



General Description

This Service Schedule provides the terms and conditions under which Arizona Public Service Company (Company) may offer financial incentives to potential new commercial or industrial Customers or to existing commercial and industrial Customers who are adding significant new load.

Availability of this schedule is limited to the lesser of 100 MW of new and additional load or 50 new Customers.

The Customer must provide all requested information to the Company in order to demonstrate eligibility. The Company will evaluate all relevant information and will determine whether to offer the Customer an incentive.

Consistent with the schedule, when the Company determines that it is appropriate to offer an incentive to an eligible Customer, an agreement will be executed with the Customer. The agreement will specify the incentive and other terms where different from the Company's other Service Schedules.

APS will file each agreement, along with a complete Customer Characteristics Report with Commission Staff as a compliance filing. Each agreement filed with the Commission Staff will become effective 30 days after filing.

Any Customer information that the Company provides to Commission Staff on a confidential basis will be returned to the Company no later than 60 days after an application under this schedule is filed.

1. Eligibility Criteria

The Company will evaluate the following Customer characteristics prior to offering service under this schedule to determine if the Customer is eligible for a financial incentive:

1.1 Availability of Alternative Locations

- (A) Incentives are available only to Customers who have not located or expanded in the Company's service area before the Commission's review of the application and who would not locate or expand in the Company's service area without this schedule's incentive.
- (B) The Customer must provide the Company with evidence that additional locations, outside the Company's service area, have been considered for location or expansion. This evidence must consist of written documentation including, but not limited to, detailed quantitative analyses performed by the Customer or consultants regarding the suitability of alternative locations.



- (C) Based on the information provided, the Company will determine whether the customer would reasonably locate elsewhere in the absence of the incentive. If so, the Customer will be deemed to have met this requirement.

1.2 Effects on Competitors

- (A) Incentives will be available to the Customer only when existing Customers in the same line of business and market are not adversely impacted by the discounted rates.
- (B) The Customer must provide a detailed description of goods and services produced, the technology employed, and the market(s) the customer serves.
- (C) Based on the provided information, along with knowledge of its customer base, the Company must reasonably verify that this requirement is satisfied for the Customer to be eligible for an incentive.

1.3 Customer Load Requirements

- (A) To qualify for this schedule, electric requirements for a new Customer must be at least 2 MW and existing Customers must add at least 1 MW of load. To determine Customer load, APS will consider both energy purchased from the Company and any energy generated by the Customer using cogeneration or small power production facilities.
- (B) The Customer's monthly average load factor must be 55% or greater. This load factor criteria may be waived if one of the following apply:
1. The Customer's daily off-peak energy usage in kWh is greater than 50% of total monthly energy usage in kWh (off-peak hours will be defined using the applicable general service rate schedule); or
 2. The Customer's new or added load is interruptible and the Customer's peak load is at least 3 MW.
- (C) Loads that do not operate in the summer months of June through September will be given special consideration when determining an applicable incentive.
- (D) APS will assist the Customer to consider and employ state-of-the-art, cost-effective energy conservation and demand response measures at its facility. These measures may include efficiency motors, motor control systems, and other general measures such as efficient lighting, space heating and cooling, and insulation.

1.4 Economic Requirements

- (A) The load must be economic, as calculated under the Company's current extension policy using standard rates.



(B) To be eligible for incentives under this schedule, a potential load must bring a significant number of jobs or ancillary business into Arizona. In conjunction with this criterion, capital investment by the customer may also be considered.

(C) The Company will give particular consideration to customers whose electric bills exceed 5% of their operating expenses.

2. Conflict of Interest.

2.1 In order to limit any potential conflict of interest, APS is required to submit an affidavit to Commission Staff for each Customer under consideration for service under this Service Schedule. This affidavit will include:

(A) A statement that no current officer or director of Pinnacle West Capital Corporation or any of its subsidiaries, or one who has filled such role within the three-years prior to the effective date of the Customer's agreement, has or had any interest, direct or indirect, with any entity which has provided substantial services, including real estate broker services, to the Customer in connection with a proposed agreement under this schedule; and

(B) A statement that no current officer or director of Pinnacle West Capital Corporation or any of its subsidiaries or affiliates has or had any direct or indirect interest in any property owned in whole or in part by the Customer.

2.2 If the affidavit provided by APS is shown to be inaccurate, the Commission will, in future APS rate cases, impute as revenue the difference between the discounted rate and the tariffed rate which would otherwise apply to the customer for the period during which the discount was in effect.

3. Rate Provisions

3.1 A Customer satisfying the requirements above may receive an incentive to locate in the Company's service territory. The incentive will be a discount from the Customer's otherwise applicable base electric bill (excluding taxes and adjustments).

3.2 The discounted charges will not be below the Company's marginal cost.

3.3 The discount may vary over the term of the Customer agreement.

3.4 The discount will not be larger than 25% of the Customer's total energy bill from the Company.

3.5 No discount will be provided from the minimum bill as computed under the Customer's otherwise applicable rate.



- 3.6 For current customers adding load, the discount will apply only to the added load.
- 3.7 Any incentive available under this schedule will be limited to a specific period of six years or less.
- 3.8 The specific discount and the period over which the discount is applied will be determined after full evaluation of the Customer information as determined by the Company.

4. Customer Characteristic Report

Each agreement must be accompanied by a Customer Characteristic Report. The following information will be included in the Customer Characteristics Report:

4.1 General Information

- (A) Customer name
- (B) Customer contact—name and address
- (C) Dates of customer application and Company decision
- (D) New or existing customer
- (E) Proposed effective date of agreement

4.2 Location Decision

- (A) Customer location
- (B) Description of other locations considered
- (C) Other locations of customer's operations
- (D) An affidavit from customer demonstrating that the customer would not locate or expand in Arizona absent the discounts
- (E) Within ninety (90) days of the effective date of any agreement under this Schedule, the customer must supply written documentation and analyses substantiating the affidavit provided under 4.2 (D)
- (F) If the requirements of 4.2 (E) are not met within ninety (90) days of approval of the agreement, the agreement will be void
- (G) Proportion of customer's production and distribution expenses accounted for by electricity, by natural gas and by other energy sources (specify)

4.3 Effects on Competitors

- (A) Nature of business—description and North American Industry Classification System (NAICS) code
- (B) Number of other customers in same business
- (C) Market area served by customer
- (D) Description of effects on other customers



4.4 Load Characteristics

- (A) Size of load
- (B) Annual load factor
- (C) Off-peak operation
- (D) Description of daily load shape
- (E) Seasonality
- (F) Interruptibility
- (G) Permanency of load
- (H) Estimated impact on system peak demand from the new load

4.5 Energy Service Mix

- (A) Use of natural gas and other energy sources
- (B) Description of energy efficiency measures—building design, processing and other
- (C) Feasibility of cogeneration

4.6 Rates

- (A) Applicable rate schedule
- (B) Years discount will be in effect
- (C) Percentage discount by year
- (D) Estimated annual revenues
- (E) Estimated annual incremental electricity production costs
- (F) Support that the agreement meets the terms described in Rate Provisions 3.2 and 3.4

4.7 Special Agreement Provisions

- (A) List of special provisions
- (B) Reasons for special provisions