



**APS RENEWABLE ENERGY INCENTIVE PROGRAM
LEASED PHOTOVOLTAIC ELECTRIC SYSTEMS**

**MASTER CREDIT PURCHASE AGREEMENT AND LESSOR'S ACKNOWLEDGEMENT OF
TERMS AND CONDITIONS FOR THE INTERCONNECTION OF LEASED
RESIDENTIAL PV SYSTEMS TO THE APS DISTRIBUTION SYSTEM
(THE "AGREEMENT")**

RECITALS

WHEREAS, Arizona Public Service Company ("APS") and various customers it serves with retail electricity, as more particularly described on Appendix A attached hereto, (each an "**APS Customer**" and collectively, the "**APS Customers**") were parties to an agreement titled "Terms and Conditions for the Interconnection of Residential PV System to the APS Distribution System, Purchase Supply Agreement and Receipt of Credit Purchase Payment", each dated as of the date described in Appendix A (each an "**Original Agreement**" and collectively, the "**Original Agreements**"), providing for, among other things, the interconnection of a solar photovoltaic system to be installed and located at each APS Customer's premises, identified in Appendix A, as well as the payment of an incentive to each APS Customer in respect to the environmental credits associated with the photovoltaic system; and

WHEREAS, the Original Agreements were developed in contemplation that the APS Customer would own the photovoltaic system, and as owner, would also have title to the environmental credits associated with it (including the Renewable Energy Credits ("**RECs**") related to its operation); and

WHEREAS, the opportunity became available to each APS Customer to lease the photovoltaic system from _____ (the "**Lessor**") instead of acquiring it by outright purchase, which resulted in important, material changes to the bases upon which each Original Agreement was entered into, namely the APS Customer would not own the photovoltaic system, nor would the APS Customer have title to or the right to transfer and assign the environmental credits to APS, but instead, such ownership of the photovoltaic system and environmental credits would reside with the Lessor; and

WHEREAS, APS and each APS Customer have restated and amended the Original Agreement, effective as of the date of the Original Agreement (the "**Effective Date**") in order to modify it so that it takes into consideration the fact that the photovoltaic system will be leased from Lessor and will not be owned outright by the APS Customer, as well as the consequences that relate to that important change in the structure of the transaction under which the photovoltaic system was installed and is operating at the premises identified in Appendix A (each restated and amended version of the Original Agreement is hereinafter referred to as the "**Restated APS Customer Agreement**" and collectively as the "**Restated APS Customer Agreements**"); and

WHEREAS, APS and Lessor recognize the desirability and importance of establishing between them a written agreement that complements the Restated APS Customer Agreements and establishes rights and responsibilities between APS and the Lessor of the photovoltaic systems, including, without limitation, the transfer and assignment to APS of the environmental credits associated with each photovoltaic system; and

WHEREAS, these recitals are intended by APS and the Lessor to be material provisions of this Agreement and not mere recital.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises contained in this Agreement, and other good and valuable consideration the receipt of which is hereby acknowledged, APS and the Lessor agree that the Original Agreement is hereby restated and amended in its entirety, effective as of the Effective Date, as follows:

INTRODUCTION

Thank you for your participation in APS' Renewable Energy Incentive Program (the "**APS Program**") through the lease of Lessor's photovoltaic system ("**Photovoltaic System**" or "**PV System**") to those APS Customers referred to in Appendix A (as it may be supplemented from time to time after the Effective Date of this Agreement). In order to complete the process so that each PV System can be interconnected to APS' electric distribution system, thereby qualifying the Lessor to receive a Credit Purchase Payment for that System, APS requires that the Lessor acknowledge the terms and conditions of each Restated APS Customer Agreement, in the form of which is attached hereto as Appendix B, and that Lessor agrees to comply with them as long as the PV System identified in each APS Customer Agreement operates and remains interconnected to APS' electric distribution system. Please take a moment to carefully read through the following terms and conditions and Appendix B, as well. If Lessor has any questions, please contact the APS Renewable Energy Incentive Team at 602-328-1924 or email: Renewables@aps.com. In respect to each PV System covered by this Agreement, Lessor's signature below, and the interconnected operation of each Photovoltaic System with APS' electric distribution system reflect Lessor's agreement to these terms and conditions.

