

Rate Rider Schedule AG-X
Alternative Generation Service
Program Guidelines
Revised October 2022

[NOTE: As used in these Program Guidelines, “Payment Agreement” means the Power Payment Procedures Agreement between APS, Customer, and a third-party generation service provider, into which these Program Guidelines are incorporated.]

1. Program Overview

- 1.1. The AG-X Program will provide an opportunity for a limited number of Customers to arrange for an alternative source of generation in lieu of APS’s standard unbundled generation service.
- 1.2. The Customer will arrange for a third-party generation service provider (“GSP”) to sell wholesale power to APS on the Customer’s behalf. APS will provide this power to the Customer and bill it according to the terms and conditions of the Payment Agreement and Schedule AG-X, instead of the unbundled generation charges on its applicable retail rate.
- 1.3. APS will continue to provide transmission and delivery service to the Customer in accordance with its applicable retail rate.
- 1.4. The AG-X Program will be limited to 200 MW of load, as determined in accordance with Section 2.4 of these Program Guidelines.
- 1.5. The AG-X Program will be available until further order of the Commission.
- 1.6. AG-X Program charges and other parameters will be re-evaluated in APS's next rate case, including whether AG-X should be evaluated as a separate customer class in the cost of service study.

2. Customer Eligibility

- 2.1. Schedule AG-X is available to any APS standard offer customer that has a single Eligible Service Account or group of aggregated Eligible Service Accounts with a total peak load of 10 MW or more.
- 2.2. An Eligible Service Account may be located anywhere in the APS service territory and must be served under a large or extra-large general service rate schedule: E-34, E-35, E32-L, or E-32 TOU L.
 - 2.2.1. An aggregated group of Eligible Service Accounts may also include a service account that is served under a medium general service rate schedule (E-32 M or E-32 TOU M), if the account is located on the same premises and served under the same name as an otherwise eligible service account that satisfies Section 2.4 above. The “same premises” means that the service accounts are located on the same site or adjacent and contiguous sites not separated by private or public property or right-of-way, consistent with APS Service Schedule 4, Section A.1.
- 2.3. A service account is a point of electric delivery including a service entrance section and a meter, which is used as a basis for billing. Meters totalized according to the

provisions of Service Schedule 4 will be considered one service account for purposes of the AG-X Program.

- 2.4. Peak load for program eligibility purposes will be the maximum metered monthly demand for each Eligible Service Account for the previous twelve (12) months at the time of the AG-X Program application. For the initial AG-X Program subscription, the information period will be August 2016 through July 2017 billing cycles.
- 2.5. For purposes of program eligibility, Eligible Service Accounts may be aggregated if they have the same corporate name, ownership, and identity.
 - 2.5.1. An eligible franchisor Customer may be aggregated with eligible franchisees.
 - 2.5.2. Eligible affiliate Customers may be aggregated if they are under the same corporate ownership even if they are operating under multiple trade names.
- 2.6. An Eligible Service Account may not participate in net metering in conjunction with the AG-X Program. However, an Eligible Service Account may have on-site generation if served under an alternative partial requirements rate schedule.
- 2.7. In conjunction with the AG-X Program, an Eligible Service Account may not participate in a demand response rate or program, including but not limited to Peak Solutions, critical peak pricing, or interruptible pricing; however, an Eligible Service Account may participate in a time of use rate.
- 2.8. An Eligible Service Account may not participate in an APS bill crediting arrangement including Rate Rider Schedule PPR.
- 2.9. Service accounts are assessed and reassigned annually by APS to general service rate schedules (small, medium, large, and extra-large) based on their historic loads. A service account that is initially accepted on the AG-X Program, but is subsequently reassigned to a medium or small general service rate, may continue on the AG-X Program under the initial agreement, but will be billed under the medium rate for charges other than GSP Charges (as that term is defined in the Payment Agreement).
- 2.10. Beginning in January 2019, APS will assess total MW participation in the program annually. If the program is 10 MW over or under the total program capacity of 200 MW, customer eligibility will be assessed to identify customers that have increased or decreased load as well as whether the increase/decrease is temporary in nature.
- 2.11. If a re-assessment results in less than 10 MW of aggregated load for a participant, the Customer may add Eligible Service Accounts, if available, to meet the 10 MW eligibility threshold. If unable to meet the 10 MW threshold, the Customer accounts will be removed from AG-X participation on April 1.
- 2.12. If a re-assessment results in an increased load of a Customer's enrolled Eligible Accounts by more than 1 MW, the Customer may be asked to drop Eligible Service Accounts such that the customer does not exceed that Customer's original amount of enrolled load.

