



**Arizona Public Service Co.**

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**2007 Request for Proposal for  
Renewable Energy Resources  
March 5, 2007**

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## 1. OVERVIEW

### 1.1. Purpose

In this Request for Proposal (“RFP” or “RFP Process”), Arizona Public Service Company (“APS”) is seeking competitive proposals (“Proposals”) for near term and long term renewable energy resources in consideration of regulatory settlements, decisions or agreements. APS would contemplate asset purchases, purchase power agreements or other arrangements. Persons or entities responding to this RFP are referred to herein as “Respondents”.

APS competitive corporate affiliates, such as APS Energy Services and Pinnacle West Marketing and Trading, will not be eligible to bid in this RFP.

### 1.2. Product Description

The characteristics of the near term and long term products are described below:

#### **Product 1 – Near Term**

Beginning in 2007 or 2008 with final delivery not to exceed 12/31/2008

Minimum term = none

Maximum term = 1 or 2 years, depending on the start date

#### **Product 2 – Long Term**

Beginning in 2007 through 2011

Minimum term = 5 years

Maximum term = 30 years

#### **Common Requirements for Both Products 1 and 2**

**Technology:** (1) Biogas, landfill gas, biomass, geothermal, solar, wind, hybrid wind and solar, fuel cells that use only renewable fuels, and hydropower technologies as defined in the Renewable Energy Standard and Tariff Rules contained in ACC Decision No. 69127, Appendix A, Section R14-2-1802.

(2) Renewable natural gas production from biogas or landfill gas not directly converted to electricity by Respondent will also be considered.

(3) APS is NOT seeking under this RFP: (a) renewable energy credits without the associated energy, (b) demand side management related items, or (c) research and development products or projects. Only commercially proven technologies will be considered.

**Quantity:** Minimum Annual Energy (MWh) = 20,000 per project

Targeted Annual Energy (MWh):

2007 125,000

2008 190,000

2009 210,000

2010 427,000

2011 736,000

2007 Targeted Annual Capacity = 30 MW

**Delivery:** (1) Firm energy to any point on APS' transmission system as illustrated in Attachment 1 or APS' distribution system.

**Pricing:** Fixed or relatively stable pricing provisions with escalation rates fixed per year.

**Environmental Credits:** APS retains all environmental attributes associated with the Respondent's bid energy, including but not limited to renewable energy credits, greenhouse gas or carbon credits, and any other emissions attributes.

### 1.3. Changes to RFP, Schedules and Addenda

APS reserves the right at any time to unilaterally revise, suspend or terminate this RFP Process and any schedule related thereto at its sole discretion without liability to any Respondent. Any such changes will be posted on the RFP Web Site.

## **2. BID SUBMITTAL**

### **2.1. General Instructions**

- 2.1.1 All RFP documents, including any updates, can be found on the RFP Web Site. It is the Respondent's responsibility to advise APS' Official Contact of any conflicting requirements, omissions of information or the need for clarification before Proposals are due.
- 2.1.2 Failure to provide all the information requested in the RFP process or failure to demonstrate that the Proposal satisfies all of the APS requirements will be grounds for disqualification at APS' sole discretion.
- 2.1.3 APS may require additional information not identified in this RFP in order to fully evaluate the costs and impacts of any Proposal.
- 2.1.4 Prices and dollar figures must be clearly stated in \$US.

### **2.2. Respondent's Qualifications**

- 2.2.1 Respondent's capability and experience shall be documented in the Proposal Certification and Summary (located on the RFP Web Site) and must demonstrate the assurance that the Respondent (or parties involved in the Proposal) has the ability to deliver on the Proposal.
- 2.2.2 Respondent's credit and financial information shall be documented in Statement of Financial Conditions and Creditworthiness Qualifications (located on the RFP Web Site). During the Proposal review process, APS may require each Respondent to provide further credit and financial information in order to assist APS in addressing and weighing the creditworthiness of each Respondent.

