



**Arizona Public Service Company**

**2009 Request for Proposal (“RFP”)  
for  
Renewable Energy Small Generation  
Resources**

March 25, 2009

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## 1. OVERVIEW

### 1.1. Purpose

1.1.1 In this Request for Proposal (“RFP”), Arizona Public Service Company (“APS”) is seeking competitive proposals (“Proposals”) for renewable energy totaling 45,000 megawatt hours (“MWh”) annually from small generation resources to meet the requirements of APS’s Small Generation Pilot Program (“Program”) outlined in APS’s 2009 Renewable Energy Standard (“RES”) Implementation Plan. APS is NOT seeking Distributed Energy Resources in this solicitation.

1.1.1.2 For this RFP, "Distributed Renewable Energy Resources" are applications of the technologies, defined in RES A.A.C. R14-2-1802(B), that are located at a customer's premises and that displace conventional energy resources that would otherwise be used to provide electricity to Arizona customers.

1.1.2 The Program was created to attract small renewable developers by streamlining evaluation methodologies and contract provisions as well as considering RES eligible renewable technologies that are commercially proven but may not be as operationally mature.

1.1.3 APS hopes to retain some of the same benefits large renewable energy projects bring to the communities they serve, including educational outreach, economic development and the opportunity to foster civic engagement in energy issues, by requiring additional proposal threshold criteria.

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

1.1.5 Persons or entities responding to this RFP are referred to herein as “Respondents.”

## **1.2. RFP Website and Communications**

- 1.2.1 All RFP related documents, including bidder conference information, will be located on the “2009 Renewable Small Gen. RFP” Website accessed through APS’s Website [www.aps.com/rfp](http://www.aps.com/rfp).
- 1.2.2 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).
- 1.2.3 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 Website (without disclosing the Respondent’s name) or address the question through the bidder’s conference.
- 1.2.4 The APS Official Contact is:
  - Gordon Samuel, Manager of Resource Acquisitions
  - Arizona Public Service Company
  - 400 N. 5<sup>th</sup> Street, Mail Station 9674
  - Phoenix, AZ 85004

## **1.3. Product Description**

The Proposals shall be developed based on the requirements described below:

- 1.3.1 Eligible RES Renewable technologies: biogas, landfill gas, biomass, geothermal, solar, wind, hybrid wind and solar, and eligible hydropower technologies. Additional hydropower qualifications are contained in the RES Rules. Distributed Energy Resources will NOT be accepted.
- 1.3.2 The technology for the proposed project and key components must have a minimum of 6 months of established production data, been in operation at a scale of 100 kW or larger, and be scalable to produce energy on a commercial level as submitted in the proposal.
- 1.3.3 Respondents are required to meet at least 3 out of the 5 additional proposal criteria outlined in Attachment 1 which include, in no specific order: (1) community participation partnerships; (2) school/educational partnerships; (3)

geographic diversity (located outside of Phoenix metro area); (4) job creation; and (5) leverage of other funding sources.

- 1.3.4 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.
- 1.3.5 Minimum project size: 1,500 MWh per year
- 1.3.6 Term: Minimum = 5 years; Maximum = 30 years  
Project Commercial Operation Date (“COD”) shall be no later than December 31, 2011.
- 1.3.7 The use of APS sites/facilities will NOT be permitted in this RFP.
- 1.3.8 The small generation resource must deliver energy utilizing firm transmission service to the APS transmission (greater than 69 kV), sub-transmission (69 kV) or distribution system (less than 69 kV). Interconnection at the transmission or sub-transmission level may involve a significantly longer evaluation, permitting, and construction time which is likely to materially affect a Respondent’s final pricing and overall economics.

If the generating unit is not yet operational and will be interconnected to APS’s transmission, sub-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* in accordance with the proposed construction schedule. This also applies to existing plants that will require capacity increases. To request interconnection of a generating project to APS’s transmission, sub-transmission or distribution system, please contact:

Rex Stulting

(602) 250-1644

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

Or visit <http://www.oatioasis.com/azps/index.html>

(Click on link entitled *Applications*)

- 1.3.9 Transactions that result from this RFP will be entered into pursuant to APS's Purchase Power Agreement ("PPA"). APS has modified its conventional renewable PPA to more appropriately suit the needs of small generation projects, as more fully described in Section 2.3.2.4. The PPA is available on the RFP Website. Proposals for APS ownership of projects will NOT be considered in this RFP.
- 1.3.10 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, all as set forth in the PPA.
- 1.3.11 Pricing:
- 1.3.11.1 All Proposal terms, conditions, and pricing are binding through the final selection notification and subsequent contract negotiations, as well as Arizona Corporation Commission ("ACC") approval, if required.
- 1.3.11.2 The Proposal pricing shall be fixed or contain relatively stable provisions with a fixed escalation rate per year. APS will not accept bids with escalation rates tied to an index.
- 1.3.11.3 Pricing shall contain all credit support required in the PPA. Post Development Security will be required in an amount equal to the first five (5) years of average notional value of the transaction multiplied by a stress factor of twenty percent (20%). The cost of such Post-Development Security should be included in the bid accordingly.

