Arizona Public Service Co. Resource RFPs

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APS

STEP Meeting

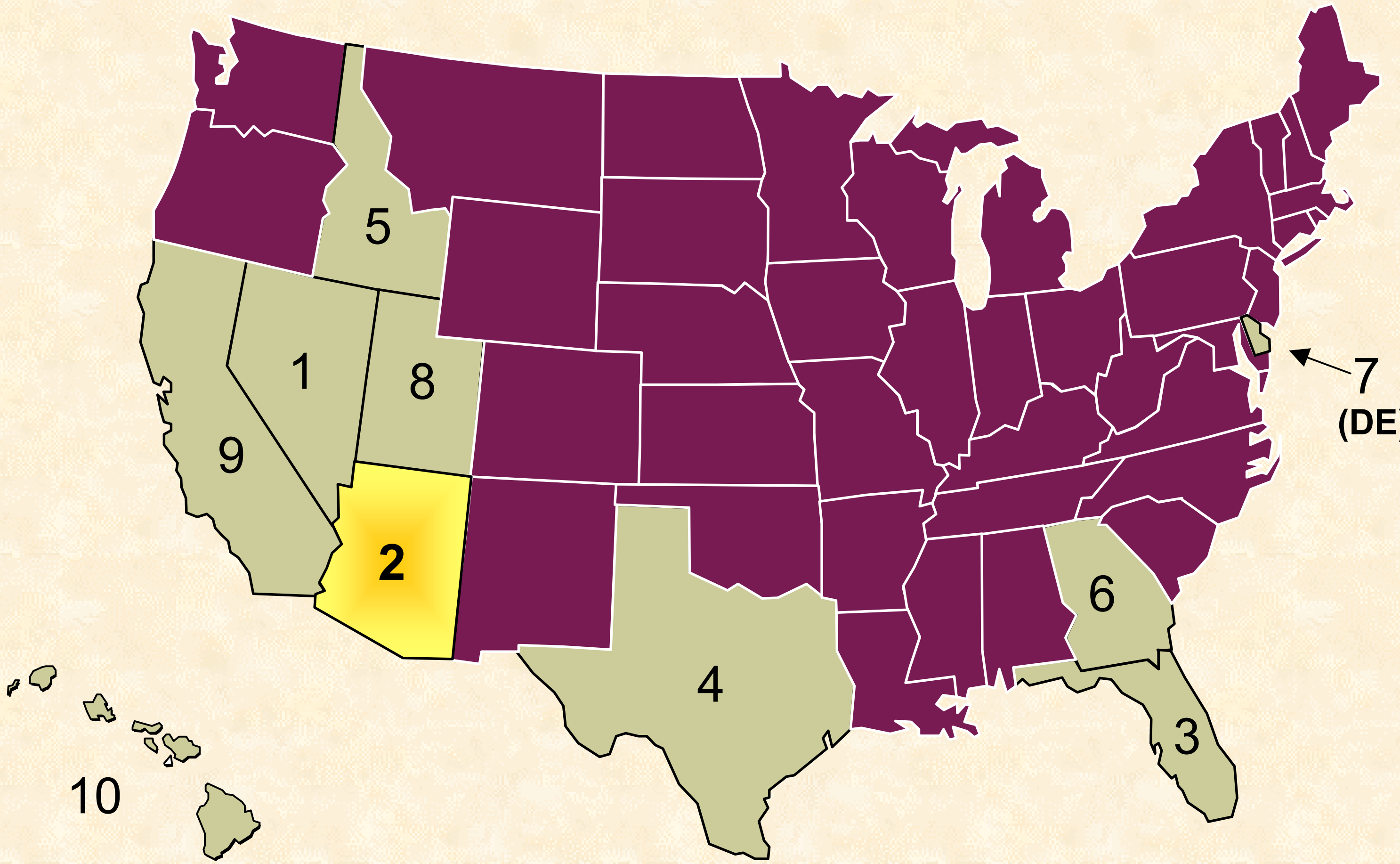
August 9, 2005

Overview

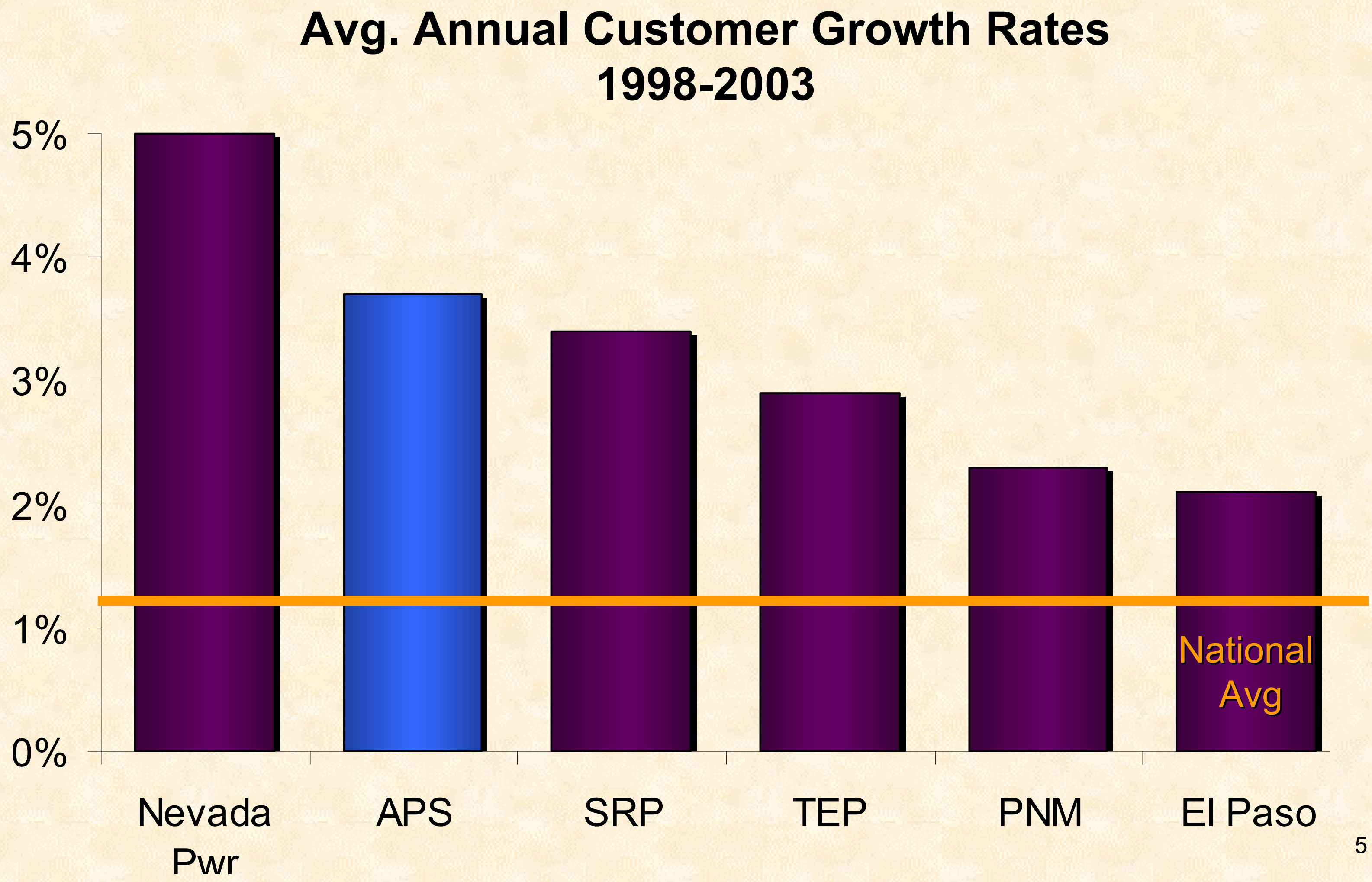
- Strong regional load growth
- Recent generation construction
- Rate Case settlement requires competitive procurement
- APS Resource RFPs

