

**The Dayton Power and Light Company
Request for Proposals for Coal Supply**

The Dayton Power & Light Company ("DP&L") is issuing this Request for Proposals ("RFP") to solicit offers to supply coal at its Ohio River generating stations. DP&L receives coal via barge at two stations: J.M. Stuart Station, located near Aberdeen, Ohio, at Ohio River milepost 404.5; and Killen Station, located near Wrightsville, Ohio, at Ohio River milepost 389.6. DP&L requests proposals for both stations, FOB Barge and/or FOB Railcar, for delivery 1st Quarter (January through March) 2012.

RFP Schedule:

The schedule for submission of proposals, evaluation of proposals and determination to contract by DP&L is as follows:

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| • RFP Issued | November 11, 2011 |
| • Submission of Proposals – Close of Business | November 23, 2011 |
| • Short List Determination/Contact Selected Vendors | December 6, 2011 |
| • Commitment to Price/Volume/Qualities, pending agreement to final contract language | December 13, 2011 |
| • Contract Terms/Exceptions – Finalize Contracts | December 21, 2011 |

Requested Offers:

Volume: DP&L will consider contracts for quantities of up to 600,000 tons for the requested term January 2012 through March 2012. DP&L will consider offers for less than 600,000 tons for the requested delivery period. Coals from any sources not previously burned by DP&L may be subject to test burns to establish operational compatibility for the subject stations. Bidder must be willing to warrant that there are reserves equivalent to the total required to supply the tonnage and quality for the proposed term.

Coal Characteristics: DP&L is interested in offers of all types of coals that the respondent may have available, including offers that represent NYMEX/OTC contract quality specifications and shipping locations.

Bidder must provide a recent Ultimate Coal Analysis, along with an Ash Mineral, Trace Elements, and Equilibrium Moisture Analysis for their bid to be considered. This data must be supplied in Attachment 1. Such analyses should show the ranges of coal quality, who performed the testing and the date of analysis.

DP&L reserves the right to have its representative(s) visit the bidder's mines and loading facilities, to take coal samples for analysis, to obtain other information as to the suitability of the coal, to evaluate the bidder's capability to perform, etc. Acceptance of offers for consideration may be made conditional upon the results of such investigations.

Price: DP&L requests fixed price offers for delivery of coal during the 1st calendar quarter 2012 (January through March).

Prices quoted shall be inclusive of **any and all** costs, including but not limited to taxes, fees, insurance requirements, barge fleeting and switching charges, harbor costs, port costs, third party costs, etc. which are the responsibility of the bidder and shall be priced F.O.B. railcar or barge. The barges shall be free of all costs to DP&L's barge transportation contractor, and any and all additional costs **must be included** in the quoted price of the coal. The price shall include all costs up to the point the DP&L's transportation contractor takes possession and control of the coal and/or railcars.

Volume Flexibility: DP&L requests pricing for volume flexibility of 10-25% for any term offered. Bids should include a price for a fixed volume and a separate price for coal offered with a specified percentage of volume flexibility.

Quality Adjustments: In addition to a BTU adjustment, DP&L requests an SO₂ penalty. DP&L will not accept an SO₂ premium payment structure. The penalty shall be calculated in accordance with the format in Attachment 1.

Terms and Conditions: In the event that respondents have not executed a Master Fuel Purchase and Sale Agreement with DP&L, any proposed coal supply must be sold and delivered under the provisions of **DP&L's Transaction Confirmation and Terms and Conditions (Annex A)**. A link to this document has been provided in the email accompanying this RFP. Any requested exceptions to terms and conditions should be noted and attached with Attachment 1. In addition, the respondent is to outline and attach any additional terms and conditions specific to their proposal including but not limited to quality adjustment, acceptable weighing and sampling processes, proposed shipping schedules, alternative sources (both FOB and mine origin) and volume flexibility.

Offer Time Period: Offers under this RFP are to remain open and valid until 5 p.m. December 2, 2011.