- 2.13. If the re-assessment of load shows that the aggregate amount of load enrolled in the AG-X Program has reduced by 10 MW or more, the waiting list will be evaluated to fill the available load. If the first application is not able to conform to the available MW, the available MW will be reserved until sufficient subsequent load becomes available to accommodate the customer at the top of the waiting list.
- 2.14. Customers who enter the initial AG-X program will not be required to participate in a subsequent lottery to remain in the program.

3. Program Application

- 3.1. The AG-X Program is limited to a total of 200 MW. If interest in the program exceeds 200 MW (as further described in Section 4.1), APS will conduct a lottery as described in Section 4.
- 3.2. A customer wishing to participate in the program must submit its completed application form on or before September 8, 2017. Applications received after September 8, 2017 will be added to the end of the wait list behind the wait list created from lottery selections (as further described in Section 4).
- 3.3. APS will determine if each application meets the AG-X program eligibility requirements seven days prior to the lottery. The lottery is currently scheduled for September 19, 2017.
- 3.4. Upon request, APS will assist a Customer in identifying its potentially eligible service accounts, the associated peak MW, and the total MWh over the relevant twelve (12) months, from information in our billing system. However, the Customer is solely responsible for determining the completeness and accuracy of the service account list to be included in the AG-X Program application.
- 3.5. Upon request, APS will provide the hourly load data for each Eligible Service Account for the relevant twelve (12) months, if available, to any Customer selected for participation in the AG-X Program through the lottery or from the wait list.
- 3.6. The Customer, whether a single Eligible Service Account or aggregated group of Eligible Service Accounts, must designate an authorized single point of contact for the AG-X Program application, contracting and program subscription process. This point of contact must be authorized by the Customer (or aggregated group, if applicable) to submit an application and commit the listed service accounts to participate in the AG-X Program.
- 3.7. All communications will be conducted through the point of contact designated by the Customer, except as may otherwise be specified in the "Notices" provisions of the Payment Agreement.

4. Customer Selection

- 4.1. 100 MW of the total 200 MW will be initially reserved for 20 MW single-site customers with load factors above 70%. If this segment of the program ("Extra-Large") is not fully subscribed on September 8, 2017, the unsubscribed portion of the Extra-Large group will be added to the second 100 MW segment ("General").

- 4.2. If the application totals exceed the Extra-Large or General group program capacity, a lottery will be used to determine program participation.
- 4.3. The lottery will be conducted according to the AG-X Customer Selection Process document.
- 4.4. Customers may submit multiple applications as long as each application meets the minimum requirement of single or aggregated peak load totaling 10 MW. An Eligible Service Account can only be used in one application and may not have its load split. Each application will be assigned a number which will constitute one lottery entry.
- 4.5. Lottery entries will be selected randomly using a bingo cage. Only the Eligible Service Accounts selected in the lottery process will be able to participate in the program.
- 4.6. The lottery selection process will continue until the available 200 MW are depleted and a waiting list is established as further described in Section 4.8.
- 4.7. If the MW total in a selected lottery entry is greater than the remaining MW available in the program, the Customer can reduce the number of Eligible Service Accounts in its application to conform to the available MW, provided that the Customer maintains the required 10 MW minimum.
- 4.8. A waiting list of Customers will be established, based on the order of selection in the initial lottery process, in case 10 or more MW become available New Eligible Service Accounts may be added to the waiting list during the term of the AG-X Program.
- 4.9. Customers selected from the waiting list may reduce the Eligible Service Accounts in the application to conform to the available MW, provided that the Customer maintains the required 10 MW minimum. If the Customer chooses not to, or cannot do so, selection will continue down the list until a conforming applicant is found.
- 4.10. Customers selected in the lottery or from the waiting list may participate once they complete the contracting, metering, billing and other AG-X Program requirements.

