

Susan Angulo

From: Brickley Daniel A (Dan)
Sent: Tuesday, December 11, 2012 3:18 PM
To: susan@powerauthority.org
Cc: joe@powerauthority.org; joe.albo@azbar.com; sbrophy@pagelandco.com; azpwcole@cox.net; johnihudson1@aol.com; rsw@greenvalleypecan.com; Sullivan John F; Duckworth Charles B (Charlie); Hulet Steven J; Milligan Douglas W (Doug); Lehman Richard A; Lee Kenneth J (Ken)
Subject: Request for Proposal to retain a Consultant by the APA Commission for the Post-2017 Hoover Power Allocation Process
Attachments: RFP-Consultant-Allocation-Criteria-DRAFT with SRP comments-12-11-12.docx

Susan,

On November 26, 2012, the Arizona Power Authority posted its draft "Request For Proposal for assisting the APA Commission in the Allocation and Marketing of available APA Long-Term Power" on the APA website, requesting comments and suggested revisions from interested parties by 3:00pm on Wednesday, December 12, 2012. For the Commission's consideration, SRP submits the attached draft with comments noted. Along with the comments noted on the draft, SRP submits the following additional items for consideration;

- It should be clearly stated and communicated that the consultant is working for and reports to the APA Commission
- Consultant needs to have access to independent legal expertise to evaluate and interpret Federal and Arizona statutes impacting the allocation process
- Consultant should have access to independent analysis apart from and/or separate from APA staff
- An additional consideration should be the financial impact(s) on the APA of different allocation outcomes (i.e. APA credit rating, financial strength etc.)

Thank you for the opportunity to review the draft.

Sincerely,

Dan Brickley,
Manager, Power Marketing

RECEIVED

DEC 11 2012

Arizona Power Authority

RECEIVED

DEC 11 2012

Arizona Power Authority

Request For Proposal

DRAFT: FOR DISCUSSION PURPOSES ONLY

Request for Proposal for assisting the APA Commission in the Allocation and Marketing of available APA Long-Term Power.

This RFP is for the APA Commission to help it meet its obligations for development and analyses of a Preliminary Proposal and Final Marketing Plan for allocating Hoover Resources Post-2017 and have independent outside resources available to the Commission to respond to questions, help vet and review Staff proposals, and respond to public concerns, comments, and other issues raised in the process.

GENERAL

The Arizona Power Authority (Authority) seeks proposals regarding the potential methods for allocating Hoover power that has been assigned to the State of Arizona pursuant to the Hoover Power Allocation Act of 2011. The proposed allocation methods and allocations must be based on methods that are consistent with both federal and state law. A copy of the Hoover Power Allocation Act of 2011 and the Hoover Power Plant Act of 1984 are attached with this proposal under separate cover. In addition, copies of the state law pertaining to the Arizona Power Authority and the Authority's current regulations are also attached under separate cover. These are not the only laws that pertain to Hoover power and the Arizona Power Authority; however, the attached documents contain substantial information regarding the Arizona Power Authority and Hoover power that will be required to respond to this request. A flowchart showing the process to be followed in this allocation is attached as Appendix 1.

ARIZONA POWER AUTHORITY

The Arizona Power Authority is a corporation created and owned by the State of Arizona. It was established for the purpose of taking and receiving electric power developed from the waters of the mainstream of the Colorado River. Pursuant to this responsibility vested in the Arizona Power Authority by the State of Arizona, the federal government has allocated to the Arizona Power Authority as of October 1, 2017 a specific amount of capacity and firm energy as specified in the Hoover Power Allocation Act of 2011. The amounts allocated to the Arizona Power Authority, as well as other allottees in the states of California and Nevada, are set forth in

the table designated as Table 1 at the end of this document. This table also shows the amount of power allocated to the various Hoover Contractors in 1987. The 1987 allocation amounts are currently in effect. Table 2, which is also at the end of this document, gives similar information specific to the Arizona Power Authority.

The Authority currently has 29 customers comprised primarily of public power irrigation and electrical districts and municipalities in Arizona. A list of the Authority's current customer allocations of Hoover Power and Energy is found in Table 3 at the end of this document. Pertinent details regarding the Authority, its customers and operations are available at the Authority's website found at www.powerauthority.org and the Post-2017 web blog at <http://2017.powerauthority.org>.

