

NEW APPLICATION
ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
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MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

2005 MAY 25 P 3:12

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF ARIZONA PUBLIC
SERVICE COMPANY'S APPLICATION
FOR APPROVAL OF THE
ENVIRONMENTAL PORTFOLIO
STANDARD CREDIT PURCHASE
PROGRAM AND FOR THE
AUTHORIZATION TO ENTER INTO EPS
CREDIT PURCHASE CONTRACTS

DOCKET NO. E-01345A-05-0373

Arizona Corporation Commission
DOCKETED

MAY 25 2005

DOCKETED BY

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Arizona Public Service Company ("APS" or "the Company") hereby submits its Application for Approval of its Environmental Portfolio Standard ("EPS") Credit Purchase Program and for Authorization to Enter into EPS Credit Purchase Contracts. The Settlement Agreement¹, adopted by the Arizona Corporation Commission ("Commission") in Decision No. 67744 (April 7, 2005), provided that subsequent to approval of the settlement, renewable programs that directly involved APS' retail customers must now be submitted to the Commission for approval². This Application is filed to comply with that provision.

EPS Credit Purchase Program

In 2002, as part of the Company's commitment to developing renewable resources and in response to the EPS that had been adopted by the Commission³, APS initiated the Environmental

¹ Docket No. E-01345A-03-0437, *In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property of the Company for Ratemaking Purposes, to Fix a Just and Reasonable Rate of Return Thereon, to Approve Rate Schedules Designed to Develop Such Return, and for Approval of Purchased Power Contract.*

² Decision No. 67744, Attachment A, para. 67. APS was operating under the understanding that there was no provision in the current EPS rules requiring Commission approval of EPS Credit Purchase programs (as contrasted with so-called "green pricing" programs, such as the Company's "Solar Partners") used by the utility to meet the EPS standards.

³ See, AAC R14-2-1618, sections A, E, K.

1 Portfolio Standard Credit Purchase Program ("EPS Credit Purchase Program"). The program is
2 available to residential and commercial customers in APS' service territory, and provides a
3 market for the EPS credits earned by APS customers. By utilizing the EPS Credit Purchase
4 Program, APS customers receive an additional economic benefit from the purchase and
5 installation of a new solar energy system for a home or business, while APS receives credits
6 toward meeting the EPS standard. The solar water heating systems are applied towards the
7 "other" EPS category, and the photovoltaic systems are applied towards the "solar electric" EPS
8 category.

9 APS believes that the EPS Credit Purchase Program has been effective in increasing the
10 installation and use of residential and other small scale solar energy systems. APS also believes
11 that the more than \$4 million cost of the program to date has had a positive impact on both the
12 affordability and the demand for these systems. The funds allocated to this program for 2005 are
13 \$2,250,000; \$2,000,000 for photovoltaic systems (up to one half of this funding may be used for
14 commercial systems) and \$250,000 for solar water heating systems. Since its inception in 2002
15 through the end of 2004, 411 customers have installed solar energy systems and participated in
16 the EPS Credit Purchase Program, while another 79 customers have reservations for installation.
17 During this period, the costs of the systems have declined such that the 2005 average reservation
18 for residential customers is \$3.61 per watt.

19 The EPS Credit Purchase Program provides three different options for APS customers: 1)
20 grid-tied photovoltaic systems, where a participating customer will be paid \$4.00 per watt-DC, up
21 to a maximum of 50% of the installation cost; 2) off-grid photovoltaic systems, where a
22 participating customer will be paid \$2.00 per watt-DC for the installation of an off-grid
23 photovoltaic system, up to 50% of the cost of installation and 3) solar water heating systems,
24 where a participating residential or commercial customer will be paid up to \$700 per system. In
25 addition to the three consumer options, there is a program for dealers and manufacturers of grid-
26 tied solar energy systems. A detailed description of the programs is attached as Exhibit A.

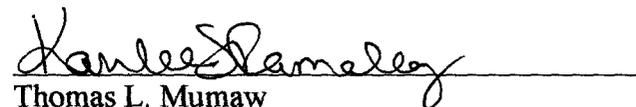
1 EPS Credit Purchase Contracts

2 In addition to its general EPS credit purchase options described above, APS has and is
3 seeking authorization to continue to enter into agreements in limited cases to purchase EPS
4 Credits for energy generated from qualified renewable energy projects. These types of agreements
5 are generally with large commercial or industrial customers that have large customer-sited and
6 customer-owned solar power systems. The purchase of the EPS Credits is from EPS funding and
7 contributes to meeting the applicable EPS standards. APS believes the ability to enter into bi-
8 lateral agreements provides negotiating flexibility for both APS and its customers, and it also
9 supports and encourages large renewable projects in the state.