These terms and conditions define the respective rights and responsibilities of APS and Lessor under the APS Program. In particular, they provide for the eligibility requirements that must be satisfied in order to qualify the Lessor for the incentive payment provided for in this Agreement, the process by which authority to interconnect the PV System to APS' electric distribution system is obtained, and the requirement that the Lessor execute this Agreement in order to remain eligible for incentive funding. This must be accomplished prior to completion of each PV System's installation at the APS Customer's Property (described in Appendix A), or at any time within 180 days after installation is completed.

ANY RESPONSIBILITIES WE MAY HAVE TO THE LESSOR AS A PROGRAM PARTICIPANT ARE AS IS DEFINED IN APS' TARIFFS AND SCHEDULES APPROVED BY THE ARIZONA CORPORATION COMMISSION (THE "ACC"). IN NO EVENT WILL APS BE LIABLE TO THE LESSOR, THE APS CUSTOMER OR ANY THIRD PARTY FOR ANY CONSEQUENTIAL, SPECIAL, INCIDENTAL, EXEMPLARY OR PUNITIVE DAMAGES IN CONNECTION WITH THE PV SYSTEM, THEIR PARTICIPATION IN THE APS PROGRAM AND/OR THE PV SYSTEM'S INSTALLATION, MAINTENANCE OR USE.

1. LESSOR'S ACKNOWLEDGMENT AND AGREEMENT

Lessor acknowledges that APS has entered into the Restated APS Customer Agreements, referred to in Appendix B. Lessor also acknowledges that it has read and is familiar with the terms and conditions of the Restated APS Customer Agreements, including, without limitation, the provisions of Paragraphs 2 (Licensed Contractors), 3 (PV System Requirements), 4 (Preliminary Interconnection Requirements Conformance Review), 5 (Inspection), 6 (Installation Certification), 7 (APS Interconnection Requirements), 9 (Operating Responsibility; System Shutdown or Removal; Sale of the Property; Assignment of the Agreement) and 10 (Meter Reading), all of which contemplate and require that Lessor perform the tasks addressed therein or cooperate with each of the APS Customers in their performance in order to achieve the objectives contemplated in the Restated APS Customer Agreements, leading to interconnected, parallel operation of the PV Systems with APS' electric distribution system. Lessor agrees that it will diligently and in good faith conduct performance of its responsibilities as they relate to such Paragraphs in order to fulfill the stated requirements and objectives of both the Restated APS Customer Agreements and this Agreement.

As a consequence of the process initiated by each APS Customer, through the submission of an application to participate in the APS Program (the "**Application**"), we have entered the Application into APS' tracking system. If funding is approved, Lessor, as owner of each PV System and the RECs that are attributable to it, will receive the Credit Purchase Payment as provided in Paragraphs 2 and 3 of this Agreement. If there is a material change to any of the information contained in the approved Application, Lessor will coordinate with the APS Customer in question to submit changes to APS before putting them into effect. If the changes result in a request to increase the incentive amount, approval of the incremental incentive adjustment is subject to funding availability.

APS' acceptance of an APS Customer's Application (included in Appendix B) does not entitle Lessor to receive any incentive payment from APS, nor does it constitute authorization to conduct interconnected operation of the PV System with the APS grid. In order to receive the Credit Purchase Payment in respect to a given APS Customer and connect a PV System with APS' system, Lessor must coordinate with the APS Customer in question to assure that all terms

and conditions of this Agreement and the Restated APS Customer Agreement, as they relate to the PV System, its installation, interconnection and operation, are satisfied.

The PV System must be installed within 180 days from the date of APS' approval of the Application. The PV System must meet the requirements set forth in Paragraph 3 of the Restated APS Customer Agreement and conform to the information provided in the Application. Prior to completion of the PV System's installation or any time within 180 days after installation is completed, Lessor must execute this Agreement in order to remain eligible for the Credit Purchase Payment provided for in Paragraph 3 of this Agreement. Additionally, documentary evidence is required that substantiates that the cost of the PV System and its installation have been paid in full. This may include invoices from the manufacturer or dealer and the installer.

