Preliminary 2012 EAI Integrated Resource Plan (IRP) Action Plan

EAI Stakeholder Meeting

July 31, 2012

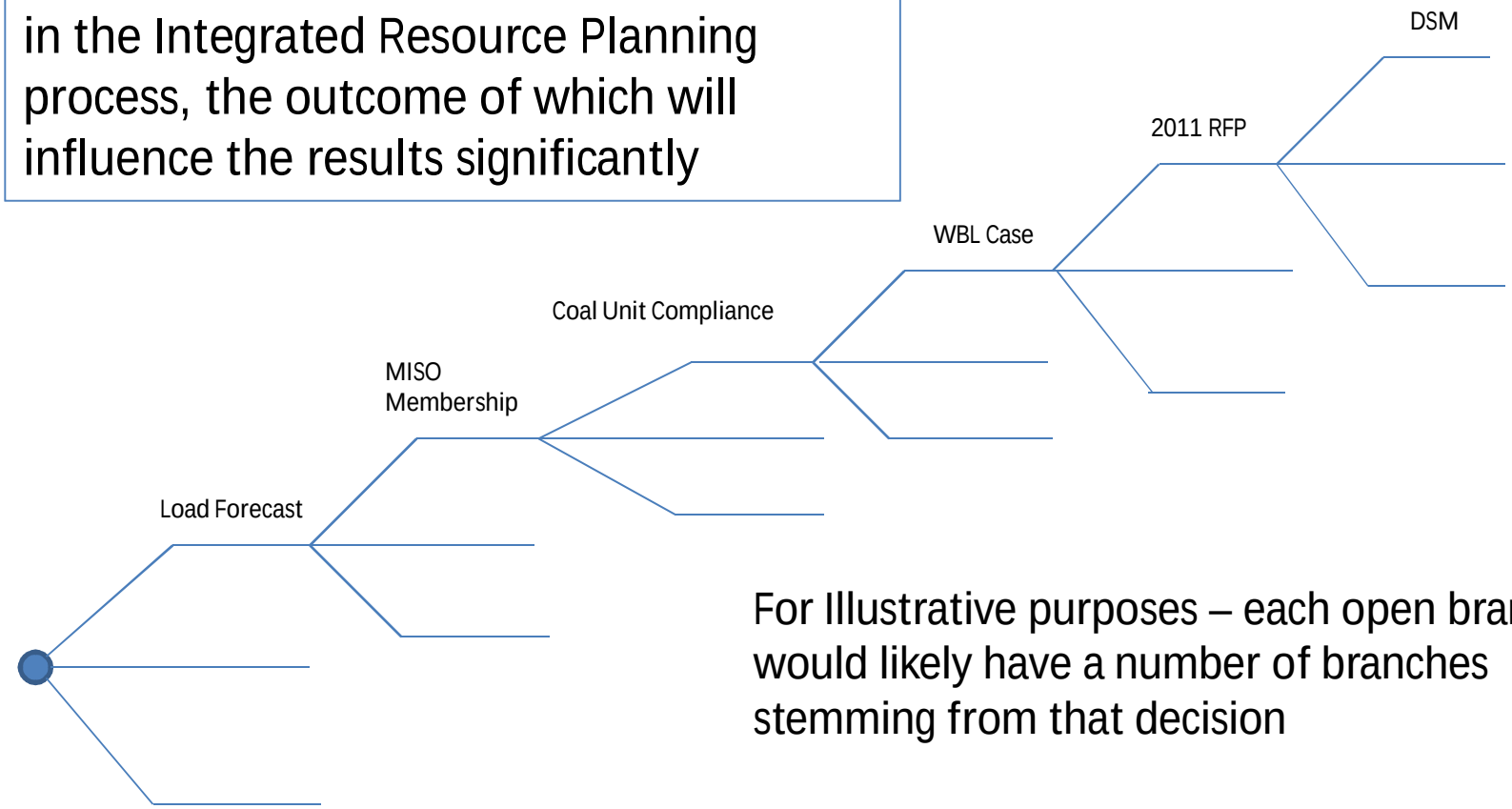
EAI IRP - Action Plan

- EAI has developed a preliminary action plan for stakeholder review.