10 APS is committed to the use of renewable energy resources and supports customer
11 installations of solar energy systems through its EPS Credit Purchase Program. APS believes that
12 its EPS Credit Purchase Program effectively addresses the Commission's goal to further the
13 utilization of distributed solar renewable energy resources in Arizona, and that the program serves
14 the public interest by providing an economic benefit for those customers that desire to acquire
15 solar systems and provide the Company with EPS credits. For these reasons, APS requests that
16 the Commission approve the EPS Credit Purchase Program as described above, and authorize the
17 ability for APS to enter into bi-lateral agreements for the purchase of EPS Credits from customers
18 other than through the EPS Credit Purchase Program.

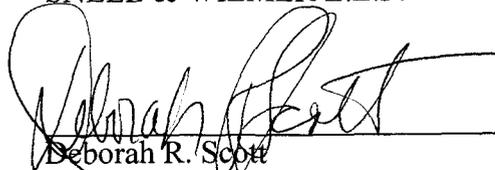
19
20 RESPECTFULLY SUBMITTED this 25th day of May, 2005.

21 PINNACLE WEST CAPITAL CORP.
22 Law Department

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24 Thomas L. Mumaw
25 Karilee S. Ramaley
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SNELL & WILMER L.L.P.



Deborah R. Scott
Kimberly A. Grouse
Attorneys for Arizona Public Service Company

Original and 13 copies of the foregoing
filed this 25th day of May, 2005, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007



Exhibit A

Arizona Public Service Corporation

Environmental Portfolio Standard Credit Purchase Program

Overview of Program

In February 2001, the Arizona Corporation Commission (ACC) adopted the Environmental Portfolio Standard (EPS), which established goals for Arizona retail electricity providers to generate a percentage of their electricity from renewable resources. The standard also added a surcharge to customer's bills to pay for the new program. The EPS requires that a minimum of 60% of the renewable energy goal be provided from solar electric resources by 2007.

APS offers customers, who have new complete solar systems installed, the opportunity to sell to APS the EPS credits¹ and environmental attributes associated with the energy generated by the system. These credits are utilized to meet APS' EPS requirement in exchange for a one-time payment to the customer.

The EPS Credit Purchase Program provides several different options for APS customers: 1) grid-tied photovoltaic systems; 2) off-grid photovoltaic systems, and 3) solar water heating systems. APS also has an option for solar energy system dealers and manufacturers. The energy that is generated by a customer's solar system is credited toward APS' requirement for renewable energy resources under the Arizona Corporation Commission's rules.² The solar water heating systems are applied towards the "other" category and the photovoltaic systems are applied towards the solar electric category.

¹ "EPS Credit" is defined as the number of eligible kWh (after appropriate extra-credit multipliers are applied) to be used to meet a utility's EPS requirement. Eligible kWh is defined as energy purchased or produced from a system or technology that qualifies under the EPS Rules and is available to displace customer's use of electricity or gas.

² A.A.C. R14-2-1618.

Arizona Public Service Corporation
Environmental Portfolio Standard Credit Purchase Program

General Requirements

To ensure that the new system complies with the EPS Credit Purchase program requirements and that funds are available for the installation, a customer should reserve funding for the installation. Funding is not guaranteed without an EPS reservation. The customer selects the system that meets their needs and obtains complete pricing information from their dealer/installer. After selection of the system, a completed EPS Credit Purchase Reservation Form (Attachments A - C),³ including a price quote from the dealer/installer, is submitted to APS. Once a customer has received confirmation and written verification from APS that the Company will purchase the EPS Credits, the installation process begins. The customer has 180 days from the date on the reservation confirmation to complete the installation. Upon request from the customer, APS will grant extensions of the 180 day requirement caused by delays beyond the customer's control. After 180 days the reserved funding will be made available to other customers seeking reservations, unless an extension has been granted.

