

**SOUTHWESTERN  
PUBLIC SERVICE  
COMPANY**

**2008 Request for Proposals**

Request for Proposals  
For  
Dispatchable  
Resources

October 2008

# Table of Contents

## Southwestern Public Service Company

### 2008 Dispatchable Resource RFP

<b>Section 1. Introduction.....</b>	<b>1</b>
1.1 Regulatory Context.....	1
1.2 Resource Needs Assessment.....	1
<b>Section 2. Eligible Project Information.....</b>	<b>1</b>
2.1 Eligible Project Structures .....	1
2.2 Eligible Project Resources .....	2
2.3 Pricing .....	3
2.4 Regulatory Approvals.....	3
2.5 Contract Lengths.....	4
2.6 RoFO and Purchase Option .....	4
2.7 Contract Accounting.....	4
2.8 Index Pricing.....	6
2.9 Company Developed Proposals.....	6
2.10 Fuel Supply.....	6
2.11 CO2 Cost Responsibility.....	7
2.12 Use of SPS-owned Sites .....	7
<b>Section 3. Delivery and Interconnection Information .....</b>	<b>8</b>
3.1 Power Delivery Requirements.....	8
3.2 Proposals Requiring SPP Interconnection Service .....	8
<b>Section 4. Proposal Content Requirements and Submission Procedure .....</b>	<b>9</b>
4.1 Schedule Estimate .....	9
4.2 Minimum Requirements for Proposals .....	9
4.3 Proposal Content Requirements .....	10
4.4 Notice of Intent to Respond.....	14
4.5 Proposal Submission Deadline .....	14
4.6 Information Policy.....	15
4.7 Bid Evaluation Fees .....	15
4.8 Clarification of Proposals.....	15
4.9 Confidentiality.....	16
4.10 Addenda to RFP .....	16
<b>Section 5. Bid Evaluation.....</b>	<b>17</b>

## Appendices

### **Appendix A**

Proposal Forms and Instructions

### **Appendix B**

Model Dispatchable Power Purchase Agreement ("Model PPA")

### Index of Appendix A Forms

<b><u>Form</u></b>	<b><u>Title</u></b>
Form A	Notice of Intent to Respond
Form B	Bid Certification Form
Form C	Bid Cover Sheet
Form D1	Capacity Pricing
Form D2	Energy/VOM/Tolling Price
Form D3	Start-up Charges
Form D4	Summer Capacity
Form D5	Winter Capacity
Form E	Construction Milestones
Form F	Delivery Arrangements
Form G	Large Generator Interconnection Request Form
Form H	Representation Authorization
Form I	Project Site Map
Form J	Exceptions to Model PPA
Form K	Technical Description
Form L	Heat Rates
Form M	Natural Gas; Fuel Oil Supply
Form N	Solid Fuel Information
Form O	Emission Rates
Form P	Air & Water Permitting

## Notice of Disclaimer

The information contained in this Request for Proposals ("RFP") for generation and/or capacity resources has been prepared solely to assist bidders in deciding whether or not to submit a proposal. Southwestern Public Service Company ("SPS" or "Company") does not represent this information to be comprehensive or to contain all of the information that a bidder may need to consider in order to submit a proposal. None of the Company, its affiliates, or their respective employees, directors, officers, customers, agents and consultants makes, or will be deemed to have made, any current or future representation, promise or warranty, express or implied, as to the accuracy, reliability or completeness of the information contained herein, or in any document or information made available to a bidder, whether or not the aforementioned parties knew or should have known of any errors or omissions, or were responsible for their inclusion in, or omission from, this RFP.

The Company reserves the right to modify, supplement or withdraw this RFP at any time, whether due to changes in law or otherwise, and including by issuing one or more addenda to this RFP during this solicitation, which addenda shall become a part of this RFP. No part of this RFP and no part of any subsequent correspondence by the Company, its affiliates, or their respective employees, directors, officers, customers, agents or consultants shall be taken as providing legal, financial or other advice or as establishing a contract or contractual obligation. Contractual obligations on the part of the Company will arise only if and when definitive agreements have been approved and executed by the appropriate parties having the authority to approve and enter into such agreements. The Company reserves the right to request from a bidder information that is not explicitly detailed in this document, obtain clarification from bidders concerning proposals, conduct contract development discussions with selected bidders, conduct discussions with members of the bid evaluation team and other support resources as described in this RFP and in compliance with all Federal Energy Regulatory Commission ("FERC") Code of Conduct rules and provide data to and conduct discussions with its regulators in order to satisfy its obligations to the New Mexico Public Regulation Commission ("NMPRC"), the Public Utility Commission of Texas ("PUCT"), and/or the FERC (collectively and including any other regulatory and legal bodies having jurisdiction over any transaction entered into as a result of this RFP referred to as "Regulatory Agencies").

