

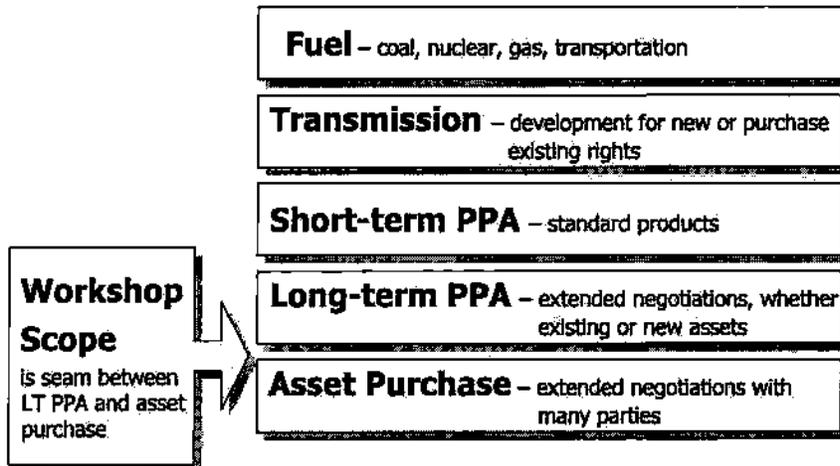


ACC Competitive Procurement Workshops

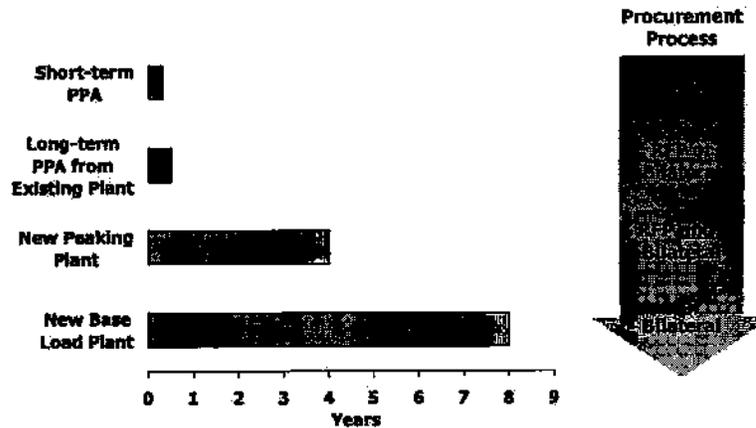
Workshop #2

May 23, 2007

Focus of Procurement Workshops



Timelines for Energy Products

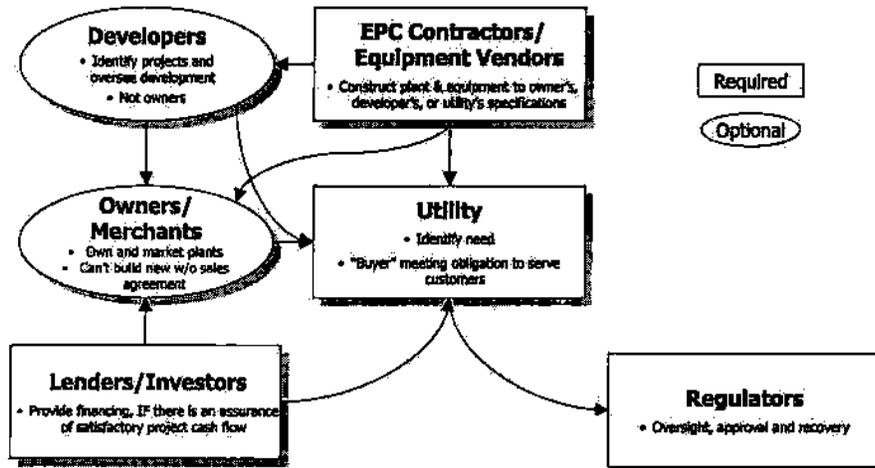


- Timetables exclude transmission and fuel infrastructure.
- Renewable plants, DSM and DR procurement and implementation varies from several months to several years.

