted as a part of a proposal be clearly labeled and organized in a fashion that facilitates easy location and review.

- 2.6.2 All proposals must conform, as applicable, to the requirements set forth in this RFP.
- 2.6.3 This RFP is for a maximum amount of 250,000 MWh and associated RECs of renewable energy starting on or before January 1, 2012, as negotiated and as mutually agreeable to the parties. RECs are defined by the Green-e program as administered by the Center for Resource Solutions. Any capacity that can be accredited by the Midwest ISO or the applicable reliability region associated with the energy shall be provided as a part of the purchase.
- 2.6.4 Associated energy shall be received by VECTREN POWER SUPPLY with the maximum flexibility allowed by the Midwest ISO for the effective period of the associated contract.
- 2.6.5 For projects not located on the Vectren system, the delivery point of all such capacity and energy shall be the Midwest ISO.
- 2.6.6 The pricing, as set forth in Section 3.5, contained in each proposal shall include all costs, fees and charges for delivery to the delivery point.
- 2.6.7 For those projects not connected to the Vectren system, Bidder's shall show that the proposed generating source(s) can be delivered to the MISO market. Vectren will consider projects connected to the Vectren system for interconnection requirements. Capacity proposed must satisfy Reliability First/NERC Guides and Midwest ISO capacity resource requirements for accreditation by the applicable NERC regional reliability council or successor organizations. Bidder shall provide VECTREN POWER SUPPLY with sufficient documentation necessary to demonstrate compliance.
- 2.6.8 Proposals must be for purchase of energy from qualifying renewable facilities. VECTREN POWER SUPPLY will consider proposals from wind, solar photovoltaic, biomass, landfill gas, methane digesters and hydro-electric facilities as qualifying resources if they are eligible for RECs. Dispatchable resources are preferable over non-dispatchable resources.
- 2.6.9 The minimum amount of energy from any proposal shall be 5,000 MWh per year.
- 2.6.10 Bidders may submit more than one proposal.

- 2.6.11 The pricing, as set forth in Section 3.5, contained in each proposal shall reflect all costs associated with the delivery of the product to the point of delivery.
- 2.6.12 Proposals that rely upon generation resources outside of the Midwest ISO's system must provide for the delivery of unit output to the Midwest ISO's transmission system. Transmission service which the Bidder acquires for the purpose of delivering said capacity shall be Firm Point-to-Point. Bidder shall be responsible for providing firm transmission throughout the term of the contract. Said transmission service shall be continuously reserved for the duration of the capacity transaction.
- 2.6.13 At some point during the evaluation process, however, VECTREN POWER SUPPLY, in its sole discretion, may deem it necessary to require Bidder(s) to demonstrate the ability of the proposed project to be delivered to the MISO system.
- 2.6.14 Vectren will consider projects that are "behind the meter" connections to the Vectren system or are proposed to be connected to the Vectren distribution system. Interconnection costs and approaches shall be estimated and described in the Proposal.
- 2.6.15 Bidders are advised that prior to VECTREN POWER SUPPLY signing a power supply agreement, the Bidder will be required to provide substantial evidence of credit assurance as detailed in Section 3.7 of this RFP. All forms of credit assurance will be approved by VECTREN POWER SUPPLY before entering into an agreement. The form and quality of credit assurance shall be approved by VECTREN POWER SUPPLY prior to further negotiations.
- 2.6.16 VECTREN POWER SUPPLY will be negotiating a specific renewable Power Purchase Agreement using either the EEI or ISDA format for any contract negotiations resulting from this RFP.

3.0 Proposal Organization

All Proposals must include the following minimum components in the order provided:

3.1 Summary

3.2 Statements

- 3.2.1 A statement from the Bidder clearly indicating the time period during which the proposal will remain effective. VECTREN POWER SUPPLY requires that the structure of the proposal and products offered remain effective through August 2009, as a minimum. Final contract negotiations will be based on refreshed prices, if necessary.

3.2.2 All documentation and signatures required depending on the nature of the proposal.

3.3 Contract Terms

A comprehensive listing and description, including a rationale if warranted, of all contract terms and conditions that the Bidder would seek during contract negotiations. Contracts are desired for a minimum of 10 year terms, or for such terms as agreeable to the Parties.

3.4 Proposal Limitations

A listing of any economic, operational or system conditions (including sensitivities to anticipated dispatch levels) that might affect the Bidder's ability to deliver capacity and energy, as offered.