### **2.3. RFP Web Site and Communications**

- 2.3.1 All RFP related documents available for public viewing, including bidder conference information and the Notice of Intent to Bid form, are posted on [www.aps.com/RFP](http://www.aps.com/RFP) ("RFP Web Site").
- 2.3.2 All correspondence and communications from the Respondent to APS must be made in writing through the APS Official Contact or via the RFP e-mail address [renewableRFP@aps.com](mailto:renewableRFP@aps.com).

2.3.3 Based upon the nature and frequency of the questions APS receives, APS will choose to either respond to individuals directly, post a response to the question on the RFP Web Site (without disclosing the Respondent's name) or address the question through the bidder's conference.

2.3.4 APS Official Contact:

Gordon Samuel, Manager Resource Acquisition  
Arizona Public Service Company  
400 N. 5<sup>th</sup> Street, Mail Station 9674  
Phoenix, AZ 85004  
FAX 602-250-2753

## 2.4. Confidentiality

2.4.1 APS requires the Respondent to sign the Confidentiality Agreement (located on the RFP Web Site) and return it with Respondent's Proposal. The Confidentiality Agreement may be submitted at an earlier date than with the Proposal.

2.4.2 APS will sign and execute the Confidentiality Agreement upon receipt from each Respondent. APS will use commercially reasonable efforts, in a manner consistent with the Confidentiality Agreement, to protect any claimed proprietary and confidential information contained in a Proposal, provided that such information is clearly identified by the Respondent as "PROPRIETARY AND CONFIDENTIAL" on the page on which proprietary and confidential material appears.

## 2.5. RFP Schedule

The following schedule activity and deadlines apply to this RFP:

<b><u>ACTIVITY</u></b>	<b><u>DUE DATE</u></b>
Issue RFP	March 5, 2007
Bidder's Conference	March 14, 2007
Non Binding Notice of Intent to Bid	March 21, 2007
<b>Product 1 - Near Term</b>	
RFP Responses and Submittal Fee	April 9, 2007 (2:00pm MST)
Short-list Notification	May 2, 2007
Final Selection(s)	June 29, 2007

**Product 2 - Long Term**

RFP Responses and Submittal Fee	May 15, 2007 (2:00pm MST)
Short-list Notification	June 11, 2007
Final Selection(s)	August 15, 2007

**2.6. Proposal Submission Instructions**

- 2.6.1 A non-refundable RFP submission fee of \$3,000 per Respondent will accompany the Proposal in order to qualify the Proposal(s) for consideration. The fee should be paid by check made out to “Arizona Public Service Company.”
- 2.6.2 Proposals should be submitted per the RFP Schedule.
- 2.6.3 Respondents shall submit to the APS Official Contact one (1) hard copy and one (1) electronic copy on compact disc of the original Proposal which includes:
  - 2.6.3.1 Respondent signed Confidentiality Agreement (unless supplied earlier).
  - 2.6.3.2 Proposal Certification and Summary document - provides an project overview, schedule, risk assessment, transmission costs, generating prices and analysis of the generating unit. The certification page shall contain a “wet” original signature demonstrating that the signatory has full authority to bind the Respondent to all of the terms and conditions contained in the Proposal.
  - 2.6.3.3 Statement of Financial Conditions and Creditworthiness Qualifications – outlines Respondent (or its guarantor) financial and credit information.
- 2.6.4 APS will not accept late Proposals or Proposals only delivered by e-mail, FAX or other electronic means. Only sealed Proposals will be accepted. On the envelope, Respondent shall indicate “Response to APS 2007 RFP Renewable Energy Resources.” Any Proposals received after the scheduled date and time will be disqualified and the Respondent will be notified.

