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Tucson Electric Power Company
One South Church Ave., Post Office Box 711
Tucson, Arizona 85702

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December 11, 2006

Arizona Corporation Commission ARIZ CORP COMMISSION
DOCKETED DOCUMENT CONTROL

DEC 11 2006

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

DOCKETED BY NR

RE: Tucson Electric Power Company's GreenWatts™ SunShare Program
Docket No. E-01933A-06-0473

Docket Control:

In compliance with the Arizona Corporation Commission's ("Commission") Decision No. 69168 dated December 5, 2006, enclosed please find an original and 13 copies of Tucson Electric Power Company's ("TEP" or the "Company") revised Greenwatts™ SunShare Program ("Program") documents.

In addition to clarifying some already existing portions of the Program documents and providing some requested flexibility for customers, the new Program documents:

- Extend the term of the Program to December 31, 2008;
- Allow for the elimination of Option Two planned for the end of 2006;
- Provide notice to customers of the opportunity to use of Federal income tax credits;
- Allow for the assignment of rights to full electrical output and all associated environmental credits to the Company providing easier administration having all assignments terminate at the end of a calendar year, December 31st of the 20th full calendar year after completion of installation of each solar generation system;
- Add a new program for non-residential photovoltaic systems with a subsidy payment of \$2.50 per watt DC up to a maximum subsidy payment for 100,000 watts DC per installation;
- Cap single calendar year subsidy payments to any customer at \$500,000 per year; and
- Use DC ratings, rather than AC ratings, and English units rather than Metric in as many provisions as possible to provide consistency between residential and the new non-residential program offerings.

TEP submits that the attached documents are consistent with that ordered by the Commission and implementation desires expressed by the Commission Staff. Accordingly, the Company intends that the new Program documents will go into effect on December 15, 2006.

Sincerely,

A handwritten signature in black ink, appearing to read "Michelle Livengood". The signature is fluid and cursive, with a large initial "M" and a stylized "L".

Michelle Livengood

Enclosures

cc: Chairman Hatch-Miller
Commissioner Mundell
Commissioner Wong
Commissioner Gleason
Commissioner Mayes
Ernest Johnson, Esq., Director, Utilities Division
Christopher C. Kempley, Esq., Chief Counsel
Lyn Farmer, Esq. Chief Administrative Law Judge
Ms. Barbara Keene, Utilities Division
Mr. Ray Williamson, Utilities Division

CLEAN

VERSION

GreenWatts™ SunShare Hardware Buydown Options

As a part of our commitment to developing renewable resources, Tucson Electric Power Company ("TEP" or the "Company") is proposing to offer our customers an attractive solar electric program. Our goal is to create a program that will provide an affordable, environmentally sensitive solar electric generation system to supplement the customer's electricity needs currently serviced by TEP. While the installation of the supplemental solar electric generating system requires remaining connected to the TEP system, a solar electric system properly matched to a customer's electric use can provide a reduction in electric bills, by using the renewable resources of the sun. The program is named SunShare to reflect our commitment to share the cost of developing solar electric generators with our customers by reducing the cost of photovoltaic systems.

The SunShare Program was approved by the Arizona Corporation Commission ("Commission") for 2004, 2005 and 2006 and will expire on December 31, 2006. At this time, TEP is extending the program with Commission approval (covering Options One and Three only) through December 31, 2008, or until such time as a Commission approved TEP proposed Uniform Credit Purchase Program ("UCPP") is implemented, whichever occurs first. Option Two expires in its entirety on December 31, 2006, and will not be part of the program offerings.

Option One - Residential: A direct hardware buydown program for residential PV installations. TEP will pay the owner of a qualified solar electric system up to \$2,000 per AC kW of qualifying, proven, installed solar generating capacity installed and operational within 180 days after TEP accepts the owner's application to participate in the program. The system must meet all qualifications listed in Attachment A "System Qualifications", and Attachment B "SunShare PV Off-Angle & Shading Annual Energy Derating Chart". These attachments can be found in the SunShare Hardware Buydown Agreement (the "Hardware Buydown Agreement"). Additionally, the owner must sign an agreement assigning rights to the full electrical output and all associated environmental credits to TEP through December 31st of the 20th full calendar year after completion of the installation of the solar generation system. TEP will return the electric output to the owner at no cost. In addition, while funding under the Commission's Environmental Portfolio Standard ("EPS") is sufficient, TEP will provide an annual service inspection and normal system repair labor, as defined in the Hardware Buydown Agreement, at no charge through the end of 2012. The owner will be responsible for the cost of repair materials and shipping if required.

Under Option One, the owner can install any solar electric generating system that meets the qualifications set forth in the preceding paragraph. The owner may be able to use Arizona and Federal income tax credits of up to \$3,000 to further reduce the initial cost of the system. TEP will determine by actual test, or from historical data from

previous tests, the AC output capacity of the solar electric system. The hardware buydown payment will be determined from the result of that test, as adjusted to PVUSA Test Conditions ("PTC") for temperature, solar insolation, shading factors and level of compliance with Attachment B of the Hardware Buydown Agreement. Testing will include PV array DC voltage tracking performed by the inverter at or extrapolated to summer ambient temperatures.

Option Two: Not available after December 31, 2006.

Option Three - Residential: A direct residential hardware buydown program. TEP will pay the owner of a qualified solar electric system up to \$3,000 per Manufacturer's rated DC kW at Standard Test Conditions ("STC") of qualifying, proven, installed solar generating capacity for all systems installed and operational within 180 days after TEP accepts the owner's application to participate in the program. The system must meet all qualifications listed in Attachment A "System Qualifications", and Attachment B "SunShare PV Off-Angle & Shading Annual Energy Derating Chart", of the Hardware Buydown Agreement. Additionally, the owner must sign an agreement assigning rights to the full electrical output and all associated environmental credits to TEP through December 31st of the 20th full calendar year after completion of the installation of the solar generation system. TEP will return the electric output to the owner at no cost. Since the Option Three - Residential buydown is based on the DC array rating, no maintenance will be provided.

Under Option Three - Residential, the owner can install any solar electric generating system that meets the qualifications set forth in the preceding paragraph. The owner may be able to use Arizona and Federal income tax credits of up to \$3,000 to further reduce the initial cost of the system.

Option Three - Non-Residential: A direct non-residential hardware buydown program. TEP will pay the owner of a qualified solar electric system up to \$2,500 per Manufacturer's rated DC kW at STC of qualifying, proven, installed solar generating capacity up to a maximum of 100,000 watts DC for all systems installed and operational within 180 days after TEP accepts the owner's application to participate in the program. The system must meet all qualifications listed in Attachment A "System Qualifications", Attachment B "SunShare PV Off-Angle & Shading Annual Energy Derating Chart" and Attachment C "Supplemental Non-Residential System Qualifications", of the Hardware Buydown Agreement. Additionally, the owner must sign an agreement assigning rights to the full electrical output and all associated environmental credits to TEP through December 31st of the 20th full calendar year after completion of the installation of the solar generation system. TEP will return the electric output to the owner at no cost. Since the Option Three - Non-Residential buydown is based on the DC array rating, no maintenance will be provided.