The Company will, in its sole discretion and without limitation, evaluate proposals and proceed in the manner the Company deems appropriate, which may include deviation from the Company's expected evaluation process, the waiver of any requirements and the request for additional information. The Company reserves the right to reject any, all or portions of any proposal received for failure to meet any criteria set forth in this RFP or otherwise and to accept proposals other than the lowest cost proposal. The Company also may decline to enter into any agreement with any bidder, terminate negotiations with any bidder or abandon the RFP process in its entirety at any time, for any reason and without notice thereof. Bidders that submit proposals agree to do so without legal recourse against the Company, its affiliates, or their respective employees, directors, officers, customers, agents or consultants for rejection of their proposals or for failure to execute an agreement for any reason. The Company and its affiliates shall not be liable to any bidder or other party in law or equity for any reason whatsoever for any acts or omissions arising out of or in connection with this RFP. By submitting its proposal, each bidder waives any right to challenge any valuation by the Company of its proposal or any determination of the Company to select or reject its proposal. Each bidder, in submitting

its proposal, irrevocably agrees and acknowledges that it is making its proposal subject to and in agreement with the terms of this RFP.

Each bidder shall be liable for all of its costs incurred to prepare, submit, respond or negotiate its proposal and any resulting agreement and for any other activity related thereto, and the Company shall not be responsible for any of the bidder's costs.

# ***Southwestern Public Service Company 2008 RFP for Dispatchable Resources***

## **Section 1. Introduction**

Southwestern Public Service Company ("SPS" or "Company"), an operating company subsidiary of Xcel Energy Inc., is issuing this Request for Proposals ("RFP") as a component of the Company's resource planning process. Through this RFP, the Company is seeking proposals for up to 600 megawatts ("MW") of dispatchable generation.

This RFP can be found online at [www.xcelenergy.com](http://www.xcelenergy.com) by clicking on the "About Energy and Rates" link at the top of the home page and then on the "Energy RFPs" under the link for the appropriate RFP. The Company invites proposals from all potential suppliers who are capable of meeting the conditions of this RFP.

### **1.1 Regulatory Context**

SPS may require certain regulatory approvals from those jurisdictions in which it operates. Such approvals may include, but may not be limited to, approval of any resulting Power Purchase Agreements ("PPAs"), and regulatory treatment of such costs as determined to be acceptable to SPS in its sole discretion.

### **1.2 Resource Needs Assessment**

Through this solicitation, the Company is requesting proposals for up to 600 megawatts ("MW") of dispatchable resources that could begin delivery to SPS under a PPA on or after January 1, 2012 but no later than May 1, 2013 and that would be contracted for through a PPA. The Company may opt to acquire more or fewer resources, depending, among other things, on the quality of bids received in response to this RFP, on updates to the Company's forecasts, on regional transmission availability, and on changes to regulatory or legal requirements.

## **Section 2. Eligible Project Information**

### **2.1 Eligible Project Structures**

Bidders to this RFP should propose a PPA structure, subject to the accounting considerations and the index pricing considerations discussed in later sections of this RFP. A Model PPA<sup>1</sup>(or "Model Agreement") is provided in Appendix B.

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<sup>1</sup> The Model PPAs are sample agreements containing terms and conditions acceptable to the Company. The Company understands that bidders may desire to modify and supplement the Model PPA when submitting their proposals, and anticipates negotiating with selected bidders in an effort to develop documents acceptable to all parties.

Bidders should review and respond to the Model PPA when submitting their proposals.

SPS will work to negotiate PPAs with Bidders selected through this solicitation. The Model PPA attached in Appendix B is provided to familiarize Bidders with the terms and conditions under which SPS purchases dispatchable energy and to give Bidders an opportunity to respond to the model agreement when developing their proposals. Bidders should familiarize themselves with the terms and conditions of this Model Agreement and should provide proposed modifications to the Model Agreement with their proposals. In preparing proposals, Bidders should also note that certain bid-specific information contained in each proposal would be inserted into a final PPA should an agreement be reached.

For illustrative purposes, the Model Dispatchable PPA reflects a tolling purchase arrangement with a gas-fired generator that is available for Automatic Generation Control ("AGC") by SPS. To the extent that a proposal offers a different type of purchase than what is contemplated by the Model Dispatchable PPA (e.g., system firm, a non-AGC product, hourly scheduled delivery, or non-tolling), and/or a proposal which SPS does not deliver the fuel and/or a proposal which includes customer co-generation, and such bid is selected for negotiations, potential modifications will be required of the draft Model Agreement.

SPS is under no obligation to develop the PPA from any other contract form provided by the Bidder, and strongly discourages Bidders from proposing such forms. SPS preference is that Bidders identify changes to the Model Agreement, recognizing that for certain resource types, such changes could be substantive.

To the extent that the validity of a Bidder's proposal, and a Bidder's ability to execute the PPA, is contingent upon changing language in the Model PPA, the proposal must specifically identify the required changes as Exceptions to the Model PPA (see Narrative Topics under Section 4.3 of this RFP) and should indicate what impact complying with the terms of the Model PPA would have on their bid pricing.

## **2.2 Eligible Project Resources**

For dispatchable generation proposals, all existing or to-be-built generation resources within the SPS balancing authority and meeting all of the other criteria described herein are eligible to bid into this RFP.

Dispatchable resources should provide incremental unit contingent or system firm generation capacity that meets the requirements of this RFP. Targeted resource types include efficient generation, preferably gas-fired facilities with gas or gas equivalent heat rates of approximately 9,000 Btu/kWh or less.