- 2.6.5 APS reserves the right to accept or reject any or all Proposals for any reason at any time after submittal, or to make an award at any time to a Respondent who, in the sole opinion and discretion of APS, provides a Proposal APS deems favorable. APS also reserves the right to select an offer which is not the lowest price, if APS determines that to do so would result in the greatest value to APS' retail customers.
- 2.6.6 Respondents who submit Proposals do so without legal recourse against APS or its directors, management, employees, agents or contractors based on APS' rejection, in whole or in part, of their Proposal or for failure to execute any agreement tendered by APS. APS shall not be liable to any Respondent or to any other party, in law or equity, for any reason whatsoever relating to APS' acts or omissions arising out of or in connection with the RFP.
- 2.6.7 None of the material received by APS from Respondents in response to this RFP will be returned. All Proposals and exhibits will become the property of APS, subject to the confidentiality provisions contained herein.

### **3. EVALUATION PROCESS**

#### **3.1. Proposal Review**

APS will determine the best Proposal(s) to pursue final contracting and approval using financial and non financial criteria in the following evaluation stages: (1) proposal threshold requirements, (2) screening, and (3) detailed evaluation. Proposals in response to Product 1 will be submitted, evaluated and selected ahead of proposals responding to Product 2.

#### **3.2. Proposal Threshold Requirements**

3.2.1 The initial stage of the evaluation process employed by APS will include a review of each Proposal's compliance with the "Threshold Requirements" described below.

3.2.1.1 The Proposal is received on-time and complies with the submission instructions.

3.2.1.2 Proposal submittal includes:

3.2.1.2.1 The RFP submission fee.

3.2.1.2.2 A Respondent signed Confidentiality Agreement.

3.2.1.2.3 A certified Proposal Certification and Summary.

3.2.1.2.4 A completed Statement of Financial Conditions and Creditworthiness Qualifications.

3.2.1.3 The Proposal's product description complies with RFP Section 1.2.

3.2.1.4 If the generating unit is not in service but has a completed Generator Interconnection Study, a copy of this study must accompany the Respondent's Proposal.

3.2.1.5 If an interconnection request has been made for the generating unit used in the Proposal, a copy of the interconnection request as well as documented receipt of the request must accompany the Respondent's Proposal.

3.2.1.6 If the generating unit is not yet operational and will be interconnected to APS' transmission or distribution system but an interconnection request has not been submitted at the time of the Proposal, the Respondent is hereby notified that it is responsible for completing an Application for Generator Interconnection. This also applies to existing plants that will require capacity increases. To request interconnection of a generating project to APS' system please contact:

Rex Stulting  
(602) 250-1644

e-mail: [Rex.Stulting@aps.com](mailto:Rex.Stulting@aps.com)

or visit <http://www.oatiaoasis.com/azps/index.html>

(click on link entitled Applications)

3.2.2 APS, at its sole discretion, may reject a Proposal for further consideration if the Proposal fails to meet the Threshold Requirements or provides incomplete and/or inaccurate responses. APS may seek clarification and/or remedy of a Respondent's Proposal.

### 3.3. Screening Process

3.3.1 The next stage of analysis is the screening process which consists of quantitative and qualitative analyses to identify the Proposal(s) that will be short-listed. Respondents are advised that price will be a major factor in APS' evaluation, but APS will consider other quantitative and qualitative risk factors.

3.3.2 The quantitative analysis is comprised of:

(Respondent bid price + additional costs) compared against (Market Cost of Comparable Conventional Generation)

3.3.2.1 Respondent bid price - The bid price is the amount APS would pay to the respondent.

3.3.2.2 Additional costs - Any additional costs needed to incorporate the renewable resource into the APS system, such as additional transmission costs, system integration costs, and costs associated with imputed debt.

3.3.2.2.1 Transmission Costs: Is comprised of the cost APS estimates from delivery point to APS retail load.

3.3.2.2.2 System Integration Costs: Based on the characteristics of the generation resource, additional costs are added to compensate for increased resources and regulating reserves required for energy output intermittency and forecast uncertainty.

3.3.2.2.3 Imputed Debt: Effects will be considered for PPA Proposals.

3.3.2.3 Market Cost of Comparable Conventional Generation - means the affected utility's energy and capacity cost of producing or procuring the incremental electricity from a conventional resource that would be avoided by the resources used to meet the annual renewable energy requirement, taking into account hourly, seasonal, and long-term supply and demand circumstances.