Under Option Three - Non-Residential, the owner can install any solar electric generating system that meets the qualifications set forth in the preceding paragraph.

The owner may be able to use Arizona and Federal income tax credits to further reduce the initial cost of the system.

Scope

All three options are limited in scope. Total reservations for buydown payments are limited to 800 kW DC of installed solar capacity in 2007 and an additional 800 kW DC in 2008. Once the maximum solar capacity subsidy is reached in a given calendar year, TEP will apply subsequent applications to the reservation quota for the next year at the subsidy level appropriate for that year. The SunShare Program will expire on December 31, 2008, or at such time as a TEP proposed UCPP is approved by the Commission, whichever occurs first.

Although qualifying Non-Residential solar generating systems can have a nameplate array capacity greater than 100 kW DC, the buydown payment will only apply to a maximum of 100 kW DC of any given installation.

Inspection

The free annual inspections offered for Option One, Option Three – Residential and Option Three – Non-Residential, and the normal repair labor maintenance program offered for Option One are dependent upon the sufficiency of funding under the EPS. While a customer-sited renewable generation program is expected to be fully funded through the end of the year 2012, it could be changed by the Commission in the future. If funding levels provided become insufficient to continue the maintenance and inspection program, TEP, to the extent possible, will notify all program participants at least 12 months prior to the free program's termination. Thereafter, TEP will endeavor to offer customers the option to purchase a Customer System maintenance and inspection program from the Company offering services comparable to those previously offered. In all cases, the free or paid maintenance and inspection programs offered by TEP would terminate at the end of 2012.

Meter Reading

TEP would like to have active owner participation continue throughout the SunShare Program. It will be the responsibility of the owner of the solar electric system to read the solar production meter once each month and report the reading to a voice recording device at (520) 745-3252, or by e-mailing banderson@tep.com. Owners are required to report their name and present meter reading. The December meter reading should be taken on December 29, 30, or 31st as a representative end of year reading. TEP reserves the right to also read the meter at its option. Monthly readings will be used to monitor system performance and anticipate service requirements. Thus reporting meter readings is to the benefit of all parties.

Qualifications

REVISION 5
ACC APPROVED 1/30/2001
REVISED & ACC APPROVED 12/05/2006

Option One and Option Three – Residential system requirements are set forth in Attachment A and Attachment B to the Hardware Buydown Agreement.

Option Three – Non-Residential system requirements are set forth in Attachment A, Attachment B, and Attachment C to the Hardware Buydown Agreement.

GreenWatts™ SunShare Program Hardware Buydown Agreement

This GreenWatts™ SunShare Program Hardware Buydown Agreement (the "Agreement") is hereby made and entered into this _____ day of _____, 200_, by and between Tucson Electric Power Company, an Arizona corporation ("Company"), and _____, ("Customer"). Company and Customer may be referred to individually herein as a "Party" or collectively as the "Parties."

RECITALS

A. Company desires to increase the number of solar electricity generation facilities and the consumption of solar electricity within its service territory, while concurrently reducing the cost of solar electric generation systems for its customers. In support of these objectives and to further Company's continuing commitment to develop and encourage the use of renewable energy resources, Company has implemented a program to provide financial incentives to its customers to install solar generating equipment (the "SunShare Program"). The SunShare Program was developed under GreenWatts™, the Company's existing renewable energy program; and

B. Company desires for Customer to participate in the SunShare Program and Customer desires to so participate under the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of these premises and of the mutual promises herein contained, Company and Customer hereby agree as follows:

AGREEMENT

1. BUYDOWN PROGRAM OPTIONS

Customer may elect to participate in the SunShare Program under one of the following options:

1.1 Option One: Third Party System

1.1.1 System. Under Option One, Customer shall purchase a solar generating system from any third party of Customer's choice ("Customer System"). To qualify under the SunShare Program, any such Customer System must comply with all requirements set forth in Attachment A "System Qualifications" and Attachment B "SunShare PV Off-Angle & Shading Annual Energy Derating Chart", both of which are attached hereto and incorporated herein.

1.1.2 Buydown. Under Option One, Customer buydown and Company credits shall be based on the system's AC kW output under PVUSA Test Conditions ("PTC"), as explained in Section 5 below.

1.2 Option Three: Third Party System

1.2.1 System. Under Option Three, Customer shall purchase a Customer System. To qualify under the SunShare Program, any such Customer System must comply with all requirements set forth in Attachment A and Attachment B hereto. Further, if the Customer System is for a Non-Residential Customer, the Customer System must also comply with Attachment C attached hereto. For the purpose of this Agreement, a "Non-Residential Customer" means any Company grid connected Customer not taking electrical service from Company under a residential class rate or tariff.

1.2.2 Buydown. Under Option Three, Customer buydown and Company credits shall be based on the Customer System's manufacturer's nameplate rated DC kW output based on Standard Test Conditions ("STC"), as explained in Section 5 below.

1.2.3 Maintenance. Company shall not provide maintenance under Option Three.

2. SYSTEM INSTALLATION

To qualify for participation in the SunShare Program, all Customer Systems shall be installed by or on behalf of Customer in accordance with the requirements set forth in Attachment A, including, without limitation, a proper interconnection with Company's existing power grid. In addition, if the Customer System is for a Non-Residential Customer, the installation must also be made in accordance with Attachment C. Customer shall be solely responsible for the installation of the Customer System, including all costs and expenses associated therewith.

3. SYSTEM INSPECTION

Following installation of Customer's System, Company shall inspect the Customer System for compliance with the applicable requirements set forth in Attachment A, Attachment B, and if a Non-Residential Customer, with Attachment C. If the Customer System or installation is found to be not in compliance for any reason, Company will notify Customer of the deficiencies causing the noncompliance. Company will have no further obligations under this Agreement until all such deficiencies are remedied by Customer to Company's reasonable satisfaction.

4. SYSTEM ELECTRICAL OUTPUT

Customer hereby assigns to Company all of its rights to all electrical output of the Customer System and all associated environmental credits, specifically including those created under the Arizona Corporation Commission's Environmental Portfolio Standard Program (the "EPS"), which may result from the installation and use of the Customer System. Company will thereafter return any and all such electric output to the Customer at no cost to Customer. Company's right to Customer's power output and credits assigned hereunder shall continue

until December 31st of the 20th full calendar year after completion of the installation of the Customer System and shall survive any termination of this Agreement.

