



RATES (cont)

C. Power Supply Service (cont)

2. Power Supply/Energy/Ancillary
Service Charge:

Hourly Pricing Proxy plus \$0.0005 for each kWh
used

CONTRACT PERIOD

Any applicable contract periods will be set forth in an Electric Supply Agreement between the customer and the Company.

CONNECTION COSTS

The customer will pay all applicable connection costs and system improvement costs not otherwise covered in this schedule as a non-refundable contribution in aid of construction, including any associated tax liability.

POWER SUPPLY CAPACITY

Power Supply Capacity kW shall be defined as the greater of:

- (a) The amount of capacity (kW) reserved by the customer in the Electric Supply Agreement; or
- (b) The highest 15 minute measured kW supplied by the Company, by voltage level, to accommodate the start-up of the customer's generation unit(s) plus any necessary auxiliary load (including generation auxiliary load and/or any other load requirements at the plant site that would otherwise be provided by the customer when the generation unit(s) are running).

If more than one generation unit is present at a single site, the Electric Supply Agreement may, at the Company's option, allow the customer to start one unit at a time. In this instance, Power Supply Capacity kW shall be defined as the greater of:

- (a) The amount of capacity (kW) reserved by the customer in the Electric Supply Agreement; or
- (b) The highest 15 minute measured kW supplied by the Company, by voltage level, to accommodate the start-up of one and only one customer generation unit at any given time plus any necessary auxiliary load (including any or all generation auxiliary load and/or any other load requirements at the entire plant site that would otherwise be provided by the customer when any or all generation unit(s) are running).

If, during any one billing period, the highest 15 minute measured kW supplied by the Company (by voltage level) exceeds the amount of Power Supply Capacity specified in the Electric Supply Agreement, the Power Supply Capacity reservation (by voltage level) shall be permanently increased to equal the higher measured kW. If the Company incurs additional connection costs to provide this added capacity, the customer is responsible for payment of these costs as specified herein.



RATES (cont)

DETERMINATION OF HOURLY PRICING PROXY

Hourly pricing proxy shall be calculated using the published day ahead Dow Jones Electricity Price Index. APS will calculate a weighted average using the day ahead hub pricing and volumes at Palo Verde, Four Corners, and Mead, for firm on-peak and off-peak prices as expressed on a per kWh basis, at the time Station Use power is supplied to the customer.

METERING

The Company will normally install a supply meter at the point of delivery to the customer and a generator meter(s) at the point(s) of output from each of the customer's generators. However, the customer can elect to supply this metering as long as it conforms to Company specifications. All meters will record integrated demand and energy on the same 15-minute interval basis as specified by the Company.

POWER FACTOR

The customer deviation from phase balance shall not be greater than ten percent (10%) at any time. Customers receiving service at voltage levels below 69 kV shall maintain a power factor of 90% lagging but in no event leading unless agreed to by Company. Service voltage levels at 69 kV or above shall maintain a power factor of \pm 95% at all times. In situations where Company suspects that a customer's load has a non-confirming power factor, Company may install at its cost, the appropriate metering to monitor such loads. If the customer's power factor is found to be non-confirming, the customer will be required to pay the cost of installation and removal of VAR metering and recording equipment.

Customers found to have a non-confirming power factor, or other detrimental conditions shall be required to remedy problems, or pay for facilities/equipment that Company must install on its system to correct for problems caused by the customer's load. Until such time as the customer remedies the problem to Company satisfaction, kVa may be substituted for kW in determining the applicable charge for billing purposes for each month in which such failure occurs.

ADJUSTMENTS

1. The Environmental Portfolio Surcharge shall be applied to every retail electric service as set forth in the Company's Adjustment Schedule EPS-1 or successor schedules as approved by the Arizona Corporation Commission.
2. The bill is subject to the Transmission Cost Adjustment factor as set forth in the Company's Adjustment Schedule TCA-1 pursuant to Arizona Corporation Commission Decision No. 67744.
3. The bill is subject to the Environmental Improvement Surcharge as set forth in the Company's Adjustment Schedule EIS pursuant to Arizona Corporation Commission Decision No. 69663.
4. The bill is subject to the Competition Rules Compliance Charge as set forth in the Company's Adjustment Schedule CRCC-1 pursuant to Arizona Corporation Commission Decision No. 67744.



ADJUSTMENTS (cont)

5. Direct Access customers returning to Standard Offer service may be subject to a Returning Customer Direct Access Charge as set forth in the Company's Adjustment Schedule RCDAC-1 pursuant to Arizona Corporation Commission Decision No. 67744.
6. The bill is subject to the Demand Side Management Adjustment charge as set forth in the Company's Adjustment Schedule DSMAC-1 pursuant to Arizona Corporation Commission Decision No. 67744.
7. The bill is subject to the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of APS and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

Service under this schedule is not subject to the Company's Adjustment Schedule PSA-1.

INTERCONNECTION REQUIREMENTS

The customer must meet all interconnection requirements as determined by the Company. The customer is responsible for all costs associated with interconnection of the customer's generation facility to the Company's system.

TERMS AND CONDITIONS

Service under this rate schedule is subject to the Company's Schedule 1, Terms and Conditions for Standard Offer and Direct Access Services, which contains provisions that may affect the customer's bill. In addition, service may be subject to special terms and conditions as provided for in a customer contract or service agreement.