Upon completion of the installation by a licensed contractor, the system is inspected and approved by APS. Within 180 days of installation, the customer submits an executed EPS Credit Purchase Agreement (Attachments D - F)⁴ and, where applicable, verification of an APS interconnection agreement, as well as the receipts confirming the system purchase price, payment and installation by a licensed contractor. The customer will then receive payment from APS. The EPS Credit Purchase Agreement assigns the rights to all associated EPS credits and environmental attributes to APS and allows the system to be used by APS in meeting its EPS requirements. The EPS Credit Purchase Program also allows for the assignment of payment to an installer, dealer or

³ Reservation forms are available on the APS website at www.aps.com/eps.

⁴ Credit Purchase Agreement forms are available on the APS website at www.aps.com/eps.

Arizona Public Service Corporation
Environmental Portfolio Standard Credit Purchase Program

manufacturer, with prior written approval from the customer and final written acceptance of the system by the customer.

Consumer Options

A. Grid-tied Photovoltaic Systems.

With the grid-tied option, a participating customer's photovoltaic system is interconnected to the APS electric grid. The customer receives a one-time EPS Credit Purchase payment up to \$4.00 per watt-DC (based on the manufacturer's rating), up to a maximum of 50% of the cost for purchasing and installing the system.

For example, customers installing a new 1,000-watt solar system on their home will receive a one-time payment of \$4,000 from APS, assuming the system costs more than \$8,000. If the system cost is \$6,000, APS will pay the customer 50% of the cost or \$3,000. To ensure funding is available, customers must reserve the EPS Credit Purchase funds prior to installing their system. Customers that apply for funding after the installation or after contracting with a contractor will only receive funding if it is available at that time.

To protect the reliability of APS' system and the safety of its employees, in addition to the requirement that the system be installed by a licensed contractor, the customer is also required to execute an interconnection agreement, which addresses operational and safety standards. Beginning in 2005, each customer is required to report the total system performance to APS on an annual basis. Systems are not limited in size.

Qualifications for Grid-tied Option:

- This option is available to both residential and commercial customers who purchase a complete photovoltaic solar system with all new components. A

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Environmental Portfolio Standard Credit Purchase Program

complete solar electric system includes solar panels, inverter, and other related equipment to provide AC electricity to a customer site.

- Installations must meet APS interconnection requirements.
- Customers must sign an interconnection agreement with APS.
- The system must use UL-rated components and meet IEEE 929 specifications.
- A licensed contractor must install the system.
- The customer must provide a separate meter for the solar system, and it must be placed adjacent to the existing APS meter and marked "solar meter."
- The system generation (kWh) must be reported annually to APS.

B. Off-grid Photovoltaic Systems.

This option is available to residential and commercial customers in remote areas who are not connected to the electrical grid and wish to purchase a solar energy system to provide power for their electrical needs. The off-grid option can provide a cost effective alternative for rural customers, who would otherwise incur a line extension cost to receive electrical service. APS will also make this option available to residents in remote fringe areas that are adjoining the Company's service territory, with the permission of the adjoining utility. A customer receives a one-time EPS Credit Purchase payment of \$2.00 per watt-DC for the installation of an off-grid remote photovoltaic system, up to a maximum of 5kW. For example, a 1,000-watt solar system qualifies the customer to receive \$2,000 from APS.

Qualifications for Off-Grid Option:

- This option is available to customers who purchase a new, complete, remote photovoltaic solar system. A complete remote solar electric system includes solar panels, batteries, inverter, and other related equipment to provide AC electricity to a customer site.

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- The system must be installed in APS service territory, with limited exceptions in fringe areas.
- The system must use UL components and meet IEEE 929 specifications.
- A licensed contractor must install the system.
- This option is limited to a maximum system size of 5 kW.

C. Solar Water Heating Systems.

This option is available to both residential and commercial customers to replace an electric water heater or other water heating system approved by the ACC. The customer receives a one-time EPS Credit Purchase payment of \$700 for the installation of a solar water heating system that has an OG-300 rating from the Solar Rating Certification Corporation ("SRCC").

Qualifications for Solar Water Heating System:

- This option is available to both residential and commercial customers and must replace an electric water heater or other water heating system approved by the ACC.
- The system must have obtained certification under the Solar Rating and Certification Corporation's OG-300 system rating test.
- A licensed contractor must install the system.

Dealers and Manufacturers of Solar Energy Systems

Dealers and manufacturers of solar energy systems may apply for the EPS Credit Purchase agreement for their own installations on their own premises. Dealers receive a one-time EPS Credit Purchase payment of \$4 per watt-DC or 50% of the system cost basis, whichever is less. The cost basis for a dealer will be based on their actual cost of the technology. In addition to the general and grid-tied system requirements, dealers and manufacturers must also comply with the following.

