



RATE RIDER SCHEDULE PPR PREFERENCE POWER RIDER

This rate rider is for retail customers that were awarded hydro power from a federal dam. It explains how APS will deliver the power to the Customer and net it off of their retail bill. This program supports Arizona's effort to take full advantage of the State's allocation of hydro-electric power from Hoover Dam, Parker Davis Dam and Glen Canyon Dam.

APPLICATION

This Rate Schedule PPR Preference Power Rider ("Schedule PPR") is applicable to APS's ("Company") retail Standard Offer customers who receive a firm electric service allocation of preference power from the Western Area Power Administration ("WAPA"), an agency of the U.S. Department of Energy or the Arizona Power Authority ("APA"). Schedule PPR is applicable to all Preference Power allocations awarded from WAPA or APA after January 1, 2007.

Schedule PPR may be used with the following retail rate schedules: E-34, E-35, E32-L, E32-M, E32TOU-L, E32TOU-M and E-221 or successor rate schedules.

All provisions of the Customer's retail rate schedule will apply in addition to Schedule PPR.

Definitions

1. Preference Power Allotment ("Allotment", "Preference Power"): Hydro power, energy and capacity, awarded to the Customer from WAPA as recorded in the Federal Register or from the Arizona Power Authority ("APA"), as specified in Electrical Supply Agreement.
2. Hydro Power: Electricity produced from generators that are run by moving water.
3. Firming Power: In any given month or year the actual amount of Preference Power that the Customer receives may be less than their Allotment. In this case the Customer is allowed to arrange for other power, up to the energy and capacity specified in the Allotment, to make up the difference.
4. Layoff Power: Preference Power purchased from, or sold to, another allottee. Layoff Power purchased from another allottee may be used as Firming Power. Any Layoff Power purchases made above the Customer's Allotment are not eligible for bill crediting under this program.



Preference Power Program

1. APS will schedule all of the Preference Power, including any Firming Power and Layoff Power, according to APS's system requirements and manage any delivery and coordination details. Any Preference Power not scheduled by APS, or not available during the Company's desired time periods, will not be eligible for bill crediting under this program.
2. APS will take delivery of the Preference Power, up to the Customer's Allotment, at a delivery point specified by APS in an Electrical Supply Agreement and transport it to the Customer's business location at no additional charge above the current retail rate for power transmission and delivery. The standard delivery point for Preference Power from the Hoover Dam will be the Mead substation near Boulder City, Nevada.
3. The Customer will designate one retail account, as the primary account to receive the Preference Power. The Customer may also designate a back-up account in the event the load from the designated primary account falls below the Preference Power Allotment in an occasional month. If the Customer's Preference Power Allotment is greater than any single account then up to three accounts may be used.
4. The Customer may change their Preference Power account designations once per calendar year.
5. The amount of Preference Power including any Firming or Layoff Power will be limited to the Customer's annual and seasonal Allotment. However, the Customer may schedule additional Preference Power during the summer season (March – September) and less during the winter (October – February), as long as the annual total does not exceed the Allotment.
6. The amount of the Preference Power credit will also be limited to the kWh on the Customer's monthly retail bill for the designated account(s).
7. Preference Power credits are not eligible for direct access Customers or those on rate rider AG-X.

Bill Credit

The Customer's monthly bill will first be calculated without the Preference Power according to the Customer's standard retail rate schedule.



**RATE RIDER SCHEDULE PPR
PREFERENCE POWER RIDER**

The Preference Power capacity and energy scheduled for the month will then be credited off of the retail capacity and energy charges for generation service based on the credit rates in this rate rider. The Preference Power energy will also be credited off of the kWh charges in Adjustment Schedule PSA-1, which are revised annually.

The credit rates include the unbundled generation capacity demand charges and energy charges consistent with APS’s retail rates for medium, large and extra-large business Customers and adjusted for average system kWh line losses. The capacity demand charges in the retail rates are converted to equivalent energy (kWh) amounts based upon class billing determinants in the most recent rate case.

The credit rates will be revised from time to time to reflect changes in the retail rates as approved by the Arizona Corporation Commission.

The credit rates are based on the size of the capacity Allotment, not the specific retail rate for the designated account(s).

Preference Power Allotment	Preference Power Credit Rates (\$/kWh) (excluding credit for schedule PSA-1)	
	Summer (May - October)	Winter (November - April)
1MW and above	\$0.05619	\$0.05619
401 kW - 999 kW	\$0.06309	\$0.04810
0 kW - 400 kW	\$0.06966	\$0.05460

Contract

Customer must enter into an “Electrical Supply Agreement for Customers with Preference Power” with the Company prior to receiving service under Schedule PPR. This agreement will specify, among other things, the Customer accounts receiving Preference Power and the amount of the Preference Power Allotment.