5. HARDWARE BUYDOWN AND CREDIT

- 5.1. Option One - Residential. Under Option One, subject to the Customer System passing the Company inspection set forth in Section 3 above and to Customer's compliance with the remaining terms and conditions of this Agreement, Company shall pay Customer \$2,000 per AC kW of installed solar generating capacity of the Customer System for which completed Agreements are received and accepted by the Company and which system is operational within 180 days after application acceptance, as prorated by any de-rating for off-angle and shading that may apply by the percentages listed on the chart in Attachment B. The Customer System's AC kW of installed solar generating capacity shall be determined by Company following Company's receipt of a copy of the City or County building permit associated with the installation of the Customer System, successful Customer System inspection and determination of the level of compliance with Attachment B. To ensure accurate test results, Company will correct mathematically to accommodate for a PTC of 68 degrees Fahrenheit ambient temperature, 1,000 Watts/meter squared solar insolation, 2.4 MPH wind speed, and shading factors in conducting such AC kWh testing. Any amounts determined to be owed under this section 5.1 shall be paid by Company to Customer within 30 days following the Company's completion of AC kWh testing hereunder.
- 5.2. Option Three - Residential. Under Option Three - Residential, subject to the residential customer's Customer System passing the Company inspection set forth in Section 3 above and to Customer's compliance with the remaining terms and conditions of this Agreement, Company shall pay Customer up to \$3,000 per STC rated DC kW of installed solar generating capacity of the Customer System for which completed SunShare Agreements and City/County building permits are received and accepted by Company and which system is operational within 180 days after application acceptance. Payment derating for off-angle and shading shall apply by the percentages listed on Attachment B.
- 5.3. Option Three - Non-Residential. Under Option Three - Non-Residential, subject to the non-residential customer's Customer System passing the Company inspection set forth in Section 3 above and to Customer's compliance with the remaining terms and conditions of this Agreement, Company shall pay Customer up to \$2,500 per STC rated DC kW of installed solar generating capacity of the Customer System for which completed Agreements are received and accepted by the Company and which system is operational within 180 days after application acceptance, as prorated by any de-rating for off-angle and shading that may apply by the percentages listed on the chart in Attachment B. Provided, the maximum installed solar generating capacity for any single Customer System eligible for buydown

payments hereunder shall be 100 kW DC regardless of the Customer System's actual nameplate array capacity. Prior to buydown payment under this Section 5.3, Customer shall also be required to provide Company a copy of the City or County building permit associated with the installation of the Customer System.

- 5.4 A single Customer shall not receive more than \$500,000 of buydown payments under Sections 5.1, 5.2 and 5.3 in any single calendar year.

6. SYSTEM SERVICE AND MAINTENANCE

- 6.1. Annual Inspection. *(For Options One and Three)* Company will conduct at least one inspection annually, at no cost to Customer, for each Customer System which qualified for buydown payments under Section 5 above through December 31, 2012. Said annual inspections shall commence in the year following Company's buydown payment to Customer. Customer shall provide Company with reasonable access to its Customer System to conduct said inspections.
- 6.2. Repairs. *(For Option One only; Option Three does not include maintenance).* In the event Company determines that any Customer System subsequently requires repair, Company will provide the maintenance labor for such repair at no cost to Customer through December 31, 2012. This no cost labor shall apply only to repairs resulting from normal Customer System wear and tear and shall not apply to repairs, which, in Company's sole discretion, are required to correct damage caused by Customer misuse, negligence, or abuse of the Customer System, damage caused by third parties or acts of God. Customer shall be responsible for the acquisition and the cost of any materials or parts, including shipping and handling, which Company determines in its reasonable discretion are required to perform any such repairs.
- 6.3. Status. Company performs services under this Agreement as an independent contractor, not as an employee of Customer. Nothing in this Agreement is intended to construe the existence of a partnership, joint venture, or agency relationship between Company and Customer.
- 6.4. Removal. Customer shall not remove the Customer System or any components thereof from the premises until December 31st of the 20th full calendar year following completion of the installation of the Customer System without prior written agreement of Company. If Customer removes the Customer System in violation of this provision, Customer shall immediately reimburse Company all buydown payment amounts paid by Company to Customer under Sections 5.1, 5.2 or 5.3 above.

6.5 Duration. Notwithstanding anything contained herein to the contrary, Company will continue to provide the annual inspection and normal repair labor maintenance services set forth in Sections 6.1 and 6.2 above, for so long as customer-sited renewable generation program funding is sufficient to support such services. If, in Company's sole discretion, funding levels provided for a customer-sited renewable generation program are insufficient to continue said inspection and maintenance services, Company may terminate such services. To the extent possible, Company will notify Customer no less than twelve (12) months prior to such termination. Thereafter, Company will endeavor to offer Customer the option to purchase a Customer System maintenance and inspection program from Company offering comparable services as those previously offered. In no event will any inspection and maintenance programs offered by Company extend beyond December 31, 2012.

7. **METER READING**

Once per month during the term of this Agreement, Customer shall read the Customer System solar production meter and shall report Customer's name and present meter reading to a Company voice recording device at (520) 745-3252, or by e-mail to banderson@tep.com. In December of each year, the reading should be taken on December 29, 30, or 31st as a representative end-of-the-year reading. Company reserves the right to read, at its option, the Customer System meter. Customer shall provide Company with reasonable access to its Customer System to conduct any such readings.

8. **WARRANTY**

COMPANY MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND HEREUNDER, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO ITS PERFORMANCE OF ANY SERVICES OR PROVISION OF ANY GOODS HEREUNDER.

9. **LIMITATION OF LIABILITY**

COMPANY'S ENTIRE LIABILITY ARISING OUT OF ITS PERFORMANCE UNDER THIS AGREEMENT SHALL BE LIMITED TO CLAIMS DIRECTLY ATTRIBUTABLE TO COMPANY'S GROSS NEGLIGENCE OR WILFUL MISCONDUCT. IN NO EVENT SHALL COMPANY, ITS EMPLOYEES OR AGENTS BE LIABLE TO CUSTOMER FOR LOSS OF PROFITS OR ANY OTHER SPECIAL, INDIRECT, OR CONSEQUENTIAL DAMAGE, HOWEVER CAUSED, RESULTING FROM COMPANY'S PERFORMANCE HEREUNDER.

10. **TERMINATION**

If either Party shall at any time commit any material breach of any covenant or warranty under this Agreement and shall fail to cure the same within 30 days following written notice

thereof, the non-breaching Party may terminate this Agreement, in whole or in part. This Agreement may also be terminated at any time by mutual written agreement of the Parties.

11. **MISCELLANEOUS**

- 11.1. Modification, Waiver and Severability. This Agreement may not be modified or supplemented except by written instrument signed by the Parties. No waiver of any default or breach hereof shall be deemed a waiver of any other default or breach thereof. If any part of this Agreement is declared void and/or unenforceable, such part shall be deemed severed from this Agreement which shall otherwise remain in full force and effect.
- 11.2. Assignment. This Agreement and the rights, duties, and obligations hereunder may not be assigned or delegated by any Party without the prior written consent of Company.
- 11.3. Governing Law and Venue. This Agreement shall be governed by the laws of the State of Arizona, without regard to the choice of law provisions thereof. Venue for any dispute arising hereunder shall be any court of competent jurisdiction located in Pima County, Arizona.
- 11.4. Entire Agreement. This Agreement is the final integration of the agreement between the Parties with respect to the matters covered by it and supersedes any prior understanding or agreements, oral or written, with respect thereto.
- 11.5. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same Agreement.
- 11.6. Titles and Captions. Titles or captions contained in this Agreement are inserted for convenience and for reference only and in no way define, limit, extend, or describe the scope of this Agreement or the intent of any provision hereof.
- 11.7. Expenses and Attorney's Fees. In the event of a breach or threatened breach of any term or provision of this Agreement, the non-breaching party shall be entitled to all of its remedies available at law or in equity, unless otherwise limited in this Agreement, and in addition shall be entitled to be reimbursed for all of its reasonable costs and expenses in enforcing this Agreement (if successful), including, but not limited to, reasonable attorney's fees. This section shall survive termination or expiration of this Agreement for any reason.
- 11.8. Force Majeure. Neither Party shall be liable to the other for failure to perform its obligations hereunder to the extent such failure results from causes beyond its reasonable control, including strikes, climatic conditions, acts of God,

governmental laws, regulations, orders or requirements, interruptions of power or unavailability of equipment or supplies.