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Environmental Portfolio Standard Credit Purchase Program

Additional Requirements for Dealers and Manufacturers:

- A dealer cannot profit from installing their own systems on their facilities or include a markup on systems sold to themselves or their employees.
- Dealers cannot include installation in the cost basis for the EPS Credit Purchase Program.
- Dealers must be able to verify the cost they paid for each system component by providing a purchase invoice or receipt for each major component with the reservation and agreement.
- Manufacturers are treated the same as dealers but they cannot include their own technology in the cost basis for the EPS Credit Purchase Program.

Attachment A
EPS Credit Purchase Reservation
Grid-tied Systems



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- **This option is available to both residential and commercial customers who purchase a complete grid-tied photovoltaic solar system with all new components. A complete solar electric system includes solar panels, inverter, and other related equipment to provide AC electricity to a customer site.**
- **Installations must meet APS interconnection requirements.**
- **Customers must sign an interconnection agreement with APS.**
- **The system must use UL-rated components and meet IEEE 929 specifications.**
- **A licensed contractor must install the system.**
- **The customer must provide a separate meter for the solar system, and it must be placed adjacent to the existing APS meter and marked "solar meter."**
- **The system generation (kWh) must be reported annually to APS.**
- **Applicant must complete and submit the EPS Credit Purchase Agreement within 180 days of installation.**

Customer (Please Print)

First Name _____ Last Name _____

Address _____

City _____ State _____ Zip _____

Phone (Please include area code) _____

Requested EPS Credit Purchase Reservation Information and Amount

PV Module Manufacturer / Model Number _____

System Total watts DC _____

Dealers Name / Contractors License # (attach quote) _____

Installers Name / Contractors License # (if different from dealer) _____

EPS Credit Purchase Reservation Amount (\$4.00/watt DC up to 50% of cost) _____

Please include the following with your EPS Credit Purchase reservation request:

- 1) Copy of the system quotation or estimate indicating cost, make and/or model, system size and the installers name and estimate completion date.
- 2) Installation quote, including installers name and license number and their contractors license number, if not installed by the dealer.

Customer signature _____ Date _____

APS EPS program contact information :

APS EPS Program

P.O. Box 53999, Main Station 8378

Phoenix, AZ 85072-3999

Phone 602-250-4990 Fax 602-250-2526

For APS Use:

APS Approval _____ Reservation Number _____ Expiration Date _____

Attachment B

**EPS Credit Purchase Reservation
Off-Grid Systems**



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- This option is available to both residential and commercial customers who purchase a new complete off-grid photovoltaic solar system with all new components. A complete off-grid solar electric system includes solar panels, inverter, batteries, battery charger controller and other related equipment to provide AC electricity to a customer site.
- The system must use UL-rated components and meet IEEE 929 specifications.
- A licensed contractor must install the system.
- The system must be installed in APS Service Territory, with limited exceptions for fringe areas.
- Applicant must complete and submit the EPS Credit Purchase Agreement within 180 days of installation.
- Size limited to less than or equal to 5 kW

Customer (Please Print)

First Name _____ Last Name _____

Address _____

City _____ State _____ Zip _____

Phone (Please include area code) _____

Requested EPS Credit Purchase Reservation Information and Amount

PV Module Manufacturer / Model Number _____

System Total watts DC _____

Dealers Name / Contractors License # (attach quote) _____

Installers Name / Contractors License # (if different from dealer) _____

EPS Credit Purchase Reservation Amount (\$2.00/watt DC up to 50% of cost) _____

Please include the following with your EPS Credit Purchase reservation request:

- 1) Copy of the system quotation or estimate indicating cost, make and/or model, system size and the installers name and estimate completion date.
- 2) Installation quote, including installers name and license number and their contractors license number, if not installed by the dealer.

Customer signature _____ Date _____

APS EPS program contact information :

APS EPS Program

P.O. Box 53999, Main Station 8378

Phoenix, AZ 85072-3999

Phone 602-250-4990 Fax 602-250-2526

For APS Use:

APS Approval _____ Reservation Number _____ Expiration Date _____

Attachment C

**EPS Credit Purchase Reservation
Solar Water Heating Systems**



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- This option is available to both residential and commercial customers who purchase a complete solar water heating system with all new components.
- A licensed contractor must install the system.
- The system must be installed in APS Service Territory.
- The Solar Water Heating system must replace an electric water heater or other water heating system approved by the ACC.
- The system must have obtained certification under the Solar Rating and Certification Corporation's OG-300 system rating test.
- Applicant must complete and submit the EPS Credit Purchase Agreement within 180 days of installation.

