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AZ CORP COMMISSION
DOCKET CONTROL

February 29, 2008

FEB 29 2008

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

AZ CORP COMM
Director Utilities

RE: RENEWABLE ENERGY PROGRAMS COMPLIANCE REPORT
DOCKET NO. E-01345A-95-0491
DECISION NO. 59601

Dear Sir or Madam:

Pursuant to Arizona Corporation Commission Decision No. 59601, Arizona Public Service Company's (APS) Plan for Administration dated July 22, 1996, and the Renewable Energy Standard requirement in rule R14-2-1812, APS is providing its Environmental Portfolio Surcharge Semi-Annual Renewable Energy Programs Report covering the period of July 1, 2007 through December 31, 2007 and the RES Annual Compliance Report covering the period of August 14, 2007 through December 31, 2007. The DSM Programs report is now filed separately in Docket Control in compliance with the Arizona Public Service Rate Case Decision No. 67744. The information contained in this report also satisfies the Environmental Portfolio Standard annual filing requirement pursuant to A.A.C. R14-2-1618(D).

Portions of the information provided pursuant to R14-2-1812 relating to contract cost are confidential in nature and will be provided to Staff under the protective agreement established in APS' pending RES Implementation Plan (Docket No. E-01345A-07-0468).

If you have any questions or concerns, please contact Jeff Johnson at (602) 250-2661.

Sincerely,

Barbara Klemstine

BK/dst

Attachments

CC: Brian Bozzo
Terri Ford
Ray Williamson
Barbara Keene

ARIZONA PUBLIC SERVICE COMPANY
ENVIRONMENTAL PORTFOLIO STANDARD SEMI-ANNUAL REPORT
RENEWABLE ENERGY STANDARD ANNUAL REPORT
FOR THE SECOND HALF OF 2007

Introduction

Pursuant to Arizona Corporation Commission Decision No. 59601, Arizona Public Service Company's ("APS" or "Company") Plan of Administration dated July 22, 1996, and RES Rule Section R14-2-1812 attached is the EPS Semi-Annual report covering the period of July 1, 2007 through December 31, 2007 and RES Annual report covering the period August 14, 2007 through December 31, 2007. The DSM Programs report will be filed separately in Docket Control in compliance with Arizona Corporation Commission Decision No. 67744.

2007 Renewable Results

For APS, 2007 was a transition year between the Environmental Portfolio Standard ("EPS") and the Renewable Energy Standard ("RES") and we will discuss both our EPS and RES Programs results in this report. APS anticipates that this Semi-Annual report will be the last filed under the EPS.

For all of 2007, APS purchased or generated 324,094 MWh of renewable energy, or approximately 1.11% of total retail sales. This total includes renewable generation APS has under contract, APS-owned solar generation, as well as the energy generated by Solar Partners Incentive Program ("SPIP") participants. It also represents a nearly three-fold increase in renewable energy on the APS system over 2006.

2007 Program Requirements

APS has calculated its requirement and program results by splitting the year into an EPS period and an RES period using August 14, 2007, or the day the RES rules became effective. This split results in 225 days under the EPS and 140 days under the RES. Using the number of days as a pro-ration factor, the EPS requirement was calculated as 0.68%, or 225 days divided by 365 days times the annual requirement of 1.1%. The RES requirement was calculated as 0.58%, or 140 days divided by 365 days times the annual requirement of 1.5%. The RES requirement was further split into renewable generation, 0.55%, and distributed energy, 0.03%, using the RES required 95%/5% split for 2007. Both the EPS and RES requirements and results were compared to retail sales for all of 2007. Because the RES rules specify that the requirement is pro-rated in the first year APS chose to continue that theme by pro-rating both the EPS and RES calculations rather than separating retail sales into two different periods.

2007 EPS Results

As can be seen in the Table 1 below, APS purchased or generated 0.09% of its 2007 retail sales from EPS eligible energy in the period from January 1, 2007 to August 14, 2007. This is compared to a calculated target of 0.68%. For the EPS period of 2007, APS achieved approximately 14% of its target.¹

¹ APS also achieved approximately 14% of its EPS target in 2006.