## 1.4 RFP Schedule

The following schedule applies to this RFP:

<u>ACTIVITY</u>	<u>DUE DATE</u>
Issue RFP	March 25, 2009
Bidder's Conference	April 16, 2009
Non-Binding Notice of Intent to Bid	April 30, 2009
Signed Confidentiality Agreement to APS	May 28, 2009
RFP Responses and Submittal Fee	June 4, 2009
Short-list Bidder Notification	July 23, 2009

## 1.5 Changes to RFP, Schedules and Addenda

- 1.5.1 APS reserves the right at any time to unilaterally revise, suspend or terminate this RFP Process and any schedule related thereto in its sole discretion without liability to any Respondent. Any such changes will be posted on the RFP Website.
- 1.5.2 It is the Respondent's responsibility to advise APS's Official Contact of any conflicting requirements, omissions of information, or the need for clarification before Proposals are due.

## 2. BID SUBMITTAL

### 2.1 General Information

- 2.1.1 Prices and dollar figures must be clearly stated in \$US.
- 2.1.2 Proposals shall be submitted per the RFP Schedule.
- 2.1.3 APS will not accept late Proposals or Proposals delivered only by e-mail or other electronic means. Only sealed Proposals will be accepted. On the envelope, Respondent shall indicate "**Response to APS 2009 Renewable Energy Small Generation RFP.**" Any Proposals received after the scheduled date will be disqualified and the Respondent will be notified.
- 2.1.4 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 that, in the sole opinion and discretion of APS, provides a Proposal APS deems favorable.

2.1.4.1 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's sole discretion.

2.1.4.2 APS also reserves the right to select an offer that is not the lowest price, if APS determines that to do so would result in the greatest value to APS's retail customers.

2.1.5 Respondents that submit Proposals do so without legal recourse against APS or its directors, management, employees, agents, contractors or Independent Monitor based on APS's rejection, in whole or in part, of the 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's acts or omissions arising out of or in connection with the RFP.

2.1.6 None of the materials 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 provisions of the Confidentiality Agreement.

## **2.2 Confidentiality Agreement**

2.2.1 APS requires the Respondent to sign a Confidentiality Agreement ("CA") and return it per the RFP Schedule. The form is located on the RFP Website. Any suggested changes to APS's CA must be submitted to APS in redline form for negotiation with APS well in advance of the May 28, 2009 deadline for submission.

2.2.2 APS and the Respondent must execute the CA prior to the RFP response date.

## 2.3 Proposal Content

- 2.3.1 A non-refundable RFP submission fee of \$2,000 per Respondent is required in order to qualify the Proposal(s) for consideration. The fee must be paid by check made out to “Arizona Public Service Company.”
- 2.3.2 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:
- 2.3.2.1 Confidentiality Agreement executed by both Respondent and APS (unless submitted earlier).
- 2.3.2.2 Proposal Certification and Summary document - provides a project overview, schedule, 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.
- 2.3.2.3 Statement of Financial Conditions and Creditworthiness Qualifications – outlines Respondent (or its guarantor) financial and credit information.
- 2.3.2.4 In order to maximize responses to this solicitation and to further APS’s goals for the development of small renewable generation, APS has deviated from its standard renewable energy PPA in a number of material ways that are beneficial to Respondents. As such, APS does not intend to entertain further material modifications to the form PPA included with the RFP (which can be found on the RFP Website). In the event that a Respondent believes that a modification to the PPA is necessary, such modification must be submitted as a redline to the form PPA and included with the Respondent’s bid package. Requested modifications will not necessarily be approved by APS.

2.3.2.5 Respondent's compliance documentation or information to satisfy at least 3 out of the 5 additional proposal requirements outlined in Attachment 1.

2.3.3 If the generating unit is not in service but has completed any generator interconnection studies, a copy of these studies must accompany the Respondent's Proposal.

## **2.4 Collusion**

By submitting a Proposal to 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.

## **3. EVALUATION PROCESS**

### **3.1 Proposal Review**

APS will determine the best Proposal(s) to pursue final contracting by conducting: (1) a screening of the Proposal threshold requirements; and (2) a financial (quantitative) and non-financial (qualitative) evaluation for those Proposals making it through the screening process.