- The action plan is subject to change prior to EAI filing the 2012 IRP.

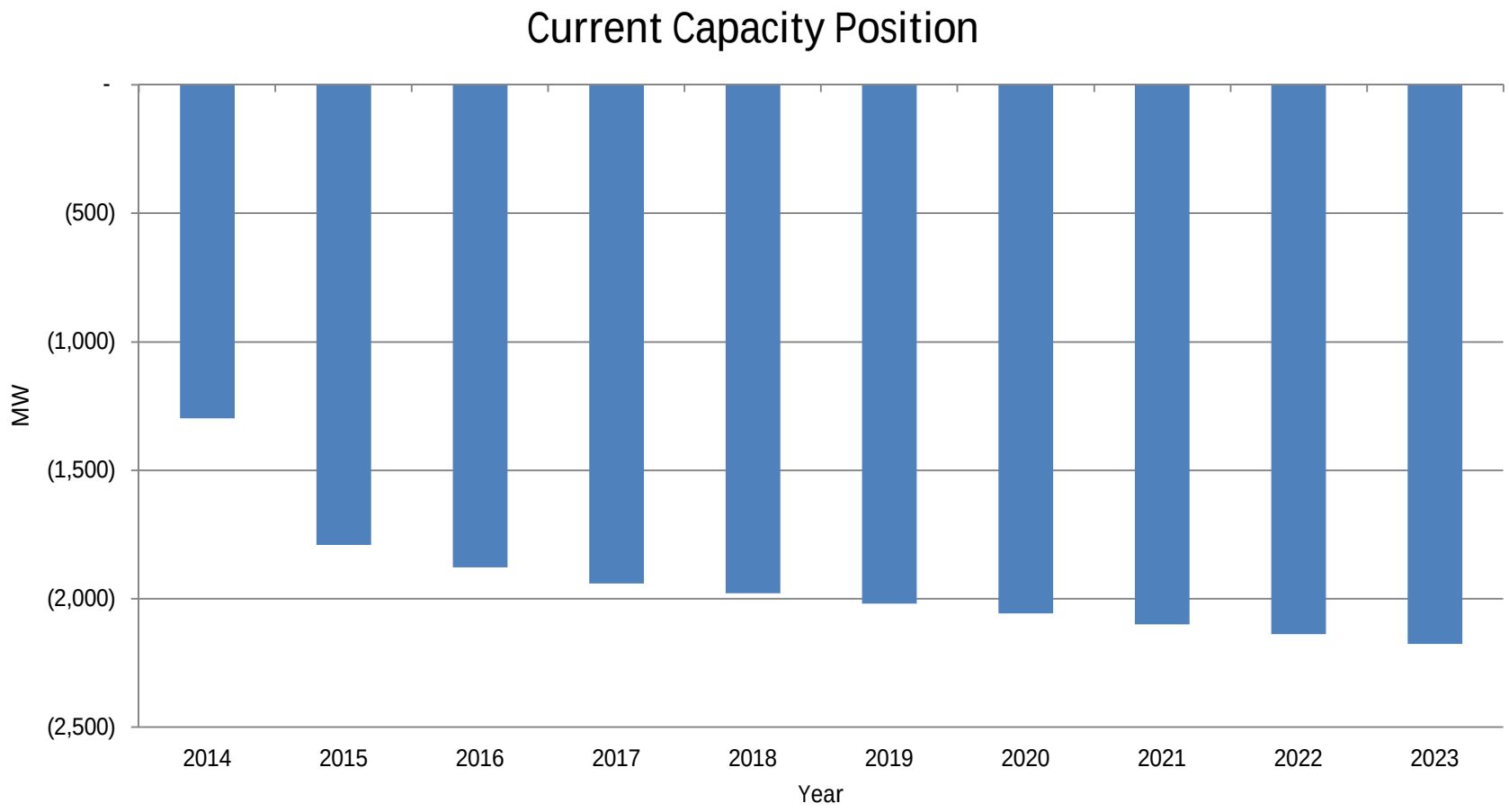
Action Plan – Managing Risk

The action plan recognizes that there are numerous uncertainties to be considered in the Integrated Resource Planning process, the outcome of which will influence the results significantly