- 11.9 Customer Sale of Residence. In the event Customer sells the residence (or facility in the case of a Non-Residential Customer) where the Customer installed the Customer System, Customer's successor-in-interest shall expressly assume all of Customer's obligations hereunder in writing, and this Agreement shall not be affected, nor shall Company's rights hereunder be disturbed in any way, including, without limitation, Company's continued right to all power output and credits assigned pursuant to Section 4 hereunder.
- 11.10 Notices. All notices under this Agreement shall be in writing and shall be given to the Parties thereto by personal service (including receipted confirmed facsimile), or by certified or registered mail, return receipt requested, or by recognized overnight courier service, to the Parties at the Addresses set forth below. All notices shall be deemed given upon the actual receipt thereof.

Company: Tucson Electric Power Company
PO Box 711
Tucson, Arizona 85702
Fax: (520) 571-4014
Attn: Blanka Anderson

[signatures on following page]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of _____, 200_.

TUCSON ELECTRIC POWER COMPANY

By: _____

Title: _____

CUSTOMER

By: _____

Print Name: _____

Address:

Phone: _____

Capacity Reserved: _____ **kW DC**

Date Reserved: _____

Application Process
ATTACHMENT A
System Qualifications

All solar electric generating Customer Systems must meet the following system and installation requirements to qualify for Tucson Electric Power Company's ("TEP" or the "Company") GreenWatts™ SunShare Hardware Buydown Program. Capitalized terms not defined herein shall have the meanings ascribed to them in the GreenWatts™ SunShare Program Hardware Buydown Agreement.

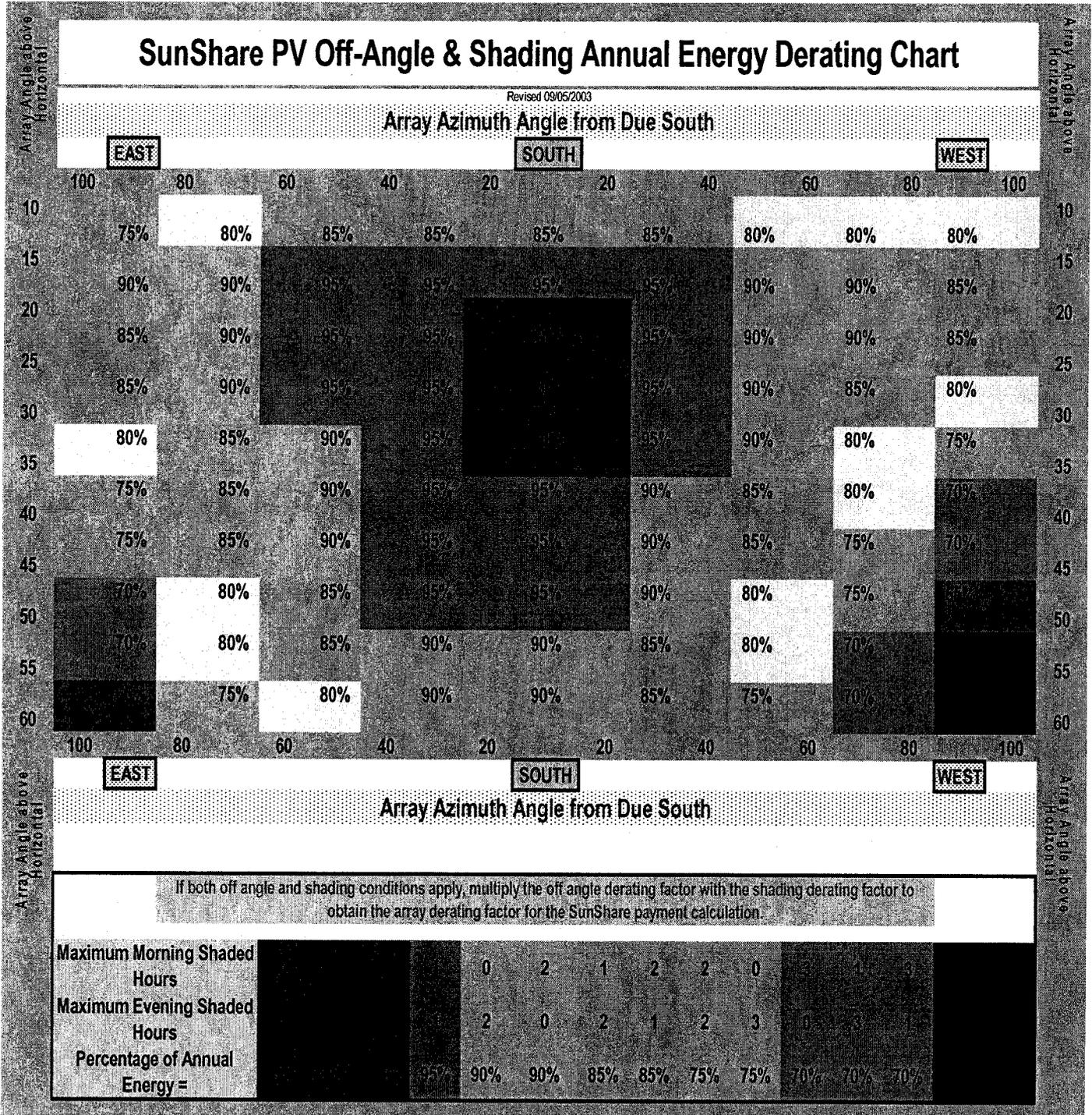
1. A Residential Customer System must have a total solar array nameplate rating of at least 1,200 watts DC and no more than 15,000 watts DC. Any Non-Residential Customer System must have a total solar array nameplate rating of more than 1,200 watts DC.
2. The Customer System components must be certified as meeting the requirements of IEEE-929 - Recommended Practice for Utility Interface of Photovoltaic Systems.
3. The Customer System components must be certified as meeting the requirements of UL-1741 - Power Conditioning Units for use in Residential Photovoltaic Power and be covered by a non-prorated manufacturer's warranty of at least two years.
4. Photovoltaic components must be certified as meeting the requirements of UL-1703 - Standard for Flat Plate Photovoltaic Modules and Panels Systems and be covered by a non-prorated manufacturer's warranty of at least 10 years.
5. The Customer System design and installation must meet all requirements of the latest edition of the National Electrical Code, including Article 690 and all grounding, conductor, raceway, overcurrent protection, disconnect and labeling requirements.
6. The Customer System and installation must meet the requirements of all federal, state and local building codes and have been successfully inspected by the building official having jurisdiction. Accordingly, the installation must be completed in accordance with the requirements of the latest edition of National Electrical Code in effect in the jurisdiction where the installation is being completed (NEC), including, without limitation, Sections 200-6, 210-6, 230-70, 240-3, 250-26, 250-50, 250-122, all of Article 690 pertaining to Solar Photovoltaic Systems, thereof, all as amended and superseded.
7. The Customer System must meet Company and Arizona Corporation Commission interconnection requirements for self-generation equipment.
8. The Customer System installation must meet the TEP Service Requirements 2000 Edition, Page 1.20, as follows:

“AN AC DISCONNECT MEANS SHALL BE PROVIDED ON ALL UNGROUNDED AC CONDUCTORS and SHALL CONSIST OF A LOCKABLE GANG OPERATED DISCONNECT CLEARLY INDICATING OPEN OR CLOSED. THE SWITCH SHALL BE VISUALLY INSPECTED TO DETERMINE THAT THE SWITCH IS OPEN. THE SWITCH SHALL BE CLEARLY LABELED STATING “DG SERVICE DISCONNECT.”