5. Dropping and Swapping Service Accounts During the AG-X Program

- 5.1. A Customer participating in the program may drop Eligible Service Accounts from the program, so long as it maintains the 10 MW minimum load requirement. However, any service accounts returning to APS generation service without a 1-year notice will be subject to the charges and provisions in Section 15 of these Program Guidelines.
- 5.2. A Customer participating in the program may swap an Eligible Service Account for a closed service account of similar size and characteristics (i.e., cannot substitute solar for non-solar), provided the new account meets Program requirements in Section 2 above. A Customer may not swap an Eligible Service Account for an account dropped pursuant to Section 5.1 above.

6. Generation Service Provider Requirements

- 6.1. GSP must meet all legal and regulatory requirements to sell and deliver wholesale power to APS.
- 6.2. GSP must meet all APS wholesale counterparty credit requirements. Notably, the AG-X Program will not typically require any significant change to any existing credit requirements between APS and the GSP because, while APS is taking delivery and title to the wholesale power on Customer's behalf, Customer remains obligated to make payment to APS to satisfy APS's payment obligations to GSP. Notwithstanding the foregoing, GSP may be required to post credit support to secure its potential obligations to APS for imbalance and damages for failure to deliver.

7. Customer Credit Requirements

- 7.1. Customer must satisfy all applicable APS credit requirements, including but not limited to those included in APS Service Schedule 1.

8. Power Requirements and Delivery

- 8.1. The wholesale power sold to APS by GSP must be intended to serve the total load requirements for the portfolio of customers served by the GSP.
- 8.2. Both the Payment Agreement and the Customer Agreement (as that term is defined in the Payment Agreement) must specifically require GSP and Customer to attest to the intent described in the foregoing Section 8.1.
- 8.3. GSP must provide firm power (WSPP Schedule C) delivered to APS at the Palo Verde 500kV (the "Delivery Point"), or other point of delivery as agreed to by APS.
- 8.4. If an Uncontrollable Force (as defined in the Payment Agreement) or system emergency (as determined by APS in its reasonable discretion) occurs, and APS is unable to take delivery of the scheduled power at the designated Delivery Point, then APS may request delivery at an alternate delivery point, subject to consent by GSP, which may not be unreasonably withheld.
- 8.5. GSP is responsible for the cost of transmission service to deliver the power to the APS Delivery Point.

9. Energy Scheduling and Delivery

- 9.1. APS will serve as the scheduling coordinator for the GSP.
- 9.2. GSP must provide monthly schedules of hourly loads along with day-ahead hourly load deviations from the monthly schedule to APS.
- 9.3. The hourly loads must be stated in whole MW for the GSP's total portfolio of service accounts under the AG-X Program.
- 9.4. The schedule of hourly loads must be submitted to the APS Day Ahead trading desk in the required format via email by 5:00 a.m. no less than seven (7) business days prior to the first preschedule day of the month (as determined by the WECC Preschedule Calendar guidelines).
- 9.5. The hourly loads will be provided for each day of the scheduling month, even if the hourly load is for 0 MW.
- 9.6. APS will enter the provided hourly loads in the trade capture system.