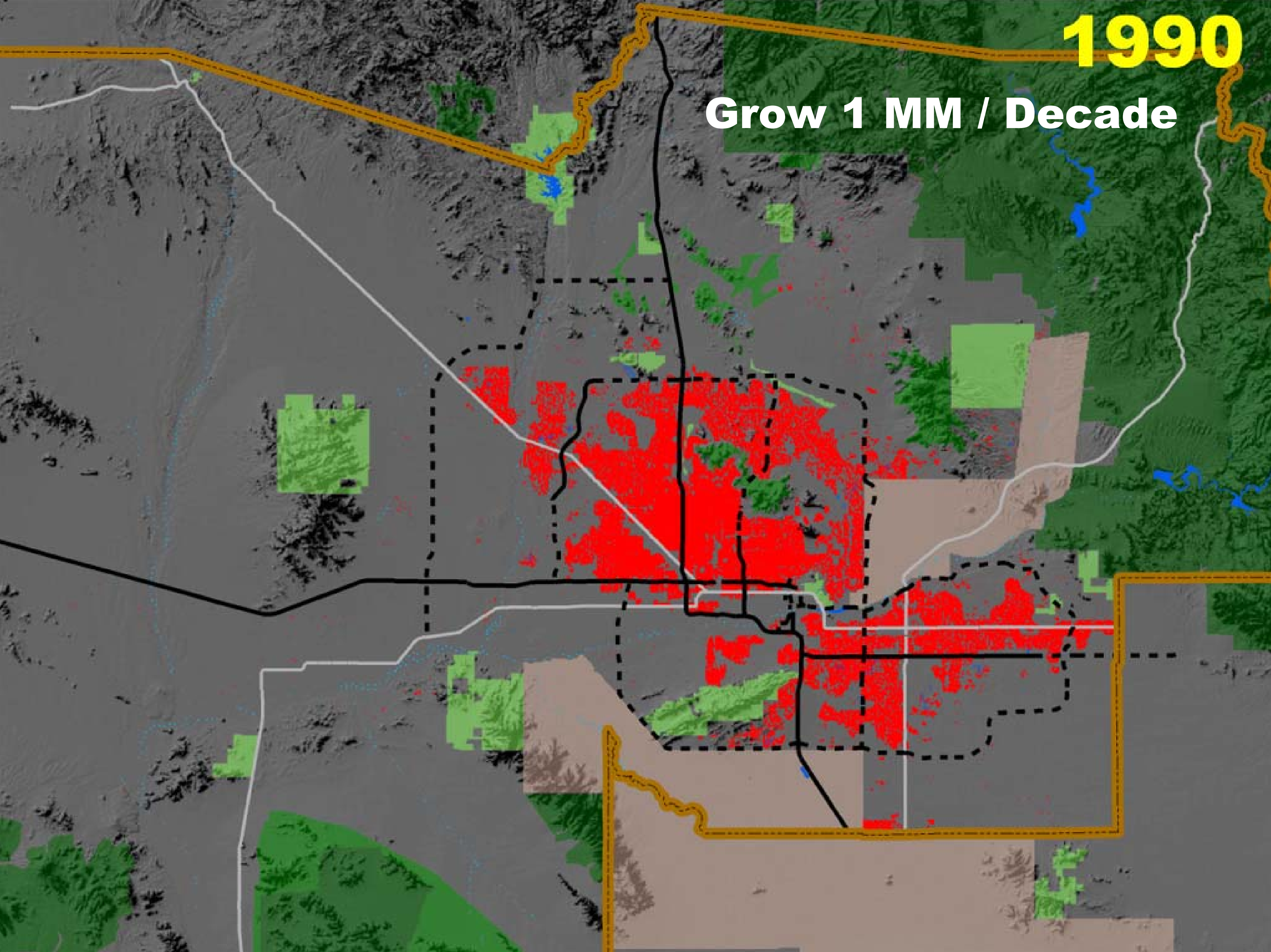
Load Growth

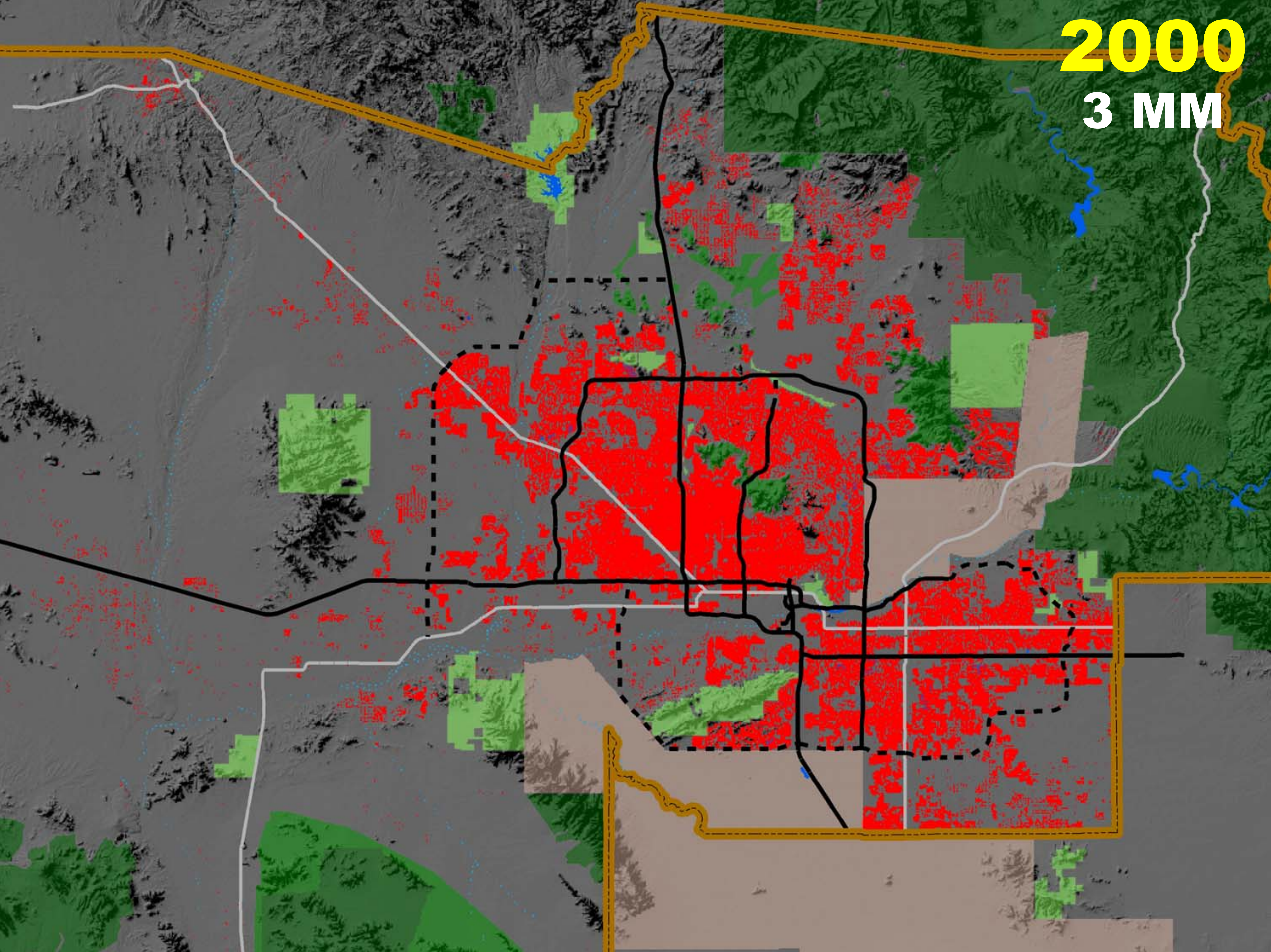
High Population Growth in the West

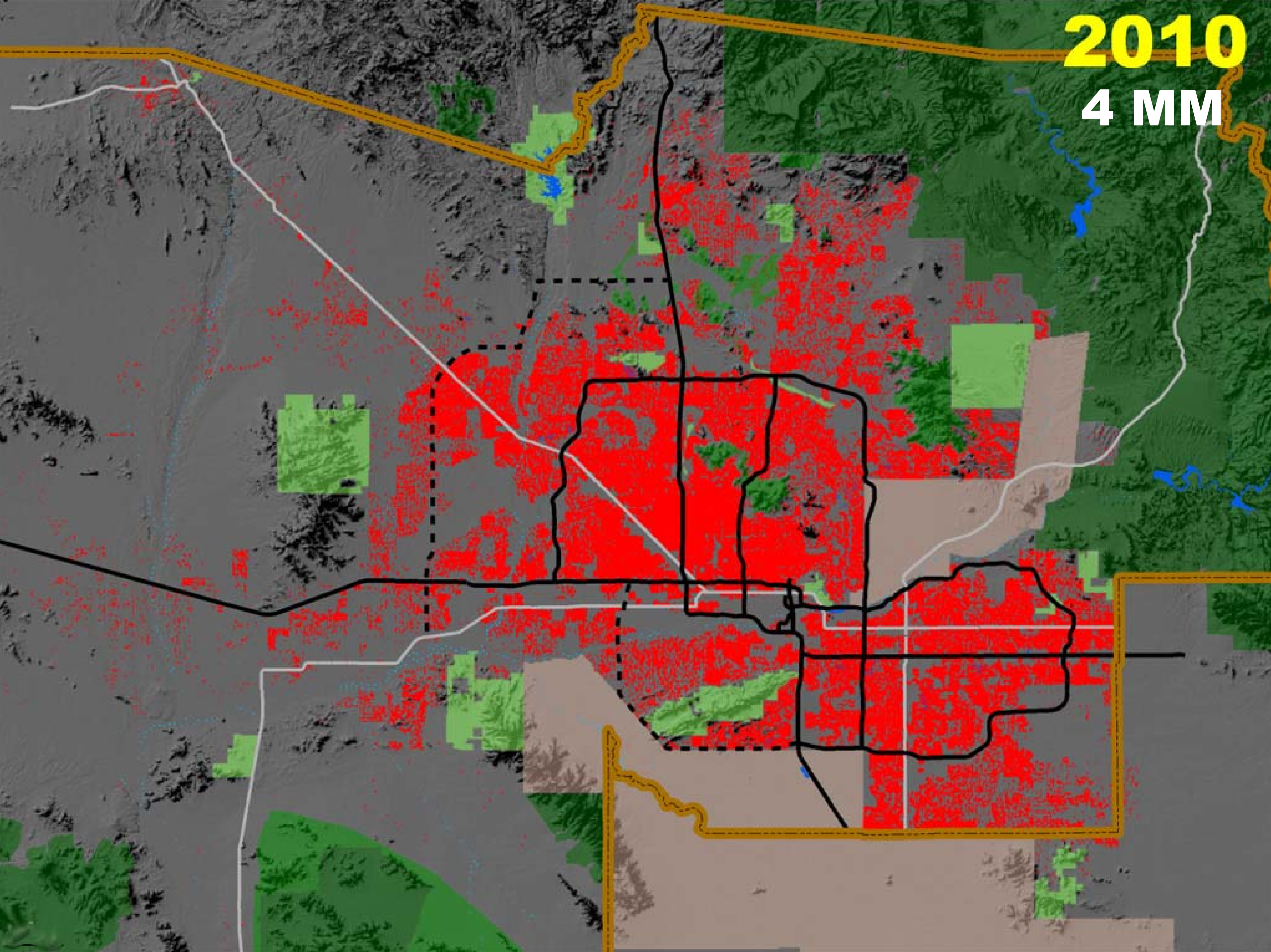