Bidders proposing to-be-built combined cycle facilities are encouraged to present an option of staged in-service with the simple cycle portion being in service for on or before May 1, 2012 with full combined cycle availability on or before May 1, 2013.

Examples of generation technologies that are eligible under this RFP would

include:

- Simple cycle or combined cycle generation
- Firm system power from other utilities
- Customer on-site co-generation
- Coal fired generation with a minimum of 50% carbon capture and sequestration

For purposes of this RFP, a resource will be considered to be dispatchable if it can be placed on AGC by SPS (as defined in the SPS Model Dispatchable Power Purchase Agreement included in Appendix B), or if it can be scheduled (hourly or day-ahead) for delivery to the bid-specified point of delivery on the SPS system.

For this RFP, the Company has established a minimum proposal size of 20 MW. The Company's experience has been that larger projects have greater economies of scale and, therefore, tend to be more competitive.

### **2.3 Pricing**

Form D (Forms D1 through D5 are collectively referred to as "Form D") includes the pricing template for dispatchable generation PPA proposals. Bidders should complete the appropriate Form D components which apply to their proposed project structure.

All pricing must be in terms of current year dollars, also referred to as escalated or nominal dollars. For example a \$2.50 per kilowatt-month ("kw-mo.") capacity price bid for 2019 means that in 2019, capacity from the facility will be purchased at a rate of \$2.50/kw-mo. However, bidders wishing to submit bids with terms that use price indices to periodically adjust prices should refer to Section 2.10 in developing their proposals.

Proposals should include estimated costs for any new or upgraded interconnection facilities required for the interconnection of the proposed project, and must include the cost of the dedicated radial transmission line(s) from the generation facility to the proposed point of interconnection. For projects with an active Large Generator Interconnection Procedures ("LGIP") or Small Generator Interconnection Procedures ("SGIP") request, the bidder should provide the LGIP identifier(s) associated with the project (e.g., "SPP LGIP GEN-2006-099") and identify the applicable interconnection queue in their proposal. Bidders should clearly indicate the cost of the interconnection by listing each component of the interconnection facilities as a separate and distinct line item as shown in Form D.

SPS will be responsible for payment of any transmission service and ancillary service costs required to deliver their project beyond the point of interconnection.

All bidders must complete Form D, which requires the bidders to provide information necessary for an economic evaluation of their proposals.

### **2.4 Regulatory Approvals**

The Company reserves the right to submit to its Regulatory Agencies any agreements it enters into with successful bidders to ensure the Company's ability to recover costs associated with such agreements in a manner satisfactory to the Company. The Company further reserves the right to terminate such agreements if the Company fails to receive satisfactory assurance that the Company will be able to recover all of its costs associated with such agreements in a manner satisfactory to the Company. These termination provisions are presented in the Model PPA.

## **2.5 Contract Lengths**

Eligible bidders to this RFP may propose one contract term length for each proposal. Contract term lengths may be between five (5) and twenty (20) years. The Company's objectives with respect to contract term lengths are to avoid the concurrent expiration of multiple contracts and to avoid or minimize the adverse financial impact of imputed debt, capital lease, and Variable Interest Entity-related obligations. Because the Company's long-term resource needs are highly dependent on the resolution of certain existing sales and purchase arrangements the outcome of which is currently unknown, the Company has no preference for shorter or longer contract term lengths.

A single bid may offer two alternative contract terms for one bid evaluation fee, as further described in the section on bid fees.

## **2.6 RoFO and Purchase Option**

The Model PPA includes a Right of First Offer ("RoFO") and Option Agreement ("RoFO/Option Agreement") to be signed by the bidder and its parent company concurrently with the PPA. The RoFO/Option Agreement includes three features: (i) a Right of First Offer under which the Company can purchase the facility if and when the facility owner is interested in selling the facility to a third party during the term of the PPA, (ii) an option to purchase the facility (or the stock of the facility owner) for its appraised fair market value and (iii) in the case of a default by Seller and subsequent termination under the PPA an option to purchase the facility prior to COD. The option described in (ii) can be exercised by the Company at any time during the thirty-six (36) month period beginning five (5) years prior to the end of the term of the PPA.

## **2.7 Contract Accounting**

All contracts proposed to be entered into as a result of this RFP will be assessed by the Company for appropriate accounting and/or tax treatment. Bidders shall be required to supply promptly to the Company any and all information that the Company requires in order to make such assessments.

The Company has specific concerns regarding proposals received in response to this RFP that could result in either (i) a contract that must be accounted for by the Company as a capital lease or an operating lease<sup>2</sup> pursuant to SFAS No. 13, or (ii) consolidation of the seller or assets owned by the seller onto the Company's

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<sup>2</sup> "Capital Lease" and "Operating Lease" – shall have the meaning as set forth in the Statement of Financial Accounting Standards ("SFAS") No. 13 as issued and amended from time to time by the Financial Accounting Standards Board.

balance sheet due to Variable Interest Entity<sup>3</sup> (“VIE”) issues. The following shall therefore apply to any proposal submitted pursuant to this RFP.