- 9.7. Any daily changes to the schedule must be reported to the APS Day Ahead trading desk in the required Excel format via email by 5:00 a.m. on the business day prior to the scheduled energy flow day (as determined by the WECC Preschedule Calendar guidelines).
- 9.8. On a daily basis, APS will designate the daily volumes per Designating Network Resources posted on the AZPS OASIS website.
- 9.9. GSP must provide physical path information to APS preschedule by 11:00 a.m. on the last preschedule day prior to the scheduled energy flow day (as determined by the WECC Preschedule Calendar guidelines), via Instant Message per industry standard. The physical path information must include all upstream information relative to the agreed upon Delivery Point on the APS system.
- 9.10. If GSP needs to revise physical path information (i.e., an intraday schedule change), GSP must provide notice (as described below) to APS Real-Time regarding the revised information for each affected hour prior to the beginning of the applicable operating hour.
 - 9.10.1. Intraday schedule changes communicated to APS Real-Time with more than five (5) hours' notice shall not be limited to any MW threshold.
 - 9.10.2. Intraday schedule changes communicated to APS Real-Time with less than five (5) hours' notice but with more than two (2) hours' notice shall be limited to changes of 15 MW/hr or 25% of the customer's day-ahead forecast.
 - 9.10.3. Only in the event of an emergency situation where the initial firm generation source or transmission path is cut or interrupted, intraday schedule changes may be communicated to APS Real-Time with less than two (2) hours' notice but with more than ninety (90) minutes' notice. For example, an intraday schedule change resulting from an emergency situation for hour-ending 4:00 p.m. must be noticed to APS Real-Time no later than 1:30 p.m.
 - 9.10.4. All intraday schedule changes must be reported to APS Real-Time in the required Excel format via email, preceded by a phone call to APS Real-Time at (602) 250-3585.
- 9.11. GSP must include distribution line losses of seven percent (7%) from the Delivery Point to the site of each service account in their schedule of hourly loads. This will be accomplished by dividing each hourly load for the portfolio by 0.93 and rounding to the next closest whole MW. For transmission voltage service, GSP must include distribution line losses of 3.4 % which will be accomplished by dividing each hourly load for the portfolio by 0.966 and rounding to the next closest whole MW.
- 9.12. If the GSP fails to deliver the amount of energy it has scheduled each hour, the GSP will be liable to APS for damages based on APS's Replacement Price (as that term is defined in the Payment Agreement), consistent with the terms of the Payment Agreement.

- 9.13. If APS cuts the GSP's schedule because of a system requirement or system emergency, then the schedule for imbalance will be adjusted to remove any associated Imbalance Charges.
- 9.14. Schedule and Intraday changes may extend the timelines set forth in sections 11 and 13.

10. Imbalance Service

- 10.1. The following retail energy imbalance protocol outlines the terms a GSP must adhere to for hourly scheduling purposes:
 - 10.1.1. Within the range of +/- 15% each hour or +/- 2 MW, whichever is greater, GSP's would pay based on Schedule 4 of APS's OATT, reflecting the terms of the CAISO imbalance charges.
 - 10.1.2. Greater than 15% each hour or +/- 2 MW, whichever is greater, in addition to the charges in 10.1.1. GSPs would pay a penalty of \$3 per MWh.
 - 10.1.3. In addition to the imbalance provisions described above, GSPs with 20% of hourly deviations greater than 20% of the scheduled amount occurring a calendar month will receive a notice of intent to terminate the GSP's eligibility in the program unless remedied. Imbalances of this magnitude and frequency will be deemed "Excessive." Should Excessive imbalances occur again in a subsequent month, within 12 months from the date of the notice, the GSP's eligibility may be terminated. To avoid termination, a GSP must demonstrate to APS that it is operating in good faith to match its resources to its load. In the event of GSP termination, the customer will be required to secure a replacement GSP within 60 days.
 - 10.1.4. If a customer has solar production greater than their load, the solar overproduction will be included in the imbalance calculation, but the excess power will not count towards the 20% limit on hourly deviations.
- 10.2. The scheduled load must be submitted in whole MW, while the portfolio of actual load will be rounded to whole kW.

11. Monthly Settlement Between APS and GSP

- 11.1. APS will settle with the GSP for Imbalance Service (as that term is defined in the Payment Agreement) and other relevant costs on a monthly basis.
- 11.2. APS will meter the hourly loads for each service account and validate, estimate and edit the data according to Service Schedule 8.
- 11.3. APS will provide a preliminary imbalance calculation and supporting information to the GSP by the seventh (7th) day of each month. The file will include the hourly loads for the month for each service account in the GSP's portfolio, the total hourly load for the portfolio, the hourly schedule, the hourly deviations between the schedule and the load, and the imbalance charge or credit.
- 11.4. GSP must validate the information with APS, and send it back to APS with any agreed upon modifications, with receipt by APS no later than the tenth (10th) day of each month.

