



Frequently Asked Questions About Production Based Incentives

APS Renewable Energy Incentive Program

What program are these incentive offered under?

The Renewable Energy Incentive Program is offered under the Arizona Corporation Commission (ACC) Renewable Energy Standard (RES). APS has filed an Implementation Plan that replaces the requirements of the Environmental Portfolio Standard (EPS), which was originally approved by the ACC in 2006. Details about the RES and APS's Implementation Plan can be found at the ACC website (<http://edocket.azcc.gov/>) under Docket No. E-01345A-07-0468.

What technologies are currently eligible for Production Based Incentives (PBIs)?

The following technologies are eligible for PBIs (APS non-residential customers only):

Non-Residential:

- Biomass and Biogas Electric Generation
- Biomass and Biogas Thermal Cooling and Heating
- Photovoltaic (PV) Generators – Grid Tied and Off Grid
- Solar Pool Heating Systems
- Solar Process/Space Cooling
- Solar Process/Space Heating
- Solar Water Heating (OG100 rated systems only)
- Renewable Combined Heat and Power System (CHP)
- Wind Generators of 1 megawatt ("MW") or less – Grid Tied and Off Grid
- Geothermal Space Heating and Process Heating Systems
- Geothermal Electricity Generator
- Fuel Cells that use only renewable fuels
- New Hydropower Generators of 10 MW or less

What are PBIs?

PBIs are designed to pay the customer for the environmental attributes associated with the actual production of its renewable system over time instead of an initial, up-front incentive payment. The current structure for incentive payments to the customer is up to 20 years or a cap of 60% of the Real Project Cost (including acceptable financing charges), whichever comes first. The Customer is then obligated to provide APS with all Renewable Energy Credits (REC) produced for 10, 15, or 20 years, depending on the term of the agreement.

Is there a contract?

Yes, the terms and commitments are defined in a Credit Purchase Agreement (CPA) that must be executed by APS's Customer. Among other things, the CPA defines the incentive per kWh, as well as the obligations and requirements of each party. The Customer must also complete the Interconnection Agreement requirements, if applicable. A Purchase Supply Agreement will also be required for interconnections greater than 100 kW. A copy of the applicable rate schedule for those agreements involving installations greater than 100 kW can be found at http://www.aps.com/_files/rates/SC-S.pdf.

How often are PBIs paid?

PBIs are paid quarterly to the customer. APS will provide renewable system production meter reads, which in turn, will be verified by the Customer. APS will process the payment within 30 days after receiving the customer's invoice.

Can I assign the incentive payment to a third party?

Yes, the APS customer can assign the incentive payment to a third party.

Can I sell energy to APS and Environmental Certificates to a third party?

No, under the terms and conditions of the Credit Purchase Agreement (CPA), the Customer is obligated to provide Environmental Certificates or Renewable Energy Credits (REC) to APS on a quarterly basis. Selling or otherwise providing environmental attributes to a third party, while under contract, would violate the CPA.

What renewable system ownership options will APS consider?

The Program agreements are between APS and its Customer. Renewable system ownership arrangements are between the APS Customer and its installer/developer. APS has not placed a definition or restriction on those arrangements.

Are there any size limitations (kW) on system size eligible for the production based incentive?

There are no restrictions on the kW system size. There is an incentive cap of 60% of the total project costs. APS will review the final costs for the project, including financing, to determine the incentive cap. The total number of kWhs for which a customer receives incentives (their system's annual production) cannot exceed the customer's annual consumption (i.e., a system should not be designed to make a customer an annual net exporter of energy under this incentive program).

Does APS determine if the cost of my renewable system was too high?

No, APS is simply reviewing project cost to determine that the Customer only includes items necessary for the installation of the energy producing system. APS also reviews the financing cost, if the Customer wishes to include this, to determine if it is below the acceptable financing cap of Prime + 5%.

Will APS purchase the energy if my system produces more electricity than I use?

Excess generation (system production in excess of actual customer usage) for systems less than 100 kW is subject to the rates and terms under the Arizona Corporation Commission (ACC) approved rate schedules EPR-2 and EPR-5 available at

http://www.aps.com/main/services/business/rates/BusRatePlans_9.html.

If your system is larger than 100 kW, but less than 1 MW you will need to complete a special agreement called a Purchase Supply Agreement. This Agreement specifies that APS will pay the Customer for any energy purchased at the per kWh monthly non-firm purchase rates as shown in Rate Schedule EPR-2. If your system is larger than 1 MW the purchase rate is subject to a Purchase Supply Agreement negotiated by APS and the Customer. A copy of the applicable rate schedule for those agreements involving installations greater than 100 kW can be found at

http://www.aps.com/_files/rates/SC-S.pdf.