For Illustrative purposes – each open branch would likely have a number of branches stemming from that decision

Current Capacity Position



IRP Action Plan - Overview

1. MISO Transition
2. Coal Unit Environmental Compliance
3. Hot Spring Power Plant Acquisition
4. 2011 RFP Transactions
5. Available Wholesale Base Load Capacity to Retail

In Progress

6. Wholesale Peaking Capacity to Retail
7. DSM and Energy Efficiency Expansion (2012 In Progress, 2013 and beyond is planned)
8. Lake Catherine 4 reliability / sustainability

Planned

9. Legacy Unit Deactivation Decisions
10. Renewable Energy Assessment
11. Short-Term RFPs

On-going

#1 - MISO Transition

A. Transition to the MISO Resource Adequacy Construct (RAC) as EAI integrates into MISO
   - Develop a fixed resource adequacy plan and participate in MISO LOLE study
   - Modify planning processes as needed for the MISO RAC
     - Coincident Peak Forecasting
     - UCAP verses ICAP

B. Participate in the MISO Transmission Expansion Process (MTEP)

#2 - Coal Unit Environmental Compliance

A. Monitor changes in environmental law at state and federal levels

B. Monitor the progression of the Flint Creek case at the APSC and permitting at ADEQ

C. Evaluate options for environmental compliance (e.g. MATS, Regional Haze, etc.)

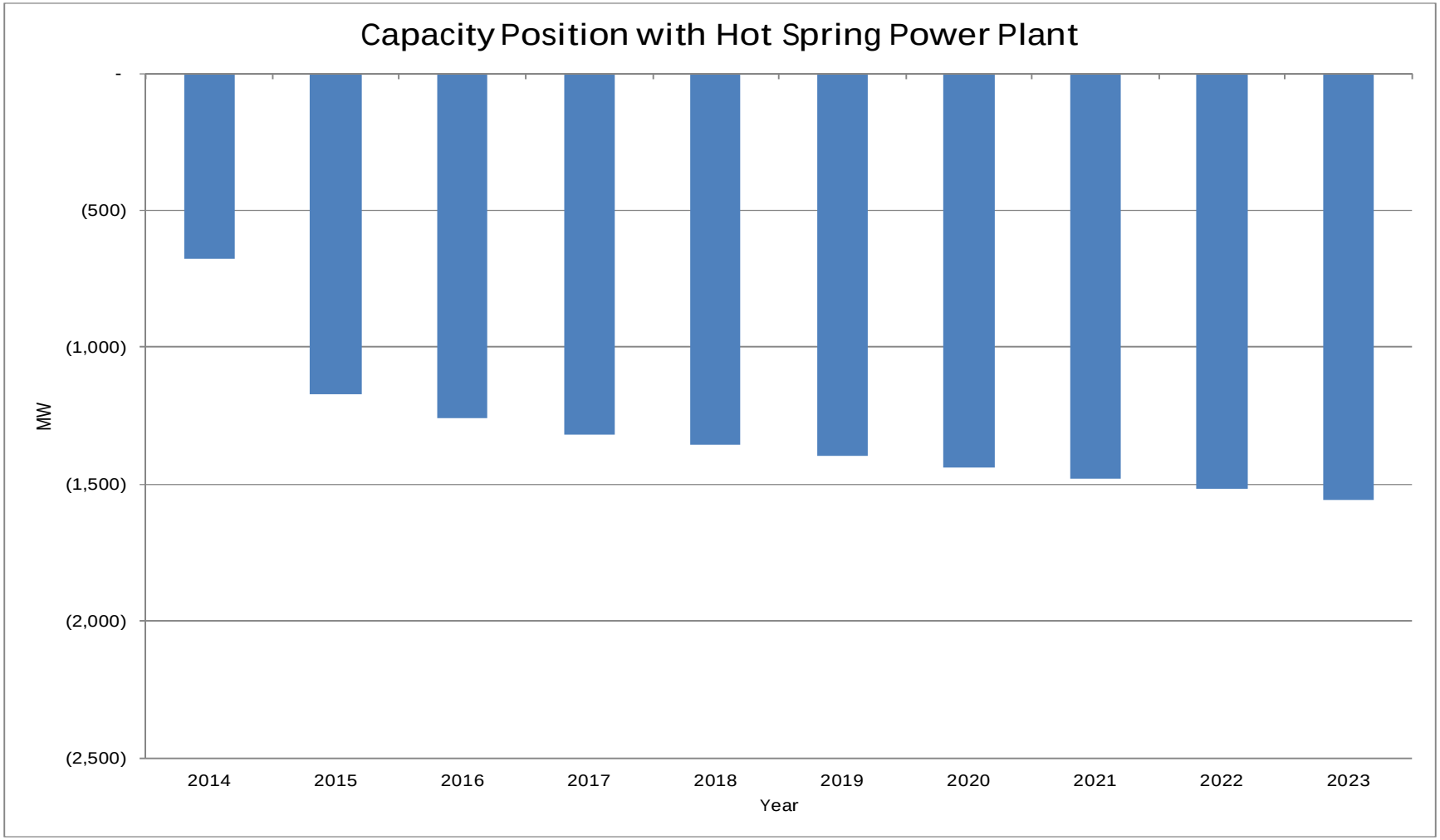
D. Work with co-owners to keep them advised of compliance planning progress