- The Company is unwilling to be subject to any accounting or tax treatment that results from a capital lease or VIE treatment. As a result, all bidders are required to assess whether their proposals may be subject to such treatment. Bidders may propose modifications to the Model PPA to help ensure avoidance of capital lease or VIE treatment. If a proposal is identified for PPA negotiation, and if the Company’s screening suggests that such proposal will result in either such treatment, the Company will discuss potential modifications with the Bidder to avoid such treatment. Bidders should be prepared to provide supporting information sufficient to enable the Company to assess independently the potential accounting impacts of any proposal.
- Any PPA that the Company executes will include a condition precedent to the Company’s obligations requiring an affirmative determination from the Company’s external auditors and from its internal financial control organization that the PPA will not be classified as either a capital lease or a VIE.
- If, following the execution of any PPA, such PPA is determined to require VIE or capital lease accounting treatment, the PPA may require modifications to avoid or eliminate such treatment. The Model PPA includes a methodology for identifying and addressing such contract modifications.

As stated above, the Company is unwilling to be subject to any accounting or tax treatment that results from a PPA which is required to be treated as a capital lease or as a VIE. As a result, Bidders shall state in their proposal(s) (i) that the Bidder has reviewed and considered applicable accounting standards in regard to capital leases and variable interest entities i.e., FASB Statement No. 13, *Accounting for Leases*, FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities* and Emerging Issues Task Force issue No. 01-08, *Determining Whether an Arrangement Contains a Lease* ), (ii) that any changes (in summary form) that the bidder proposes to the Model PPA in order to attempt to address these issues have been identified and included with the proposal, and (iii) that to the bidders knowledge and belief, the bidder’s proposal should not result in such treatment as of the date of the proposal.

Each bidder must also agree to make available to the Company at any point in the bid evaluation process and any resulting contract negotiation process any and all financial data associated with the bidder, the facility included in the proposal and/or the PPA or any other information that the Company determines in its sole discretion is required to verify or determine independently the accounting and tax treatment associated with a proposal. Such information may include, but shall not be limited to, data supporting the economic life (both initial and remaining) of the facility, the fair market value of the facility, and any and all other costs (including debt specific to the asset being proposed) associated with

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<sup>3</sup> “Variable Interest Entity” or “VIE” – shall have the meaning as set forth in Financial Accounting Standards Board (“FASB”) Interpretation No. 46 (Revised December 2003) as issued and amended from time to time by the FASB.

the bidder's proposal. This shall be in addition to financial data contained within the bidder's financial statements (e.g., income statements, balance sheets, etc.).

## **2.8 Index Pricing**

If a bidder believes that escalating its PPA pricing, after the initial contract year, according to movements in an index will reduce its overall bid price, the bidder may take an appropriate exception on the applicable Form(s) and provide an alternate price that would be escalated from a known and fixed initial contract year price according to a known, published and widely recognized index that is closely related to the appropriate generation segment of the power industry. A bidder that wishes to propose such alternate pricing tied to an index must submit one pricing form in escalated or nominal dollars and another pricing form tied to an index meeting the requirements of the preceding sentence.

## **2.9 Company Developed Proposals**

The Company may independently develop self-build, utility-owned proposals to for consideration in meeting SPS resource needs. The Company reserves its right to develop, independently or in partnership, proposals for consideration as part of the overall resource selection process.

## **2.10 Fuel Supply**

In order to maximize dispatch efficiency, SPS prefers contracts where the energy price matches the actual variable costs to operate the generating facility.

For natural gas proposals, Bidders may propose either of two types of fuel supply arrangements:

- 1) Bidders may propose to arrange for their plant's own fuel supply and propose firm energy pricing that includes the cost of the fuel commodity, transportation, and fuel-related operations and maintenance ("O&M") costs, or
- 2) Bidders may propose a tolling arrangement through which SPS arranges to supply fuel to the proposed plant and pays the Bidder a variable O&M fee (e.g., a tolling fee), and in some cases, a start-up charge.

For natural gas-based proposals meeting the requirements of this RFP, SPS prefers Bidders propose a tolling arrangement through which SPS supplies fuel to the proposed facility, and pays the Bidder a \$/MWh tolling/variable O&M fee. SPS may also be interested in natural gas-based proposals that include the option of on-site fuel oil storage as a backup to the natural gas supply. For Bidders that propose fuel oil backup, SPS requires that Bidders provide capacity pricing with and without the fuel oil backup option.

Access to multiple natural gas pipelines provides the reliability and the supply diversity to successfully operate a combined cycle natural gas generation facility. A plant located near multiple interstate and / or intrastate natural gas pipelines with access to gas storage services would be preferred. For example, the Pinnacle Interstate pipeline in New Mexico provides connections to three

interstate pipelines that have access to several different contract storage services.

The Model Dispatchable PPA accompanying this RFP contemplates a tolling arrangement wherein SPS provides the fuel. Bidders will need to identify required modifications to the Model Agreement if the bid provides for prices tied to a market hub index.

#### **2.11 CO2 Cost Responsibility**

SPS recognizes that governmental authorities may assess a tax or other impositions based the quantity of carbon dioxide emissions produced from the combustion of fuel by a facility selected and contracted through this RFP. If any such tax is enacted after a power purchase contract is executed, as between the Bidder and SPS, SPS shall assume responsibility for the cost of such impositions. Bidders should review the applicable sections of the Model PPA for further discussion of this topic.