- 3.3.2.3.1 Resources need not provide a firm fixed amount of capacity (MW), but APS' evaluation will take into consideration the degree of the resource's firmness in determining the appropriate capacity value to assign to such resource.
- 3.3.3 The qualitative analysis is comprised of a high level risk assessment considering risk factors such as financial, regulatory, counterparty credit, transmission, operations and project development.
- 3.3.4 Based on an acceptable outcome of the Screening Process' quantitative and qualitative assessment, APS will select Proposals to short-list and begin a detailed evaluation. Similarly, APS intends to notify Respondents of those Proposals that are eliminated from further consideration per the RFP schedule.

#### **3.4. Detailed Evaluation**

- 3.4.1 The detailed evaluation is similar to the screening evaluation, except: (1) it incorporates bid information into the production cost model, and (2) relies on a more detailed risk assessment.
- 3.4.2 Based on an acceptable outcome of the Evaluation Process and APS management approval, APS will select Proposals for contract development and regulatory approval, as required. Similarly, APS' intends to notify Respondents of those Proposals that are eliminated from further consideration per the RFP schedule.

### **4. CONTRACTS and REGULATORY APPROVAL**

#### **4.1. General**

- 4.1.1 The contract format for this RFP will typically be based upon either (a) an Asset Purchase Agreement, or (b) for a PPA, a Master Renewable Energy Purchase and Sale Agreement. The appropriate contract agreement will subsequently be distributed to each Respondent whose Proposal is short-listed.
- 4.1.2 Upon contract execution, the Respondent(s) is responsible for acquiring and/or verifying that they are in compliance with all necessary licenses, permits, certifications, reporting requirements and approvals required by federal, state and local government laws, regulations and policies, including if

applicable, for the design, construction and operation of the project. In addition, each Respondent's proposal should be fully consistent with APS' regulatory requirements associated with any asset purchase or power purchase.

4.1.3 Any executed contracts will be binding in accordance with the executed definitive agreement (see Section 4.3), including through the Regulatory Approval Process.

4.1.4 Respondent shall be liable for all of its costs and APS shall not be responsible for any of Respondent's costs incurred in responding to this RFP or in connection with the negotiation and execution of any contract as a result of the RFP process.

#### **4.2. Contract Modifications**

Although APS strongly prefers to use the contract documents provided with this RFP, Respondents may expressly identify and include proposed changes to those agreements during contract negotiations. Such proposed revisions will need to be assessed by APS to ensure the evaluation results and final Proposal selection(s) are not impacted.

#### **4.3. Definitive Agreement**

APS expects the selected Respondent(s) to execute a definitive Asset Purchase Agreement or Master Renewable Energy Purchase and Sale Agreement, whichever is appropriate, based on APS' form of each of those agreements. Failure of the Respondent(s) to promptly negotiate and execute a definitive written agreement will result in rejection of the Proposal.

#### **4.4. Regulatory Approval Process**

At APS' sole discretion, any final negotiated contract may be conditioned upon actions and/or approvals by regulatory authorities.