#3 - Hot Spring Power Plant Acquisition

A. Complete Hot Spring Power Plant acquisition pursuant to the July 11, 2012 APSC order in Docket No. 11-069-U

B. Adds approximately 620 MW of CCGT capacity to the EAI fleet

Hot Spring Power Plant Acquisition



#4 - 2011 RFP Transactions

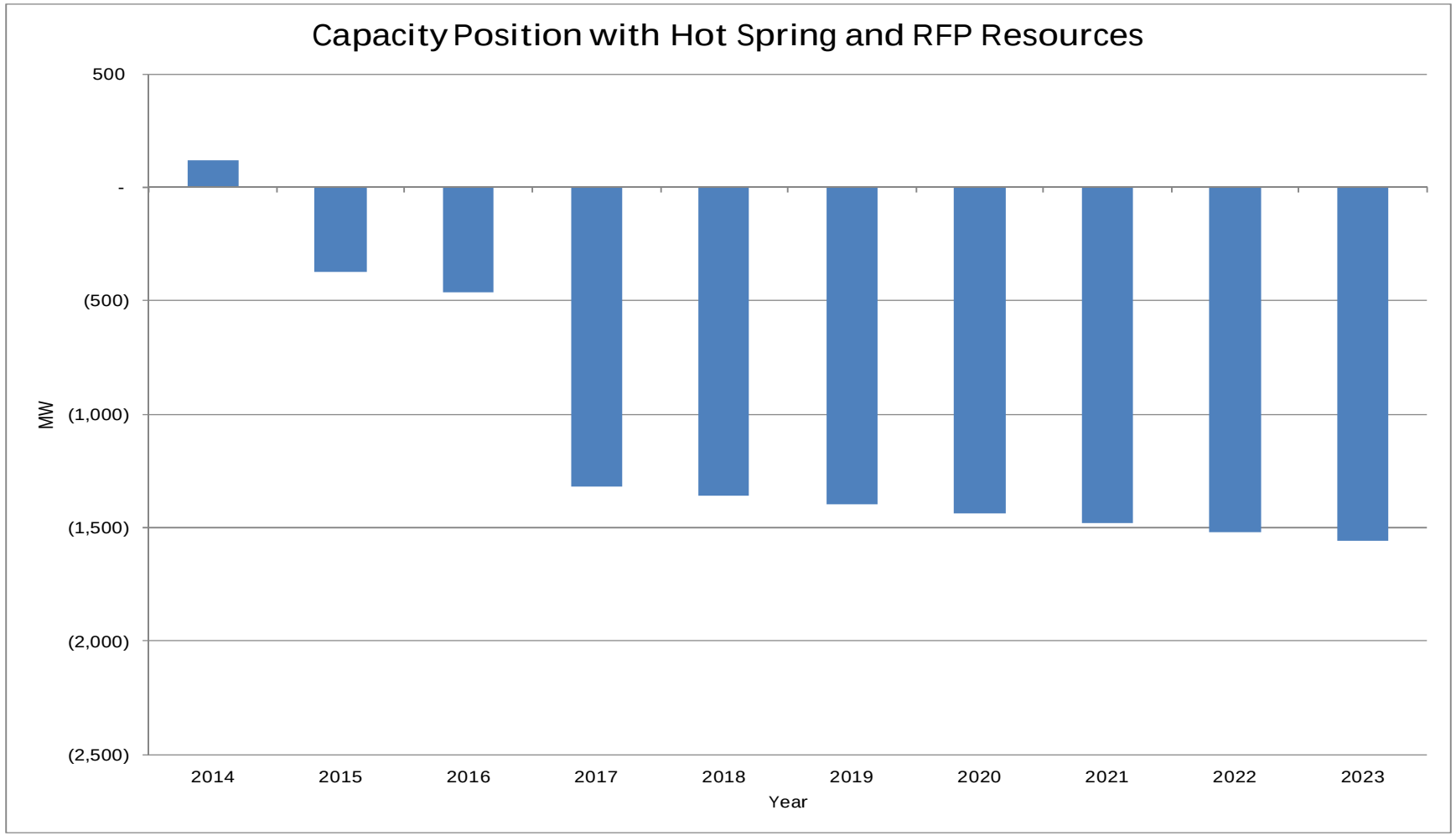
A. Complete negotiations on resources from the 2011 RFP

