



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

**RESTATED AND AMENDED AGREEMENT FOR THE INTERCONNECTION
OF LEASED RESIDENTIAL PV SYSTEM TO THE APS DISTRIBUTION SYSTEM
(the "Agreement")**

**APS Renewable Energy Incentive Program Application # _____
for PV System located at: _____, Arizona**

RECITALS

WHEREAS, Arizona Public Service Company ("APS") and _____ (sometimes referred to in this Agreement as the "**APS Customer**" or "**you**") are 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", dated as of _____ (the "**Original Agreement**"), providing for, among other things, the interconnection of a solar photovoltaic system to be installed and located at the APS Customer's premises, identified, above, as well as the payment of an incentive to the APS Customer in respect to the environmental attributes associated with the photovoltaic system; and

WHEREAS, the Original Agreement was developed in contemplation that the APS Customer would own the photovoltaic system, and as owner, would also have title to the environmental attributes associated with it; and

WHEREAS, the opportunity became available to the APS Customer to lease the photovoltaic system instead of acquiring it by outright purchase, which resulted in important, material changes to the bases upon which the 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 attributes to APS, but instead, such ownership of the photovoltaic system and environmental attributes would reside with the lessor of the photovoltaic system; and

WHEREAS, APS and the APS Customer recognize that it is therefore desirable that the Original Agreement be restated and amended, 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 and not 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 abovementioned premises; and

WHEREAS, APS will also enter into an agreement with the lessor of the photovoltaic system that complements this Agreement and establishes rights and responsibilities between APS and the lessor of the photovoltaic system, including, without limitation, the transfer and assignment of the environmental attributes associated with the photovoltaic system to APS; and

WHEREAS, these recitals are intended by APS and the APS Customer 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 APS Customer 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 interest in participating in APS' Renewable Energy Incentive Program (the "**APS Program**") and your desire to interconnect your leased photovoltaic system ("**Photovoltaic System**" or "**PV System**") to our electric distribution system. Your leased PV System will be located on your property, described above (the "**Property**") which is in APS' service territory, and will enable you to generate your own power. This will satisfy a portion of the energy needs we supply to you as our retail Customer of Record at the Property.

The APS Program is designed to facilitate the installation of a PV System that displaces Conventional Energy Resource usage. Per the regulations of the Arizona Corporation Commission (the "**ACC**") at A.A.C. Rule R14-2-1801.C, "**Conventional Energy Resource**" means an energy resource that is non-renewable in nature, such as natural gas, coal, oil, and uranium, or electricity that is produced with energy resources that are not Renewable Energy Resources, such as solar photovoltaic systems.

In order to complete the process so that your PV System can be interconnected to our electric distribution system, we require that you familiarize yourself with the following terms and conditions and that you agree to comply with them as long as our respective systems remain interconnected. Please take a moment to carefully read through the following terms and conditions. If you have questions, please contact the APS Renewable Energy Incentive Team at 602-328-1924 or email: Renewables@aps.com. Your signature, below, and the interconnected operation of your PV System with our electric distribution system reflect your agreement to these terms and conditions. The lessor of your PV System will also be asked to agree to comply with these terms and conditions in a separate agreement it will sign with APS.

These terms and conditions define our respective rights and responsibilities under the APS Program, including interconnection of your PV System to our distribution grid. They outline the process that leads to the granting of our permission to interconnect and operate your PV System in parallel with our electric distribution system. This is not a contract for the sale of goods or services, and does not establish any consumer rights for the purchase of goods or services. We offer no warranties, guarantees or assurances of any kind in respect to the PV System you select, including its installation and/or the results you will obtain.