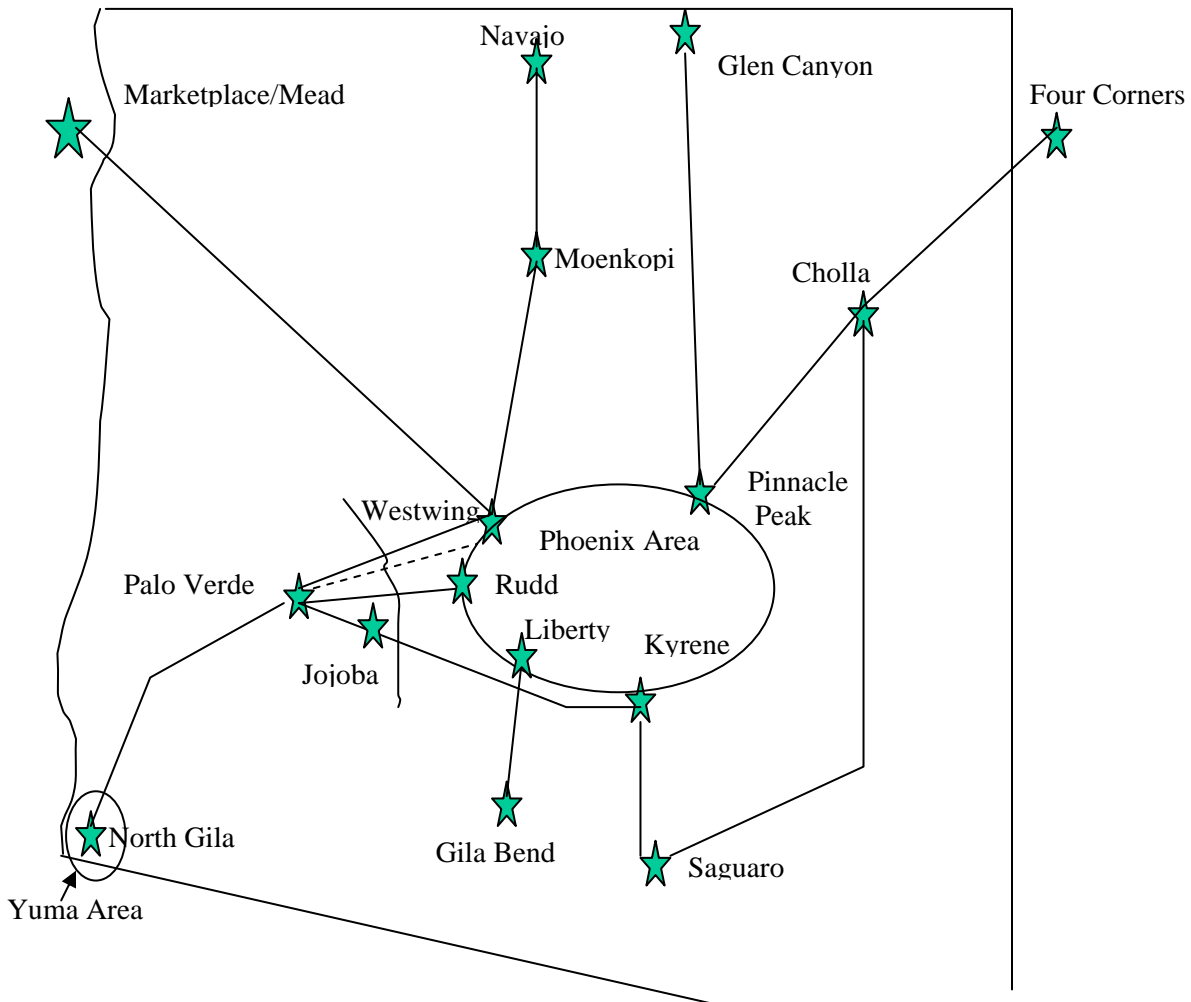
#### **4.5. Collusion**

By submitting a Proposal for APS in response to this RFP, the Respondent certifies that the Respondent has not divulged, discussed or compared its Proposal with other Respondents and has not colluded whatsoever with any other Respondent or parties with respect to this or other Proposals.

# Attachment 1

## 2007/2008 APS Transmission System

(Primary Delivery Points and High Voltage Interconnections)



**Internal Delivery Points That Will Also Be Considered:**

- Westwing 230 kV    Kyrene 230 kV
- Rudd 230 kV      Liberty 230 kV
- Pinnacle Peak 230 kV
- Yuma Area

2007/08 Future Line -----

- Notes:**
1. It is the Respondent's responsibility to verify and acquire transmission data through the Westtrans Oasis site.
  2. More detailed transmission information will be distributed at the bidder's conference.