B. Continue to pursue approval of a capacity cost recovery rider in Docket No. 12-038-U

C. Secure transmission service for both transactions no later than June 30, 2013

D. Adds approximately 795 MW from December 2013 through May 2017

Hot Spring and RFP Resources Added



#5 – Available Wholesale Base Load (WBL) Capacity to Retail

A. Continue to pursue APSC approval to return the WBL capacity to retail rate base in Docket No. 12-038-U

B. Provides approximately 286 MW of additional resources:
   - 184 MW Nuclear Capacity
   - 102 MW Coal Capacity

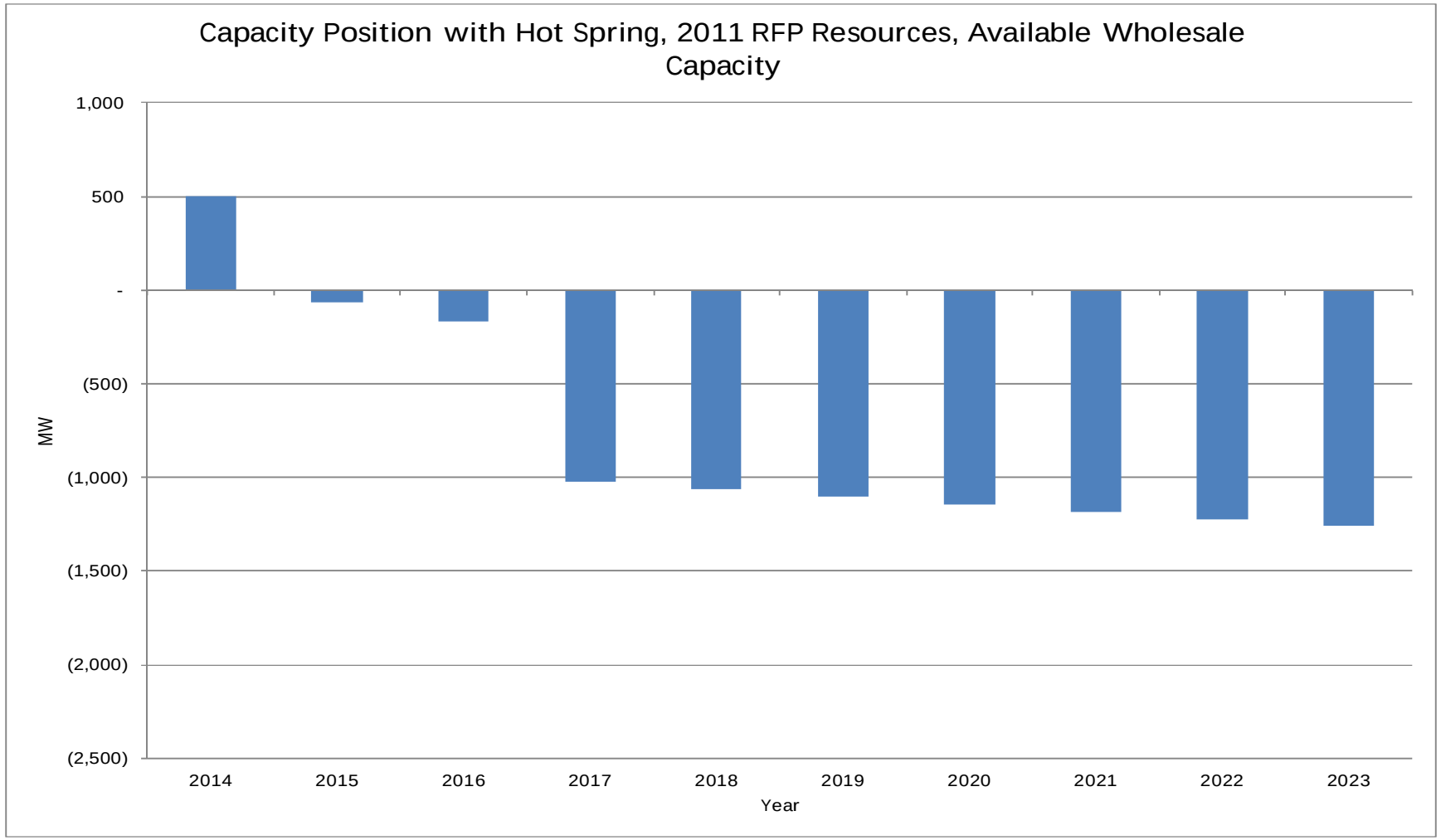
#6 - Wholesale Peaking Capacity to Retail

A. Pursue APSC approval to return the Wholesale peaking capacity to retail rate base in the 2013 general rate case

B. Results in the following capacity additions:

2014:	95 MW
2015:	21 MW
2016:	13 MW
2017 – Forward	10 MW

With Hot Spring, 2011 RFP Resources and Available Wholesale Capacity



#7 - Demand Side Management and Energy Efficiency Expansion (2012 In Progress / 2013 and Beyond Planned)