2. TRANSFER OF ENVIRONMENTAL CREDITS

There is an environmental credit (including the RECs) associated with each kilowatt-hour (kWh) of electricity produced by the PV System. By executing this Agreement, Lessor hereby assigns and transfers to APS all of its right, title and interest in such environmental credits. In consideration of such assignment and transfer APS will pay the Credit Purchase Payment to Lessor. Lessor hereby warrants that it owns and possesses full right and title to the environmental credits that are hereby assigned and transferred and that there are no claims, liens or other encumbrances of any kind on the environmental credits. If Lessor does not have complete and unencumbered title to the environmental credits, it shall, as a condition precedent to APS' obligation to pay the Credit Purchase Payment, cause the environmental credits to be assigned and transferred to APS. Upon their assignment and transfer to APS, APS will have exclusive title to and ownership of all such environmental credits, benefits, emissions reductions, offsets and allowances attributable to the generation of energy from the PV System to which the credits relate. The calculation, use and retirement of any and all environmental credits will be in APS' sole and exclusive discretion. If APS has issued the Credit Purchase Payment Lessor hereby acknowledges that it has either received the payment or has received the value derived from the payment. **Lessor's acceptance of the Credit Purchase Payment (either by actual receipt or assignment to another party) operates as its waiver and relinquishment of any right, title, claim or interest in the environmental credits and entitles APS to any and all environmental credits associated with the PV System both presently and for the full 20 years of required PV System operation, as provided for in Paragraph 4 of this Agreement and Paragraph 9 of the Restated APS Customer Agreement.**

3. PROGRAM INCENTIVE PAYMENTS

The incentive amount per watt that is payable to the Lessor under Paragraph 2 of this Agreement is established by APS from time to time based on the DC STC rating of the solar panels on the PV System, up to a maximum one-time payment of fifty percent (50%) of the total installed PV System cost. If the Application involves the expansion of an existing PV System, the incentive payment will be capped at fifty percent (50%) of the total installed cost of the expansion only. The maximum up-front incentive payment attributable to an APS Customer is \$50,000, and accordingly, Lessor is cautioned to discuss this with the APS Customer to determine if there are any limitations on the amount of the Credit Purchase Payment that can be made to the Lessor, based upon this requirement of the APS Program.

The Credit Purchase Payment represents APS' sole incentive obligation to the Lessor (as owner of the PV System) under the APS Program as outlined in this Agreement. Lessor may request that the Credit Purchase Payment be made directly to its installer to defray the cost of installation. Lessor's request to receive incentive payment or its request that the incentive payment be made to the installer constitutes Lessor's acknowledgement and confirmation that installation of the PV System has been satisfactorily completed at the Property in question and that the information provided in the Application, or if applicable, an Amended Application, accurately describes the PV System as it was installed at the Property in question.

The productivity of PV systems is sensitive to the specifics of the installation method and location. In particular, these systems are impacted by shading and PV panel tilt angle and azimuth. This variability in system performance is taken into account when adjusting the available incentive level and determining the actual amount of incentive received. **Incentives for PV systems will be adjusted in accordance with the PV Off-Angles and Shading Adjustment Table which is posted to the APS website and can also be obtained by calling 602-328-1924.**

It is also important to note that the Credit Purchase Payment will not be paid to Lessor while the APS Customer's account for electrical service is delinquent.

The Credit Purchase Payment may be subject to full or partial refund, in accordance with Paragraph 4 of this Agreement.

IMPORTANT NOTE: The Internal Revenue Service has ruled that the Credit Purchase Payment is not an offset to the cost of the PV System, but is instead consideration paid by APS to Lessor for the transfer of the environmental credits under this Paragraph 3. Therefore, the Credit Purchase Payment is taxable to Lessor as income. Accordingly, Lessor will be asked to submit an IRS Form W-9 as a part of its participation in this Program. The W-9 provides Lessor's correct taxpayer identification or social security number, in order that APS can issue a Form 1099 to Lessor and the Internal Revenue Service reporting the income resulting from the Credit Purchase Payment. This payment to Lessor is conditioned on APS first receiving a completed W-9.

4. OPERATING RESPONSIBILITY; SYSTEM SHUTDOWN OR REMOVAL; LESSOR'S REFUND OBLIGATION

Participation in the APS Program assumes that the PV System will operate continuously for a period of twenty (20) years after the PV System begins interconnected operation with the APS electric distribution system. If the PV System does not satisfy this requirement APS will be entitled to take certain actions as described in this Paragraph 4.

Lessor and the APS Customer are both required to notify APS within five (5) business days after the PV System is either removed from the Property or is no longer operational (the "**Removal Date**").