#### **2.12 Use of SPS-owned Sites**

SPS will not offer to lease or sell any Company-owned property for the development of generation facilities proposed under this solicitation.

### **Section 3. Delivery and Interconnection Information**

#### **3.1 Power Delivery Requirements**

SPS will be responsible for arranging any transmission service required to deliver power obtained under this RFP. SPS will include the estimated costs of transmission service and any associated network upgrades for delivery when evaluating bids.

#### **3.2 Proposals Requiring SPP Interconnection Service**

Pricing must include all customer interconnection costs (i.e., capital costs for transmission interconnection facilities for which the bidder is responsible) as defined by FERC Order No. 2003, Federal Register Volume 68, No. 160 (August 19, 2003). SPS recognizes that bidders may not receive completed interconnection cost estimates from SPP LGIP studies until after the bid due date. However, bidders must include their best estimate of interconnection costs on Form D, and include any required payments expected of SPS for this cost in the proposed pricing.

Bidders proposing new generation projects in the SPS control area are encouraged to interconnect to the SPS system in the southern portion of the SPS system. For this RFP, 'southern region' is loosely defined as being south of Parmer, Castro, Swisher and Briscoe counties ("Texas Counties") and also includes all of SPS service territory in New Mexico. Interconnection for power delivery to the SPS system must be made at SPS-owned transmission facilities.

## **Section 4. Proposal Content Requirements and Submission Procedure**

### **4.1 Schedule Estimate**

An indicative schedule for this RFP process is provided below.<sup>4</sup> SPS reserves the right to revise this schedule at any time and at SPS sole discretion. The Company is targeting the completion of contract development and the signing of project agreements as quickly as possible while still providing sufficient time for the proposal review and evaluation process. The Company's goal is to complete contract development discussions, sign contracts and receive Commission approval pursuant to the schedule below. The effective date for the issuance of this RFP is October 21, 2008.

<b>Activity</b>	<b>Anticipated Date</b>
Notice of Intent to Respond Due	November 21, 2008
Proposals Due*	December 15, 2008
Analysis Completed / Begin Negotiations	February 2009
Finalize Negotiations / Sign Contracts	Second Quarter 2009

\* SPS reserves the right to ask selected Bidders for a best and final pricing offer once required transmission studies have been completed.

### **4.2 Minimum Requirements for Proposals**

This section describes the minimum requirements that all proposals must satisfy to be eligible for this solicitation. Unless the Company in its sole discretion elects otherwise, proposals that do not comply with these requirements will be deemed ineligible and will not be considered further.

- Proposals must include all applicable content requirements described in Section 4.3, including clear and complete written descriptions of all information requested, and completed forms.
- Proposals must clearly specify all pricing terms in accordance with Section 2.3. Except as otherwise indicated in Sections 2.3 and 2.10, proposals with pricing that is subject to change will be rejected.
- Proposals must clearly demonstrate compliance with all power delivery requirements listed in Section 3.0 of this RFP.
- Proposals must demonstrate an acceptable level of development and technology risk, as determined by the Company's bid evaluation team.

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<sup>4</sup> The Company reserves the right to adjust this schedule appropriately, including (but not limited to) for changes to the regulatory calendar.

- Proposals must demonstrate that the bidder's project development team has, within the last 5 years, successfully completed the development, construction and commissioning of at least one project of similar scale and with characteristics similar to the proposed project.
- Bidders must demonstrate to the satisfaction of the Company that they can meet the security requirements contained in the Model PPA.
- Proposals must clearly demonstrate any financing requirements and an indicative financing structure (construction and permanent) for any proposed resources that will be constructed under a Bidder's proposal.
- For plants proposed to be constructed each bidder must present clear and sufficient proof that it has or can secure an adequate and confirmed supply of turbines sufficient (at a minimum) to meet the required proposal. Bidders shall also identify any other long-lead time items (e.g. step-up transformers) which must be procured and evidence that the bidder has the wherewithal to successfully complete such procurement in a manner consistent with the proposed project schedule.
- Bidders must provide the appropriate bid fee (described in Section 4.8 below) for each bid submitted.

### **4.3 Proposal Content Requirements**

This section outlines the content and format requirements for all proposals submitted in response to this RFP. Unless the Company in its sole discretion elects otherwise, proposals that do not include the information requested in this section will be ineligible for further evaluation, unless the information requested is not applicable or relevant to a given bid. Although these requirements assist the Company in evaluating bids, the Company reserves the right to conduct any further due diligence it considers necessary to evaluate bids. The Company also reserves the right and holds the expectation that it will perform any and all due diligence required to achieve satisfactory knowledge of the proposal prior to entering into any PPA discussions or negotiations.

#### **Proposal Format**

The first section of each proposal must contain an Executive Summary that provides an overview of the bid's characteristics, including any unique aspects or benefits. The second section of the proposal must include the applicable set of forms included in Appendix A. These forms will contain essential information about each bid. A separate set of forms and related information must be submitted with each proposal. The third section of the proposal must include other proposal information, which must be presented in narrative form under specific topic headings, with each topic heading beginning on a new page.