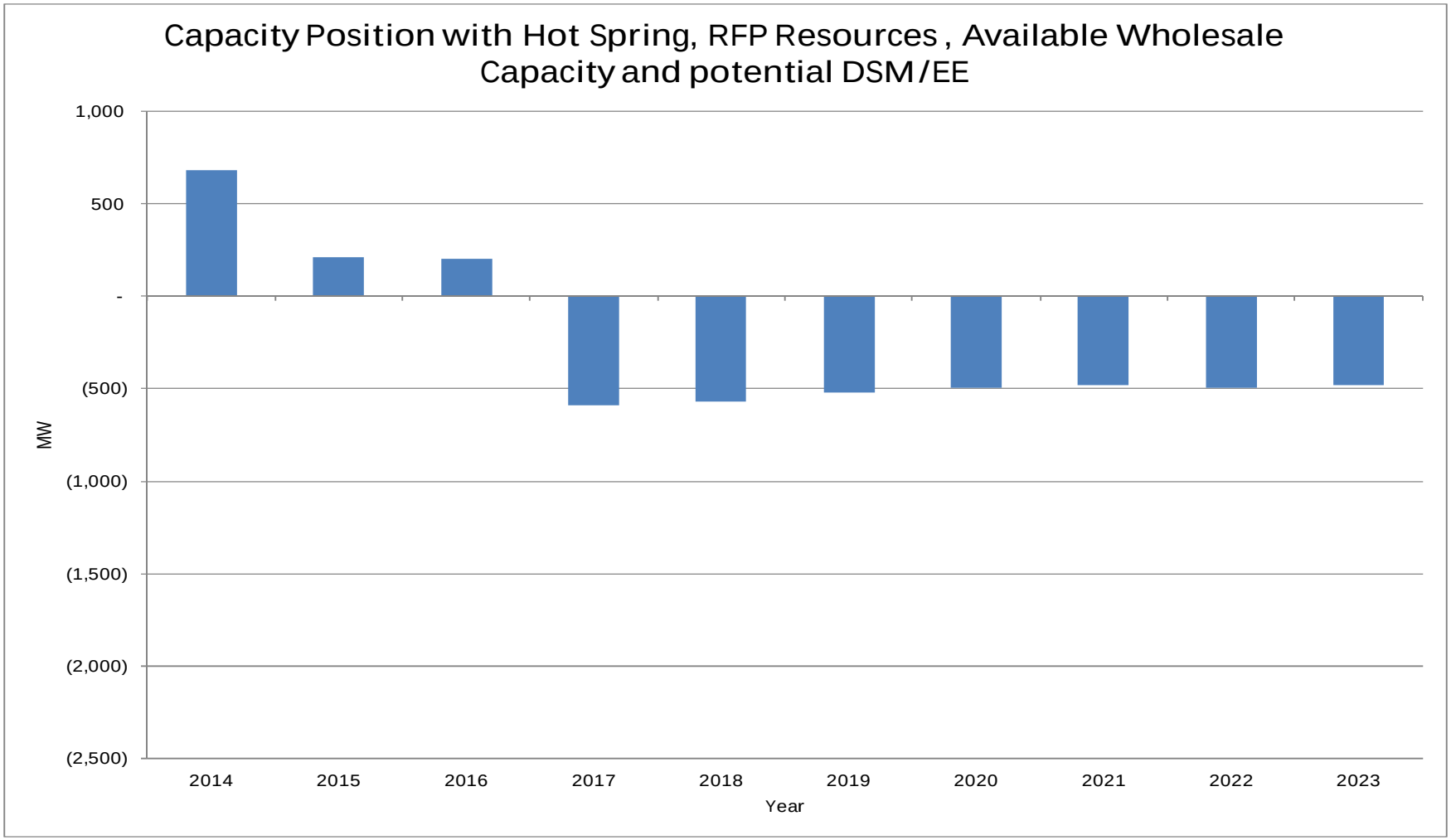
A. Continue with suite of comprehensive programs, including ongoing independent Evaluation, Measurement and Verification, capturing any lessons learned to improve next phase of implementation

B. Continue to move forward with the development and implementation of enabling technologies (AMI / Smart Grid) at a measured pace to ensure technology can deliver results