9. The Customer System photovoltaic panels and modules must face within +/- 90 degrees of real south, and be completely unshaded from three hours after sunrise to three hours before sunset. System arrays which are facing at an azimuth angle of more than 20 degrees from true south or shaded for more than one hour per day will be subject to a reduced amount of buydown payment per Attachment “B”.
10. The Customer System photovoltaic panels and modules must be fitted at an angle of 10 degrees to 60 degrees from horizontal. System arrays which are fitted with an elevation angle of less than 20 degrees or more than 35 degrees above horizontal will be subject to a reduced amount of buydown payment per Attachment “B”.
11. For Residential Customer Systems, Company will provide a meter and meter socket that will be installed in a readily accessible outdoor location by the Customer between the DC to AC converter and the connection to the overcurrent device in the Customer’s electric service panel. For Non-Residential Customer Systems, Company shall provide the meter only, to be installed in a Customer supplied meter socket to be installed in a readily accessible outdoor location by the Customer between the DC to AC converter and the connection to the overcurrent device in the Customer’s electric service panel.
12. Storage Batteries are not allowed as part of the Customer System unless the inverter is a separate component and TEP can locate the Solar Meter at the inverter’s output. If configured otherwise, battery losses will adversely reflect in the annual AC metered energy output. Customer’s solar energy generation and energy storage system must meet the requirements of 2 and 3 of this attachment.
13. Installation must have been made after January 1, 1997.
14. The Customer must be connected to the Company’s electric grid.
15. The DC to AC inverter used must provide maximum power point tracking for the full voltage and current range expected from the photovoltaic panels used and the temperature and solar insolation conditions expected in Tucson, Arizona.
16. The DC to AC inverter must be capable of adjusting to “sun splash” from all possible combinations of cloud fringe effects without interruption of electric production.

17. All Customer System installations must be completed in a professional, workmanlike and safe manner.
18. Total voltage drop on the DC and AC wiring from the furthest PV module to the AC meter will not exceed 2%.
19. PV panels and DC to AC inverter will be installed with sufficient clearance to allow for proper ventilation and cooling. At a minimum, manufacturer clearance recommendations will be observed. In no case will PV modules be mounted less than 4 inches above any surface and an additional inch of clearance for each foot of continuous array surface beyond four feet in the direction parallel to the mounting support surface.

ATTACHMENT B
SunShare PV Off-Angle & Shading Annual Energy Derating Chart



ATTACHMENT C

Supplemental Non-Residential System Qualifications

(Applicable Only for Customer Systems of Capacity Larger than 15,000 watts DC)

1. All solar electric generating Non-Residential Customer Systems must meet the following additional system and installation requirements to qualify for Tucson Electric Power Company's ("TEP" or the "Company") GreenWatts™ SunShare Hardware Buydown Program. Capitalized terms not defined herein shall have the meanings ascribed to them in the GreenWatts™ SunShare Program Hardware Buydown Agreement.
2. The Non-Residential Customer System shall be operating, substantially complete and have produced an AC output at least 75% of the total array nameplate DC rating at PTC as described below, or the SunShare buydown payment will be reduced to 1.33 times the AC output at PTC conditions.
3. Data Collection System: The Customer shall purchase and install data collection equipment (the "Data Collection System") and update Customer information systems as needed to provide a secure Internet FTP data file retrieval site where Company can retrieve daily production data files consisting of at least the following information: plane of array solar insolation in watts/M², ambient temperature in degrees F., wind speed in miles/hour and actual AC power output in watts of the total Non-Residential Customer System arrays on an average time interval not to exceed five (5) minutes for each data point throughout the day. The data generated by the Data Collection System shall be in *.XLS or *.CSV format unless otherwise agreed by the Parties. The data shall be accessible to Company via the Internet at all times unless Customer is performing network maintenance. Company should be provided notice of said planned maintenance at least 24 hours in advance or within an hour of emergency maintenance. Following execution of the Agreement, the Parties will work in good faith to define any other mutually agreeable Data Collection System needs, formats and interface points. The Data Collection System is included in and considered a part of the Non-Residential Customer System.
4. Operation, Maintenance and Repair. The Customer shall be solely responsible for the operation, maintenance and repair of the Non-Residential Customer System and any and all costs and expenses associated therewith. Company will notify Customer of all Non-Residential Customer System repairs the Company determines are reasonably necessary to support proper continued electrical production of the Non-Residential Customer System. The Customer will notify the Company within five (5) business days of its receipt of any such Company repair notice if the repair requires the installation of a new inverter and/or PV module. The Customer shall complete any such repair that affects the Non-Residential Customer System performance and does not require the purchase of a new inverter or PV module(s) within five (5) business days of the

Company's notice of the need for such repair. For any such repair that does require the purchase and installation of a new inverter and/or PV module, the Customer shall promptly commence and diligently pursue such repair to completion, provided, in no event shall such repair take more than thirty (30) days to complete. At all times while Company is receiving the environmental credits from the Non-Residential Customer System, Customer shall clean all PV modules in the Non-Residential Customer System as necessary to keep them free from foreign material that would visibly obscure the modules, including any dirt and/or oils.

5. Non-Residential Customer System Security. At all times during and after installation of the Non-Residential Customer System, the Customer shall use commercially reasonable efforts to provide adequate security to prevent damage or vandalism to the Non-Residential Customer System.
6. Company shall provide Customer with a revenue grade AC meter to be installed between the Non-Residential Customer System and the grid interconnection. This meter will not be used for billing but shall be used for any official Non-Residential Customer System production output data. Company will retain ownership of the meter and be responsible for its repair if needed.
7. The utility interactive solar generation Non-Residential Customer System shall deliver an AC output in AC watts at least equal to 75% of the total array nameplate rating in DC watts as measured at performance test conditions (PTC) of 1000 watts/m² irradiance, 68 degrees F. ambient temperature and a maximum of a 2.4 mph wind speed. The Customer will verify performance of the system with a 30 day test using a data acquisition system or make a single point measurement to determine the output of the system.
8. The Customer shall verify and demonstrate to Company the proper calibration and operation through the Data Collection System of the solar insolation sensor, the ambient temperature sensor, the wind speed sensor and the AC power meter within +/- 2% of Company independent sensor data. If performance test data is not available at PTC, the indicated AC power output of the Non-Residential Customer System will be corrected to PTC by the following formula:

$$\text{Power(PTC)} = ((\text{Power(Meter)} * (1000 / \text{SolarSensor(W/M}^2))) * (1 + (((\text{AmbientTempSensor(DegF)}) - 68) * 0.0026)))$$

(On the condition that data used in the formula is taken on a cloudless day at a solar insolation of at least 950 watts per square meter and wind speed is less than 2.4 mph)

9. Company shall have the right to challenge the accurate calibration of the sensors and Data Collection System with proper documentation demonstrating the reasons for the

challenge. The Customer shall resolve the challenged sensor or Data Collection System calibration to the satisfaction of Company prior to the data being used in the performance test being recorded.