Player Responsibilities

- **Utility** is obligated to provide its customers with reliable power resources at the most reasonable costs.
- **Regulators** ensure utilities meet their obligations.
- **Competitive market** consists of service providers with which utilities must negotiate to meet their obligation to provide reliable and cost effective power for their customers.

Who's Who In Long-Term Power Procurement

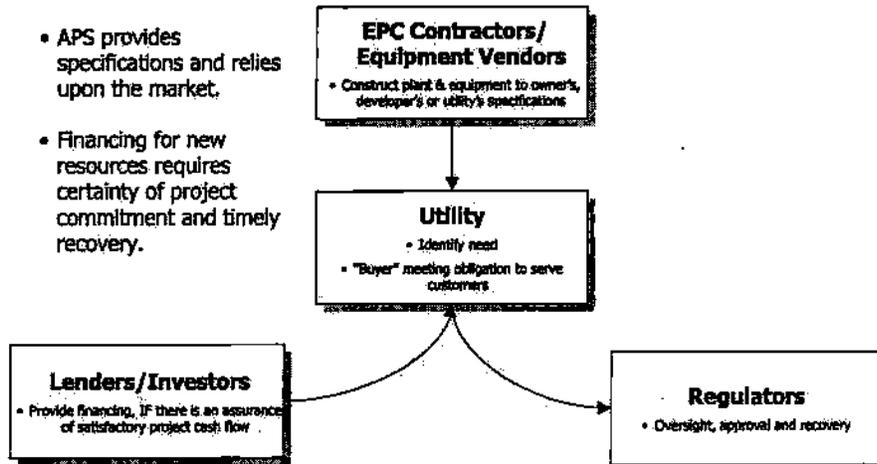


Requirements for Successful Procurement

- **Clarity** – Clear communications to all parties related to resource need, selection and the approval process.
- **Objectivity** – Evaluations should be conducted on the basis of objective criteria related to cost and other objective factors related to risk, reliability, timing needs, and environmental considerations.
- **Timeliness** – The time to close out a solicitation needs to be as short as possible because uncertainty = risk = cost.
- **Certainty** – There should be certainty for all parties that selections made will be finalized and cost recovery granted as long as the established procedures have been followed.

Utility "Self Build" Comes from the Market

- APS provides specifications and relies upon the market.
- Financing for new resources requires certainty of project commitment and timely recovery.



Note: APS Decision # 67744 effectively defined "self-build" as utility asset ownership.

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Workshop Should Resolve Key Issues

<u>Issue</u>	<u>APS Position</u>
<ul style="list-style-type: none"> ▪ When should an independent monitor (IM) be used? 	<ul style="list-style-type: none"> ▪ An IM is appropriate if there is an affiliate proposal.
<ul style="list-style-type: none"> ▪ What is the role of an IM? 	<ul style="list-style-type: none"> ▪ An IM should monitor the activities of all parties to ensure that they adhere to fair and unbiased procurement practices.
<ul style="list-style-type: none"> ▪ When should a utility consider asset ownership (i.e., self-build)? 	<ul style="list-style-type: none"> ▪ Utilities must always consider ownership along with purchase power contracts in order to ensure that customers get the best alternative.
<ul style="list-style-type: none"> ▪ Is the utility submitting a proposal when it considers ownership? 	<ul style="list-style-type: none"> ▪ No. The ownership alternative relies upon bids from the competitive market, not the utility.
<ul style="list-style-type: none"> ▪ Are existing procurement rules adequate for consideration of ownership proposals? 	<ul style="list-style-type: none"> ▪ Yes. APS Decision #67744 provides clear and ample definition. Ownership alternatives (from market bidders) and purchase power agreements should be given an equal opportunity to be selected.

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