~~Due to the limited power and energy, the Hoover Power does not currently and in 2017 will not supply all of the power required by the Arizona Power Authority's customers/applicants. Consequently, most customers/applicants will find it necessary to enter into supplemental power contracts with the entities that are the control area operators wherein the customer's/applicant's load resides. The authority customers/applicants on their own, or acting as a group through the Authority may find it beneficial to enter into some form of bulk purchase agreement. However, these considerations are not part of this RFP. (This is editorial and states the obvious, that there is more demand for Hoover than there is Hoover Supply. If the paragraph remains, we suggest deleting the end of the 2nd sentence starting with "with the entities that are the control area operators wherein the customer's/applicant's load resides.)~~

Formatted: Superscript

The Hoover Power and Energy allocated to the State of Arizona and other entities is subdivided into Schedule A, Schedule B, Schedule D and Schedule C Energy. The Hoover Power Plant Act of 1984 had similar classifications for Schedule A Power and Energy and Schedule B Power and Energy and Schedule C Energy. However, Schedule D Power and Energy is a new classification that will become effective on October 1, 2017. The attached Hoover Power Plant Allocation Act of 2011 describes the Schedule D Resource Pool to be allocated by Western and the portion of the Schedule D Resource Pool to be allocated by the State of Arizona. It is important to note that any portion of the Schedule D Resource Pool allocated by Western to entities within the state of Arizona that are not federally recognized Indian Tribes shall be offered through the Arizona

Power Authority. The work product of this RFP will be 1) a preliminary proposal, and 2) a final marketing plan.

SPECIFIC TASKS FOR THE WORK TO BE PERFORMED

I. PRELIMINARY PROPOSAL

1) Task 1: Establish Marketing Area and Market for Long-Term APA Resources

1. Task 1 A – Establish APA has Long-Term Supply available

- a. Hoover Power Allocation Act of 2011
- b. Arizona Statutes on allocations and preference of resources
- c. APA Rules and Regulations (Current)

2. Task 1 B – Establish current market for APA resources

- a. Summarize Existing Qualified Entities in Arizona with and without a current Hoover Allocation.
- b. Summarize current electrical loads and resources of Qualified Entities for Hoover A, B and D
- c. Establish if there is a shortage of Hoover to satisfy Arizona needs
- d. Identify and summarize the potential marketing of Hoover D
 - i. New Qualified Entities eligible for Hoover D in Boulder Canyon Marketing Areas, and
 - ii. New and Existing Qualified Entities from Arizona including Native American entities.
 - iii. Summarize levels of potential interest for Hoover D and assumptions for the estimates.

3. Task 1 C - Deliverables Specific to APA Marketing:

- a. Identify and Summarize all Qualified Entities in Arizona
 - i. List and tabulate assumptions for Qualified Entities and alternatives if necessary, including but not limited to:
 1. Arizona Preference?
 2. Wholesale or Retail?
 3. Existing and operating?
 4. Service Area?

5. Eligibility for Hoover A, B, D?
 6. Served by CAP or not?
 7. Current Electrical Supplier?
 8. Existing Resources?
 9. Other?
- ii. Summarize Loads, Resources and proposed uses of Hoover Power for all QE's in Arizona
 - iii. References:
 1. Existing APA and Western contractors' Integrated Resource Plans on file with Western.
 2. Reference publically available information for other wholesale utilities operating in the State
 3. Data collected by the Consultant pursuant to II. Final Marketing Plan
 - iv. For QE's other than current APA customers, identify sources of information.
 - v. Reference Federal Register Notices on federal resources contracted to all QE's. (What other Federal resources do QE's have?)
 - vi. Use estimates for unidentified QE's which have not surfaced or been identified (e.g., new districts).
- b. Purposes:
- i. Create a reasonable starting point of known eligible entities sufficient to examine various methodologies for the purpose of preparing a Preliminary Plan.
 - ii. Identify the market (i.e., Arizona QE's most likely to participate in Hoover A, B, and D marketing, including Arizona Statutory Preference.)
 - iii. Identify the ~~degree to which likelihood that~~ Hoover D will ~~complement the power supply of satisfy~~ new ~~entrant applicationsneeds~~ for Hoover in Arizona, ~~and up to what levels?~~
- 2) Task 2 – Identify Qualitative Factors related to marketing of federal power resources
1. What factors and basis of factors should be included to derive allocations?