ANY AND ALL WARRANTIES ARE EXPRESSLY DISCLAIMED, INCLUDING, WITHOUT LIMITATION THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. ANY RESPONSIBILITIES WE MAY HAVE TO YOU AS A CUSTOMER AND PROGRAM PARTICIPANT ARE AS IS DEFINED IN OUR ACC-APPROVED TARIFFS AND SCHEDULES. IN NO EVENT WILL WE BE LIABLE TO YOU OR ANY THIRD PARTY FOR ANY CONSEQUENTIAL, SPECIAL, INCIDENTAL, EXEMPLARY OR PUNITIVE DAMAGES IN CONNECTION WITH THE PV SYSTEM, YOUR PARTICIPATION IN OUR PROGRAM AND/OR YOUR PV SYSTEM'S INSTALLATION, MAINTENANCE OR USE.

1. PROCESS OVERVIEW

APS has received your Application (the "**Application**") and has entered it into our tracking system. If funding is approved, the incentive will be paid to your lessor, who owns the PV System and the Renewable Energy Credits (or "**RECs**") that are attributable to the PV System. Your lessor will be entering into a separate agreement with APS (referred to as a "**Credit Purchase Agreement**" or "**CPA**") that provides for that payment of an incentive to the PV System lessor as consideration for the transfer of the RECs to APS, in addition to other terms and conditions that complement the terms and conditions in this Agreement.

Within 180 days after we notify you that funding has been approved for this PV System installation, your PV System lessor is required to install a PV System that meets the requirements set forth in Paragraph 3, below, and which conforms to the information provided in your Application.

2. LICENSED CONTRACTORS

For our mutual protection, APS requires that the PV System be installed by a contractor holding an appropriate and active license issued by the Arizona Registrar of Contractors. You and/or your PV System lessor must indicate the name of the installing contractor, as well as such contractor's license certification, on the Application you file in order for the Application to be complete. If the lessor is installing the PV System itself, it must hold a valid contractor's license as provided in this Paragraph 2. If the contractor holds an active C-11 or K-11 license certification, then such contractor will be approved by APS. In the alternative, if the contractor holds an active class C-05 or K-05 license certification, such contractor may also be approved by APS in its sole discretion if, upon review, APS determines that the particular license held by the contractor meets appropriate requirements for photovoltaic system installations. Other license certifications may also be approved by APS in its sole discretion on a case-by-case basis. Customer will be informed of such determination in the Application process. For your information, license certifications for Arizona contractors can be found at <http://www.azroc.gov/clsc/AZROCLicenseQuery>. The installer and your PV System lessor must also provide proof of liability insurance. You should also consult with your insurance advisor to determine what issues may be posed by the installation of a solar PV system on your Property. Your homeowner's and liability policies may not have contemplated the addition of this device and changes may need to be made to your coverage to address the addition of the System, including coverage of the System itself and the consequences of its operation.

3. PV SYSTEM REQUIREMENTS

Your PV System must meet the following system and installation requirements to qualify for participation in the APS Program, including APS' authorization to interconnect to its electric distribution system:

- All components of the PV System must be new and must not have been previously placed in service in any other location or for any other application.
- All photovoltaic modules must be certified by a nationally recognized testing laboratory as meeting the requirements of UL 1703.
- The inverter must be listed to UL 1741.
- All other electrical components must be UL-listed.
- All systems shall be installed with an array angle above horizontal (horizontal tilt angle) between 0 degrees and 60 degrees, and an array azimuth angle from due south of plus or minus 110 degrees of due south. The shade factor shall not exceed 59%. Note that APS will apply the PV off-angle and shading factor adjustment in accordance with the APS PV Off-Angle and Shading Incentive Adjustment Chart attached as Exhibit A to this Agreement.
- PV modules must be covered by a manufacturer's warranty of at least twenty (20) years.
- Inverters must be covered by a manufacturer's warranty of at least five (5) years. The remaining operational life must be supported by a planned maintenance or equipment replacement schedule provided by your lessor.
- The minimum PV array size shall be 1,000 watts DC-STC
- You must be the original lessee of the System.
- It must be a complete solar system, which includes solar panels, inverter, and all other related equipment required to provide AC electricity to your Property.
- It must satisfy all APS Interconnection Requirements. A copy of the APS Interconnection Requirements is available when you log in at APS' website or can be obtained by calling 602-328-1924. It is important to note that only an authorized APS representative can provide permission for your PV system to operate in parallel to the APS distribution system. **Interconnection of the PV System to operate in parallel to the APS distribution system without receiving permission to do so by an authorized APS employee may result in disqualification from participation in the Program.**
- Your PV System is required to be equipped with a meter, capable of measuring its net energy output.
- Your lessor or your installer must install you PV System consistent with the manufacturer's recommendations and comply with and meet all applicable governmental statutes, codes, ordinances, rules and regulations, as well as generally accepted engineering, safety and installation practices.
- Systems must be permitted with and pass inspection by the Authority Having Jurisdiction ("AHJ") over construction projects in the Customer's locale, or, if the site is not governed by an AHJ, the Customer must provide a notarized Letter in Lieu of Electrical Clearance. The Letter in Lieu of Electrical Clearance form can be obtained when you log in at our website.
- APS may request copies of any documents which substantiate compliance with government, institutional, or other APS Program requirements that are either explicitly or implicitly described in this Agreement.

As the lessee your PV System and the consumer of the electricity it generates, you are solely responsible for all payments associated with your lease, installation and operation, including the costs associated with the interconnection to the APS distribution system. In the event of a failure of your PV System, it will be your responsibility to address any deficiencies or problems with your lessor and/or installer.

4. PRELIMINARY INTERCONNECTION REQUIREMENTS CONFORMANCE REVIEW

Prior to the actual installation of your PV System, we require that you or your lessor or installer submit to APS the appropriate Equipment Information Form and system diagram(s) and/or cut sheets (the “**Interconnection Application Packet**”). This review process affords us the opportunity to preliminarily confirm compliance with APS’ Interconnection Requirements and, therefore, eligibility for participation in the APS Program. Our sign-off does not represent our approval of your selection or the design or other attributes of the PV System, or your lessor or installer, the responsibility for which necessarily remains with you. **Our preliminary approval also does not provide authorization for your PV System to be operated in parallel with APS’ electric distribution system.** Final determination of your compliance with the APS Interconnection Requirements is made after completing the field inspection outlined in Paragraph 5 of this Agreement. The Interconnection Requirements Manual, Equipment Information Form, and sample design drawings can be found when you log in at our website or can be obtained by calling us at 602-328-1924.

5. INSPECTION

We require that you not commence interconnected operation of your PV System until the installation has been inspected by our authorized representative and authorization to interconnect has been granted by him/her. On the basis of this inspection, you will receive final written notification from us that your PV System is in compliance with our requirements or, alternatively, what deficiencies must be corrected before interconnected operation will be authorized. APS will not schedule an interconnection inspection until it has preliminarily approved your Interconnection Application Packet per Paragraph 4 of this Agreement and has verified that required clearances have been obtained by the AHJ or has received a notarized Letter in Lieu of Electrical Clearance.

6. INSTALLATION CERTIFICATION

We require the PV System lessor, installer or the PV System dealer to execute an Installation Certification Form and Equipment Certification Form certifying that the PV System meets the requirements specified in this Agreement. These Forms can be obtained from our website when you log in. Our authorization to allow your PV System to be interconnected and operate in parallel with the APS electric distribution system is specifically conditioned upon the PV System meeting all APS Program requirements including our receipt of the Installation Certification and Equipment Certification forms.

7. APS INTERCONNECTION REQUIREMENTS

It is very important that you and your PV System lessor be familiar with our requirements for interconnected operation of your PV System and our distribution grid. You and your lessor are responsible for compliance with all of these Interconnection Requirements and related contractual obligations. These are posted and can be viewed when you log in at the APS website or can be obtained by calling us at 602-328-1924. APS’ Interconnection Requirements specify responsibilities for:

- design, installation, operation and maintenance of the protective relaying and other safety devices;
- design considerations;
- interconnection and technical requirements;
- billing meter requirements;
- operational and maintenance requirements; and
- other mutual understandings relating to the interconnection of your PV System in parallel to our distribution grid.