10. Customer shall provide Company with no less than ten (10) days prior notice of any planned Customer tests to the Non-Residential Customer System. Company shall have the right to be present at any and all tests of the Non-Residential Customer System. The Customer shall provide Company notice as soon as the Non-Residential Customer System has been installed and has passed all Customer tests.
11. Customer shall provide Company with all documentation reasonably requested by Company to demonstrate to the Commission that any environmental credits transferred under the Agreement were derived from an eligible technology, that the kWh generated are accurately reported and that the environmental credits have not expired or been used by any other entity for any purpose.
12. If certified proof can not be provided of complete galvanic isolation of any and all DC from the AC output of the inverter(s) used in the Non-Residential Customer System, the Non-Residential Customer System shall include an isolation transformer installed between the inverter(s) and the grid interconnection. The transformer will be rated at full load continuous operation at 50 degrees C. at 125% of nameplate DC array rating and have an efficiency rating at nameplate DC array rating power of at least 98% as tested. The transformer will have at least one tap each of 2.5% and 5% both above and below the nominal voltage tap.

REDLINED

VERSION

GreenWatts™ SunShare Hardware Buydown Options

As a part of our commitment to developing renewable resources, Tucson Electric Power Company ("TEP" or the "Company") is proposing to offer our customers an attractive solar electric program. Our goal is to create a program that will provide an affordable, environmentally sensitive solar electric generation system to supplement the customer's electricity needs currently serviced by TEP. While the installation of the supplemental solar electric generating system requires remaining connected to the TEP system, a solar electric system properly matched to a customer's electric use can provide a reduction in electric bills, by using the renewable resources of the sun. The program is named SunShare to reflect our commitment to share the cost of developing solar electric generators with our customers by reducing the cost of photovoltaic systems.

The SunShare Program was approved by the Arizona Corporation Commission ("Commission") for 2004, 2005 and 2006 and will expire on December 31, 2006. At this time, TEP ~~is will be~~ extending the program with Commission approval (covering Options One and Three only) through December 31, 2007, or until such time as a Commission approved TEP proposed Uniform Credit Purchase Program ("UCPP") is implemented, whichever occurs first. Option Two ~~will expires~~ in its entirety on December 31, 2006, and will not be part of the 2007 program offerings.

Option One - Residential: A direct hardware buydown program for residential PV installations. TEP will pay the owner of a qualifying solar electric system up to \$2,000 per AC kW of qualifying, proven, installed solar generating capacity installed and operational within 180 days after TEP accepts the owner's application to participate in the program. The system must meet all qualifications listed in Attachment A "System Qualifications", and Attachment B "SunShare PV Off-Angle & Shading Annual Energy Derating Chart". These attachments can be found in the SunShare Hardware Buydown Agreement (the "Hardware Buydown Agreement"). Additionally, the owner must sign an agreement assigning rights to the full electrical output and all associated environmental credits to TEP through December 31st of the 20th full calendar year after completion of the installation of the solar generation system. TEP will return the electric output to the owner at no cost. In addition, while funding under the Commission's Environmental Portfolio Standard ("EPS") is sufficient, TEP will provide an annual service inspection and normal system repair labor, as defined in the Hardware Buydown Agreement, at no charge through the end of 2012. The owner will be responsible for the cost of repair materials and shipping if required.

Under Option One, the owner can install any solar electric generating system that meets the qualifications set forth in the preceding paragraph. The owner may be able to use Arizona and Federal income tax credits of up to \$13,000 to further reduce the initial cost of the system. TEP will determine by actual test, or from historical data from

previous tests, the AC output capacity of the solar electric system. The hardware buydown payment will be determined from the result of that test, as adjusted to PVUSA Test Conditions ("PTC") for temperature, solar insolation, shading factors and level of compliance with Attachment B of the Hardware Buydown Agreement. Testing will include PV array DC voltage tracking performed by the inverter at or extrapolated to summer ambient temperatures.

~~**Option Two: Not available after December 31, 2006.** A hardware purchase and direct hardware buydown credit program that includes all elements of Option One, and includes solar materials specified and purchased by TEP for resale to the customer. The installed system must meet all qualifications listed in Attachment A "System Qualifications" and is subject to the derating of Attachment B "SunShare PV Off-Angle & Shading Annual Energy Derating Chart", both of which are attached to the Hardware Buydown Agreement. The owner must sign an agreement assigning rights to the electrical output and all associated environmental credits to TEP. TEP will return the electric output to the owner at no cost. In addition, while funding under the EPS is sufficient, TEP will provide an annual service inspection and normal system repair labor as defined in the Hardware Buydown Agreement at no charge. The owner will be responsible for the cost of repair materials and shipping if required.~~

~~Each nominal 1kW capacity system sold by TEP will include: photovoltaic panels, simple support system, DC to AC inverter, meter and meter socket, and standard interconnection design documentation. Provided all remaining system installation qualification requirements are fully met, the hardware buydown credit to the owner would be \$2,000 as reduced by applying the appropriate prorating factor from Attachment B for each nominal 1 kW system up to a total of \$20,000 for 10 systems. This credit will be applied to the \$6,000 purchase price of each system. TEP is limited to selling no more than ten (10) 1 kWac kits to one customer. These system kits are designed in a simple "cookie cutter" configuration and while not suitable for all homes or commercial applications, should provide an inexpensive solar electric installation for most residential owners. The owner may be able to utilize Arizona income tax credits of up to \$1,000 or Federal Energy Investment tax credits to further reduce the initial cost of the system.~~

~~Option Two is only available to qualifying residential customers in TEP's service area. In addition, Option Two will only be offered to all residential customers through December 31, 2006, or until the available supply of Option Two equipment is fully committed, whichever occurs first.~~

Option Three - Residential: A direct residential hardware buydown program. TEP will pay the owner of a qualifying solar electric system up to \$3,000 per Manufacturer's rated DC kW at Standard Test Conditions ("STC") of qualifying, proven, installed solar generating capacity for all systems installed and operational within 180 days after TEP accepts the owner's application to participate in the program. The system must meet all qualifications listed in Attachment A, "System Qualifications", and Attachment B "SunShare PV Off-Angle & Shading Annual Energy Derating Chart",

of the Hardware Buydown Agreement. Additionally, the owner must sign an agreement assigning rights to the full electrical output and all associated environmental credits to TEP through December 31st of the 20th full calendar year after completion of the installation of the solar generation system, 2020. TEP will return the electric output to the owner at no cost. Since the Option Three - Residential buydown is based on the DC array rating, no maintenance will be provided. The program is limited to subsidizing up to a combined amount of 360 kW of solar capacity in 2006 and up to 800 kW of solar capacity in 2007 of all three Options. Once the annual subsidized maximum solar capacity is reached, TEP will apply subsequent applications to the next year program at the subsidy level appropriate for that year.