ARIZONA PUBLIC SERVICE COMPANY
ENVIRONMENTAL PORTFOLIO STANDARD SEMI-ANNUAL REPORT
RENEWABLE ENERGY STANDARD ANNUAL REPORT
FOR THE SECOND HALF OF 2007

Table 1: EPS through August 14, 2007

	<u>MWh w/ Multipliers **</u>	<u>2007 Retail Sales MWh</u>	<u>EPS % of Retail Sales</u>	<u>Total EPS Pro-rated Target</u>
Solar Electric:				
APS-owned Facilities	14,714			
Solar Partners Incentive Program	<u>9,650</u>			
 Total Solar Electric	 <u>24,364</u>			
Non-Solar Electric:				
Solar Partners Incentive Program	1,138			
Solar HVAC Pilot	<u>269</u>			
 Total Non-Solar Electric	 <u>1,407</u>			
 EPS Total	 <u>25,770</u>	 <u>29,171,321</u>	 <u>= 0.09%</u>	 <u>0.68%</u>
	 <u>MWh w/ Multipliers</u>	 <u>Percentages</u>		
Total Solar Electric	24,364	95%		
Total Non-Solar Electric	<u>1,407</u>	<u>5%</u>		
 EPS Total	 <u>25,770</u>	 <u>100%</u>		

** For example, EPS multipliers include adders for Early Installation (prior to 2003) and In-state Location

2007 RES Results

APS purchased or generated 0.56% of its 2007 retail sales from RES eligible energy in the period from August 14, 2007 to December 31, 2007. This is compared to a calculated requirement of 0.58%. As seen in Table 2 below, the renewable generation requirement was met using 20,586 MWh of banked renewable energy credit generated in 2006 and 2007. With the addition of new projects, APS expects to purchase or generate sufficient renewable energy in 2008 to exceed the RES requirement.² The distributed energy requirement of 0.03% was not met, although approximately \$5 million was reserved by APS customers for residential

² A discussion of the bank is included in Attachment 1 and partially cost per MWh for both distributed energy and renewable generation are provided as Attachment 2 to this report. Renewable generation contract costs are redacted due to their competitively confidential nature.

ARIZONA PUBLIC SERVICE COMPANY
ENVIRONMENTAL PORTFOLIO STANDARD SEMI-ANNUAL REPORT
RENEWABLE ENERGY STANDARD ANNUAL REPORT
FOR THE SECOND HALF OF 2007

distributed energy installations and \$850 thousand was reserved for non-residential installations in 2007. Of the 3,582 MWh produced after the RES effective date (0.01% of Retail Sales), 78% was from residential installations and 22% was from non-residential.

Table 2: RES after August 14, 2007

	Capacity MWdc	MWh	2007 Retail Sales MWh	RES % of Retail Sales	Total RES Pro-rated Target
Renewable Generation:					
Wind	90.0	110,538			
Geothermal	10.0	23,848			
Solar *	6.7	6,198			
Renewable Generation Subtotal	<u>106.7</u>	<u>140,583</u>			
Green Choice Rate Sales		(727)			
Banking Withdrawal/(Deposited) **		<u>20,586</u>			
Renewable Generation Total		<u>160,442</u>	<u>29,171,321</u>	<u>0.55%</u>	<u>0.55%</u>
Distributed Energy:					
Solar Electric	3.9	2,808			
Solar Water Heating	N/A	626			
Solar HVAC	N/A	148			
Distributed Energy Subtotal	<u>3.9</u>	<u>3,582</u>			
Banking Withdrawal/(Deposited)		<u>-</u>			
Distributed Energy Total		<u>3,582</u>	<u>29,171,321</u>	<u>0.01%</u>	<u>0.03%</u>
RES Total		<u>164,024</u>	<u>29,171,321</u>	<u>0.56%</u>	<u>0.58%</u>

* Includes RES multiplier for In-state Installation prior to December 31, 2005

** See Attachment 1 for discussion and reconciliation of Banking MWh.

Revenues/Expenditures on Renewable Programs

Revenues and expenditures for all of 2007 are shown below in Chart 4. Due to lower than anticipated Solar Partners Incentive Program reservations, approximately \$3.5 million will be carried over into 2008.