A complete proposal will include the following components:

1. Executive Summary
2. Complete set of applicable forms
3. Form attachments (as necessary to elaborate on form information)
4. Narrative Topics Discussion (topics described below)
5. Requested maps and electronic data

The proposal forms and topic headings are described in the Table of Contents.

## **Proposal Forms**

Appendix A and the proposal forms include any special instructions for completing the forms. Some information may be requested on more than one form. Although such requests may be redundant, bidders must provide the information requested on each applicable form.

## **Narrative Topics**

In addition to completed forms, each proposal must also include a thorough written discussion of each of the following topics. The narrative topics should be organized under the following headings, with each heading beginning on a separate page. These narratives have been developed based on the assumption of a new build project. Bidders with projects which have already been completed should develop their narratives in a manner appropriate for their project.

- Development Experience
- Financial Information
- Project Description and Development Schedule
- Equipment Description
- Real Property Acquisition Description and Plan
- Permitting Plan
- Community/State Reaction Assessment
- Operations and Maintenance ("O&M") Plan
- Exceptions to Model PPA

***Development Experience.*** All proposals must describe the bidder's qualifications and experience in developing, constructing, commissioning and operating generation facilities similar to the proposed facility, including the experience, qualifications and safety record of key personnel who will manage development and an overview of utility scale and utility grade projects the bidder has developed during the last five (5) years. If an Engineering, Procurement and Construction ("EPC") team is in place, the proposal should identify the members of the team; if such a group is not in place, the proposal must set forth the bidder's plan for assembling such team (including process and timing).

***Financial Information.*** All proposals must provide two (2) years of audited financial statements or the equivalent for bidders and other responsible parties (including any entities that would provide parent guaranties of the bidders' obligations), and as appropriate describe the plan for financing the proposed project during construction and operation. Proposals should also include indications of any financing commitments which have been discussed or obtained at the time the proposal is submitted. Proposals must explain in detail the plan for meeting the security requirements outlined in the Model PPA and must set forth the credit rating (if any) of any entities that would provide parent

guaranties of the bidders' obligations. Proposals must also include an organization chart showing the entities that own the bidders and a description of the bidders' organization structure (including primary and secondary businesses). Financial information may be provided primarily in electronic format so long as at least one (1) hard copy of the financial information is provided with the each proposal. Financial information should also include the following:

- An indication of whether the financing for the project (both construction and permanent) will be on-balance sheet or a non-recourse project financing
- Expected debt/equity ratios for the project
- Anticipated costs of project debt

***Project Description and Development Schedule.*** All proposals for the construction of new generation facilities must set out a description of the proposed project, including a description and plans for the proposed site and rights of way, utilities services, equipment configuration, transmission and interconnection, construction and equipment procurement, supply of spare parts, opportunities for future expansion of the project, required permits, the nameplate capacity of the resource in MW, the bidders' key consultants (if known) for permitting and other studies, and the bidders' construction contractors and prime subcontractors (if known). Such proposals must provide a detailed Gantt chart of project development activities developed using Microsoft Project or similar software (note that .pdf file-type is acceptable for submittal) that includes (at a minimum) entering major equipment and construction subcontracts, target completion dates for financing, engineering, permitting, equipment procurement, construction, startup and commissioning, and guaranteed dates for substantial completion. Proposals must describe the overall development strategy that will ensure that the project can be developed in time to meet the proposed commercial operation date.

It is the Company's expectation that the Company will have first rights to the proposed project during the proposal review and approval process. In support of this, and included in this narrative, bidders must also provide any and all information which would restrict the bidder from providing the Company with exclusive rights to negotiate a PPA for the proposed project. Such restrictions could include, but are not limited to, prior active submission or participation in other RFPs, exclusivity rights granted to other parties, rights of first offer or refusal, purchase options, and active auctions for the project as applicable.

***Equipment Description.*** Proposals should indicate for all major equipment (i) the name of the manufacturer and other vendors, (ii) models, (iii) key metrics and characteristics of the equipment, (iv) planned delivery dates, (v) contracting status, and (vi) performance history of the equipment.

***Real Property Acquisition Description and Plan.*** Proposals must provide a description of the status of real property acquisition for the project that is sufficient for the Company to assess the completeness and sufficiency of the bidder's real property rights, including but not limited to:

- The status of current site ownership,

- The plan for acquiring any and all currently uncontrolled necessary real property rights to the project,
- Acreage of real property required for the project and a schedule for the completion of the real property acquisition process, and
- Any subdivision or zoning modifications and all city or county land use permits that will be required, such as conditional use, special use or other similar permits and approvals, which will be required for any phase of development, construction, or operations of the project.

**Permitting Plan.** Proposals must describe all federal, state and local permits and approvals that will be required (other than land use permits included in the Real Property Acquisition Description and Plan), including, but not limited to, federal environmental assessments under the National Environmental Policy Act ("EA/EIS"), wastewater discharge permits, hazardous waste permits, and no hazard permits/determinations from the Federal Aviation Administration. Proposals must also provide written documentation evidencing that consultation has occurred with appropriate governmental agencies responsible for reviewing potential project development impacts to state and federally listed wildlife species, as well as species and habitats of concern. Proposals must report on the status of all such permit applications and any feedback from permitting agencies. Proposals must provide the status of all required environmental permit applications (such as water, wastewater discharge, and hazardous waste permits) and any feedback bidders have received from permitting agencies.