Supplier Offer Documentation:

Respondents must include the following documentation:

1. The offer package **MUST INCLUDE** authorization from the producer, if the bid is being submitted by a 3rd party, giving the respondent the sole and exclusive right to offer the coal to DP&L on the producer's behalf. This signature of authorization must come on the DP&L Coal Proposal Form, and
2. The respondent **MUST IDENTIFY** the owners or the parent company of the mine(s) they are representing and a full proximate analysis of the coal they are representing.
3. The respondent **MUST PROVIDE** information regarding credit worthiness:
 - Name of the contracting entity
 - Description of the corporate structure
 - Audited financial statements
 - Offer of a Parental Guaranty, if applicable

Coal Brokered: If coal is brokered, bidder shall provide written assurance from producer(s) that tonnage offered by the broker is committed by the producer(s). To meet the requirements of this section, bidders must fully comply with the specific requirements of Attachment 1.

Credit Assurance: Bidder must provide credit assurance acceptable to DP&L. DP&L reserves the right to require the bidder to furnish a performance bond of an amount sufficient to provide adequate protection to DP&L in the even the bidder is unable to satisfactorily perform the duties and obligations imposed on bidder, under any contract which is entered into as a result of this bid.

Confidentiality: DP&L will retain in confidence all proposals and other information received pursuant to this RFP, but reserves the right to disclose such information and/or proposals to consultants that DP&L may retain to assist in the evaluation and contract effort, or when so requested by a court or government agency. In any event, DP&L, its employees, counsel, and consultants will not be liable for the accidental disclosure of proposal information.

Insurance: During the proposed term, respondent shall provide and/or cause its transloading operators at the barge loading points to procure and maintain the following minimum insurance coverages:

1. Statutory Longshore and Harbor Workers' Compensation Act Insurance and/or statutory Workers' Compensation Insurance or Jones Act (Maritime Employers Liability), whichever is applicable, covering all the workers at the barge loading points; and
2. Marine Liability insurance (in any combination of primary and excess policies) including but not limited to Protection and Indemnity Liability, Jones Act (Maritime Employers Liability), Pollution Liability, Full Collision Liability, Marine Operators Liability, Marine Contractual Liability, Wharfinger Liability, Towers' Liability, Hull and Cargo Legal Liability and Cost of Removal of Wreck and Cargo (including voluntary or statutory), as applicable, covering DP&L and/or transloading operators, as applicable, motor vessels, docks and fleets operations at all barge loading points in an amount not less than \$10,000,000 per occurrence.

Acceptance and Rejection of Proposals: DP&L reserves the right to withdraw this RFP, to request additional information, to waive technicalities or irregularities, to accept any proposal(s), to reject any or all proposals, to terminate any subsequent discussions at any time, or to re-solicit proposals in the event that all proposals are rejected or DP&L deems otherwise necessary. DP&L reserves the right to revise this RFP, including the desired qualities, quantities and requirements for proposals, at any time. Additionally, DP&L reserves the right to accept proposals other than the lowest cost proposal(s). Respondents should recognize that factors other than cost, as described above, would be considered during the proposal evaluation process. This RFP does not constitute an offer subject to acceptance. DP&L reserves the right to consider other alternatives outside of this RFP at its sole

discretion to satisfy its coal supply needs. Respondents agree to submit proposals without recourse against DP&L for either rejection or failure to execute a coal supply agreement or alternate agreement for any reason. DP&L also reserves the right to accept one or more proposal(s) for a portion or for all of the quantities of coal. DP&L also reserves the right to negotiate with bidder the terms and conditions of this quotation.

Proposal Submission: Enclosed is a copy of Dayton Power and Light's Coal Proposal Form (Attachment 1) which must be used in submitting your bid. FAILURE TO USE THIS FORM MAY RESULT IN THE REJECTION OF YOUR BID. The form must be fully completed and submitted via email as an electronic Excel file. It may additionally be submitted as a PDF file if the respondent desires. Please clearly identify the delivery period for the proposed coal supply. A copy should be retained for your records.

Proposals should be sent via email to: dplcoalrfp@dplinc.com

Failure to submit all requested information may eliminate your proposal from consideration.

DP&L looks forward to receiving your proposals in response to this invitation. Please feel free to contact Mike Perkins (937) 259-7225 or via email Michael.Perkins@dplinc.com **and** dplcoalrfp@dplinc.com if there are any questions regarding this RFP.