Customer (Please Print)

First Name _____ Last Name _____

Address _____

City _____ State _____ Zip _____

Phone (Please include area code) _____

Requested EPS Credit Purchase Reservation Information and Amount

Solar Water Heating System Manufacturer / Model Number _____

OG-300 annual kWh energy savings _____

Dealers Name / Contractors License # (attach quote) _____

Installers Name / Contractors License # (if different from dealer) _____

EPS Credit Purchase Reservation Amount is \$700.

Please include the following with your EPS Credit Purchase reservation request:

- 1) Copy of the system quotation or estimate indicating cost, make and/or model, system size and the installers name and estimate completion date.
- 2) Installation quote, including installers name and license number and their contractors license number, if not installed by the dealer.

Customer signature _____ Date _____

APS EPS program contact information :

APS EPS Program

P.O. Box 53999, Main Station 8378

Phoenix, AZ 85072-3999

Phone 602-250-4990 Fax 602-250-2526

For APS:

APS Approval _____ Reservation Number _____ Expiration Date _____

Attachment D

**EPS Credit Purchase Agreement
Grid-Tied PV Systems**



A Subsidiary of Pinnacle West Capital Corporation

Customer (Please Print)

First Name _____ Last Name _____

Address _____

City _____ State _____ Zip _____

Phone (please include area code) _____

System Installation Address/Site (Initial here _____ if same as above)

Address _____

City _____ State _____ Zip _____

Other Description (Township/Range/Quartersection) _____

EPS Credit Purchase Amount

PV Module Manufacturer/Model Number _____

Installers Name / Contractors License # _____

System Total watts DC _____

Initial Meter Read _____ Customer agrees to report yearly read between January 1st and January 31st of each year.

EPS Credit Purchase Amount \$4.00 per watt DC up to 50% of the cost _____

Assignment of Payment

I approve the assignment of my payment for the EPS Credit Purchase Amount to the following company and authorize APS to mail this payment directly to the assignee:

Company Name (assignee) _____

Address _____ City _____ State _____

Customer Signature _____

Please include the following documents with your EPS Credit Purchase request: 1) Copy of the system sales receipt indicating cost, make and/or model, system size and the installers name and their contractors license number. 2) A copy of your APS grid interconnection agreement or interconnection approval.

I agree to the terms and conditions of this agreement on Page Two and verify that the system has been installed and is operating satisfactorily.

Customer signature _____ Date _____

APS EPS program contact information and mailing address:

APS EPS Program

P.O. Box 53999, Mail Station 8378

Phoenix, AZ 85072-3999

Phone: 602-250-4990 Fax: 602-250-2526

<http://www.aps.com/eps>

EPS Credit Purchase Agreement Grid-Tied PV Systems



A Subsidiary of Pinnacle West Capital Corporation

This purchase agreement ("Agreement") for Environmental Portfolio Standard ("EPS") credits is entered, by and between Arizona Public Service Company ("APS"), and Arizona corporation and Customer (enter name) _____. The Arizona Corporation Commission ("ACC") has approved a program, which allows APS to purchase EPS Credits from new renewable resources, specifically Photovoltaic Systems (Solar System) owned by the original Solar System purchasing customer (EPS Credits). The parties agree as follows:

Specifications

1. The PV System must be new and the customer must be the original purchaser of the system.
2. A licensed Arizona contractor must install the PV System.
3. The PV System must use UL approved components and meet IEEE 929 specifications
4. The customer must have a Grid Interconnection Agreement with APS for the system.
5. APS will pay a one-time EPS Credit Purchase payment equal to \$4.00/rated watt DC.
6. For the above payment, APS will acquire the EPS Credits and environmental attributes and will be able to apply EPS credits for the system per ACC guidelines for so long as the law requires that APS comply with the EPS program or APS is able to derive some regulatory, green house gas or emission reduction credits or other environmental benefit from the existence of this Agreement with Customer, whichever is longer.
7. Customer shall not remove the Solar System or any components thereof from the premises during the term of this agreement without express agreement of APS. If Customer removes the Solar System in violation of this provision, Customer shall immediately reimburse APS all EPS Credit Purchase payments and/or EPS Credit Purchase amounts paid by APS to Customer under this agreement.

