

## **Request for Proposals (“RFP”)**

**for**

### **Capacity and Energy**

**Seller:** As used in this RFP “Bidder” and “Seller” mean the same party and are used interchangeably. The term “Seller” shall be used in any resulting transaction.

**Buyer:** Southwestern Public Service Company (“SPS”)

**Start Date:** June 1, 2010 or June 1, 2011

**Term:** Three (3) to eight (8) years.

**Product:** Unit Contingent or Firm System Capacity and Associated Energy.

**Governing Agreements:** Western Systems Power Pool (“WSPP”) Service Schedule B – Unit Commitment Service or Service Schedule C – Firm Capacity/Energy Sale (as applicable) or EEI Master Agreement (subject to negotiation of acceptable terms and condition) Unit Firm or System Firm. Bidders shall identify any unacceptable terms or changes to terms or conditions in the above documents in their proposal. A copy of SPS’s cover sheet to the EEI Master Agreement is attached to this document. The WSPP Master Agreement can be accessed through the following link:  
<http://www.wspp.org/filestorage/040108CurrentEffectiveamendments.doc.doc>

**Contract Capacity Amount:** Up to 200 MW.

**Delivery Point:** Either at an interface directly interconnected to the SPS transmission system, or delivered to the SPS control area through the use of firm point-to-point transmission service. Seller shall be responsible for all transmission services and cost up to the Delivery Point. SPS shall be responsible for all transmission services and cost beyond the Delivery Point.

**Capacity Source:** Seller shall specify the source of the capacity resource(s) in their proposal. If the proposed capacity resource is not owned by the bidder, the bidder shall provide written evidence of rights to the capacity resource.

**Performance**

Criteria:	SPS encourages Seller to provide a measure of performance or availability from Seller's unit or system, based on the ability of the Seller to deliver energy when scheduled or dispatched by SPS. Should Seller fail to meet such performance criteria, Seller shall reduce the capacity payments owed to Seller by SPS. SPS reserves the right to assign a level of performance to Seller's bid for evaluation purposes and, if Seller's bid meets SPS needs, to propose a performance criteria during negotiations towards a definitive agreement.
Pricing:	All proposals must provide pricing for capacity, energy, variable O&M ("VOM"), and/or tolling, as applicable, in terms of current year dollars, also known as nominal or escalated dollars. SPS preference is for prices proposed by bidders to be fixed for the proposed term. However, SPS will consider prices that escalate at a known (non-indexed) rate or escalate with an index that is clearly and closely related to the item (e.g. capacity being escalated. All pricing shall be at the point of delivery.
Capacity Charge:	Shall be specified in \$/kw-month for the Term. SPS encourages bidders to offer capacity prices that are weighted heavier during the summer season (i.e. June through September) compared to the non-summer months.
Energy, VOM, and/or Tolling Charges:	As applicable. Shall be specified in \$/MWh
Start Charge:	As applicable. Shall be clearly specified in \$/turbine start or \$/facility start in a bidders proposal and include language to address unsuccessful starts.
Fuel Charge:	<p>SPS prefers to have Seller arrange for natural gas deliveries to Seller's resources and SPS will compensate Seller by paying a published Gas Daily Index price that approximates the Seller's cost of natural gas, plus applicable transportation cost, if any. SPS will also consider for evaluation bids where other types of fuels, such as No. 2 fuel oil, are used to produce energy from Seller's resource and the cost of such fuels are tied to a published daily index.</p> <p>Seller shall designate a fixed contract heat rate in MMBtu/MWh (the "Contract Heat Rate") in its proposal.</p> <p>Contract Heat Rates shall be used to quantify the amount of fuel needed to produce the amount of energy scheduled by SPS. For example, if SPS schedules 800 MWh of energy and the Contract Heat Rate is 12.0 MMBtu/MWh, the Seller (or SPS if applicable) shall acquire and arrange for delivery of</p>

natural gas to Seller's unit and SPS will compensate Seller for (or provide to Seller) 9,600 MMBtu (12.0 x 800) of natural gas.

SPS will consider for evaluation bids that call for SPS to acquire and transport 100% of the natural gas (or other fuel acceptable to SPS, such as No. 2 fuel oil) to Seller's resource, used to produce the contract energy from Seller's resource. In such bids, SPS will consider the use of Projected Unit Heat Rate values to estimate the amount of gas needed to produce energy scheduled by SPS from the Seller's resource. As part of this type of an arrangement, the parties will need to negotiate a balancing mechanism to true up the differences between the amounts of gas actually consumed versus the amount of gas delivered.

**Scheduling:**

Seller will allow SPS to notify Seller on a day-prior basis on the quantity and duration of energy to be delivered by Seller to SPS for the immediately following day(s). All energy schedules shall be submitted no later than as necessary in order for SPS or Seller to meet their scheduling obligations in the SPP on the day prior to delivery or as necessary to meet those same obligations on the last business day before Saturdays, Sundays, Mondays and NERC Holidays.

SPS encourages bidders to provide SPS the ability to schedule energy on an "intra-day" basis by providing no less than 2 hours notice to Seller prior to the commencement of the energy Schedule.

SPS encourages bidders to provide SPS the flexibility to schedule energy in variable increments up to the Contract Capacity Amount.

SPS will also evaluate bids that have "must-take" energy purchase requirements.

**Scheduled Maintenance:**

The successful bidder will be requested to provide its expected scheduled maintenance outages for the first Calendar Year of the contract by August 1 of the year prior to the first delivery month of capacity and energy under the governing agreement. Thereafter, on or before April 30 of each year, the successful bidder will be required to provide a non-binding schedule of scheduled maintenance outages for the balance of the Term. The successful bidder will coordinate with SPS to reschedule the maintenance outages in accordance with the governing agreement provided that such planned maintenance outages do not occur during a summer month.