3.5 Term Sheet

Information on the product, cost of the capacity and energy and other information shall be provided as per the sample Term Sheet contained in **Exhibit C**. Proposals shall provide a fixed price for the capacity and energy for their proposed term including the cost for all losses, congestion costs, ancillary services, transmission delivery fees, MISO or other associated fees, taxes, duties, and any other costs associated with the furnishing of the capacity and associated energy to the proposed VECTREN POWER SUPPLY delivery point. No special pricing terms or conditions shall be permitted. For consideration in the evaluation process, proposals must contain a statement that all such fees have been included in the proposed price. Pricing shall include the RECs associated with the renewable energy proposed.

3.6 Company Financial Data

Information on the makeup of the company and its parent organization shall be provided along with the most current annual financial reports and SEC Form 10-k (if applicable to the Bidder). If such information is available from the internet, provide the direct page link to such information.

3.7 Security and Reliability of Physical Delivery

VECTREN POWER SUPPLY requires secure and reliable physical delivery of the capacity and associated energy corresponding to all power supply offers. Security and reliability of physical delivery will be guaranteed by either (1) evidence of contractual credit assurance by a third party, (2) parent corporation commitment accompanied by an investment level credit rating from a major rating agency, or (3) various combinations of (1) and (2). All forms of credit assurance will be approved by VECTREN POWER SUPPLY before entering into a power supply agreement.

4.0 Proposal Content

For consideration in the evaluation process, proposals must contain the information outlined in the following paragraphs for the respective proposal type.

4.1 Technical Proposal

The proposal shall contain sufficient technical information to fully describe the resource(s) and allow a determination of the status and condition of proposed sources of capacity. The web site contains a spreadsheet (**Exhibit C-Tech**) bidders are requested to use for this requirement. The information shall include, but not be limited to the following:

- Type of renewable technology
- Location of resource
- Commercial operating date
- MW rating (Nameplate and capable of being accredited for MISO Module E requirements)
- Guaranteed MWh output to Delivery Point
- Development status for new resource
- Historical operations for existing resource
- Capacity factor
- Availability
- Interconnection location and delivery point

4.2 Deliverability

For those projects not located on the Vectren system, proposals shall provide the results of the deliverability tests of the Midwest ISO for assurance that the stated capacity is deliverable to the Midwest ISO system. If results of such a test are not available, describe the approach to meet such requirement.

5.0 Proposal Evaluation and Contract Negotiations

5.1 Screening

5.1.1 After the proposal submittal deadline, Burns & McDonnell will privately open all proposals and begin reviewing proposals for completeness and responsiveness. Those proposals which do not include all information identified in Paragraph 3 shall be notified and provided one week to cure the deficiency. Those proposals not cured within the time allotted will not be evaluated further.

5.1.2 An initial screening will be developed to identify those proposals that meet the minimum criteria established by VECTREN POWER SUPPLY in Paragraph 2.6 for evaluation. Those proposals that are judged to not meet the required threshold of product quality, credit assurance, and other factors will be rejected.

- 5.1.3 VECTREN POWER SUPPLY may request that Bidder provide additional information or clarification to its original proposal. VECTREN POWER SUPPLY shall make such requests in writing and will also specify a deadline for compliance. Failure to provide the requested information or clarification by the deadline will result in the disqualification of the proposal.
- 5.1.4 VECTREN POWER SUPPLY may select any number of proposals, or reject all proposals or at any time withdraw and terminate this RFP pursuant to Section 2.1.1, as it, in its sole and exclusive judgment deems appropriate.

5.2 Short List Development

- 5.2.1 After the initial screening, VECTREN POWER SUPPLY will evaluate the remaining proposals based on price using present value economic analysis and levelized cost to develop a short list. Dispatchable resources will be given priority over non-dispatchable resources.
- 5.2.2 During the evaluation process, VECTREN POWER SUPPLY may choose to initiate discussions with one or more Bidders. For purposes of this RFP, discussions shall simply indicate VECTREN POWER SUPPLY's interest in a particular proposal and its desire to obtain from the Bidder additional detailed information that may not necessarily be contained in the proposal. Discussions with a Bidder shall in no way be construed as commencing "negotiations" with a Bidder. VECTREN POWER SUPPLY intends to use such discussions as a method of reducing the number of proposals to those, if any, that VECTREN POWER SUPPLY determines warrant further evaluation and, possibly, contract negotiations. If VECTREN POWER SUPPLY intends to initiate discussions, it will notify the Bidder of such intention and require the Bidder of such proposal to confirm, in writing, the offer and representations contained in its original proposal.
- 5.2.3 If VECTREN POWER SUPPLY is not interested in a particular proposal, it will notify the Bidder as soon as practical after such determination is made.
- 5.2.4 VECTREN POWER SUPPLY will assess the benefits of the proposals primarily through the delivered prices for the capacity and energy. However, consideration of contractual options or other subjective factors will be included where more than one proposal provides similar benefits.