### **3.2 Proposal Threshold Requirements**

3.2.1 In order for a proposal to get into the APS evaluation process, a Respondent's Proposal shall comply with ALL of the following "Threshold Requirements":

3.2.1.1 The Proposal's product description complies with RFP Section 1.3, is received on-time per the RFP Schedule, Section 1.4 and is labeled and submitted per the General Information, Section 2.1.3.

3.2.1.2 The Proposal's content complies with Section 2.3 and includes:

3.2.1.2.1 The RFP submission fee of \$2,000.

3.2.1.2.2 Confidentiality Agreement executed by Respondent and APS.

3.2.1.2.3 A certified Proposal Certification and Summary, which includes for solar and wind Respondents, the Excel spreadsheet of the Estimated Average Delivered MWh specified in Section 2.11.

3.2.1.2.4 A completed Statement of Financial Conditions and Creditworthiness Qualifications.

**(Note: the creditworthiness of a bidder will not be used as a Proposal Threshold Requirement, but will be assessed in the qualitative evaluation)**

3.2.1.2.5 Redlined copy of the PPA, in accordance with Section 2.3.2.4.

3.2.1.2.6 Compliance documentation or information to satisfy at least 3 out of 5 of the criteria listed in Attachment 1.

3.2.2 APS, in 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 Evaluation**

3.3.1 After successfully passing the screening threshold requirements, the Proposals undergo a financial (quantitative) and non-financial (qualitative) evaluation to identify the Proposal(s) that will be short-listed. Respondents are advised that price will be a major factor in APS's 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, which includes as a minimum any Respondent transmission construction and wheeling costs and PPA credit support costs, 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 (if applicable), system integration costs, and costs associated with imputed debt, will be determined by APS.
- 3.3.2.2.1 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.
- 3.3.2.2.2 Imputed Debt: Effects will be considered based on S&P's latest methodology.
- 3.3.2.3 Market Cost of Comparable Conventional Generation - means APS's energy and capacity cost of producing or procuring the incremental electricity from a conventional resource that would be avoided by the proposed renewable resource(s) 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's evaluation will take into consideration the degree of the resource's firmness in determining the appropriate capacity value to assign to such resource.
- 3.3.2.3.2 APS has included in Attachment 2 our historical time of day relative energy value factors by month which shows developers how their renewable resource would best satisfy APS's load profile. The higher the energy value factor, the more weight APS gives to a resource being operational at that hour within the month.

3.3.3 The qualitative analysis is comprised of a high level risk assessment considering risk factors such as financial and counterparty credit, regulatory, transmission, operations and project development. APS will also consider Respondent's requested modifications to the PPA, as well as the information that Respondent provides in Section 2.1 of the PPA, as part of its qualitative analysis.

3.3.4 Based on an acceptable outcome of the Evaluation Process' quantitative and qualitative assessment, APS will select the Proposal(s) to short-list and begin final Proposal selection discussions. APS intends to notify Respondents of those Proposals that are eliminated from further consideration per the RFP schedule.

**3.4. Final Selection of Proposal(s)**

3.4.1. Upon proposal short-listing, APS will conduct meetings with short-listed parties to gain a greater understanding of the Respondent's Proposal.

3.4.2. Any significant changes or understanding of the Respondent's Proposal, as a result of the short-listed meetings, will be resubmitted through the evaluation process.

**(Note: The renewable energy small generation resources will not be modeled in APS's detailed production evaluation model, since the small project size will have insignificant changes in the evaluation results)**

3.4.3. After the short-list meetings and any re-evaluation of Respondent's Proposal are concluded, APS will select the final Proposal(s) for contract execution and regulatory approval, as required. APS will notify Respondents of those Proposals that are eliminated from further consideration per the RFP schedule. Final Proposal selection(s) will be based on both the outcome of the quantitative and qualitative evaluation. APS reserves the right not to select any Proposals if acceptable evaluation results are not obtained.

#### **4. CONTRACT AND REGULATORY APPROVAL**

##### **4.1 Contract**

- 4.1.1 Each Respondent is responsible for acquiring and/or verifying that it is in compliance with all licenses, permits, certifications, studies, reporting requirements and approvals required by federal, state and local government laws, regulations and policies in order for it to contract for and perform in accordance with its Proposal.
- 4.1.2 All executed contracts will be binding, in accordance with their terms.
- 4.1.3 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.
- 4.1.4 If APS can not reach acceptable PPA terms with the final selected party or parties, APS reserves the right to terminate negotiations with such parties and begin discussions with other RFP Respondents, begin a new solicitation or cancel this RFP.

##### **4.2 Regulatory Approval**

Any final PPA may be conditioned upon actions and/or approvals by regulatory authorities, satisfactory to APS in its sole discretion.