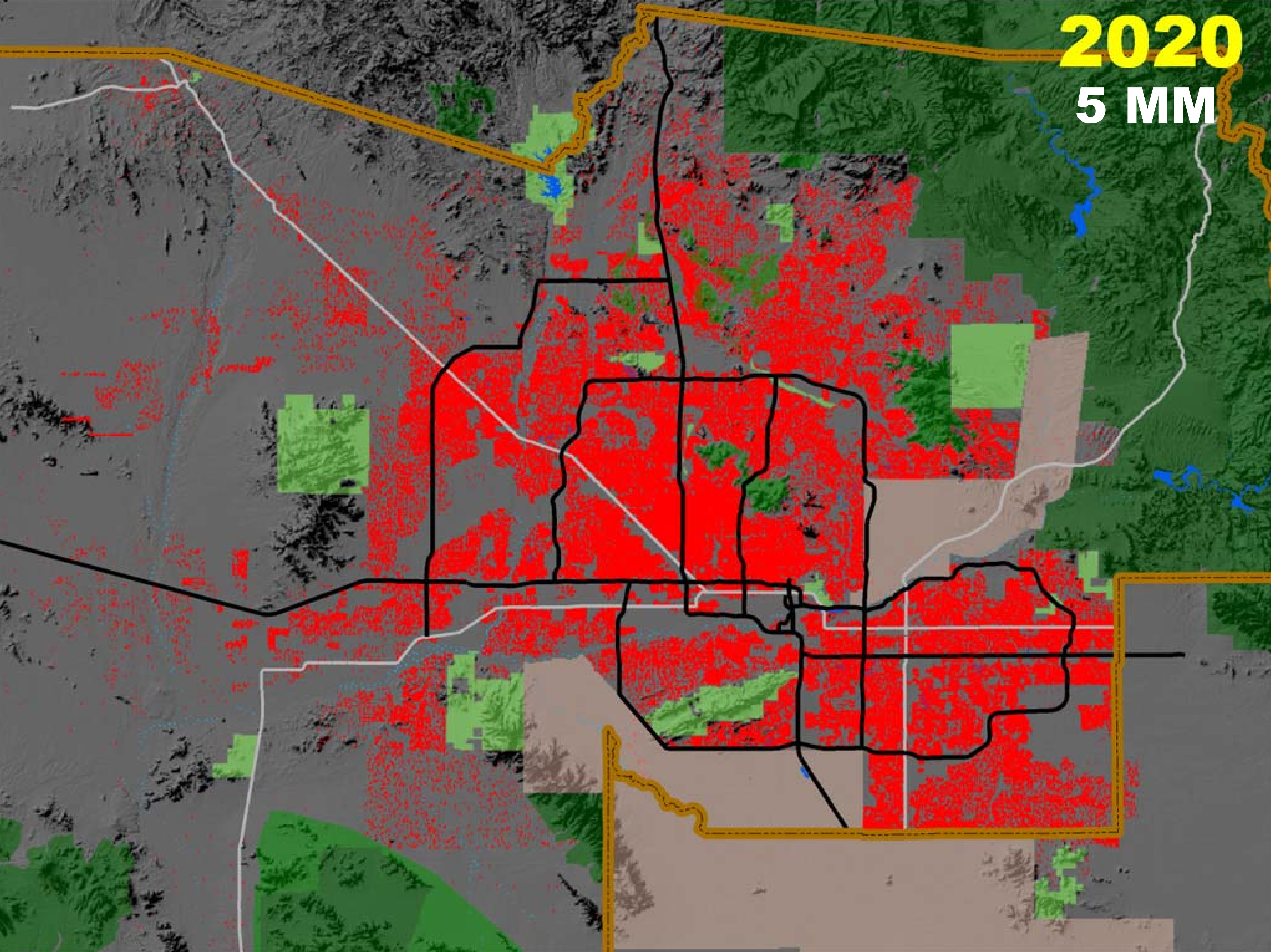
Growth 3X the National Average



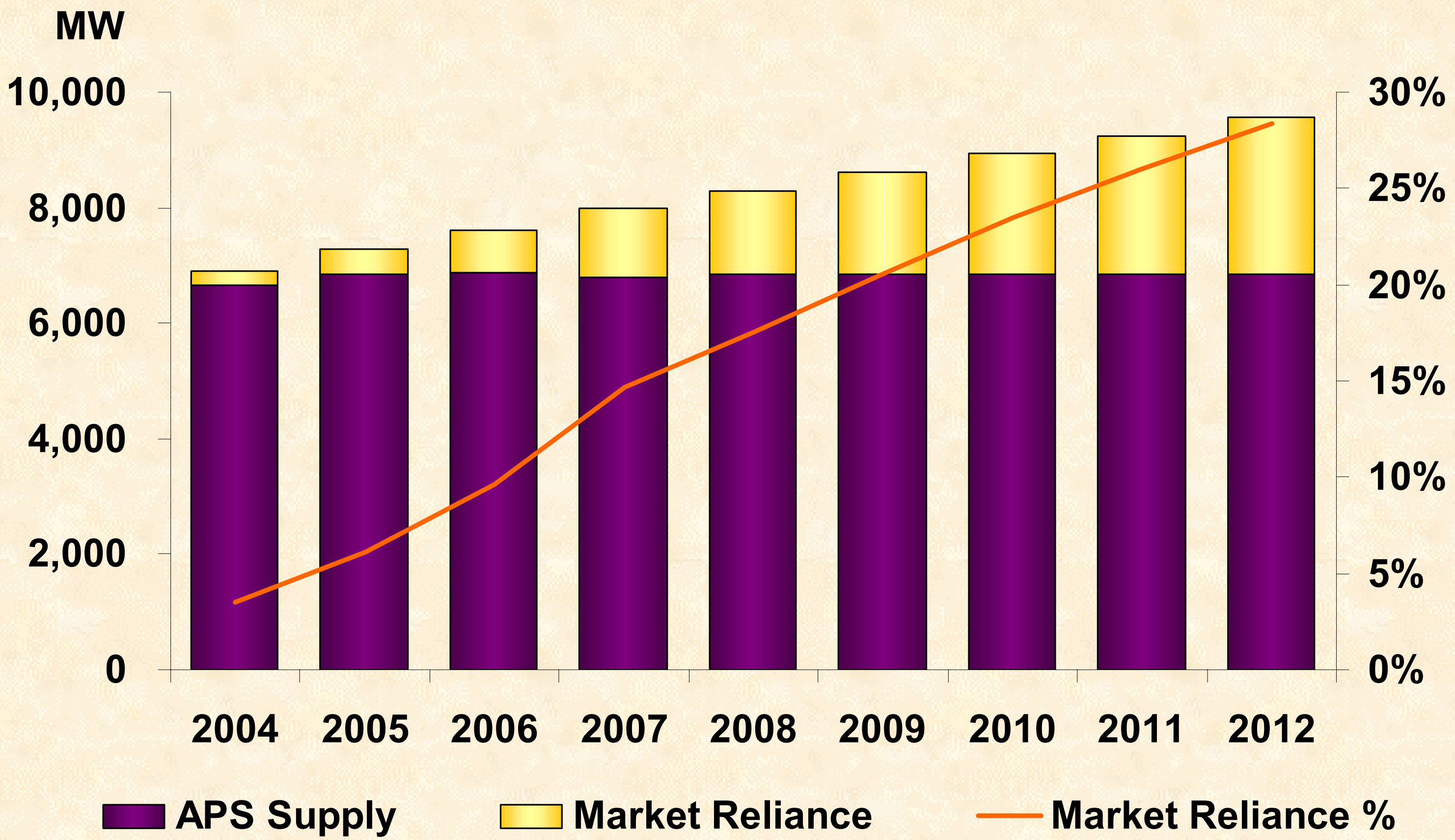

1990
Grow 1 MM / Decade


2000
3 MM


2010
4 MM