- 11.5. GSP and APS will resolve any disputes over imbalance amounts in accordance with the dispute resolution the process set forth in the Payment Agreement; provided, however, the GSP will pay (or be credited) the disputed amount in the current billing month and be compensated in a subsequent billing month for any changes that result from dispute resolution.
- 11.6. APS will send the imbalance invoice to the GSP on the tenth (10th) day of the month. On or about the same day, APS will invoice GSP for any damages that GSP owes for the prior month for failure to deliver energy that it scheduled for delivery, in accordance with the terms of the Payment Agreement.
- 11.7. Payment between APS and GSP for settlement of imbalance charges must be received by the relevant party no later than the twentieth (20th) day of the month. Payment by GSP for any damages for failure to deliver as invoiced by APS must also be received by APS no later than the twentieth (20th) day of the month.

12. AG-X Charges to the Customer

- 12.1. Customer will be assessed fees as set forth in Rate Rider AG-X.
- 12.2. Customer will not be assessed the unbundled generation charges in their retail rate schedule or the charges under Adjustment Schedule PSA-1 and Adjustment Schedule EIS (Environmental Improvement Surcharge).
- 12.3. All other charges and provisions of the Customer's applicable retail rate will continue to apply. Customer will be responsible for providing and paying for any metering communication requirements, such as a phone line, according to APS's specifications for each service account.
- 12.4. Customer will be assessed a monthly charge for energy and Imbalance Service, and may be assessed a cost for GSP damages for failure to deliver scheduled energy, as agreed upon with the GSP in accordance with Schedule AG-X and pursuant to the terms of the Customer Agreement.

13. Billing

- 13.1. APS will bill the Customer for all charges according to the applicable retail rate and the provisions of Schedule AG-X, the Payment Agreement, and the Customer Agreement, including the charges from the GSP for energy and Imbalance Services and, if applicable, GSP damages for failure to deliver scheduled energy.
- 13.2. GSP must provide a statement to APS by the tenth (10th) day of each month, containing the amounts to be billed for each service account for service during the previous month.
- 13.3. APS will render a bill to the Customer, based on the statement provided by GSP, by the seventeenth (17th) day of each month.
- 13.4. The Customer must remit payment to APS within fifteen (15) days from the billing date as provided in Service Schedule 1.
- 13.5. No later than the tenth (10th) day of the month following the month in which it receives payment from each of a GSP's Customers, APS will remit payments received from such Customers, together with necessary supporting information

and subject to any amounts that may be withheld as described in these Program Guidelines and the Payment Agreement.

- 13.6. Any unpaid amounts owed to APS by the GSP for Imbalance Energy (as that term is defined in the Payment Agreement) and damages for failure to deliver will be netted against amounts that APS would otherwise owe to GSP.
- 13.7. Any partial payments will be credited to amounts due to APS first, any federal and/or state taxes next, with the GSP receiving the remainder. This process will be repeated month by month until the Customer is current on all payments. The Customer will remain responsible for any late fees assessed by APS in accordance with Service Schedule 1. Nothing in this Section 13.7 is intended to modify the terms of the Payment Agreement that hold Customer responsible for unpaid amounts owed by GSP to APS.
- 13.8. APS will not be responsible for any unpaid amount owed to the GSP by the Customer for energy, imbalance, damages or other charges.
- 13.9. The participating service account will be moved to a calendar month billing cycle prior to taking service under the AG-X Program, unless APS determines that it is not possible or practical.
- 13.10. The Customer will be assessed a final bill at the end of the month prior to beginning service under the AG-X Program if its billing cycle will change as a result of its participation in the AG-X Program.
- 13.11. Customer bill disputes will be handled by APS through APS's applicable retail dispute resolution process. Disputes concerning the calculation of the GSP charged amounts will be resolved between the Customer and the GSP, as specified in the Payment Agreement.
- 13.12. APS will bill any additional metering communication charges associated with the AG-X Program periodically in a separate invoice.
- 13.13. The Customer must remit payment for any separate invoices to APS within fifteen (15) days from the billing date as provided in Service Schedule 1.
- 13.14. Data files will be transferred using the protocols described in Section 7.c of the Payment Agreement. APS will provide file formats for the settlement file from APS to the GSP and the billing file from the GSP to APS.
- 13.15. APS and GSP will coordinate data transfer and security issues, including a security check by APS for handling Customer billing information and other sensitive information.
- 13.16. Specialty billing services such as summary billing, Autopay, and Budget Billing will not be available for service accounts participating in the AG-X Program.