- a. Identify legal and regulatory statutes used by Arizona for remarketing of Hoover Power.
 - b. Summarize most recent State and Federal remarketing and which metrics were applied and weighted, and why.
 - c. Summarize 1987 APA marketing plan and identify factors used in the 1987 marketing plan, e.g., based on load percentages, based on minimizing economic harm to existing customers, based on mathematical formula, legislative water and power plan, other, etc.
 - d. Summarize factors used by federal agencies in remarketing of federal projects (CRSP and Parker Davis).
2. Summarize qualitative factors applicable to the APA in its consideration of marketing of power for Qualified Entities Post-2017, including but not limited to:
- a. Statutes (preference) and APA current Rules and Regulations
 - b. Historical Loads – Energy and Peak Demands
 - c. State Water Plan support – Title 45
 - d. State Industry Impacts (agriculture, mining, technology)
 - e. Economic and other associated Impacts on Existing Customers of losing long-term reliance upon Resource (dislocation costs).
 - f. Economic and other associated Impacts to New Entities of gaining resource (new allocation benefits)
 - g. Identify other qualitative assumptions which should or could be included in preparing a set of criteria to help develop the Preliminary Proposal, e.g., population or geographic distribution.
- 3) Task 3 – Vetting and Development of APA Commission Preliminary Proposal
1. Develop Weighting Factors to help evaluate and weight qualitative metrics
 - a. Develop understanding and basis of how the metrics used for allocating power and weighting factors associate to “Equitably” between needs and uses of the APA Power across the State?
 - b. Examples:
 - i. How does an allocation on population affect equity between QE’s,
 - ii. How does a load allocation affect equity?
 - iii. How does loss of resource affect equity?
 - iv. How does loss of power for a State Project affect equity?

- v. How do new allocations affect equity between QE's?
 - vi. Other factors?
 - c. Legislative Impacts? Identify any State Water and Power Plan impacts and associated weighting to include legislative directions.
 - d. Assist Commission in developing APA Weighting Factors and metrics related to methodologies for allocating post-2017 power?
 - e. Using the Weighting factors and Commission Guidance – Develop Preliminary Proposal including Preferred Alternative and any other Alternatives the APA may consider in its final Allocations.
 - f. Develop APA Preliminary Proposal with at least one alternative, and possibly several alternatives as needed to encourage public input on the alternatives toward a final allocation and discussion of APA Commission Weighting and other factors, as appropriate.
- 4) Task 4 – Sensitivity Analyses.
- 1. The Consultant shall work cooperatively and openly to fully incorporate various suggestions in the analyses and reports. The Consultant is also required to identify different assumptions or analyses, so the Commission can take into consideration the differences and independent views on such matters, as necessary.
- 5) Task 5 – Marketing Process Assistance
- 1. Work with APA Staff, **as directed by the Commission**, in meetings and presentations as necessary to support the Commission's Proposal, solicit public comments, and advise the Commission regarding any changes the Commission may consider to the Preliminary Plan and the Final Marketing Plan.

II. FINAL MARKETING PLAN

- The Final Marketing Plan will not only contain proposed methodologies, but must contain actual capacity (kW) and energy (kWh) amounts to be allocated to each qualified applicant pursuant to each proposed methodology.

- The total of the allocations to all applicants at the generation level as subdivided into A Power, B Power and D Power must equal the allocation made to the Arizona Power Authority pursuant to the 2011 federal legislation.

NOTE: Losses for transmission and delivery will subsequently be determined by the Authority based on actual delivery details.

- The Contractor will be responsible for soliciting, collecting and analyzing both preliminary and final data from potential and final applicants, including amounts and uses of power. The Power Authority staff will help in this function, but the primary responsibility will be the Contractor's.