We retain the right to inspect your PV System and the location where it is installed at any time to ensure that you are complying with these requirements, and so your cooperation with these inspections will be an additional requirement of continued interconnected operation. We will schedule these inspections with you in advance, unless we have reason to

believe that an emergency exists, in which case we may enter your Property to address the emergency consistent with the ACC's rules and our ACC-approved tariffs and schedules. Our right of inspection, however, does not in any way relieve you of your responsibility for the operation of your PV System and any damages it may cause.

Following our review under Paragraph 4, above, and final inspection and authorization to interconnect under Paragraph 5, above, neither you nor your lessor may remove, alter or otherwise modify or change your PV System, including, without limitation, the plans, control and protective devices or settings, and in general its specifications, configuration or any facilities related to it. If any changes or modifications are to be made to your PV System, we require that you first resubmit plans describing the proposed changes or modifications for our prior review and sign-off under Paragraph 4. No such change or modification may be made without our prior written concurrence. Approved changes must also be inspected under Paragraph 5 before your modified PV System can interconnect and operate in parallel to our electric distribution system.

THESE REQUIREMENTS ARE FUNDAMENTALLY IMPORTANT. FAILURE TO OBSERVE THESE MAY EITHER RESULT IN DELAYS IN APPROVAL OF YOUR INTERCONNECTION OR MAY RESULT IN THE DISCONNECTION OF YOUR PV SYSTEM FROM THE APS DISTRIBUTION SYSTEM.

8. PARTIAL REQUIREMENTS SERVICE AND ELECTRIC SERVICE CONDITIONS

If you choose a partial requirements rate for the purpose of receiving compensation from APS for the excess generation your PV System produces and delivers into the APS distribution system, this compensation will be governed by our standard ACC-approved tariffs, terms and conditions. All of our rate schedules can be viewed at our website at <http://www.aps.com/main/services/residential/rates/Default.html> or are available to you upon request by calling 602-328-1924. You may change to a different rate schedule than the one selected at the time your PV System is commissioned for interconnected operation with our electric distribution system by contacting APS via phone, mail or email; however, you must remain on the partial requirements rate you select for at least one (1) year after your PV System begins interconnected operation. No further agreement or amendment will be required.

Your relationship with us under the APS Program will continue to be governed by the terms and conditions of our ACC-approved Schedules dealing with service to our customers. This includes provisions for unobstructed access to your Property in order to conduct meter reads or to inspect your utility disconnect switch or other inspections related to the services we provide you. You can access these schedules at http://www.aps.com/main/services/residential/rates/rates_11.html or they can be obtained by calling us at 602-328-1924.

The electric service APS provides you will be in the form of single phase, split or three phase alternating current at 60 hertz and 120/240 volts.

9. OPERATING RESPONSIBILITY; SYSTEM SHUTDOWN OR REMOVAL; SALE OF THE PROPERTY; ASSIGNMENT OF THIS AGREEMENT

Your participation in the APS Program assumes that your 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. You are required to notify us within five (5) business days after the PV System is either removed from your Property or is no longer operational (the "**Removal Date**").

Failure to comply with this requirement may have substantial consequences for you under your PV System lease and you should discuss this fully with your lessor to understand your responsibilities. If you cease operation of the PV System before the end of the required twenty (20) year period, your lessor may be required to refund to us all or a portion of the incentive payment it receives from us. When we receive the incentive payment refund from your lessor this Agreement will be deemed terminated and neither APS nor you will have any further obligation to each other, but resolution of our respective obligations and rights will continue to be determined by this Agreement until our relationship with one another is finally and completely resolved.