ARIZONA PUBLIC SERVICE COMPANY
 ENVIRONMENTAL PORTFOLIO STANDARD SEMI-ANNUAL REPORT
 RENEWABLE ENERGY STANDARD ANNUAL REPORT
 FOR THE SECOND HALF OF 2007

Table 3: Revenues and Expenditures for 2007

Funds Collected:

System Benefit Charge (SBC) Revenue	\$ 6,000,000
Environmental Portfolio Surcharge (EPS) Revenue	8,849,691
2006 Carry-over Funding **	4,974,154
Total Collected or Requested	<u>\$ 19,823,845</u>

Funds Spent or Committed and Project Description:

Solar Partners Incentive Program Payments	\$ 5,278,039
Solar Partners Incentive Program Outstanding Commitments	4,062,416
Solar Plant Construction/Project Development	370,152
Energy Purchases/Commitments	2,995,639
Administration	1,298,357
Implementation	1,388,545
Marketing & Outreach	683,896
Commercialization & Integration	288,004
Solar HVAC Projects	66,000
Gray Wolf Off-Grid (Net of Revenue)	(92,836)
Total Spent and Committed	<u>\$ 16,338,212</u>

Carry-over for 2008	<u>\$ 3,485,633</u>
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** Carry-over was due to Solar Partners Incentive Program commitments at December 31, 2006.

Power Purchase Agreements

APS has entered into contracts which qualify under the RES, but are not eligible for EPS because they are out-of-state resources:

Aragonne Wind: Aragonne is a 90 MW wind facility located in Guadalupe County, NM. The facility is owned and operated by Babcock and Brown. The facility went into commercial operation in late-December 2006. Total output for 2007 was 240,867 MWh.

CE Turbo: CE Turbo is a 10 MW geothermal facility located in Imperial County, CA. The facility is owned and operated by Cal Energy. The facility began delivering power to APS in January of 2006 and its output for 2007 was 71,118 MWh, although APS only received renewable energy credits for 57,730 MWh. Per the terms of the contract with Cal Energy, APS does not have rights to the full credits produced by the plant until 2009.

ARIZONA PUBLIC SERVICE COMPANY
ENVIRONMENTAL PORTFOLIO STANDARD SEMI-ANNUAL REPORT
RENEWABLE ENERGY STANDARD ANNUAL REPORT
FOR THE SECOND HALF OF 2007

Geothermal: APS executed a purchased power agreement (“PPA”) for 25 MW of out-of-state geothermal energy late in 2007. The agreement is for calendar year 2008 only at this time and APS expects to purchase 216,000 MWh by the end of the year.

APS holds long-term purchase power contracts with the following providers whose output is eligible for inclusion under both the EPS and RES standards. These projects are expected to be commercially available over the next few years:

Snowflake White Mountain Power: This facility will be a 24 MW biomass facility located near Snowflake, AZ. APS has contracted for 14 MW. The facility will be owned and operated by Snowflake White Mountain Power and is scheduled to be on-line in the first quarter of 2008. Yearly output is estimated to be 114,000 MWh.

Cambrian Energy: Cambrian Energy is a 3 MW biogas facility located at the 27th Avenue landfill in Phoenix. Cambrian Energy Development, LLC will own and operate the facility. The facility was scheduled to be on-line sometime during 2007; however, delays in the development process have affected the anticipated completion date of this project. APS now anticipates the project to be completed in the first half of 2009. Yearly output is estimated to be 23,000 MWh.

Skunk Creek: Skunk Creek is a 3 MW biogas facility located in Northwest Phoenix. Ameresco will own and operate the facility. There have been multiple delays in this project and it is currently scheduled to be completed by the end of 2010. Yearly output is estimated to be 24,000 MWh.

Solar Projects

APS owned solar facilities performed well in 2007, generating over 11,217 MWh (not including any multipliers) with a 22% capacity factor. Total APS solar capacity remains at 5.8 MWac. Prescott Airport, APS’ largest solar facility, generated over 6,700 MWh in 2007. The Saguaro Solar Generating Station continued to work through start-up challenges in 2007 and produced over 1,100 MWh for the year.