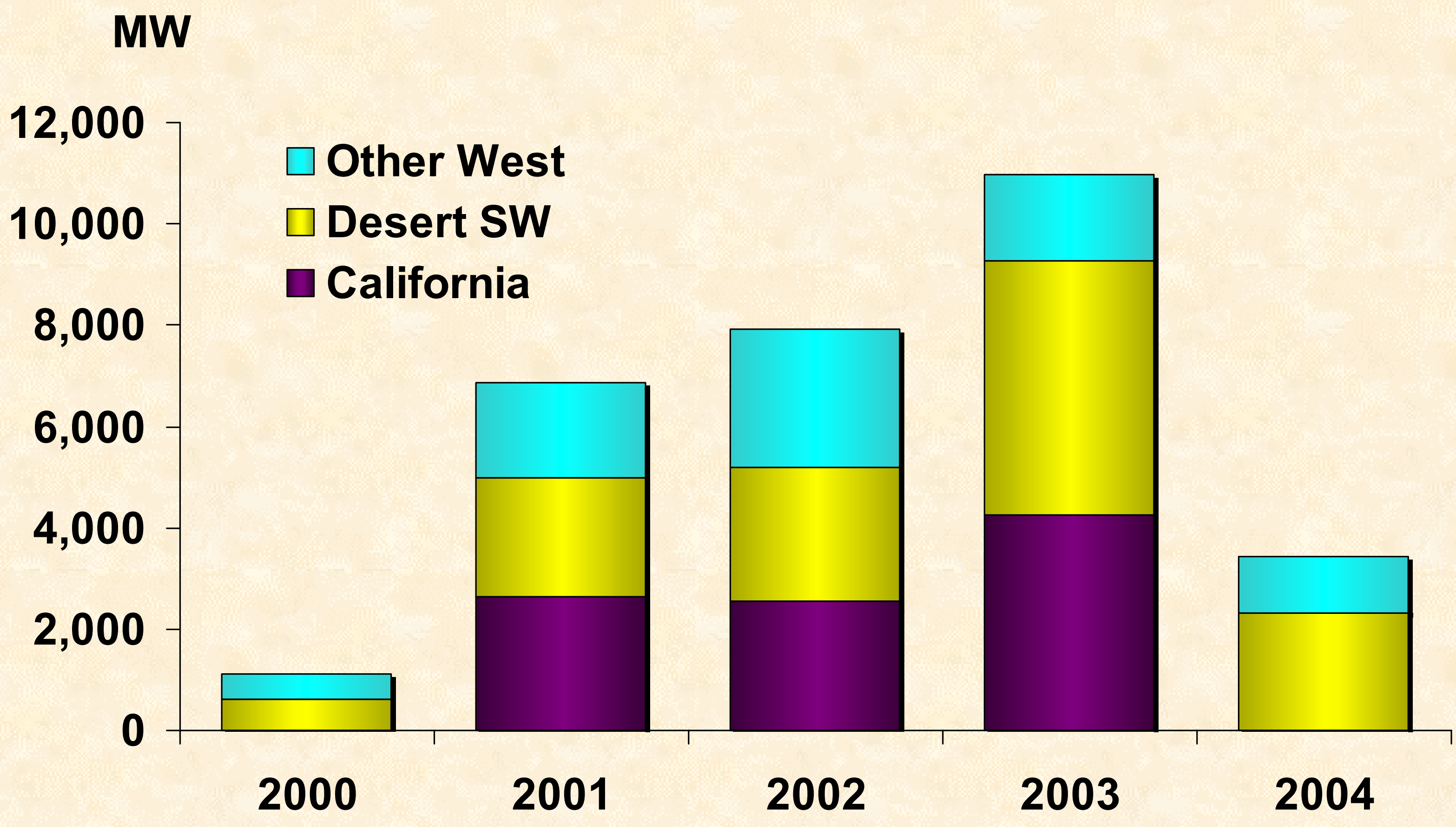

2020
5 MM

APS Needs Additional Resources

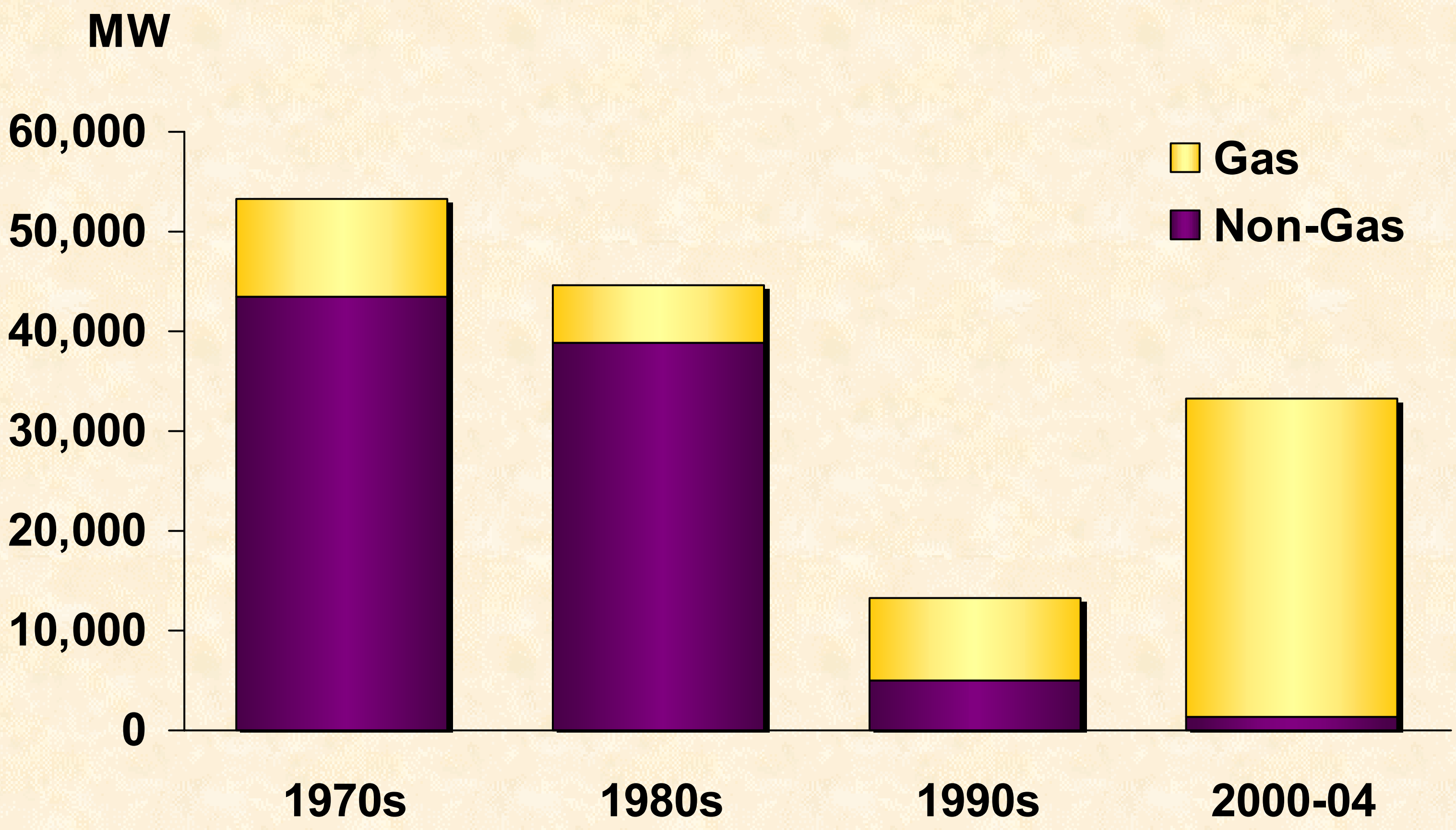


Generation Construction

Recent Power Plants Built In The West

