

**ARIZONA PUBLIC SERVICE COMPANY
2009 Renewable Small Gen. RFP**

Updated 5/15/2009

APS is seeking proposals for renewable energy from small generation resources to meet the requirements of APS's Small Generation Pilot Program. The eligible renewable technologies for this Request for Proposal ("RFP") are referenced in the Renewable Energy Standard and Tariff (A.A.C. R14-2-1802(A)). This RFP is not seeking Distributed Energy offers.

Q1: Does the proposed site location have to be in APS's service territory or in the State of Arizona?

Ans: The site does not have to be located in APS's service territory or in the State of Arizona; however, the Respondent must have the cost of transmission service to deliver the energy to the APS system included in the bid price

Q2: Who is the Independent Monitor and how were they selected? What are their qualifications? In its report, will the Independent Monitor approve of the choices made by APS?

Ans: APS selected Merrimack Energy Group, Inc., to act as the Independent Monitor for this solicitation. Merrimack is one of four Independent Monitors pre-approved by the ACC Staff for APS selection in competitive solicitations. Merrimack has acted as Independent Evaluator, Monitor, or Auditor for over 25 competitive procurement assignments for conventional, renewable, distributed, and demand-side resources. In its report, Merrimack will validate that APS reviewed and analyzed all Proposals appropriately, and that the RFP process was fair and unbiased.

Q3: Will APS provide the cost of comparable conventional generation?

Ans: No. APS's avoided capacity and energy values are considered to be proprietary data and will not be provided for that reason. Additionally, the avoided capacity and energy costs will be different for each proposal because the calculations are based on the unique production profiles and characteristics for each proposal.

Q4: Section 1.3.4 of the RFP states:

Targeted Annual Energy: APS is seeking 45,000 MWh annually from a diverse mix of RES eligible technologies. At the time of Program approval APS projected accepting 10,000 MWh of solar and the remainder from other eligible technologies, but may elect to procure more or less of each depending on the quality and quantity of responses.

I am interested in proposing a 20-25 MW solar project that is likely to meet nearly the full 45,000 MWh APS is requesting. Should I propose the 20-25 MW project or a smaller project?

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Ans: APS encourages bidders interested in proposing solar projects to make multiple or incremental proposals, with the smallest increment at or below the 10,000 MWh level and the largest at or below the 45,000 MWh level. Keep in mind the \$2,000 bidder's fee is per respondent, not per proposal.

Q5: Could you explain what is meant by Geographic Diversity in the Threshold Criteria? How will APS determine what is outside of Metro Phoenix?

Ans: APS considers the Metro Phoenix area to be installations sited in the following cities, neighborhoods or unincorporated areas contiguous to these cities or neighborhoods:

Ahwatukee	Avondale	Buckeye	Carefree
Cave Creek	Chandler	Desert Hills	El Mirage
Fountain Hills	Gilbert	Glendale	Goodyear
Litchfield Park	Mesa	Paradise Valley	Peoria
Phoenix	Queen Creek	Scottsdale	Sun City
Surprise	Tempe	Tolleson	Youngtown

Proposed installations not in any of these areas will be considered outside Metro Phoenix.

Q6: Please explain how a developer should calculate the Post Development Security required in the PPA.

Ans: A simple example is included below. It essentially works out to be one year of average revenue that must be posted, as required in the Statement of Financial Conditions and Creditworthiness Qualifications. This formula is an estimate of the potential costs APS may incur if a counter-party fails to deliver on their obligations and APS is forced to go to the market to replace the resource. Respondents are expected to include the cost of securing the Post Development Credit in their bid price.

Year	Annual Rev.	Escalation
1	\$ 1,000,000	2.50%
2	\$ 1,025,000	
3	\$ 1,050,625	
4	\$ 1,076,891	
5	\$ 1,103,813	
Total	\$ 5,256,329	
Times: Stress		20%
Post-Dev. Amt.	\$ 1,051,266	

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Q7: Will there be a published transcript of the bidder's conference? Will APS provide the attendee list for the bidder's conference?

Ans: There is not a published transcript, although the questions and answers from the bidder's conference are detailed herein. The attendee list will not be published.

Q8: Where can I get maps of the APS system?

Ans: Transmission level maps are available for a nominal fee at the following website:

http://www.oatioasis.com/AZPS/AZPSdocs/map_Requests.pdf

Distribution level maps are not available for security reasons and the volume of facilities; however, distribution level facilities are generally found by investigating the area around possible sites. Map software such as Google Earth may also be useful in locating APS substations and facilities.

APS service territory maps are available at the following websites:

http://www.aps.com/images/pdf/PHX_Map.PDF

http://www.aps.com/images/pdf/AZ_Map.pdf

Q9: Please expand on what APS would like to see from the Community and Education partnerships contained in the Proposal Threshold Criteria. Are the partnerships required to be in APS's service territory or the State of Arizona?

Ans: APS is not prescriptive on these criteria; respondents are free to propose the form of the partnership. Potential examples are physical location on community or school owned land, internships for students, technology data availability for researchers or students, use of municipally owned facilities such as parking structures, or development of curriculum for students and teachers. These are for example purposes only; APS will consider all proposals designed to meet the intent of the Community and Education criteria. Partnerships are not required to be in APS's service territory or the State of Arizona.

Q10: One of the Proposal Threshold Criteria is for Job Creation. Do the jobs have to be permanent, full-time positions?

Ans: APS would prefer the jobs be permanent, full-time positions but respondents are free to make proposals that meet the spirit of this criterion. Respondents wishing to meet this criterion are encouraged to include the number of construction jobs and all operations and maintenance jobs, both full and part time.

Q11: Will APS seek Arizona Corporation Commission (ACC) approval of any executed purchase power agreements from this RFP?

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Ans: The Small Generation RFP is an outcome of an ACC approved pilot program. APS is not currently anticipating seeking additional ACC approval.

Q12: Will APS review the credit qualifications of the Community or Education partners used to meet the Threshold Criteria?

Ans: APS will only contract with the respondent and we do not anticipate Community or Education partners becoming a party to those contracts. Therefore, APS does not anticipate reviewing the credit qualifications of those partners.

Q13: How long will my interconnection study take?

Ans: Because the circumstances of each interconnection are different, a definitive answer to this question is not possible. Typically, interconnection studies or reviews on distribution level facilities take less than 1 year and interconnections on transmission level facilities take 1 to 2 years.

Q14: If the ACC modifies or repeals the Renewable Energy Standard, or restricts the use of purchase power agreements by making developers subject to ACC rules, what will APS do with the agreements executed under this RFP?

Ans: APS does not currently anticipate any ACC actions that would affect the agreements executed under this RFP; however, if future ACC actions do affect the RES or executed renewable purchase power agreements APS anticipates continuing to accept the energy from respondents as specified in the agreement.

Q15: I would like to propose a project in what APS has defined as Metro Phoenix, but one of the Threshold Criteria is for geographic locations outside of Metro Phoenix. Am I precluded from proposing a project in Metro Phoenix?

Ans: Respondents are not precluded from offering proposals for projects in Metro Phoenix. APS designed the Threshold Criteria to allow respondents to choose which three criteria they would like to satisfy. Respondents with projects in Metro Phoenix would simply need to meet three of the remaining four criteria to satisfy the requirement.