5.3 Contract Negotiations

- 5.3.1 VECTREN POWER SUPPLY will notify a Bidder of its interest in commencing contract negotiations with that Bidder. VECTREN POWER SUPPLY's commencement of and active participation in such negotiations shall not be construed as a commitment from VECTREN POWER SUPPLY to execute a contract. If, however, a contract is successfully negotiated, it shall not be effective unless and until fully executed by VECTREN POWER SUPPLY in accordance with its procedures and any and all required regulatory approvals have been received.
- 5.3.2 During the contract negotiation phase, price will continue to be the primary evaluation factor. It is understood that final contract negotiations will be based on refreshed prices. VECTREN POWER SUPPLY will also be considering contract terms at this point in the evaluation to determine the most attractive offer or set of offers.
- 5.3.3 VECTREN POWER SUPPLY reserves the right at any time, during contract negotiations, at its sole discretion, to terminate or, once terminated, to resume negotiations with a Bidder.
- 5.3.4 VECTREN POWER SUPPLY will require that certain provisions be included in its contracts. Such provisions may include, but are not limited to, insurance, indemnification, performance guarantees, liquidated damages for non-performance, firm security (depending on the financial means and historical performance of the Bidder), ability of VECTREN POWER SUPPLY to reassign its entire rights, or a portion thereof, of the contract to another party, and a "regulatory out" provision.
- 5.3.5 This RFP contains general guidelines and requirements for developing and submitting proposals. Nothing herein shall be construed to bind VECTREN POWER SUPPLY unless and until a contract with a Bidder has been successfully negotiated, executed, and is effective. Once effective, the contract will govern the relationship between and responsibilities of the parties. The costs for responding to the RFP and any subsequent contract negotiations are the responsibility of the Bidder.

**Exhibit A
SCHEDULE**

The schedule as outlined below and referred to throughout this document is based on VECTREN POWER SUPPLY's expectations as of the release date of this RFP.

Release of RFP	March 27, 2009
Notice of Intent to Bid	April 10, 2009
Proposal Submittal Deadline	May 1, 2009

VECTREN POWER SUPPLY reserves the right to extend or otherwise modify any portion of the schedule or terminate the RFP process at its sole discretion.

Exhibit B
NOTICE OF INTENT TO BID
(Due by April 10, 2009)

1. Upon reviewing the RFP, we: Plan ___ Do not plan ___ to submit a proposal.

2. Bidder:

3. Contact:

4. Mailing Address:

e-mail address:

5. Tel Number: () _____ Fax Number: () _____

6. Signature of respondent:

Title:

Date:

Fax to: 816.822.3027 Burns & McDonnell
Attn: Kiah Harris

E-Mail to: VECTRENRF@burnsmcd.com

Exhibit C
Sample Term Sheet
(Due by May 1, 2009)

Note to Bidder-Provide a separate term sheet for each different Term or capacity offering and include information from Exhibit C-Tech spreadsheet for each offer.

Product Renewable Capacity, Energy and associated RECs for up to 250,000 MWh annually.
Bidder to provide proposed quantity and indicate if VECTREN POWER SUPPLY can evaluate any amount from 5,000 MWh or if proposal is for a fixed block only.

Seller

Purchaser VECTREN POWER SUPPLY

Delivery Point _____

Term _____

Capacity _____ MW As accredited by specific resource type

Guaranteed Energy _____ MWh per year (5,000 MWh minimum)

Scheduling Scheduling, if applicable, shall be performed based on the resource and Midwest ISO regulations.

Price Product shall be priced at [\$_____ per MWh over the Term]

Pricing to include all RECs, ancillary service costs, Midwest ISO charges, taxes and other fees necessary for delivery to the delivery point.