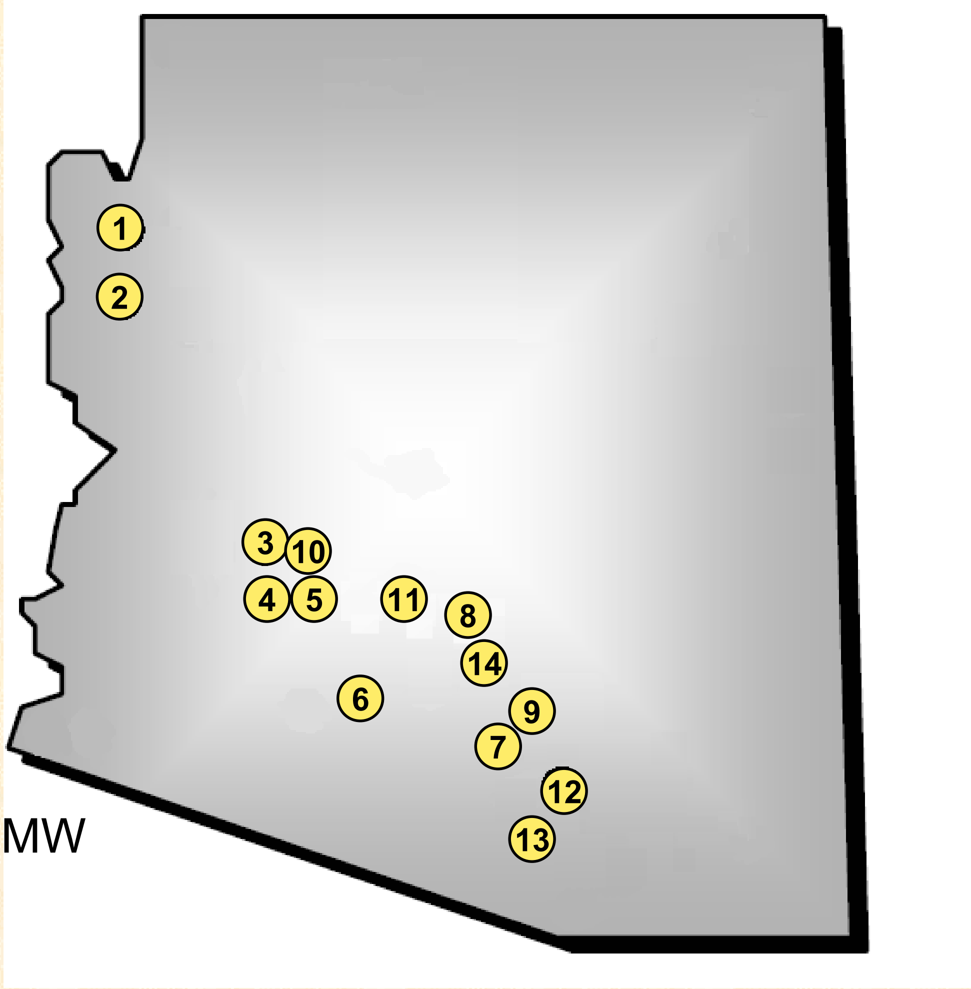


Power Plants Added In The West

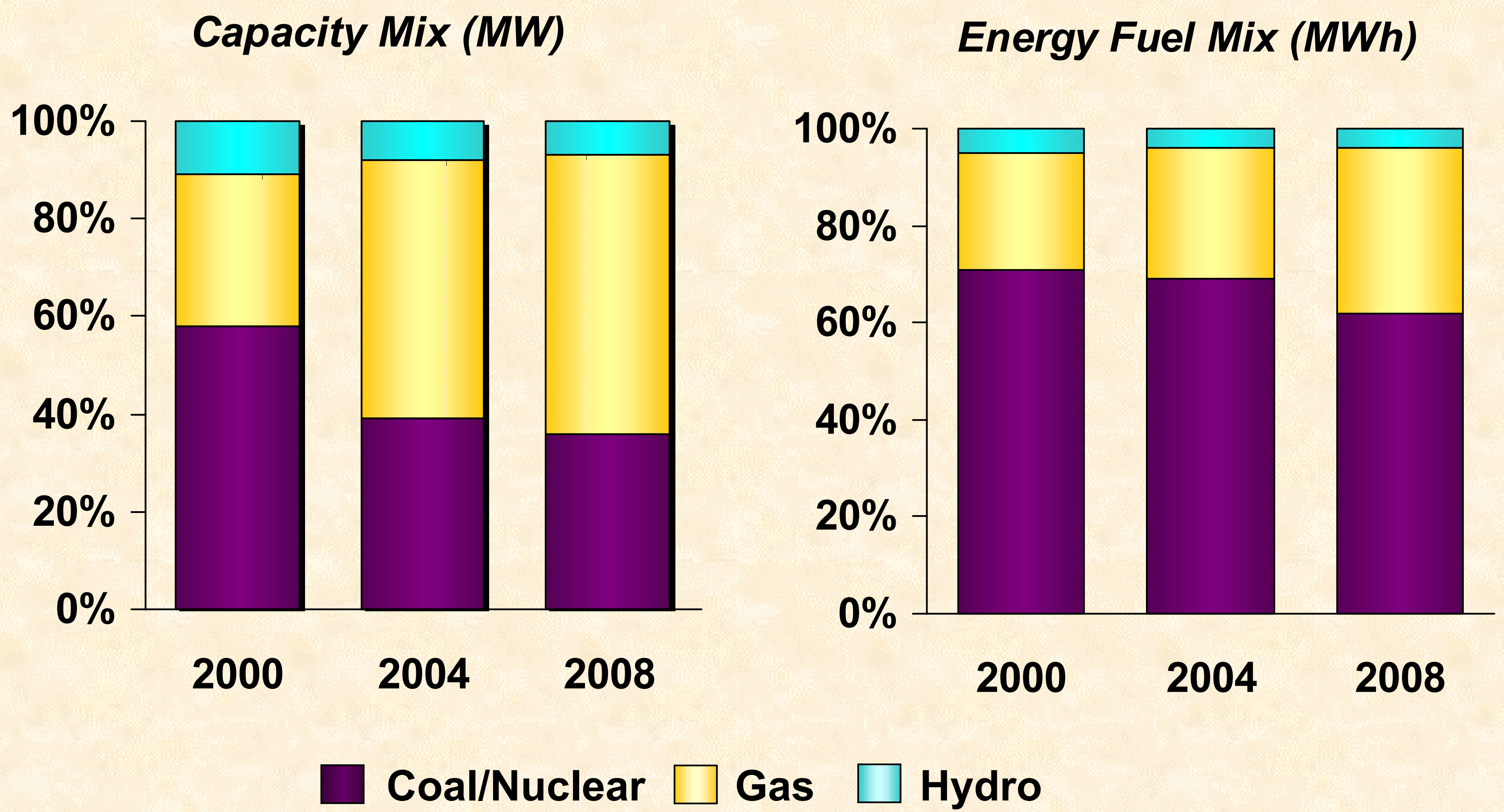


10,000 MW of Generation Built in AZ

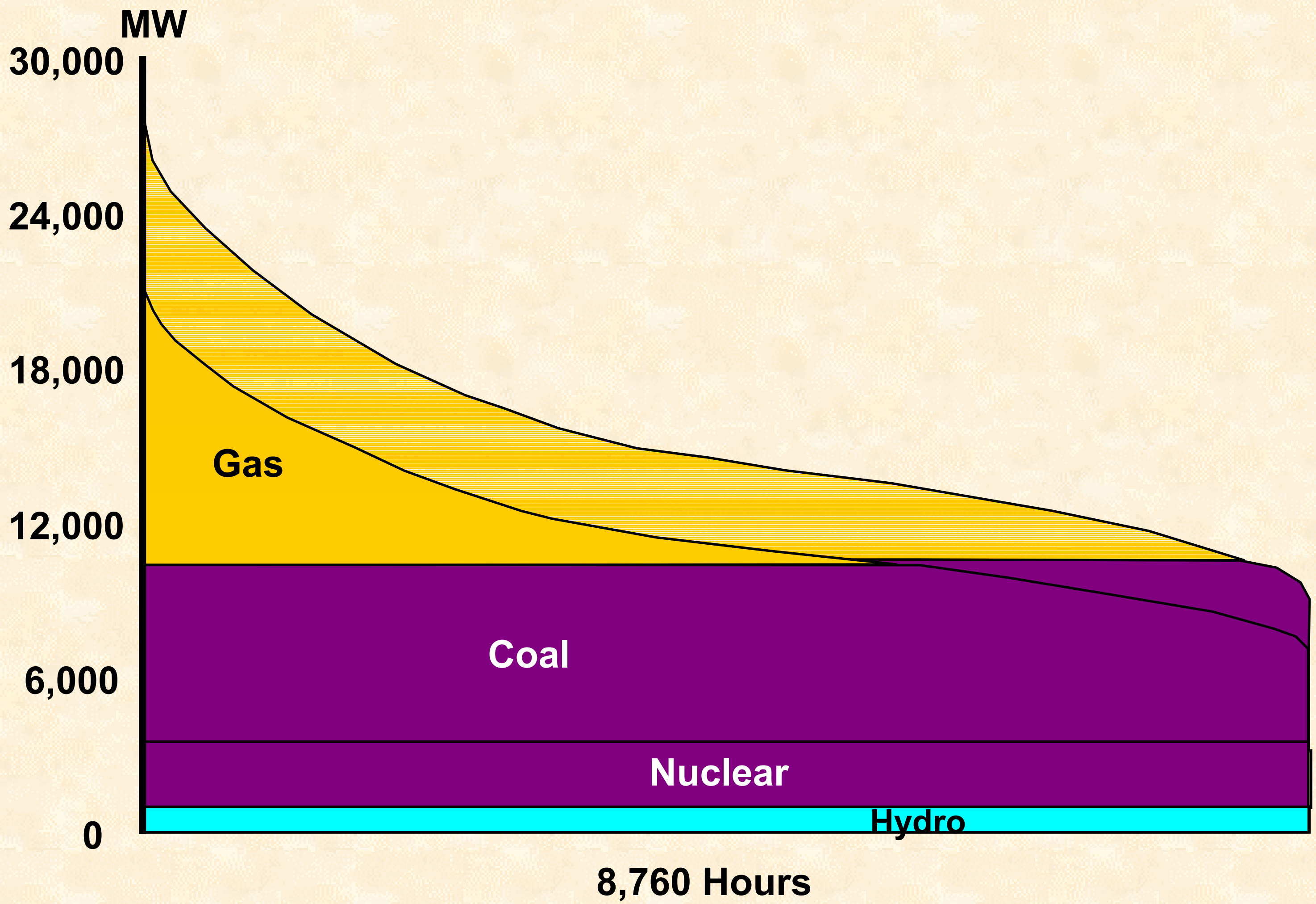
1. South Point – 540 MW
2. Griffith – 620 MW
3. Harquahala – 1,170 MW
4. Arlington Valley – 570 MW
5. Mesquite – 1,250 MW
6. Gila River – 2,160 MW
7. Desert Basin – 590 MW
8. Kyrene – 250 MW
9. Sundance – 450 MW
10. Redhawk – 1,060 MW
11. W. Phoenix – 650 MW
12. Saguaro – 80 MW
13. DeMoss Petrie/N. Loop – 96 MW
14. Santan – 550 MW