##### **4.3 Independent Monitor**

An independent monitor will be used in the RFP process to ensure that it is conducted in a fair and equitable manner. The monitor will have access to all documentation provided by the Respondents in relation to this RFP and will produce a final report summarizing his/her observations for use by APS, which may include submission to the Arizona Corporation Commission in connection with its regulatory requirements.

# Attachment 1

## Additional Proposal Threshold Criteria

Criteria (Shall satisfy at least three out the five)	APS Intent For Criteria	Respondent Compliance Document or Information
<b>Community Participation Partnerships</b>	Want community groups and residents to participate in the benefits of having a small renewable energy generation plant in their community.	Letter of interest from the community partner submitted with the RFP response
<b>School/Educational Partnerships</b>	Want to encourage renewable energy educational opportunities for educators and students.	Potentially, this could be accomplished with renewable energy curriculum, internships, physical location, or other respondent proposals. Letter of interest from the school or educational institution should be submitted with the RFP response.
<b>Geographic Diversity - Defined as out of Metro Phoenix Zip Codes</b>	Want projects in diverse areas of APS service territory.	Include site zip code in RFP response
<b>Job Creation</b>	Support the creation of at least 2 renewable energy jobs.	Include number of construction and operating jobs in RFP response
<b>Leverage Federal, State, or Local grants, contributions, or funding sources (other than ITC or PTC)</b>	Encourage participation of research or other public partners.	Letter of support or commitment from funding source

## Attachment 2

### Time of Day (Hours 1 thru 24)

#### Relative Energy Value Factors by Month

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	Average
Jan	0.63	0.62	0.66	0.74	0.88	0.99	1.34	1.32	1.26	1.17	1.05	0.98	0.92	0.89	0.86	0.92	1.05	1.35	1.39	1.36	1.24	0.98	0.76	0.66	1.00
Feb	0.64	0.64	0.65	0.78	0.93	1.00	1.34	1.32	1.24	1.17	1.04	0.98	0.94	0.91	0.88	0.91	1.02	1.31	1.37	1.33	1.21	1.00	0.71	0.67	1.00
Mar	0.65	0.64	0.65	0.78	0.86	0.94	1.19	1.15	1.13	1.11	1.08	1.06	1.03	1.01	1.01	1.04	1.13	1.23	1.29	1.26	1.16	1.05	0.83	0.69	1.00
Apr	0.70	0.62	0.62	0.59	0.64	0.77	0.90	0.97	1.02	1.09	1.13	1.18	1.22	1.28	1.28	1.26	1.22	1.19	1.16	1.20	1.19	1.11	0.90	0.77	1.00
May	0.68	0.58	0.54	0.53	0.54	0.62	0.69	0.81	0.89	1.00	1.11	1.18	1.42	1.39	1.42	1.42	1.41	1.35	1.29	1.21	1.18	1.08	0.95	0.82	1.00
Jun	0.77	0.68	0.60	0.54	0.57	0.64	0.59	0.65	0.73	0.88	1.06	1.22	1.33	1.40	1.46	1.48	1.48	1.41	1.32	1.17	1.06	0.98	1.05	0.94	1.00
Jul	0.65	0.57	0.53	0.50	0.50	0.52	0.56	0.63	0.71	0.81	0.95	1.21	1.45	1.57	1.64	1.67	1.67	1.60	1.43	1.24	1.07	0.98	0.82	0.73	1.00
Aug	0.58	0.52	0.49	0.47	0.49	0.50	0.64	0.69	0.75	0.84	0.96	1.18	1.44	1.56	1.64	1.68	1.68	1.60	1.43	1.28	1.11	0.99	0.77	0.68	1.00
Sep	0.63	0.57	0.55	0.53	0.56	0.58	0.71	0.75	0.83	0.93	1.05	1.18	1.37	1.47	1.53	1.56	1.55	1.47	1.32	1.26	1.13	1.01	0.76	0.69	1.00
Oct	0.71	0.65	0.65	0.63	0.68	0.79	0.81	0.86	0.94	1.00	1.06	1.15	1.23	1.28	1.30	1.32	1.30	1.28	1.25	1.20	1.15	1.06	0.91	0.81	1.00
Nov	0.66	0.65	0.67	0.74	0.87	0.93	1.21	1.18	1.15	1.11	1.10	1.07	1.04	1.03	1.03	1.09	1.17	1.25	1.26	1.22	1.15	1.03	0.73	0.68	1.00
Dec	0.61	0.60	0.63	0.71	0.82	0.84	1.33	1.28	1.24	1.18	1.05	0.98	0.93	0.91	0.90	0.97	1.12	1.40	1.44	1.39	1.27	1.06	0.71	0.62	1.00

Notes: (1) The higher the Relative Energy Value Factor the more value APS places on that resource being operational during that time.

(2) Relative Energy Value Factors are based on historical data and are not necessarily indicative of future Relative Energy Value Factor calculations.