



## **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 the APS 2010 Implementation Plan can be found at the ACC website (<http://edocket.azcc.gov/>) under Docket No. E-01345A-09-0338.

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

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

- 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 (RECs) 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 and its 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.

**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 (RECs) 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 a PBI?**

Electric generating systems are limited to an inverter size of 2 MWac. Other limitations that may affect the system size include 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). Also, 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?**

Even though incentive payments are limited to a system that does not make the customer a net exporter of energy on an annual basis, there may be sporadic times when the system has excess generation that goes back onto the grid. APS will compensate the customer for that excess under one of three rate schedules:

- *Net metering (EPR-6)* – The customer is kWh credits for excess energy production delivered back to the APS grid. If the customer is on a Time of Use (TOU) rate, their kWh credits will be either “peak” or “off-peak”. Peak kWh credits can only be used to offset peak usage. Off-peak kWh credits can only be used to off-set off-peak usage.

In order for a customer to take advantage of this rate schedule, their system cannot be sized larger than 125% of the previous year's peak demand measured through the meter to which the system is interconnected (i.e., if the peak demand over the past year was 100kW, the system inverter size would be limited in size to 125kW). Systems sized larger than 125% of peak demand are generally allowed, but the customer would have to

utilize the “net billing” (EPR-2) schedule. The EPR-6 rate schedule is located at <http://www.aps.com/files/rates/EPR-6.pdf>.

- *Net billing (EPR-2)* – Under net billing, the customer receives payment each month for any excess production based on the non-firm purchase rates described in Rate Schedule EPR-2. The rates under EPR-2 may change year over year. The current schedule is located at <http://www.aps.com/files/rates/epr-2.pdf>.
- *Special Contract - Solar (SC-S)* – If the inverter size of the system is larger than 100kWac and the customer is not using Net Metering (EPR-6), a Special Contract – Solar (SCS) must be filed with, and approved by, the Arizona Corporation Commission. Under the SCS, the customer will be compensated using non-firm power purchase rates (EPR-2), but will also be subject to “stand-by” charges based on their energy demand. A description of the SC-S can be found at <http://www.aps.com/files/rates/SC-S.pdf>.