Desert SW Increased Reliance on Gas

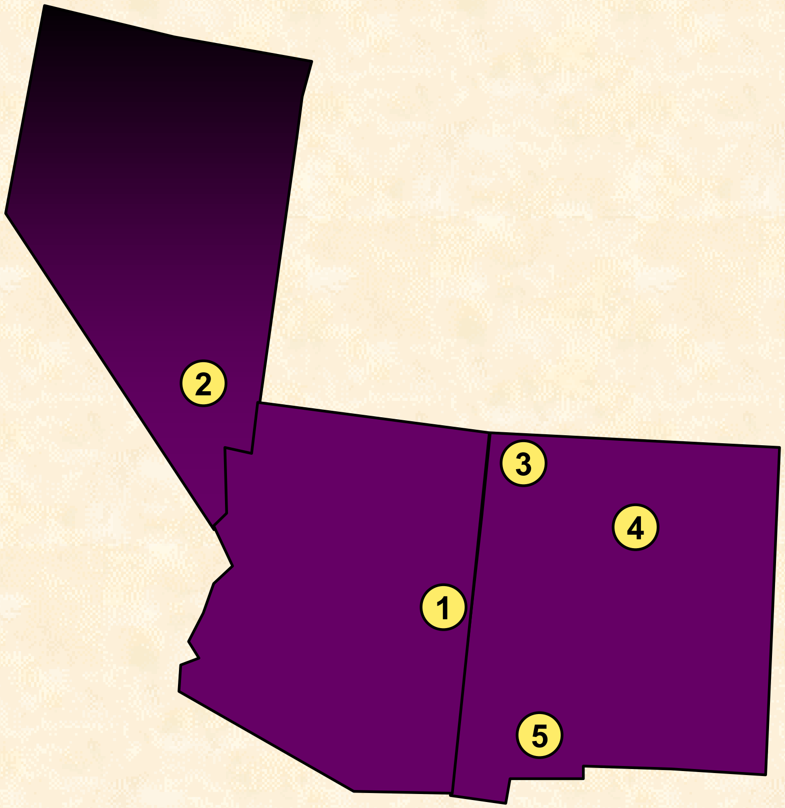


Desert SW Resources 2000 & 2008



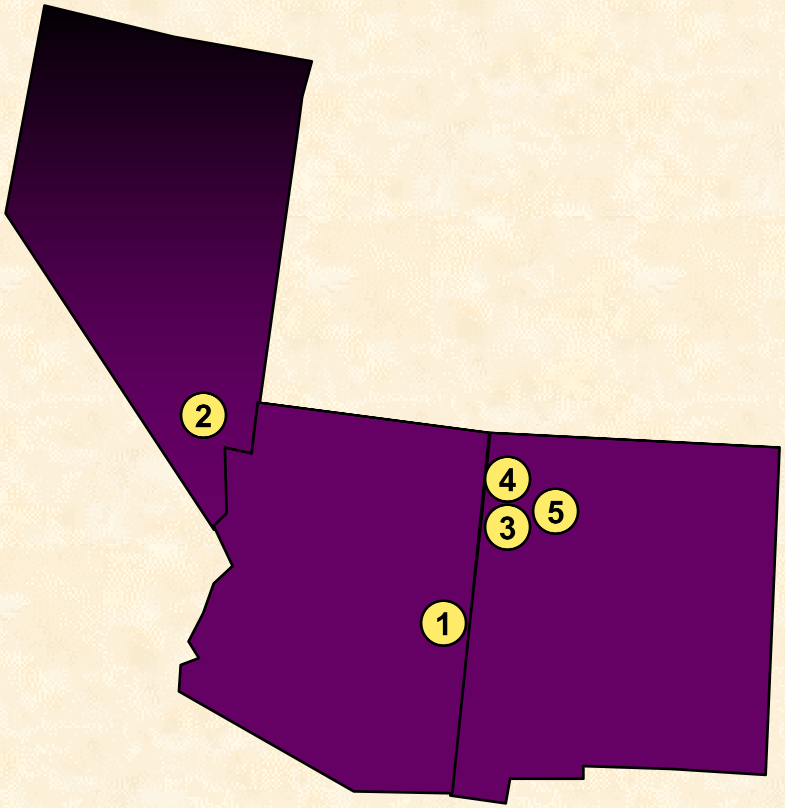
2,272 MW Under Construction

1. Springerville 3 – 400 MW
2. Charles Lenzie – 1,200 MW aka Moapa
3. Bluffview – 60 MW
4. Los Alamos TA – 25 MW
5. Luna – 587 MW



3,250 MW of Coal Plants Proposed in the Desert SW

1. Springerville 4 – 400 MW
2. NVP Coal – 500 MW
3. Mustang Energy – 300 MW
4. Steag – 1,500 MW
5. BHP Billiton – 550 MW



Competitive Procurement

Utility RFPs Becoming the Norm

- Varied approaches toward regulatory policy & resource planning (i.e. IRPs, RFPs)
- RFPs from every state in the WECC
- All types of products: peaking, base-load, intermediate, renewable, DSM

APS & TEP Spring 2003 RFPs

- 60 companies contacted by APS or TEP
- APS received over 175 bids from 10 bidders
- TEP evaluated 26 bids from 5 bidders
- 3,400 MW offered for 2003, 4,100 MW for 2005
- Signed 1,900 MW peaking capacity for 2003-2006 and an additional 450 MW of capacity during non-summer periods 2003-2005

APS December 2003 RFP

- Considered asset purchase, or long-term (20 yrs+), asset-backed PPA
- Bids received
  - 9 bidders, 13 proposals, totaling 6,800 MW
  - All Arizona gas plants
  - All combined cycle units except for Sundance
- Acquired 400 MW PPL Sundance plant

APS Rate Settlement: Competitive Procurement

- 1,000 MW RFP by the end of 2005
- 100 MW Renewables RFP by May 15, 2005
- Allows for bilateral agreements and short-term market purchases
- Self-build moratorium until 2015 (with certain exceptions)

Renewable RFP

- 100 MW, 250,000 MWh/year, plus 10% of growth
- Cost no more than 125% of conventional resource
- Minimum of five year term for PPAs
- For delivery beginning in 2006
- ACC approval required for out of state contracts
- APS may request ACC approval for an asset purchase

Reliability RFP

- At least 1,000 MW total, 25 MW minimum per proposal
- Available delivery beginning June 2007 or June 2008
- Minimum 5 year term for PPAs
- ACC approval required for asset purchase

Conclusions

- Continued high load growth
- APS will seek additional generation resources from the market