There are certain important conditions to keep in mind if you sell your Property where the PV System is located. Sale of your Property may also have important implications under your PV System lease agreement and so you should consult with your lessor, too.

- You are required to notify us in writing promptly in the event that you intend to sell your Property.
- If you sell your Property within one (1) year after the PV System begins interconnected operation with the APS electric distribution system and your buyer does not assume your PV System lease and this Agreement and decides not to continue to operate and maintain the PV System, your lessor will be required to reimburse us the total amount of the Credit Purchase Payment. This Agreement will then be terminated, as described, above, and the PV System will no longer be authorized to operate in parallel with APS' electric distribution system
- If you sell your Property more than one (1) year after the PV System begins interconnected operation with the APS electric distribution system and your buyer does not assume your PV System lease and this Agreement and continue to operate and maintain the PV System, your lessor will be required to reimburse us a proportionate amount of the Credit Purchase Payment, based on the number of years the PV System has operated in relation to the full twenty (20) year requirement. In addition, this Agreement will terminate, as previously described.

You may not assign or otherwise transfer this Agreement without our prior written consent. A condition of our consent will be that your assignee agrees in writing to assume your obligations under this Agreement on a form of assignment agreement that we will provide and which can be obtained by logging into our website or calling us at 602-328-1924. **This is a very important step to keep in mind, because if you sell your home, your buyer must accept an assignment of this Agreement – otherwise you will remain responsible to APS for operation of the PV System, even after the sale of your Property to your buyer.**

10. METER READING

Under the APS Program, you are required to read the meter for your PV System on an annual basis, **within ten (10) days of receiving APS' written meter read request.** We will provide you with the appropriate form for submitting the meter read. Your failure to timely take the meter reading and submit it to APS will be considered your noncompliance with the APS Program requirements.

APS reserves the right to verify your reported meter reads by reading the meter for the PV System. You agree to cooperate with us so that we may do so.

11. CUSTOMER INFORMATION

By participating in the APS Program, you are agreeing that we may use data related to your participation for statistical purposes or other studies.

12. COMPLIANCE OBLIGATIONS

You are responsible for compliance with any laws, regulations, ordinances or codes that may apply to operation of your PV System and your participation in the APS Program, as well as site restrictions, whether they are federal, state or local, including, but not limited to, homeowners' association covenants or other local neighborhood requirements.

13. CUSTOMER'S INDEMNITY

By participating in the APS Program, you agree to indemnify, defend and hold us harmless from and against any claims, liability, damages, judgments, fines, penalties, costs, expenses and fees (including reasonable attorneys fees) made against us 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 your PV System, except to the extent such result from our sole negligence.

14. 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.

15. 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.

16. EFFECT OF THESE TERMS AND CONDITIONS

We both agree that these terms and conditions and the rates, tariffs, schedules and other matters expressly referenced in these terms and conditions represent a binding agreement between us pertaining to the subject matter discussed in this Agreement. This Agreement may not be modified or amended in any way except in writing signed by both of us. These terms and conditions do not modify, change or impact any other agreement between us such as that relating to the interconnection of your PV System.

17. 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 agreement we enter into with the Lessor of your PV System.

18. Please sign below, indicating your agreement to the foregoing terms and conditions as of the Effective Date.

CUSTOMER

ARIZONA PUBLIC SERVICE COMPANY

Name (Please Print)

By (Please Print)

Signature

Signature

Date

Date

IF MORE THERE IS MORE THAN ONE ACCOUNTHOLDER ON RECORD WITH APS, PLEASE HAVE NON-PRIMARY ACCOUNTHOLDER(S) ALSO SIGN BELOW:

CUSTOMER

CUSTOMER

Name (Please Print)

By (Please Print)

Signature

Signature

Date

Date

Exhibit A

APS PV Off-Angle and Shading Incentive Adjustment Chart