Under Option Three - Residential, the owner can install any solar electric generating system that meets the qualifications set forth in the preceding paragraph. The owner may be able to use Arizona and Federal income tax credits of up to \$34,000 to further reduce the initial cost of the system.

Option Three - Non-Residential: A direct non-residential hardware buydown program. TEP will pay the owner of a qualified solar electric system up to \$2,500 per Manufacturer's rated DC kW at STC of qualifying, proven, installed solar generating capacity up to a maximum of 100,000 watts DC for all systems installed and operational within 180 days after TEP accepts the owner's application to participate in the program. The system must meet all qualifications listed in Attachment A "System Qualifications", Attachment B "SunShare PV Off-Angle & Shading Annual Energy Derating Chart" and Attachment C "Supplemental Non-Residential System Qualifications", of the Hardware Buydown Agreement. Additionally, the owner must sign an agreement assigning rights to the full electrical output and all associated environmental credits to TEP through December 31st of the 20th full calendar year after completion of the installation of the solar generation system. TEP will return the electric output to the owner at no cost. Since the Option Three - Non-Residential buydown is based on the DC array rating, no maintenance will be provided.

Under Option Three - Non-Residential, the owner can install any solar electric generating system that meets the qualifications set forth in the preceding paragraph. The owner may be able to use Arizona and Federal income tax credits to further reduce the initial cost of the system.

Scope

All three options are limited in scope. Total rReservations for buydown payments are limited to 360 kW of solar electric capacity in 2006 and 800 kW DC of installed solar capacity in 2007 and an additional 800 kW DC in 2008. Once the maximum solar capacity subsidy is reached in a given calendar year, TEP will apply subsequent applications to the reservation quota for the next year at the subsidy level appropriate for that year. The SunShare Program will expire on December 31, 20087, or at such time as a TEP proposed UCPP is approved by the Commission, whichever occurs first.

Although qualifying Non-Residential solar generating systems can have a nameplate array capacity greater than 100 kW DC, the buydown payment will only apply to a maximum of 100 kW DC of any given installation.

Inspection

The free annual inspections offered for Option One, Option Three – Residential and Option Three – Non-Residential, and the normal repair labor maintenance program offered for Option One by TEP in Options One, Two and Three (inspection only) are dependent upon the sufficiency of funding provided under the EPS. While a customer-sited renewable generation the EPS program is expected to be fully funded through the end of the year 2012, it could be changed by the Commission in the future. If funding levels provided become under the EPS are insufficient to continue the maintenance and inspection program, TEP, to the extent possible, will notify all maintenance program participants at least 12 months prior to the free program's termination. Thereafter, TEP will endeavor to offer customers the option to purchase a Customer System maintenance and inspection program from the Company offering services comparable to those previously offered. In all cases, the free or paid maintenance and inspection programs offered by TEP would terminate at the end of 2012.

Meter Reading

TEP would like to have active owner participation continue throughout the SunShare Program. It will be the responsibility of the owner of the solar electric system to read the solar production meter once each month and report the reading to a voice recording device at (520) 745-3252, or by e-mailing banderson@tep.com in some other format as specified by the Company. Owners are required to report their name, meter number, and present meter reading. The December meter reading should be taken on December 29, 30, or 31st as a representative end of year reading. TEP reserves the right to also read the meter at its option. Monthly readings will be used to monitor system performance and anticipate service requirements. Thus reporting meter readings is to the benefit of all parties.

Qualifications

Option One and Option Three – Residential system requirements are set forth in See Attachment A and Attachment B to, “System Qualifications” in the Hardware Buydown Agreement.

Option Three – Non-Residential system requirements are set forth in Attachment A, Attachment B, and Attachment C to the Hardware Buydown Agreement.

GreenWatts™ SunShare Program Hardware Buydown Agreement

This GreenWatts™ SunShare Program Hardware Buydown Agreement (the "Agreement") is hereby made and entered into this _____ day of _____, 200_, by and between Tucson Electric Power Company, an Arizona corporation ("Company"), and _____, ("Customer"). Company and Customer may be referred to individually herein as a "Party" or collectively as the "Parties."

RECITALS

A. Company desires to increase the number of solar electricity generation facilities and the consumption of solar electricity within its service territory, while concurrently reducing the cost of solar electric generation systems for its customers. In support of these objectives and to further Company's continuing commitment to develop and encourage the use of renewable energy resources, Company has implemented a program to provide financial incentives to its customers to install solar generating equipment (the "SunShare Program"). The SunShare Program was developed under GreenWatts™, the Company's existing renewable energy program; and

B. Company desires for Customer to participate in the SunShare Program and Customer desires to so participate under the terms and conditions contained in this Agreement.

NOW, THEREFORE, in consideration of these premises and of the mutual promises herein contained, Company and Customer hereby agree as follows:

AGREEMENT

1. BUYDOWN PROGRAM OPTIONS

Customer may elect to participate in the SunShare Program under one of the following options:

1.1 Option One: Third Party System

1.1.1 System. Under Option One, Customer shall purchase a solar generating system from any third party of Customer's choice ("~~Third Party~~Customer System"). However, ~~to~~ qualify under the SunShare Program, any such ~~Third Party~~Customer System must comply with all requirements set forth in Attachment A "System Qualifications" and Attachment B "SunShare PV Off-Angle & Shading Annual Energy Derating Chart", both of which are attached hereto and incorporated herein.

1.1.2 Buydown. Under Option One, Customer buydown and Company credits shall be based on the system's AC kW output under PVUSA Test Conditions ("PTC"), as explained in Section 5 below.

1.2 Option Two: Company System

~~1.2.1 System Purchase. Under Option Two, Customer shall purchase from Company a solar electric material kit which shall include photovoltaic panels, a simple support system, a DC to AC inverter, a meter, a meter socket, and standard interconnection design documentation ("Company System"). For the purpose of this Agreement, "Customer System" may be used to collectively refer to Third Party Systems and Company Systems. The components of any such Company System will meet applicable system qualification requirements set forth in Attachment A and Attachment B hereto. The Company System will be available in nominal 1 kWac capacity size when technically and economically feasible at Company's sole discretion.~~

~~1.2.2 Purchase Price. Company shall endeavor to sell each 1 kWac system kit for no more than \$4,000, after application of the Buydown Credit set forth in Section 5.2 below. Company is limited to selling no more than ten (10) 1 kWac kits to one customer. Customer shall be responsible for payment of all taxes, fees, contributions or other charges applicable to the purchase of each Company System. Company will invoice Customer for each Company System sold pursuant to this Agreement, which invoice will contain the specific terms and conditions of such sale.~~

~~1.2.3 Company System Warranties. In the event Company receives a warranty from the manufacturer for any components of a Company System purchased by Customer, Company shall promptly transfer such warranty to Customer to the extent possible.~~

1.23 Option Three: Third Party System

~~1.3-11.2.1 System. Under Option Three, Customer shall purchase a Third Party Customer System. However, ~~t~~To qualify under the SunShare Program, any such Third Party Customer System must comply with all requirements set forth in Attachment A and Attachment B hereto. Further, if the Customer System is for a Non-Residential Customer, the Customer System must also comply with Attachment C attached hereto. For the purpose of this Agreement, a "Non-Residential Customer" means any Company grid connected Customer not taking electrical service from Company under a residential class rate or tariff.~~

~~1.3-21.2.2 Buydown. Under Option Three, Customer buydown and Company credits shall be based on the Third Party Customer System's manufacturer's nameplate rated DC kW output based on Standard Test Conditions ("STC"), as explained in Section 5 below.~~

~~4.3.31.2.3~~ Maintenance. Company shall not provide maintenance under Option Three.