Project Development

Concentrating Solar Power (CSP): APS is working with a number of other utilities in the southwest to evaluate the potential development of a large-scale CSP facility. A siting study for the project was completed in the first half of 2007 and a Request for Proposals (“RFP”) was issued in December 2007. Responses to the RFP are due in March of 2008 and evaluation of the bids is expected to be completed in the second quarter of 2008.

Request for Proposals: APS issued an RFP during the first half of the year. In total 45 bids from 24 entities were received in May 2007. In June 2007 APS short-listed a number of those

ARIZONA PUBLIC SERVICE COMPANY
ENVIRONMENTAL PORTFOLIO STANDARD SEMI-ANNUAL REPORT
RENEWABLE ENERGY STANDARD ANNUAL REPORT
FOR THE SECOND HALF OF 2007

projects. In August 2007 four projects were chosen and APS continued negotiations with the developers of those projects during the remainder of 2007. APS currently expects to complete purchased power agreements with those parties in the first half of 2008.

Renewable Energy Competitive Procurement Procedure

In compliance with Section R14-2-1812 of the RES rules, APS completed its Renewable Energy Competitive Procurement Procedure during 2007. APS engaged Navigant Consulting, Inc. as an independent auditor to review those procedures and on April 10, 2007 Navigant issued its opinion that the procedures APS developed are fair and unbiased. Attachment 3 is a copy of a letter from Navigant confirming that opinion. Navigant also reviewed the procedures used to secure the 2007 Geothermal PPA and determined that they were in conformance with the Renewable Energy Competitive Procurement Procedure and were fair and unbiased. A copy of the Navigant report on the Geothermal PPA is included as Attachment 4.

Solar Partners Incentive Program

Participation in the Solar Partners Incentive Program continued to increase in 2007. During 2007 APS paid over \$5 million in incentives on a total of 529 installations. Of those installations, 277 were photovoltaic and 252 were solar water heating. Both grid-tied photovoltaic and solar water heating were up significantly from 2006, with increases of 24% and 18% respectively. Off-grid photovoltaic installations were slightly more than half their level in 2006. APS is expecting approval of its RES Implementation Plan in the first half of 2008 and therefore expects to see a continued increase in Program participation with increased marketing funds and several new technologies becoming eligible for incentives.

The largest installation facilitated by the SPIP to date was completed in April 2007. APS paid a \$1.0 million incentive for Phase II (255 kW) of the Luke Air Force Base grid-tied photovoltaic system. Luke received an incentive from APS of \$500 thousand for Phase I (122 kW) of the system in 2006. APS also received and accepted six new reservations totaling approximately \$650 thousand in annual commitment for Production Based Incentives ("PBI") during 2007. In total the PBI commitment is \$6.5 million over the life of the PBI agreements. Of the six, four remain outstanding at year's end, one cancelled, and one was completed becoming APS' first PBI project. That project, a 200 kW rooftop photovoltaic system, is located at Frito Lay's Phoenix distribution center and began commercial operation of in November 2007. APS will begin quarterly payments to Frito Lay early in 2008.

ARIZONA PUBLIC SERVICE COMPANY
ENVIRONMENTAL PORTFOLIO STANDARD SEMI-ANNUAL REPORT
RENEWABLE ENERGY STANDARD ANNUAL REPORT
FOR THE SECOND HALF OF 2007

Total Solar Partners Incentive Program results to date (2002 – 2007) are as follows:

Incentives	\$12,340,627
Total Installations	1,570
Photovoltaic kW	3,774
Solar Water Heating kWh	1,632,500
Outstanding Reservations	268
Outstanding Reservation \$	\$4,062,416

Solar Partners Rate Program

APS received \$282 thousand in revenue from the Solar Partners participants in 2007. The Solar Partners Rate was frozen to new customers on July 1, 2007 pursuant to Arizona Corporation Commission Decision No. 69663. In the second half of 2007 APS began efforts to offer Solar Partners Rate customers an opportunity to convert to the Green Power Rates (“APS Green Choice Rates”). This effort has contributed to a decrease of nearly 350 customers from the end of 2006. At the end of 2007 there were still 3,892 Solar Partners Rate customers remaining.