**Community/State Reaction Assessment.** Each bidder must present a current assessment of, and a plan for continuing to monitor, local community and state reaction to the project, and a plan to work with the local community on project issues. Such plan might include the following elements:

- A list of the references used to assess the community reaction, and the methodology used to draw conclusions,
- A list of key local contacts interviewed and their opinions,
- An assessment of the local community reaction at the time of the bid,
- An action plan for working with the local community/state to successfully complete the project and
- A description of the bidder's proposed conflict resolution methodology.

**Operations and Maintenance Plan..** Bidders shall summarize their O&M plans and labor arrangements for the generation facilities associated with their proposals.

**Exceptions to Model PPA.** In support of the Company's efforts to complete project evaluation, approval and contract negotiations in a timely manner, bidders are highly encouraged to review and provide their comments to the Model PPA to the extent they are applicable to the proposal. To the extent that the validity of a bidder's proposal and/or the bidder's ability to execute a PPA is contingent upon material changes to the language in the Model PPA, bidders should specifically identify the terms in the Model PPA they propose to change and should

summarize their proposed changes to such terms. Significant exceptions taken to the Model PPA may negatively impact a proposal's likelihood for selection through the bid evaluation process. To the extent that a bidder wishes to propose changes to the Model PPA that (if accepted by the Company) would reduce the bidder's proposed pricing, the proposal should specifically identify such changes and the associated price reduction. To the extent practicable, bidders should develop exhibits, schedules, attachments and other supplemental documents required by the Model PPA. Bidders also must complete and submit Form J.

#### **4.4 Notice of Intent to Respond**

While not mandatory, bidders are encouraged to submit a non-binding Notice of Intent to Respond ("NOIR"), a form of which is included in Appendix A. Please submit the completed NOIR no later than 4:00 P.M. Mountain Time on the date specified in Section 4.1 to the Company's RFP point of contact noted below by e-mail (in PDF format), registered or certified mail, or overnight courier.

#### **4.5 Proposal Submission Deadline**

Bids will be accepted until 4:00 P.M. Mountain Time on the date indicated in Section 4.1. All bids must be transmitted by express, certified or registered mail, or hand delivered by such time to the Company's RFP point of contact at the following address:

##### **SPS 2008 Dispatchable Generation RFP point of contact:**

John Shultzbarger, RFP Project Manager  
Xcel Energy Services Inc.  
550 15<sup>th</sup> Street, 10<sup>th</sup> Floor  
Denver, Colorado 80202

Email: john.a.shultzabarger@xcelenergy.com  
Fax: 303-571-7441

**RFP website:** [www.xcelenergy.com](http://www.xcelenergy.com) - click on "*About Energy and Rates*," "*Energy RFPs*," and then the link for this RFP.

Proposals received later than the due date and time indicated will be rejected and returned unopened, unless the Company determines, at its sole discretion, to consider such proposals. With the exception of the financial information of which only one (1) hard copy is required, five (5) bound hard copies of the proposal must be included in the submittal. In addition, bidders must submit one electronic copy on a CD with completed forms in a Microsoft Office format.

Proposals must be submitted in a sealed package with the following information shown on the package:

**Response to SPS 2008 RFP for Dispatchable Resources,  
Confidential Sealed Bid Proposal**

The bidder's company name and address must be clearly indicated on the package containing the proposal.

#### **4.6 Information Policy**

To obtain additional information about this RFP, bidders may only submit written requests to the RFP Project Manager. Questions or requests will only be accepted via email. The Company will maintain a log of all inquiries and coordinate the preparation of written responses. Once a response is prepared, the Company will forward the response to the inquiring party and, at the Company's sole discretion if the response is germane to all other bidders, post such response to the RFP web page. As they develop their proposals, Bidders should check the RFP web page for any updates or addenda. The Company has established this information policy to ensure that all bidders have the same knowledge about the bidding process.

#### **4.7 Bid Evaluation Fees**

With each proposal submitted, all bidders are required to pay to the Company a bid evaluation fee as follows:

<b>Project Size</b>	<b>Bid Fee</b>
< 50 MW	\$2,500
>= 50 MW	\$10,000

The bid evaluation fee will be used to compensate the Company for expenses incurred in evaluating the generation bid. Proposals that do not satisfy the requirements for a single proposal may be evaluated as multiple proposals, each of which would be subject to a separate bid evaluation fee. For purposes of clarification, each proposal that triggers interconnection studies for multiple points or levels of interconnection would be deemed separate proposals for each such point or level. If the Company deems a bidder's proposal to be multiple proposals, the Company will notify the bidder and allow it to elect to pay the incremental bid fee or to revise its proposal to comply with the Company's requirements for a single proposal. Bidders are reminded that, as mentioned previously, bidders may offer up to two contract terms for a single bid fee.

