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**Arizona Electric Power Cooperative**

**Bidder Conference**

**Questions & Answers**

**Slide 7 –**

Q – In regards to resources complying with all EPA regulations, is it all current or all current and future EPA regulations?

A – When it comes to coal resources, we are looking for no or reduced exposure to all current and future regulations. Unless respondent is willing to take on all responsibility for future regulations (indemnifying AEPCO) in a long term arrangement, may consider looking at short term PPA.

Q – Is the first year of the transaction 2015 or 2016? RFI mentions going out to 2018.

A – Preference is for it to start in 2015, but will consider resources that start anywhere between 2015 and 2018. There is likely to be additional need starting in 2018.

**Slide 8 –**

Q. Are EE and DSM or renewable biddable under the RFI?

A. DSM and renewable are not our preference – we need dispatchable resources.

Q – How about intermittency? Regarding renewable energy, will AEPCO expect to call on the new resource to fill in the blanks?

A – AEPCO owns quick start resources today that would be expected to balance any intermittent resources. IF the bid product is a highly efficient combined cycle gas unit, we expect it to run as a base unit when dispatched, but we may need to have it follow load to some degree.

Q – For non-asset purchase bids such as a call option type bid, what is your scheduling requirements?

A –Fully dispatchable call option is preferred, but you may bid whatever you prefer to make the price more attractive for consideration by AEPCO.

Q – Do you have ramp rate criteria?

A – No specific criteria at this time. AEPCO’s current ramp rates are 3-4 MW/min and this is acceptable.

Q- What are you specifically looking for in a tolling agreement?

A – AEPCO would expect to provide fuel (gas or coal) and use your facility for generation, heat rate, etc. AEPCO has transportation and transportation rates.

Q – What is the expectation on price validity limit?

A – The expectation is that all price terms would be valid through the schedule outlined in the RFI, which is through the end of this year. However, there will be an opportunity to negotiate terms based on any changed circumstances.

Q – Under AEPCO’s Reservation of Rights, what is entailed by use of bids for any reasonable purpose?

A – AEPCO does not intend to use bids in a way that would compromise bidder confidentiality. It is important that the bidder’s complete the NDA and return it as soon as possible as everything from beyond today needs to be covered.

Q – Question about market moves?

A – AEPCO is not looking at market movement as a reason to change prices.

Q – Question about Bidder credit screening.

A – AEPCO is a member of ACES and will use ACES as our agent for credit screening.

Q – Question about once-through cooling issues on proposed gas units.

A – Bidders are asked to state the condition of their uncertain emissions issues.

Q – What if EPA throws a curve ball on natural gas plant regulations? Do you have a requirement in place for evaluating?

A- We ask that you disclose any risks associated with your bids and all bids will be evaluated for future risk based on disclosed risks and any other risks that AEPCO chooses to consider in its evaluation.

Q – Is it possible to relieve transmission issues by net scheduling?

A- AEPCO would not entertain a long term contract that would require it.

Q – If SIP is accepted by EPA, will ST2 need an SNCR?

A – ST2 will be converted to natural gas and ST3 will be retrofitted with SNCR.

Q – What two cooperatives would be merged into Arizona’s G&T?

A – AEPCO & SWTC

Q – And I’m assuming that it is the combined company that Fitch and S&P will issue a credit rating for? Is that accurate?

A – Yes that’s accurate.

Q – What is the timing of the credit ratings from Fitch, Moody’s, S&P, etc.?

A – Timing of the credit rating is a little uncertain. We made the presentations to both Fitch and S&P in February 2014 and asked that they rate the merged companies, but they are hesitant to do so until the ACC approves merger.

Q – And the goal is to get a credit rating based on the merged entity prior to closing this transaction if a transaction occurs prior to the end of this year?

A – Yes.

Q – Does AEPCO have ACC approval now for the merger?

A – No. ACC approval of merger has not been granted, but is expected in May. The ACC has just approved our arrangement for committed lines of credit, which will facilitate higher ratings and future financings.

Q – Should the PowerPoint presentation be considered attorney-client privileged?

A – You are free to share with others in your organization presuming an NDA is in place.

Q – What about changes or problem with terms on NDA?

A – If any NDA problems or changes are needed, let us know immediately.

Q – Do you have a preferred delivery point?

A – We do not, though the delivery point may have an influence on the economics and hence the choice of the resource.

Q – Are you members of SW Reserve Sharing Group?

A – Yes

Q – Will it affect this RFI?

A – We do not expect it to change what our largest single hazard is.

Q – Is it fair to say that the evaluation process will consider additional transmission cost to get the resource to AEPCO load, so not strictly pricing dollar and cents on our side, but we have other things to consider?

A – That’s correct. We will look at any transmission constraints to determine if there would be additional costs.