Green Choice Rate Program

Two new Green Power rates were approved by the Arizona Corporation Commission in Decision No. 69663 on June 28, 2007. In the second half of 2007 370 customers subscribed to either the Block option or the Percentage option. Sales for the year were just under 727 MWh and revenue was slightly over \$7 thousand. APS expects these figures to significantly increase in 2008 as promotional and customer awareness efforts are implemented.

Solar-3 Rate Program

APS had planned to purchase energy from a 1.1 MW photovoltaic facility on the Gila River Indian Community to serve customers subscribing to the Solar-3 rate schedule. Due to various issues, that project was terminated in June 2007. APS is now pursuing alternative projects to serve Solar-3.

Off-Grid Solar Services

APS continued to operate the Gray Wolf photovoltaic facility in 2007. Output for that facility was 121 MWh in 2007.

Other Credit Purchases

Cochise Community College: Pursuant to the Solar Heating Ventilation and Air Conditioning (“HVAC”) Pilot Program approved in ACC Decision No. 67402, issued November 2, 2004, APS signed an agreement with Cochise Community College and Industrial Solar Technology for a solar HVAC system. The system was completed in 2006 and began full operation in February 2007. Equivalent output for 2007 was 296 MWh.

ARIZONA PUBLIC SERVICE COMPANY
ENVIRONMENTAL PORTFOLIO STANDARD SEMI-ANNUAL REPORT
RENEWABLE ENERGY STANDARD ANNUAL REPORT
FOR THE SECOND HALF OF 2007

Desert Outdoor Center: Also pursuant to the Solar HVAC Pilot Program, APS signed an agreement with Maricopa County and SOLID USA for a solar HVAC system at the Desert Outdoor Center. The system was completed in mid-2006 and equivalent output was 90 MWh in 2007.

Commercialization and Integration Studies

Wind Integration Study: APS contracted with Northern Arizona University (“NAU”) to conduct a Wind Integration Study. The study’s objective was to determine the impacts to APS of progressive amounts of incremental Arizona wind generation on system operation, reliability and cost. The final report was released to the public in October 2007 and is available on the NAU website at <http://wind.nau.edu/APSWindIntegrationsStudy.shtml>.

Arizona Resource Study: This study was conducted by Black & Veatch through a joint effort between APS, Salt River Project and Tucson Electric Power. The objective was to evaluate renewable energy resources in Arizona, including a review of alternative technologies, an assessment of available resources and projected timelines for their availability, supply curves, and key risk factors. The final report was released to the public in October 2007 and is available on the Black & Veatch website at <http://www.bv.com/markets/resources.aspx#energy>.

Distributed Energy Cost/Benefit Study: APS is studying the costs and benefits of large quantities of distributed energy in the APS service territory. The topics being investigated include the cost and benefit of capacity/energy, delivery system impact, transmission system and other potential generation impacts such as system integration. Navigant Consulting was engaged to develop a scope for this effort and met with both APS internal groups and external stakeholders in the second half of 2007 to gather input for the study. APS expects to begin the study upon completion of the scoping effort in the first quarter of 2008.

ARIZONA PUBLIC SERVICE COMPANY
ENVIRONMENTAL PORTFOLIO STANDARD SEMI-ANNUAL REPORT
RENEWABLE ENERGY STANDARD ANNUAL REPORT
FOR THE SECOND HALF OF 2007

Attachment 1: Discussion and Reconciliation of Banking

As discussed in the APS Renewable Energy Standard Implementation Plan filed with ACC in Docket No. E-01345A-07-0468, APS will use RES eligible banked energy to fill compliance shortfalls from time to time. APS expects these shortfalls as production from generation currently under contract fluctuates and new projects experience construction or operational delays. As can be seen in the Table below, the renewable generation bank was established using RES eligible energy procured prior to the effective dates of the RES rules, or August 14, 2007. After that date, changes to the bank are only expected to come from withdrawals to meet compliance or deposits from excess generation in any given year. APS will use a first-in, first-out approach to track the bank balance. In other words, withdrawals will be made from the oldest vintages first and move to the next year when the oldest year has been exhausted.