C. Monitor results and adjust load forecast and resource plans as warranted

D. Continue to research options for DSM in the MISO market

Demand Side Management and Energy Efficiency Added

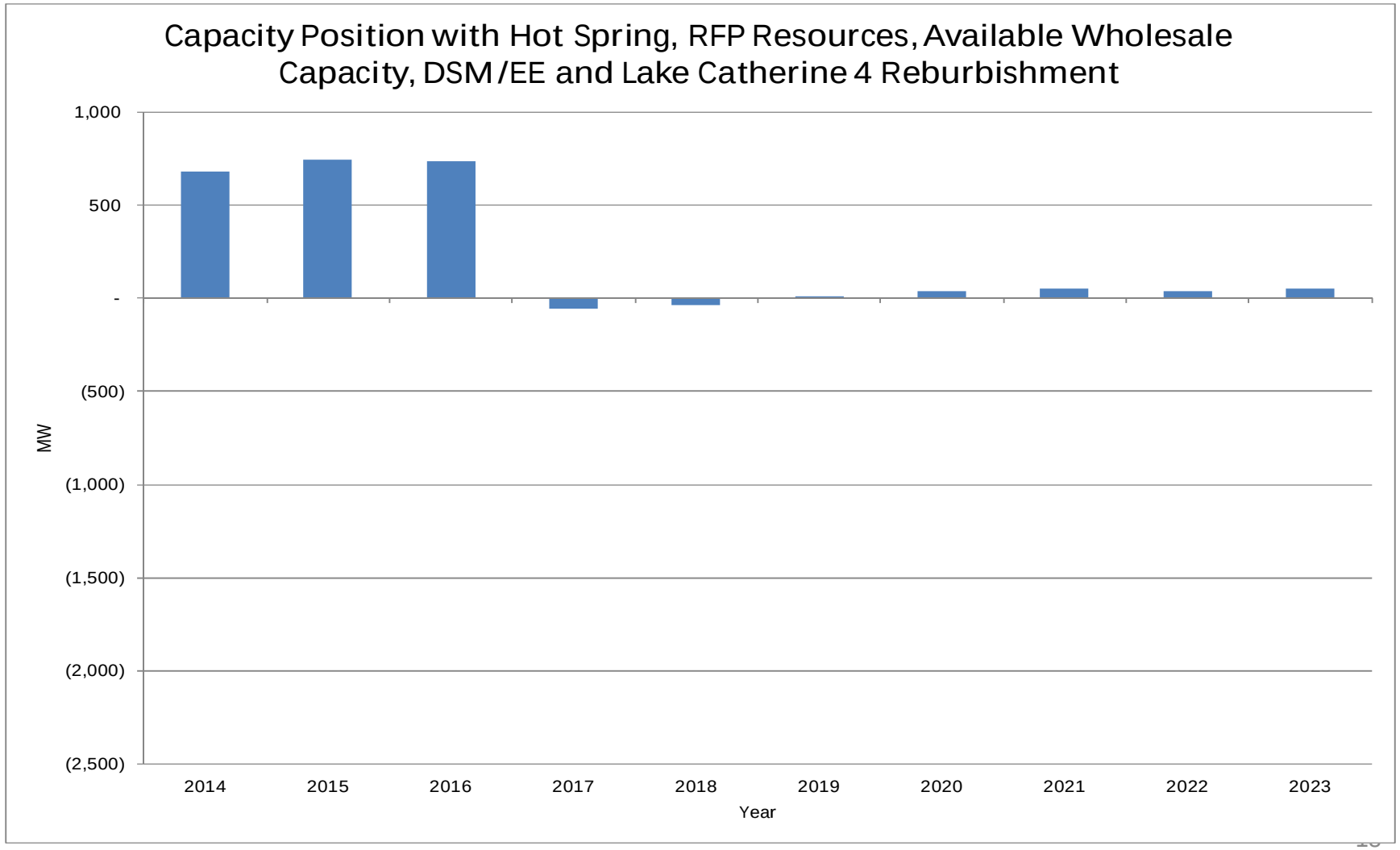


#8 – Lake Catherine 4 Reliability / Sustainability Program

A. Update project cost estimates in 2012

B. Develop a detailed project schedule and budget to complete reliability / sustainability program

Lake Catherine Unit 4 Refurbishment



#9 – Legacy Deactivation Decisions

A. The current long-term planning assumption is that approximately 422 MW (363 MW retail) of legacy generation will be deactivated by the beginning of 2014

B. A follow-up review of this generation will be conducted over the remainder of 2012 and 2013 to determine tactical plans for this capacity

C. Actual decisions to deactivate generation will be made on a unit-by-unit basis based upon the needs of customers and the economics of the units relative to available options at the time of the decision

#10 - Renewable Energy Assessment

A. Continue to monitor:
   - technology developments in renewable energy
   - public policy developments

B. Consider economically attractive renewable generation, taking into account evolving mandates and an on-going assessment of cost and availability

#11 – Short-Term RFPs

A. Continuously monitor progress on IRP Action Plans

B. Issue short-term (1 year) RFPs for additional capacity if needed to maintain reserve margins

Questions / Comments