



**Arizona Public Service Company**  
**Qualifying Facility Process**

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## 1. OVERVIEW

Arizona Public Service Company (“APS”) is a regulated public utility that generates, transmits, and distributes electricity for sale in Arizona. APS is headquartered in Phoenix, Arizona. As Arizona’s largest and longest-serving electric company, APS generates safe, affordable, and reliable electricity for more than 1.4 million commercial and residential customers in 11 of Arizona’s 15 counties.

APS’s Qualifying Facility Process (this “Process”) sets forth the guidelines for any entity that intends to develop a Qualifying Facility (as that term is defined under the Public Utilities Regulatory Policy Act of 1978 (“PURPA”) (“QF”), with a total nameplate capacity greater than 100kW but not to exceed 80MW, in APS’s service territory. Any such entity is referred to in this Process and in the QF Application Package as the “QF Applicant.” This Process outlines the steps a QF Applicant must take to enter into an enforceable power purchase agreement with APS for the purchase of energy from its QF (a “PPA”), as well as what the QF Applicant can expect from APS. The Process is designed to treat all QF Applicants in a fair, transparent, and non-discriminatory manner, and is subject to change at any time in order to maintain compliance with PURPA requirements and/or any applicable state regulatory requirements or policies.

## 2. COMMUNICATION

All communications to APS regarding the Process, the Application, and any associated PPA discussions shall be directed to: [APSQF@aps.com](mailto:APSQF@aps.com), unless and until the QF Applicant is directed otherwise by APS.

## 3. QF APPLICATION PACKAGE

The QF Applicant must first complete the Application, which consists of the following documents and information that can be found together with applicable instructions at <https://www.aps.com/qf> under Qualifying Facilities. APS will only consider QF projects that have a COD within four years (48 months) of the initial QF Application submittal date.

- a. QF Application Submittal Workbook
- b. Confidentiality Agreement
- c. FERC QF Certification
- d. Interconnection.
- e. Jurisdictional Filings
- f. Site Description and Control
- g. 8760 Energy Profile and Meteorological Information
- h. Application Fee

#### 4. APS REVIEW OF APPLICATION

APS will review each completed Application within forty-five (45) business days following its receipt thereof.

Once APS completes its review and deems the Application complete, APS will provide a written Notice of Commitment to Sell to the Applicant, as described below in Section 5.

If, during its review, APS determines that there is any missing information, it will notify the QF Applicant and request that the missing information be submitted by a specified date. Missing information may delay APS's completion of its review beyond the aforementioned forty-five (45) business day period. Extended delays based on a significant volume or materiality of missing information may result in APS rejecting the Application and returning the Fee to the Applicant.

#### 5. NOTICE OF COMMITMENT TO SELL

The Notice of Commitment to Sell is the form by which the Applicant commits to APS that it fully intends to sell the output of its QF to APS under the terms proposed in its Application. Submission of the form is also the means by which APS establishes its queue for avoided cost pricing described in Section 6 below. APS will provide the Notice of Commitment to Sell to the Applicant, and the Applicant must sign and submit the executed form to APS at [APSQF@aps.com](mailto:APSQF@aps.com) within ten (10) business days thereafter. Upon APS's receipt of the executed form, APS will assign the QF a queue position and will begin the avoided cost calculation described in Section 6. APS will not refund any Application Fee once it has received the executed Notice of Commitment to Sell, regardless of whether or not the QF Applicant and APS ultimately execute a PPA.

**NOTE:** There may be multiple Applications under review by APS at any given time. Publicly available information about the number and status of such Applications is available at: <https://www.aps.com/qf> under Qualifying Facilities and is updated periodically. In order to maintain a fair and unbiased Process, APS will process Notices of Commitment to Sell assign a resulting queue position in the order in which such Notices of Commitment to Sell are submitted and become effective. Clear guidelines for the assignment of queue positions are provided in the Notice of Commitment to Sell itself and all QF Applicants are encouraged to carefully review such guidelines.

Failure by the QF Applicant to submit its executed Commitment to Sell form within ten (10) business days following its receipt from APS may result in APS rejecting the Application and returning the Fee to the Applicant.