	MWh		
	2006	2007 Prior August 14	2007 Post August 14
Renewable Generation:			
<i>RES Eligible Resources:</i>			
Wind	1,142	130,329	110,538
Geothermal	64,376	33,882	23,848
<i>RES & EPS Eligible Resources:</i>			
APS Solar	25,245	14,714	6,198
Renewable Generation Subtotal	90,763	178,926	140,583
Applied to EPS Target:			
APS Solar	(25,245)	(14,714)	
Applied to RES Requirement:			
Wind			(110,538)
Geothermal			(23,848)
APS Solar			(6,198)
Deposit/(Withdrawal) for RES Compliance:			
2007 (Post August 14)	(20,586)		
Renewable Generation Bank by Vintage	44,932	164,212	-
Renewable Generation Bank Cumulative	44,932	209,144	209,144

ARIZONA PUBLIC SERVICE COMPANY
ENVIRONMENTAL PORTFOLIO STANDARD SEMI-ANNUAL REPORT
RENEWABLE ENERGY STANDARD ANNUAL REPORT
FOR THE SECOND HALF OF 2007

Attachment 2: Cost per MWh

Renewable Generation Contract Costs shown below are the invoice costs and do not include measures used to evaluate the contracts such as integration costs. Distributed Energy costs are based on the incentive paid by APS, not the total installation cost paid by the participant. The Cost per MWh calculations were intended to show the cost paid by APS customers under the EPS/RES programs.

	Capacity MW	MWh	Contract Cost	Contract Cost per MWh
Renewable Generation:				
Wind	90.0	110,538	[REDACTED] ¹	[REDACTED] ¹
Geothermal	10.0	23,848	[REDACTED] ¹	[REDACTED] ¹
Solar	6.7	6,198	n/a	\$ 360.00 ²
Renewable Generation Total	<u>106.7</u>	<u>140,583</u>		

	Capacity MW	MWh over 20 Years	Incentives	Incentive Cost per MWh
Distributed Energy: ³				
Solar Electric	0.5	15,185	\$ 1,484,733	\$ 97.78
Solar Water Heating	n/a	4,182	\$ 103,100	\$ 24.65
Distributed Energy Total		<u>19,367</u>	<u>\$ 1,587,833</u>	<u>\$ 81.99</u>

1: Redacted due to the competitively confidential nature of the contract information.

2: Estimated amount based on current cost to construct, finance, and operate similar facilities.

3: Figures are based on incremental DE installed between 8/14/07 and 12/31/07

February 13, 2008

VIA E-MAIL

Mr. Gordon Samuel
Manager of Resource Acquisition
Arizona Public Service
400 North 5th Street, 6th Floor
Phoenix AZ 85004
Gordon.Samueljr@aps.com

Subject: LETTER CONCERNING CERTIFICATION OF THE APS COMPETITIVE PROCUREMENT PROCEDURE

Dear Mr. Samuel:

This letter is being delivered as of the date set forth below to the Arizona Public Service Company, Inc. ("APS"). This letter confirms that Navigant Consulting Inc. ("NCI") reviewed the Renewable Energy Competitive Procurement Procedure (the "Procedure") of APS dated April 10, 2007¹, and certified that the Procedure is fair and unbiased.².

Sincerely,



Paul D. Maxwell
Director

¹ Arizona Public Service Company, Inc., Renewable Energy Competitive Procurement Procedure, April 10, 2007.

² 2007 Renewable Energy Procurement Solicitation Certification FINAL REPORT, Presented to the Arizona Public Service Company, April 10, 2007, Navigant Consulting Inc.

February 8, 2008

VIA E-MAIL

Mr. Gordon Samuel
Manager of Resource Acquisition
Arizona Public Service
400 North 5th Street, 6th Floor
Phoenix AZ 85004
Gordon.Samueljr@aps.com

Subject: CERTIFICATION OF THE APS 2007 RENEWABLE RFP AND 2007 RENEWABLE BI-LATERAL
PURCHASE PROCESSES

Dear Mr. Samuel:

This letter serves as a certification by Navigant Consulting Inc. ("NCI") concerning our review of the above mentioned APS 2007 Renewable RFP and 2007 Renewable Bi-Lateral Purchase processes (the "Processes").