Liquidated damages apply if the PV System is not operated for at least one (1) year after the PV System begins interconnected operation with the APS electric distribution system. In such event, Lessor will be required to reimburse APS the total amount of the Credit Purchase Payment in certified funds no later than five (5) business days after Lessor's receipt of APS' request that Lessor refund the Credit Purchase Payment. If the Removal Date occurs after the first year but before the end of the twentieth year, APS reserves the right to request a pro-rated refund of the Credit Purchase Payment from Lessor. By way of example if the Removal Date occurs in Year 2, Lessor would refund 95% of the Credit Purchase Payment, in Year 3, 90%, in Year 4 85%, and so on.

APS may, in its discretion, waive the foregoing reimbursement obligation or any other instance of noncompliance with this Agreement or the Restated APS Customer Agreement if APS determines that the PV System is not operational due to equipment malfunction or other disrepair that is not attributable to the APS Customer and/or the Lessor **and** there are diligent, good faith efforts in progress to repair the PV System and return it to operation.

Lessor may not assign or otherwise transfer this Agreement (in whole or in part) without APS' prior written consent. A condition of APS' consent will be that Lessor's assignee agrees in writing to assume Lessor's obligations under this Agreement on a form of assignment agreement that APS will provide and which can be obtained by logging into APS' website or calling APS at 602-328-1924. Also, this Agreement must be assigned (in whole or in part) to the assignee of any or all of the leases covering one or more of the PV Systems referred to in Appendix B. **This is a very important step to keep in mind, because if Lessor assigns or otherwise transfer this Agreement and/or Lessor's lease with the APS Customer, Lessor's assignee must accept an assignment of this Agreement and agree in writing to be bound by it – otherwise Lessor will remain responsible to APS for operation of the PV System and repayment of the Credit Purchase Payment, even after the assignment takes place.**

When APS receives Lessor's reimbursement payment the Restated APS Customer Agreement and this Agreement as it relates to that APS Customer Agreement will be deemed terminated and neither APS, the APS Customer nor the Lessor will have any further obligations to one another, but resolution of APS' and Lessor's respective obligations and rights will continue to be determined by this Agreement until the relationship of APS and Lessor under this Agreement is finally and completely resolved.

5. LESSOR INFORMATION

By participating in this APS Program, Lessor agrees that APS may use data related to Lessor's participation for statistical purposes or other studies.

6. COMPLIANCE OBLIGATIONS

Lessor agrees to comply with any laws, regulations, ordinances or codes that may apply to the installation, operation and maintenance of the PV Systems and its participation in the APS Program, as well as applicable site restrictions, whether they are federal, state or local, including, but not limited to, homeowners’ association covenants or other local neighborhood requirements.

7. LESSOR’S INDEMNITY

By participating in the APS Program, Lessor agrees to indemnify, defend and hold APS harmless from and against any claims, liability, damages, judgments, fines, penalties, costs, expenses and fees (including reasonable attorneys fees) made against APS by third parties with respect to personal injuries (including loss of life) or property damage or loss resulting in whole or in part from the operation, use or failure of the PV System in question, except to the extent such result from APS’ sole negligence.

8. GOVERNING LAW

These terms and conditions are governed by and interpreted in accordance with the laws of the State of Arizona without giving effect to its principles of conflicts of laws.

9. SEVERABILITY

If any provision of these terms and conditions is found to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remainder of these terms and conditions shall not in any way be affected or impaired thereby.

10. EFFECT OF THESE TERMS AND CONDITIONS

These terms and conditions, Appendix A and B and the rates, tariffs, schedules and other matters expressly referenced in these terms and conditions represent a binding agreement between APS and the Lessor pertaining to the subject matter hereof. This Agreement may not be modified or amended in any way except in writing signed by both parties. These terms and conditions do not modify, change or impact any other agreement between the parties.

11. REGULATORY CHANGES

APS reserves the right to unilaterally file an application with the ACC for a change in the APS Program, the APS Interconnection Requirements or APS’ tariffs or schedules that apply to the subject matter of this Agreement and/or the Restated APS Customer Agreement.

12. Please sign below, indicating Lessor’s agreement to the foregoing terms and conditions.

LESSOR

ARIZONA PUBLIC SERVICE COMPANY

Name (Please Print)

By (Please Print)

Address

Signature

Phone E-Mail

Signature Date

Appendix A

Restated APS Customer Agreement

Appendix B

Schedule of Leased Solar PV System Installations

APS Customer Name	APS Customer Agreement/Application #	The Property (Address)	Comments