Checks should be made out to "Southwestern Public Service Company" and must be included with the proposal. For bids which are accepted into the bid evaluation process, bid evaluation fees shall be non-refundable. Bids which are not accepted into the bid evaluation process will have their bid fees refunded. Bidders wishing to provide bid fees by wire transfer should contact the RFP Project Manager for wiring instructions.

#### **4.8 Clarification of Proposals**

While evaluating proposals, the Company may request clarification of, or additional information about, any item in the proposal. Such requests will be sent to bidders by the RFP Project Manager, and bidders are required to provide a written or electronic response to the RFP Project Manager within five (5) business days, or the Company may deem the bidder to be non-responsive and

stop evaluating the bid. Bidders are encouraged to provide an alternate point of contact to ensure a timely response to clarification questions.

#### **4.9 Confidentiality**

Bidders should clearly identify each page of proposal information that bidders claim should be considered to be confidential or proprietary. Nonetheless, the Company reserves the right to release all proposals to its affiliates and to its and such affiliates' agents, advisors, and consultants for purposes of proposal evaluation. The Company will, to the extent required by law, advise each agent, advisor or consultant that receives such claimed confidential information of its obligations to protect such information. In addition, all information, regardless of its confidential or proprietary nature, may be subject to review by the appropriate governmental authorities or judicial body with jurisdiction relating to these matters and may be subject to legal discovery. It is not the Company's intent to enter into any separate confidentiality, non-disclosure, or other agreements similar in intent as a condition to receiving a bidders proposal.

#### **4.10 Addenda to RFP**

Any additional responses required from bidders by any addenda to this RFP shall become part of each proposal. Bidders must list all addenda received at the bottom of the Proposal Certification Form.

## **Section 5. Bid Evaluation**

SPS desires that Bidders offer power supply proposals that provide maximum value to SPS with minimal risk. To this end, SPS has identified project characteristics that will enhance Bidders' chances for success, including but not limited to the following:

***Acceptable Level of Development Risk.*** SPS seeks to diversify and minimize the development risk in its selected portfolio.

***Low cost.*** SPS currently provides low cost power to its customers and seeks reasonably priced resources that will allow it to remain a low-cost energy provider.

***Dispatchability and control.*** The ability of SPS to dispatch resources is important because it provides system operators with flexibility to meet customer demand in the most cost-effective manner. Bidders are encouraged to offer proposals that maximize dispatch flexibility, including the use of:

- Automatic Generation Control,
- Maximum AGC regulation range and ramp rates,
- Quick start capability,
- Minimized off-peak generation or ability to hibernate or shut down plant at night and during off-peak times of year,
- Remote starting capability, and
- Short-notice commitment and decommitment.

***Fuel management.*** In order to maximize dispatch efficiency, SPS prefers contracts where the dispatch price matches the variable costs to operate the facility. For gas-fired proposals, plants located near multiple interstate and / or intrastate natural gas pipelines with access to gas storage services would be preferred. Bidders are encouraged to offer on-site fuel oil storage as a backup fuel supply to natural gas. Bidders should be aware that in evaluating physical tolling proposals, SPS will take into account the best estimates of the full cost of supplying the natural gas (and/or other) fuel required for the production at the facility. For example, for projects located in New Mexico, this will include; but is not limited to, the costs of any compensating tax or gross receipts tax which is applicable to natural gas brought to the facility.

***High reliability.*** SPS is committed to providing a reliable supply of electric power to its customers. Therefore, SPS seeks to acquire new power supplies that, at a minimum, meet established industry-wide reliability, availability and performance criteria. Bidders are encouraged to offer proposals that exceed these criteria and thereby provide additional value to SPS.

***Maintenance.*** A willingness of suppliers to coordinate maintenance activities with SPS and provide timely communication of planned and unplanned turbine outages provides considerable value in maintaining adequate reserve. Bidders are encouraged to offer coordinated maintenance scheduling (including SPS

approval of maintenance schedules) and proposed outage communication protocols in their bids.

**NOTE:** This list is neither exhaustive nor comprehensive and does not in any way limit SPS' ability to evaluate proposals in any manner it deems necessary in order to identify resources which best meet the Company's needs. Nor does it commit SPS to any particular modeling methodology or approach.

# **Appendix A**

## *Proposal Forms and Instructions*

## *Appendix A*

### **Proposal Forms and Instructions**

As discussed in Section 4, the completed forms, attachments and narrative topic discussions, will comprise a complete proposal, except that Form G should be completed only by bidders without an existing LGIA or an existing interconnection queue position. The contents of each form and any special instructions for completing the forms are described below. **These forms can be downloaded from the RFP web site in a format appropriate for bidder input.**

If additional space is needed to elaborate on information requested on any form, please attach additional sheets with the heading "Form [ ] – Additional Information."

If certain information is requested that does not apply to the proposal, the bidder must indicate that the information is not applicable. If appropriate, the bidder should explain why the information is not applicable.

**In addition to submitting five (5)<sup>5</sup> hard copies of the proposal, bidders must also include a CD with the completed Forms.**

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<sup>5</sup> As discussed previously, only one (1) hard copy of the bidder's financial data is required to be submitted with each proposal.

## **Appendix B**

*Model Dispatchable Power Purchase Agreement ("Model PPA")*