**Balancing Area Energy Imbalance Charges:**

Applicable to the Southwest Power Pool ("SPP") or other balancing areas. If applicable, the successful bidder and SPS

shall develop language in the governing agreement to address each party's responsibilities as they relate to energy imbalance charges and the appropriate section of the applicable balancing area authority's Open Access Transmission Tariff. For example, Section 5.2 of Schedule AE of the Southwest Power Pool's Open Access Transmission Tariff (SPP Energy Imbalance Charges).

## **Overview**

### **RFP Schedule**

Proposals are due by October 10, 2008. SPS reserves the right to revise this schedule at any time and at SPS sole discretion. SPS goal is to select the preferred supplier(s) and negotiate and execute a contract(s) associated with this RFP by the end of 2008.

### **Submittal of Proposals**

Please provide one copy of each proposal by email (preferred) or by fax no later than 5:00pm MT on the proposal due date specified above to the following:

#### **Contact:**

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

**Phone:** 303-571-2729  
**Fax:** 303-571-7441  
**Email:** [john.a.shultzabarger@xcelenergy.com](mailto:john.a.shultzabarger@xcelenergy.com)

#### **Alternate contact:**

Mike Martin  
Xcel Energy Services Inc.  
550 15<sup>th</sup> Street, 12<sup>th</sup> Floor  
Denver, Colorado 80202

**Phone:** 303-571-2831  
**Fax:** 612-573-4008  
**Email:** [mike.martin@xcelenergy.com](mailto:mike.martin@xcelenergy.com)

In addition, bidders should provide one original hard copy of their proposal(s) within three business days of the proposal due date to the address above. The preparation and submission of all project proposals will be at the sole expense of the bidder. Proposals received electronically will be opened for proposal logging purposes at the time of receipt. However, the evaluation of the proposals will not be conducted until after the proposal due date.

### **Initial Review of Proposals**

SPS will perform an initial review of each proposal to determine if all required information has been provided. Material deficiencies will disqualify a proposal from further consideration, and the bidder will be notified in such event.

### **Reservation of Rights**

SPS reserves the right in its sole discretion to solicit additional proposals, not accept any proposals, to select a proposal that may not be the lowest offered price or to pursue alternate supply arrangements. SPS further retains the right to submit additional information requests to bidders during the bid evaluation process.

### **Evaluation of Proposals**

SPS may select any bid(s) submitted in response to this solicitation that, in its sole discretion, meets SPS needs. SPS determination may not necessarily be based on the lowest offered price, but may take into account other factors.

### **Seller's Creditworthiness**

As part of any transaction, a Seller may be required to provide security (letter of credit, guaranty, or other security) to support its obligations under the resulting transaction agreement. SPS retains the right to evaluate, determine and require security in order to conduct business and specifically any proposed transaction with a successful bidder.

## **Bidder's Responsibilities**

### **Timely Submission of Bids**

It is the bidder's responsibility to deliver their proposals to the previously identified contact by the due date for this RFP.

### **Pricing to Remain Valid**

For bidders that are offering capacity and energy from resources that are interconnected directly with the SPS transmission system or currently have firm transmission service to the SPS control area, bid pricing must be valid for at least 60 days after the proposal due date, and any modification thereof for at least 60 days after the submission of any modifications.

For bidders that are offering capacity and energy from resources located within the SPP, and either are (i) not interconnected directly with the SPS transmission system or (ii) do not currently have firm transmission service to the SPS control area, bid pricing must be valid for at least 60 days after the proposal due date, and any modification thereof for at least 60 days after the submission of any modifications. Furthermore, bidders shall agree to make their bids subject to the acquisition of all applicable firm transmission service needed to deliver to the SPS control area (including from the Southwest Power Pool). If SPS selects a bidder's response, bidder must be willing to execute a Transmission Contingent Agreement ("TCA") binding SPS and the bidder to such terms. Bidder will then be required to submit a transmission service request for SPP for the aggregate study that will begin on February 1, 2009. Both parties recognize that the SPP study process could take up to one year or longer. Should SPP grant transmission service to facilitate the transaction, the TCA shall remain in effect. Should transmission service not be achievable by the bidder's proposed start date, the TCA would terminate and the transaction would become null and void.

### **Clarification of Proposals**

While evaluating proposals, SPS may request additional information about any item in the proposal. All requests will be made by e-mail, and the bidder will be required to respond; in writing by email, to the request within 5 days or SPS may discontinue the evaluation of the proposal.

## **Confidentiality**

SPS will take reasonable precautions and use reasonable efforts to maintain the confidentiality of all bids submitted. Bidders should clearly identify each page of information considered by the bidder to be confidential or proprietary. SPS reserves the right to release any proposals to agents or consultants for purposes of proposal evaluation. SPS disclosure policies and standards will automatically bind such agents or

consultants. Regardless of the confidentiality, all such information may be subject to review by the appropriate state jurisdiction, or any other governmental authority or judicial body with jurisdiction relating to these matters and may be subject to legal discovery. Under such circumstances, SPS will make reasonable efforts to protect bidder's confidential information.

**Notice to Bidder**

Nothing contained in this Request for Proposals shall be construed to require or obligate the respondents or Southwestern Public Service Company to select or reject any or all offers. Any definitive agreement resulting from this Request for Proposals is subject to approvals by both parties' management, the availability of firm transmission service (if applicable), and the approvals of any regulatory entity having such authority. This Request for Proposals is not to be construed as a complete integration of any agreement and does not constitute a binding agreement by Southwestern Public Service Company or the respondents.