OBJECTIVE

The objective of this Request For Proposal is to develop a sound and defensible basis for allocating the Hoover Power and Energy to qualified applicants in the Post-2017 era. ~~The APA Commission~~**We** intends to use the results of this study as a basis for negotiations with potential customers to be served by the Arizona Power Authority in Arizona. The analysis will become public information available for all to review, analyze and criticize. The analysis will be used by the Authority to ~~achieve the best allocation basis for assigning~~ Hoover Power and Energy to qualified applicants in Arizona.

REQUIREMENTS

- Please submit a brief description of your firm's qualifications to perform this study.
- Submit the estimated cost parameters and timeframe to complete the study.
- Note: the specific project details will be developed at the direction of the Arizona Power Authority Commission.
- The vendor must warrant that upon delivery, all content of the report shall be accurate and free of material faults and processing errors, or, if discovered, such errors will be promptly corrected.

At the completion of the project, all materials developed for this project, including any and all programs, worksheets and other working documentation developed for this project, will become the exclusive property of the Authority and may be employed by the Authority at its discretion. The proposals will be reviewed and evaluated by the Arizona Power Authority Commission promptly after the January 18, 2013 submittal deadline.

PROPOSAL FORMAT

The proposal must contain: 1) a technical section; and 2) a time cost section. In the technical section of the proposal, the vendor should include its qualifications to complete the study, along with projected personnel requirements and schedules for completing the project. In the time cost section, the vendor must detail the time and costs estimated to complete the project. Submission deadline is January 18, 2013. A party may withdraw its proposal and submit a revised proposal prior to the response deadline. After the deadline, party-initiated changes will not be accepted. We anticipate the vendors will have significant questions and require additional information from the Arizona Power Authority staff in preparing this proposal. For information, please contact Joseph W. Mulholland, Executive Director, at 602-368-4265, or at joe@powerauthority.org.

INSTRUCTIONS TO BIDDERS

The Authority is requesting firm proposals from entities submitting bids. Bids must include, at a minimum:

1. The name of the organization or organizations that will enter into a Contract with the Authority.
2. The address of the principal place of business of the organization(s).
3. The name of the key individuals that will interact with the Authority on scheduling matters, contract matters, development procedures, and any other function contained in the response to this RFP.
4. A fee/payment schedule.
5. Description of similar projects that the organization has engaged in within the last five (5) years.

This request outlines the minimum requirements for the proposals. The respondent may include any other information it believes appropriate, and which will aid the Authority in selecting a successful bidder.

The Power Authority will hold a meeting at the Authority's office (1810 West Adams, Phoenix, AZ) on {DATE TO BE DETERMINED} to discuss this proposal with potential proposal bidders.

Please submit your proposals to:

Arizona Power Authority
1810 West Adams Street
Phoenix, Arizona 85007-2697
Attention: Allocation of Hoover Power, 2017

The proposals will be received until 4:00 p.m., Phoenix, Arizona time, January 18, 2013. Evaluation of the proposals will take place during January/February 2013, and a selection will be made by the Authority Commission at its February 19, 2013 meeting.

During the evaluation process, the potential respondents may initiate discussions with the Arizona Power Authority staff. Such discussions may be necessary in order to prepare the proposal. Such discussions shall be for the purpose of clarifying the requirements for the proposals. Legal questions may be addressed by the Power Authority attorney, Doug Fant, at 602-368-4265.

A contract between the Arizona Power Authority and the winning proposer will be developed. Contract negotiations are intended to begin within thirty (30) days of approval by the Commission, and a final Contract is expected to be approved by the Authority Commission at its March 19, 2013 meeting. Operations under the new Contract will begin March 19, 2013.

Material provided as part of a proposal shall become the property of the Authority and shall be handled and used by the Authority for any reasonable purpose. The respondent will be

responsible for all costs associated with the preparation and submittal of its proposal, without exception.

This RFP shall not be construed to require or obligate the Authority to select any proposal, or limit the Authority's right to reject any and all proposals in its sole and exclusive discretion. The Authority reserves the right to withdraw and terminate this RFP any time prior to execution of agreements.