The Arizona Public Service Company, Inc. ("APS") has retained Navigant Consulting Inc. ("NCI") to serve as its independent auditor under its Renewable Energy Competitive Procurement Procedure (the "Procedure") dated April 10, 2007 (the "Procedure").¹ The Procedure identifies the policies and procedures that APS will use to procure renewable energy through both request for proposal and bi-lateral purchase approaches. The Procedure also identifies the scope of work for the independent auditor that is required under the RES Rules.

As independent auditor, we monitored and evaluated the solicitation, evaluation and selection process for new renewable resources that APS performed under the 2007 Request for Proposals for Eligible Renewable Energy Resources (the "2007 RFP") including review of the solicitation materials, audit of the evaluations and preparation of a summary report to APS.² We also reviewed the solicitation, evaluation and selection process for a new short-term renewable energy purchase executed in 2007 for delivery in 2008 (the "2007 Short-Term Purchase") including review of correspondence, terms of the purchase, and preparation of a summary report to APS.³

¹ Arizona Public Service Company, Inc., Renewable Energy Competitive Procurement Procedure, April 10, 2007.

² Independent Auditor Report for the 2007 Renewable RFP Process, December 18, 2007, Navigant Consulting Inc.

³ Independent Auditor Report for the 2007 Renewable Bilateral Purchase, February 8, 2008, Navigant Consulting Inc.

As a result of this work, with respect to the 2007 RFP, we certify that

- the solicitation materials associated with the 2007 RFP were understandable, comprehensive and consistent with the requirements of the Procedure and with other request for proposals for renewable power supply that we have reviewed;
- the terms of the various certification, confidentiality, creditworthiness and other form documents were reasonable and consistent with others we have reviewed;
- the submittal instructions and non-refundable bid fee were reasonable and the description of the evaluation process was clear;
- the presentations made at the pre-bid conference were clear and consistent with the Procedure and the RFP, and the questions and answers made available on the RFP website were also clear and consistent and valuable in further defining the solicitation;
- the evaluation processes were performed on a logical, consistent, fair and reasonable basis, and were consistent with the requirements of the Procedure and with other power supply offer evaluation processes we have performed or observed;
- the threshold and screening processes were performed on a consistent and fair basis, and all necessary and typical costs (integration, transmission, imputed debt) were included;
- the use of production cost modeling to determine avoided cost was thorough and accurate;
- the selection of the shortlist based on lowest cost, qualified offers was reasonable;
- Respondents were given equal opportunity to meet with APS, provide additional information to improve their offers, and to negotiate a standard form term sheet;
- APS endeavored to not provide more favorable term sheet terms to any one Respondent;
- the level of technical due diligence review was comprehensive and thorough;
- the transmission and credit reviews, and subsequent disqualification of some offers was reasonable;
- the price and non-price factors considered in selection of the Finalists was reasonable.

With respect to the 2007 Short-Term Purchase, we certify that

- the offer evaluation process performed by APS was logical, comprehensive and consistent with the requirements of the Procedure and with other power supply offer evaluation processes we have performed or observed;

- the screening and detailed evaluation processes were performed on a consistent and fair basis;
- Respondents were given equal opportunity to meet with APS, provide additional information to improve their offers, and to negotiate a standard form confirmation;
- APS endeavored to not provide more favorable terms to any one Respondent.
- The price and non-price factors considered in selection of the final offer were reasonable.

These certifications represent our conclusions concerning the Processes as of the date of this Report. In preparing this Report, we have relied on documents, correspondence, analyses and information provided to us by APS. While we believe these source documents to be reliable, they have not been independently verified for either accuracy or validity, and no assurances are offered with respect thereto. We make no representations, warranties or opinions concerning the enforceability or legality of the laws, regulations, rules, contracts or other similar documents reviewed as part of these certifications. We express no recommendation, opinion, or advice as to the wisdom, desirability, or prudence of contracting with the Respondents, or to the action any person should take in connection with the offer, issuance, purchase, or sale of securities or contracts related to APS or the Respondents. NCI and its employees are independent contractors providing professional services to APS and are not officers, employees, or agents of APS.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul D. Maxwell". The signature is fluid and cursive, with a large initial "P" and "M".

Paul D. Maxwell
Director