Term of Agreement

1. The application must be received within 180 days of system installation and this Agreement will become effective 30 days after APS has received and approved all properly prepared documentation.
2. This agreement will remain in full force and effect for 15 years or until canceled by APS.

Agreement Conditions

1. Applicant must be an APS customer and the installation must be in APS service territory.
2. Project must comply with program rules and local, state and federal regulations.
3. APS does not warrant or guarantee the amount of energy, energy savings or product reliability.
4. All products must be installed according to manufacturer's recommendations to qualify.
5. APS reserves the right to inspect and/or verify installation to determine EPS Credit Purchase accuracy.
6. APS reserves the right to adjust the EPS Credit Purchase amount as appropriate and has final authority on whether the requirements of the EPS Credit Purchase Program have been met.
7. All installations must meet applicable governmental statutes, codes, ordinances, and accepted engineering and installation practices. It is the installer's and the customer's responsibility to ensure proper installation.
8. APS reserves the right to disallow participation to any customer not meeting program requirements.
9. APS reserves the right to change terms and conditions or discontinue the program without notice and without incurring any obligation.
10. APS is not responsible for any tax liability imposed on the customer as a result of the payments under this program.
11. APS does not endorse any particular manufacturer, product, or system in the program.
12. APS may publicize a customer's participation in the program, program results, payment amounts and any other information that reasonably relates to customer participation.
13. This program is not an offer to pay a credit purchase amount to any customer. Only upon acceptance of the application, execution of the agreement and compliance with all terms and conditions will the EPS Purchase Credit amount be payable by APS.

Disclaimer

APS' SOLE OBLIGATION UNDER THIS AGREEMENT IS TO MAKE THE ONE-TIME EPS CREDIT PURCHASE PAYMENT. CUSTOMER WAIVES ALL OTHER CLAIMS AGAINST APS, AND APS SHALL NOT BE LIABLE FOR ANY DAMAGES OF ANY KIND, INCLUDING DIRECT, INDIRECT, CONSEQUENTIAL, SPECIAL, INCIDENTAL, EXEMPLARY OR PUNITIVE DAMAGES.

APS SHALL HAVE NO OBLIGATION OR LIABILITY TO CUSTOMER OTHER THAN TO MAKE THE EPS CREDIT PURCHASE PAYMENT, INCLUDING ANY LIABILITY RELATED TO THE INSTALLATION OR OPERATION OF THE PV SYSTEM.

Attachment E

**EPS Credit Purchase Agreement
Off-Grid Systems**



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Customer (Please Print)

First Name _____ Last Name _____

Address _____

City _____ State _____ Zip _____

Phone (please include area code) _____

System Installation Address/Site (Initial here _____ if same as above)

Address _____

City _____ State _____ Zip _____

Other Description (Township/Range/Quartersection) _____

EPS Credit Purchase Amount

PV Module Manufacturer/Model Number _____

Installers Name / Contractors License # _____

System Total Watts DC _____

Requested EPS Credit Purchase Amount (\$2.00 per watt DC) _____

Assignment of Payment

I approve the assignment of my payment for the EPS Credit Purchase Amount to the following company and authorize APS to mail this payment directly to the assignee:

Company Name (assignee) _____

Address _____ City _____ State _____

Customer Signature _____

Please include the following documents with your EPS Credit Purchase request: 1) Copy of the system sales receipt indicating cost, make and/or model, system size and the installers name, installation cost and their contractors license number.

I agree to the terms and conditions of this agreement on Page Two and verify that the system has been installed and is operating satisfactorily.

Customer signature _____ Date _____

APS EPS program contact information and mailing address:

APS EPS Program

P.O. Box 53999, Mail Station 8378

Phoenix, AZ 85072-3999

Phone: 602-250-4990 Fax: 602-250-2526

<http://www.aps.com/eps>

Attachment E cont'd

EPS Credit Purchase Agreement Off-Grid Systems



A Subsidiary of Pinnacle West Capital Corporation

This purchase agreement ("Agreement") for Environmental Portfolio Standard ("EPS") credits is entered, by and between Arizona Public Service Company ("APS"), and Arizona corporation and customer (enter name) _____. The Arizona Corporation Commission ("ACC") has approved a program, which allows APS to purchase EPS Credits from new renewable resources, specifically Photovoltaic Systems (Solar System) owned by the original Solar System purchasing customer (EPS Credits). The parties agree as follows:

Specifications

1. The Solar System must be new and the customer must be the original purchaser of the system.
2. A licensed Arizona contractor must install the PV System.
3. The Solar System must use UL approved components and meet IEEE 929 specifications.
4. APS will pay a one-time EPS Credit Purchase payment equal to \$2.00/rated Watt DC.
5. For the above payment, APS will acquire the EPS Credits and environmental attributes and will be able to apply EPS credits for the system per ACC guidelines for so long as the law requires that APS comply with the EPS program or APS is able to derive some regulatory, green house gas or emission reduction credits or other environmental benefit from the existence of this Agreement with Customer, whichever is longer.
6. Customer shall not remove the Customer System or any components thereof from the premises during the term of this agreement without express agreement of APS. If Customer removes the Solar System in violation of this provision, Customer shall immediately reimburse APS all EPS Credit Purchase payments and/or EPS Credit Purchase amounts paid by APS to Customer under this agreement.

Term of Agreement

1. The application must be received within 180 days of system installation and this Agreement will become effective 30 days after APS has received and approved all properly prepared documentation.
2. This agreement will remain in full force and effect for 15 years or until canceled by APS.

Agreement Conditions

1. Applicant must be an APS customer and the installation must be in APS service territory or be in a fringe area.
2. Project must comply with program rules and local, state and federal regulations.
3. APS does not warrant or guarantee the amount of energy, energy savings or product reliability.
4. All products must be installed according to manufacturer's recommendations to qualify.
5. APS reserves the right to inspect and/or verify installation to determine EPS Credit Purchase accuracy.
6. APS reserves the right to adjust the EPS Purchase Credit amount as appropriate and has final authority on whether the requirements of the EPS Credit Purchase Program have been met.
7. All installations must meet applicable governmental statutes, codes, ordinances, and accepted engineering and installation practices. It is the installer and the customer's responsibility to ensure proper installation.
8. APS reserves the right to disallow participation to any customer not meeting program requirements.
9. APS reserves the right to change terms and conditions or discontinues the program without notice and without incurring any obligation.
10. APS is not responsible for any tax liability imposed on the customer as a result of the payments under this program.
11. APS does not endorse any particular manufacturer, product, or system in the program.
12. APS may publicize a customer's participation in the program, program results, payment amounts and any other information that reasonably relates to customer participation.
13. This program is not an offer to pay a credit purchase amount to any customer. Only upon acceptance of the application, execution of the agreement and compliance with all terms and conditions will the EPS Purchase Credit amount be payable by APS.

Disclaimer

APS' SOLE OBLIGATION UNDER THIS AGREEMENT IS TO MAKE THE ONE-TIME EPS CREDIT PURCHASE PAYMENT. CUSTOMER WAIVES ALL OTHER CLAIMS AGAINST APS, AND APS SHALL NOT BE LIABLE FOR ANY DAMAGES OF ANY KIND, INCLUDING DIRECT, INDIRECT, CONSEQUENTIAL, SPECIAL, INCIDENTAL, EXEMPLARY OR PUNITIVE DAMAGES.

APS SHALL HAVE NO OBLIGATION OR LIABILITY TO CUSTOMER OTHER THAN TO MAKE THE EPS CREDIT PURCHASE PAYMENT, INCLUDING ANY LIABILITY RELATED TO THE INSTALLATION OR OPERATION OF THE PV SYSTEM.

Attachment F

**EPS Credit Purchase Agreement
Solar Water Heating Systems**



The power to make it happen.
A Subsidiary of Pinnacle West Capital Corporation

Customer (Please Print)

First Name _____ Last Name _____

Address _____

City _____ State _____ Zip _____

Phone (please include area code) _____

System Installation Address/Site (Initial here _____ if same as above)

Address _____

City _____ State _____ Zip _____

EPS Credit Purchase Amount

Solar Water Heating System Manufacturer/Model # _____

Installers Name / Contractors License # _____

Electric Water Heater Manufacturer/Model # _____

EPS Credit Purchase Amount is \$700.00.

Assignment of Payment

I approve the assignment of my payment for the EPS Credit Purchase Amount to the following company and authorize APS to mail this payment directly to the assignee:

Company Name (assignee) _____

Address _____ City _____ State _____

Customer Signature _____

Please include the following documents with your EPS Credit Purchase request: 1) Copy of the system sales receipt indicating cost, make and/or model, system size and the installers name, installation cost and their contractors license number.

