



2011 Competitive Decision Making Process - Non-Residential PBI and UFI Requests **APS Renewable Energy Incentive Program**

During 2011, incentives for non-residential customers under our standard program will be reserved on a competitive basis for both Production Based Incentives (PBIs) and Up-Front Incentives (UFIs).

For Up-Front Incentives (UFIs):

Funding for up-front incentives will be equally divided into the six bi-monthly allocation periods shown below and will be reserved for projects on a competitive basis. Applications are due the last business day of the respective period:

- January and February
- March and April
- May and June
- July and August
- September and October
- November and December

For Production-Based Incentives (PBIs):

Funding for PBIs is divided into two tiers based on project size as noted below. Once your project is approved, incentive funds are reserved for the duration of your Credit Purchase Agreement with APS (either 10, 15 or 20 years).

Medium sized projects:

Funding for PBIs for electric producing systems (such as PV) which are under 200 kWac or for other non-electric producing technologies (such as solar thermal) which are requesting \$2.5 million or less in lifetime incentive payments, is equally divided into the six bimonthly allocation periods shown below. Applications are due the last business day of the respective period:

- January and February
- March and April
- May and June
- July and August
- September and October
- November and December

Large projects:

Funding for PBIs for electric producing systems which are larger than 200 kWac or for other non-electric producing system which are requesting more than \$2.5 million in lifetime payments, is equally divided between the two allocation periods noted below. Applications are due at the close of business on the following days:

- February 28, 2011
- August 31, 2011

How Are Funding Decisions Made?

As part of the competitive process, UFI and PBI requests for funding are compared to all other requests within their same size category during each nomination period. At the end of each nomination period, all fully completed and signed applications received by the deadlines are ranked solely based on the scores they received from their respective APS Ranking Calculator. The lower the score, the more competitive the project. The available funds for that nomination period are then reserved for projects, beginning with the lowest scoring project first. Moving down the ranked list, funds will be reserved for full projects until funds are exhausted for that period.

How Are Projects Scored?

UFIs:

If you are requesting a UFI and installing an electric producing technology such as PV, the APS UFI Ranking Calculator will assign a value to your project based largely on how much of an incentive you are asking for each installed watt. The maximum “per watt” incentive levels the APS program is allowed to pay vary by technology and are listed on our website as well as on the incentive application. You may request up to the maximum incentive level allowed, however requesting a lower per watt incentive will generally give you a more competitive score against other projects. The calculator will also factor the amount of kWh each kW is estimated to produce during the first year of operation. For example, if you are requesting \$1.00 per installed watt, and your system is estimated to produce 1,600 kWh per kW, you will generally score better than someone requesting the same \$1.00 per installed watt, but whose system is only estimated to produce 1,500 kWh per kW. A copy of your PVWatts2 analysis based on your system design must be included with your application to help verify your estimated kWh production.

If you are requesting a UFI and installing a non- electric producing technology such as solar water heating or geothermal space heating, the APS UFI Ranking Calculator will score your project based largely on the amount of incentive you are asking for each kWh the system is estimated to displace during its first year of operation. Again, you may request up to the maximum per kWh incentive allowed, but you will improve your score by requesting a lower per kWh incentive. For example, if you have a solar water heater that is estimated to displace 3,000 kWh of electricity in its first year and you request \$0.32 per kWh, you will generally score better than a project with the same 3,000 kWh displacement estimate but is asking for \$0.41 per kWh.

PBIs:

If you are requesting a PBI and installing an electric producing technology such as PV, the APS PBI Ranking Calculator will score your project based largely on how much of an incentive you asking for each kWh your system will be producing for the term of your agreement with APS – either 10 ,15, or 20 years. The maximum per kWh incentive the APS program is allowed to pay varies by technology and is posted on our website as well as on the incentive application. You may request up to the maximum kWh incentive allowed, but requesting a lower amount per kWh of production will generally give you a lower (more competitive) score. For example, if you are requesting a 20 year REC agreement with APS and asking for \$0.11 per kWh of production, you will typically score better than another 20 year project that is requesting \$0.125 per kWh.

Please note: Each funding request is compared to all other requests in its category (whether UFI, PBI Medium or PBI Large) regardless of the technology (i.e., PV, solar water heating, wind, geothermal etc., are all compared to one another). **Funding decisions are made solely based on the score the project receives from its respective ranking calculator, regardless of the technology of the proposed system.**

It is also important to note that several factors affect your ranking score for both UFIs and PBIs such as:

1. Total Project Cost (incentive payments cannot cover more than 50% of Total Project Costs for PBIs or UFIs – reaching those caps may affect your ranking score).
2. Requested Incentive (either per \$/kW or \$/kWh)
3. Estimated Energy Savings or Production (kWhs/year)
4. Incentive Term (10, 15, or 20 year payment terms if production based)
5. Net Present Value of Incentive Payments
6. Energy Risk Factor
7. Average Capacity Factor

When Are Funding Decisions Announced?

After the close of the nomination period, all applications will be reviewed to make sure they are complete, signed and include installer contracts. Valid applications will then be ranked based solely on their scores. If enough funding is available for the nomination period to fund all of the projects, all applications will be approved. Any remaining budgeted funds for that allocation period will be carried into the next allocation period.

In the event that demand for incentives in a category (UFI, PBI Medium or PBI Large) exceeds the budgeted funds available for that allocation period, projects will be funded beginning with the lowest scoring (i.e., most competitive) project first until the budget for that period is exhausted.

What If My Project Is Funded?

If your project is funded, you will be notified by APS via email and an acceptance letter along with the required Credit Purchase Agreement will be sent via FedEx for signature and return. After notifications have been sent, the UFI and PBI Ranking Index Value scores for the last accepted project will be posted on www.aps.com/GoSolar. Notifications will typically be sent out two weeks after the close of a period but can take longer based on the volume of funding requests. The best way to check the status of your application funding is to compare the scores posted on the APS website to the cutoff score submitted for your project. If your score is higher than the posted cutoff score, your project was not able to be funded during the current period.

What If My Project Is Not Funded?

If the reservation request is denied because funding is not available, the request will be “rolled over” to compete for other funding periods during 2011. The customer may also withdraw or modify the application as they wish but any changes must be submitted by the next funding period’s due date. Please note that installed systems older than 6 months no longer qualify as new equipment and are no longer eligible for the incentive programs.

Funding Notes:

APS reserves the right to approve reservation requests for projects using funds that go beyond the budgeted allocation period, depending on the current RES compliance status and availability of overall program funding.

In the event that funds collected for use in the DE incentive program are not fully subscribed in a program year, those funds will be applied towards the next program year.