#### 6. AVOIDED COST

Within forty-five (45) business days following its receipt of the QF Applicant's Notice of Commitment to Sell, APS will calculate the avoided cost for the proposed QF using industry accepted modeling techniques. The avoided cost is the rate at which APS will purchase the energy and capacity less any adjustments such as integration costs, etc. that APS deems appropriate from the QF pursuant to the terms of an executed PPA. The avoided cost calculation will be based on the information submitted by the QF Applicant, including the 8760 expected energy profile. APS will then promptly provide the

QF Applicant with the avoided cost and a form of PPA or a term sheet containing the material terms and conditions under which APS is willing to transact for the energy from the proposed QF at such avoided cost rate. The avoided cost rate and associated terms and conditions provided by APS will be valid for sixty (60) business days following receipt by the QF Applicant. During such sixty (60) business day period, APS expects that the QF Applicant will execute a PPA, as described in Section 8 below. If the QF Applicant does not intend to pursue a PPA with APS once it receives its project-specific avoided cost, APS requests that the QF Applicant provide courtesy notice to APS of the same. Upon such notice by the QF Applicant, or if the QF Applicant does not actively pursue PPA negotiation and execution, APS will remove the QF Applicant from the queue with notice but without refund of any portion of the Application Fee.

Twice a year (by June 30 and December 30), APS will refresh its avoided cost model to reflect current APS resource assumptions, load forecast, and future market conditions. If a QF Applicant submits a Commitment to Sell package within thirty (30) business days prior to a model update, the QF Applicant will be assigned a queue position in accordance with Section 5 above, but the avoided cost will be calculated and provided to the QF Applicant thirty (30) business days after the avoided cost refresh rather than within the forty-five (45) business day period that otherwise applies. The QF Applicant will retain its position relative to others in the queue and will not be disadvantaged by the timing of the model update.

In the event that at the time APS updates its model and a QF Applicant: (i) is within the sixty (60) business day period between receiving its avoided cost and the expiration of such avoided cost (also the deadline for executing a PPA, as described in Section 8 below; (ii) has not begun any PPA negotiations with APS; and (iii) desires to receive a new avoided cost using the updated model, then the Applicant must submit a new executed Notice of Commitment to Sell and a new Fee. Once APS receives the new Notice of Commitment to Sell and Fee, the previously provided avoided cost will no longer be valid and APS will issue a new avoided cost in accordance with the time period specified above for the updated model (June 30 and December 30).

## **7. QUALIFYING FACILITY DISQUALIFICATION OR WITHDRAWAL**

If at any time during the QF process: (a) the QF project is no longer a “Qualifying Facility” as that term is defined in the version of 18 CFR Part 292 in effect; or (b) the QF Applicant withdraws its project from the APS Interconnection Queue, then the QF Applicant will be immediately ineligible to participate in this Process with respect to the relevant project (with each of the foregoing events being deemed a “Disqualifying Event”). APS requests that the QF Applicant promptly notify APS of the occurrence of a Disqualifying Event. APS will remove the relevant QF project promptly from the queue upon its receipt of such notice or upon otherwise learning that such project is ineligible based on the occurrence of a Disqualifying Event.

If at the time of the Disqualifying Event a Commitment to Sell Form has not been executed, then APS will return the Fee to the QF Applicant; if a Commitment to Sell Form has been executed then no portion of the Fee will be returned. The Applicant, would of course, be permitted any time thereafter to submit a new Application for the project, subject to the same Application requirements.

## **8. POWER PURCHASE AGREEMENT**

A PPA must be executed no later than sixty (60) business days following the date on which the associated avoided cost and form of PPA or term sheet was received by the QF Applicant as described in Section 6 above. In the event that a QF Applicant does not negotiate and execute a PPA within such sixty (60) business day period, then such QF Applicant will be removed from the queue and will not be able to secure a new queue position unless it submits a new Notice of Commitment to Sell and Fee (and such queue position will be determined in accordance with Section 5 above). In addition, if the QF Applicant changes any of the characteristics of the QF or other information described in Section 4 above, then it may need to submit a new Application in accordance with the requirements of Section 4.

## **9. REGULATORY APPROVAL**

APS will file any executed QF PPA within twenty (20) business days following the execution thereof in accordance with ACC Decision No. 52345 (which requires that all QF PPAs be submitted to the ACC for approval), or within such other period of time as APS and the QF Applicant agree is appropriate.

The effectiveness of any executed QF PPA will be contingent upon approval by the ACC.