I agree to the terms and conditions of this agreement on Page Two and verify that the system has been installed and is operating satisfactorily.

Customer signature _____ Date _____

APS EPS program contact information and mailing address:

APS EPS Program

P.O. Box 53999, Mail Station 8378

Phoenix, AZ 85072-3999

Phone: 602-250-4990 Fax: 602-250-2526

<http://www.aps.com/eps>

Attachment F cont'd
EPS Credit Purchase Agreement
Solar Water Heating Systems



A Subsidiary of Pinnacle West Capital Corporation

This purchase agreement ("Agreement") for Environmental Portfolio Standard ("EPS") credits is entered, by and between Arizona Public Service Company ("APS"), and Arizona corporation and (enter name)_____. The Arizona Corporation Commission ("ACC") has approved a program, which allows APS to purchase EPS Credits from new renewable resources, specifically Solar Water Heating Systems (Solar System) owned by the original Solar System purchasing customer (EPS Credits). The parties agree as follows:

Specifications

1. The Solar System must be new and the customer must be the original purchaser of the system.
2. A licensed Arizona contractor must install the Solar System.
3. The Solar System must be certified by the SRCC.
4. The Solar System must be placed on an existing home and replace or supplement an existing electric water heater on a new home or replace an alternative as approved by the ACC.
5. APS will make a one-time EPS Credit Purchase payment equal to \$700.
6. For the above payment, APS will acquire the EPS Credits and environmental attributes and be able to apply EPS credits for the system per ACC guidelines for so long as the law requires that APS comply with the EPS program or APS is able to derive some regulatory, green house gas or emission reduction credits or other environmental benefit from the existence of this Agreement with Customer, whichever is longer.
7. Customer shall not remove the Solar System or any components thereof from the premises during the term of this agreement without express agreement of APS. If Customer removes the Solar System in violation of this provision, Customer shall immediately reimburse APS all EPS Credit Purchase payments and/or EPS Credit Purchase amounts paid by Company to Customer under this agreement.

Term of Agreement

1. The application must be received within 180 days of system installation and this Agreement will become effective 30 days after APS has received and approved all properly prepared documentation.
2. This agreement will remain in full force and effect for 15 years or until canceled by APS.

Agreement Conditions

1. Applicant must be an APS customer and the installation must be in APS service territory.
2. APS does not warrant or guarantee the amount of energy, energy savings or product reliability.
3. All products must be installed according to manufacturer's recommendations to qualify.
4. APS reserves the right to inspect and/or verify installation to determine EPS Purchase Credit accuracy.
5. APS reserves the right to adjust the EPS Credit Purchase amount as appropriate, and has final authority on whether the requirements of the EPS Credit Purchase Program have been met.
6. All installations must meet applicable governmental statutes, codes, ordinances, and accepted engineering and installation practices. It is the installer and the customer's responsibility to ensure proper installation.
7. APS reserves the right to disallow participation to any customer not meeting program requirements.
8. APS reserves the right to change terms and conditions or discontinue the program without notice and without incurring any obligation.
9. APS is not responsible for any tax liability imposed on the customer as a result of the payments under this program.
10. APS does not endorse any particular manufacturer, product, or system in the program.
11. APS may publicize a customer's participation in the program, program results, payment amounts and any other information that reasonably relates to customer participation.
12. This program is not an offer to pay a credit purchase amount to any customer. Only upon acceptance of the application, execution of the agreement and compliance with all terms and conditions will the EPS Purchase Credit amount be payable by APS.

Disclaimer

APS' SOLE OBLIGATION UNDER THIS AGREEMENT IS TO MAKE THE ONE-TIME EPS CREDIT PURCHASE PAYMENT. CUSTOMER WAIVES ALL OTHER CLAIMS AGAINST APS, AND APS SHALL NOT BE LIABLE FOR ANY DAMAGES OF ANY KIND, INCLUDING DIRECT, INDIRECT, CONSEQUENTIAL, SPECIAL, INCIDENTAL, EXEMPLARY OR PUNITIVE DAMAGES.

APS SHALL HAVE NO OBLIGATION OR LIABILITY TO CUSTOMER OTHER THAN TO MAKE THE EPS CREDIT PURCHASE PAYMENT, INCLUDING ANY LIABILITY RELATED TO THE INSTALLATION OR OPERATION OF THE SOLAR SYSTEM.