14. Metering

- 14.1. Customer must have interval metering, Advanced Metering Infrastructure or alternative capable of remote access for reads in place at time of service under this Schedule AG-X.
- 14.2. If the Customer does not have such metering, APS will install the metering equipment at no additional charge, except for the necessary monthly communication costs.

14.3. Billing will be performed according to Service Schedule 8.

15. Default of Generation Service Provider

- 15.1. Default events, remedies, cure periods, and thresholds for contract termination are specified in the Payment Agreement.
- 15.2. Default events may include failure to submit a schedule of loads, failure to deliver power according to the schedule, failure to pay amounts owed to APS, significant and persistent imbalance variances (as described in Section 10.1.3), and other factors that could materially impact APS or the Customer.
- 15.3. If the GSP fails to pay the amounts owed for Imbalance Energy (as that term is defined in the Payment Agreement), liquidated damages or other costs within five (5) days following the due date, it will be in default. APS will net the amounts owed against any GSP charges to the Customer that are billed by APS and remitted to the GSP. APS will recover any remaining unpaid amount directly from each of the GSP's service accounts.
- 15.4. If APS terminates any Payment Agreement pursuant to the terms thereof, APS will notify the Customer if required by the terms of the Payment Agreement. Subsequently, the Customer must notify APS if it intends to continue on the AG-X Program with another GSP and, if so, it must enter into another Payment Agreement within sixty (60) days. Prior to execution of a new Payment Agreement, APS will provide the required power to the Customer, which will be charged at the Palo Verde Peak or Off-peak Intercontinental Exchange ("ICE") Day Ahead Power prices or its successor for the power delivery date plus \$10 per MWh, not to be less than \$0 per MWh, or at the applicable retail rate at the company's option.
- 15.5. If the Customer does not provide timely notice to APS of its desire to remain in the AG-X Program as provided in the Payment Agreement, or is unable to secure a new generation contract with another GSP within sixty (60) days, it will be returned to the applicable retail rate, and will be subject to all terms and conditions of that rate.
- 15.6. If APS terminates any Payment Agreement pursuant to the terms thereof, GSP will automatically forfeit any imbalance amounts owed to it by APS.

16. Customer Returning to APS Bundled Generation Service

- 16.1. The Customer may return to its applicable retail rate without charge if: (a) it elects to do so and provides at least 1-year advance notice to APS; or (b) the AG-X Program is terminated by the Arizona Corporation Commission.
- 16.2. If Customer elects to return to its applicable retail rate without providing the required advance notice, APS will provide generation service at the market index rate provided in APS's OATT until APS can reasonably integrate the Customer back into its generation planning and provide power at the applicable retail rate, in no event more than one (1) year after request by the Customer.
- 16.3. The returning Customer must remain with its applicable retail rate for at least one (1) year thereafter. If permitted by these Program Guidelines, the Customer may

subsequently be placed on the waiting list and return to the AG-X Program according to the process detailed in Sections 4.8.

17. Renewable Portfolio Standard

17.1. APS will retain the renewable portfolio standard requirement for the AG-X Customers unless relieved of such requirement by the Commission.

18. Contracts

18.1. GSP and Customer are required to enter into a Payment Agreement with APS. The Payment Agreement is based on standard industry terms for wholesale power purchase and sale, modified to meet these established Program Guidelines.

18.2. The minimum Term of any Payment Agreement is one (1) year.

19. Time

19.1. All time references specified in the Program Guidelines are Mountain Standard Time. All daily references to time will be 5:00 p.m. if the time of day is not otherwise designated.