2. SYSTEM INSTALLATION

To qualify for participation in the SunShare Program, all Customer Systems installed under ~~Options One, Two or Three~~ above shall be installed by or on behalf of Customer in accordance with the requirements set forth in Attachment A, including, without limitation, a proper interconnection with Company's existing power grid. In addition, if the Customer System is for a Non-Residential Customer, the installation must also be made in accordance with Attachment C. Customer shall be solely responsible for the installation of the Customer System, including all costs and expenses associated therewith.

3. SYSTEM INSPECTION

Following installation of Customer's System, Company shall inspect the Customer System for compliance with the applicable requirements set forth in Attachment A, ~~and Attachment B, and if a Non-Residential Customer, with Attachment C~~ hereto. If the Customer System or installation is found to be not in compliance for any reason, Company will notify Customer of the deficiencies causing the noncompliance. Company will have no further obligations under this Agreement until all such deficiencies are remedied by Customer to Company's reasonable satisfaction. ~~Customer shall install any Company System in compliance with the requirements set forth herein within one hundred twenty (120) days of Customer's receipt of the Company System. In the event Customer fails to properly install the Company System within 120 days, Customer shall be required to immediately refund any Buydown Credit granted to Customer towards the purchase of the Company System as set forth herein. Any amounts owing under this Section 3 shall be paid by Customer to Company within 30 days following the expiration of the 120-day installation period.~~

4. SYSTEM ELECTRICAL OUTPUT

Customer hereby assigns to Company all of its rights to all electrical output of the Customer System and all associated environmental credits, specifically including those created under the Arizona Corporation Commission's Environmental Portfolio Standard Program (the "EPS"), which may result from the installation and use of the Customer System. Company will thereafter return any and all such electric output to the Customer at no cost to Customer. Company's right to Customer's power output and credits assigned hereunder shall continue until December 31st of the 20th full calendar year after completion of the installation of the Customer System, 2012, (December 31, 2020, if an Option Three Customer System) and shall survive any termination of this Agreement.

5. HARDWARE BUYDOWN AND CREDIT

5.1. Option One - Residential. Under Option One, subject to the Customer's System passing the Company inspection set forth in Section 3 above and to Customer's compliance with the remaining terms and conditions of this Agreement, Company shall pay Customer \$2,000 per AC kW of installed solar generating capacity of the

Third Party Customer System for which completed Agreements are received and accepted by the Company and which system is operational within 180 days after application acceptance, as prorated by any de-rating for off-angle and shading that may apply by the percentages listed on the chart in Attachment B. The Third Party Customer System's AC kW of installed solar generating capacity shall be determined by Company following Company's receipt of a copy of the City or County building permit associated with the installation of the Customer System, successful Customer System inspection and determination of the level of compliance with Attachment B. To ensure accurate test results, Company shall correct mathematically to accommodate for a PSTCs of 6877 degrees Fahrenheit ambient temperature, 1,000 Watts/meter squared solar insolation, 2.4 MPH wind speed, and shading factors in conducting such AC kWh testing. Any amounts determined to be owed under this section 5.1 shall be paid by Company to Customer within 30 days following the Company's completion of AC kWh testing hereunder.

~~5.2. Option Two. Depending on level of compliance with Attachment B, Company will apply a Buydown Credit of up to \$2,000 to the \$6,000 purchase price of each 1 kW Company System. This offer is limited to ten (10) 1 kWac systems per customer. The \$2,000 Buydown Credit will be prorated by any de-rating for off-angle and shading that may apply by the percentages listed on the chart in Attachment B.~~

5.23 Option Three - Residential. Under Option Three - Residential, subject to the residential customer's Customer's System passing the Company inspection set forth in Section 3 above and to Customer's compliance with the remaining terms and conditions of this Agreement, Company shall pay Customer up to \$3,000 per STC rated DC kW of installed solar generating capacity of the Third Party Customer System for which completed SunShare Agreements and City/County building permits are received and accepted by Company and which system is operational within 180 days after application acceptance. Payment derating for off-angle and shading shall apply by the percentages listed on Attachment B.

5.3 Option Three - Non-Residential. Under Option Three - Non-Residential, subject to the non-residential customer's Customer System passing the Company inspection set forth in Section 3 above and to Customer's compliance with the remaining terms and conditions of this Agreement, Company shall pay Customer up to \$2,500 per STC rated DC kW of installed solar generating capacity of the Customer System for which completed Agreements are received and accepted by the Company and which system is operational within 180 days after application acceptance, as prorated by any de-rating for off-angle and shading that may apply by the percentages listed on the chart in Attachment B. Provided, the maximum installed solar generating capacity for any single Customer System eligible for buydown payments hereunder shall be 100 kW DC regardless of the Customer System's actual nameplate array capacity. Prior to buydown payment under this Section 5.3,

Customer shall also be required to provide Company a copy of the City or County building permit associated with the installation of the Customer System.

5.4 A single Customer shall not receive more than \$500,000 of buydown payments under Sections 5.1, 5.2 and 5.3 in any single calendar year.

6. SYSTEM SERVICE AND MAINTENANCE

6.1. Annual Inspection. *(For Options One, Two and Three)* Company will conduct at least one inspection annually, at no cost to Customer, for each Customer System which qualified for buydown payments under Section 5 above through December 31, 2012. Said annual inspections shall commence in the year following Company's buydown payment to Customer. Customer shall provide Company with reasonable access to its Customer System to conduct said inspections.

6.2 Repairs. *(For Options One and Two only; Option Three does not include maintenance).* In the event Company determines that any Customer System subsequently requires repair, Company will provide the maintenance labor for such repair at no cost to Customer through December 31, 2012. This no cost labor shall apply only to repairs resulting from normal Customer System wear and tear and shall not apply to repairs, which, in Company's sole discretion, are required to correct damage caused by Customer misuse, negligence, or abuse of the Customer System, damage caused by third parties or acts of God. Customer shall be responsible for the acquisition and the cost of any materials or parts, including shipping and handling, which Company determines in its reasonable discretion are required to perform any such repairs.

6.3 Status. Company performs ~~this services~~ under this Agreement as an independent contractor, not as an employee of Customer. Nothing in this Agreement is intended to construe the existence of a partnership, joint venture, or agency relationship between Company and Customer.

6.4 Removal. Customer shall not remove the Customer System or any components thereof from the premises until December 31st of the 20th full calendar year following completion of the installation of the Customer System, 2012, (December 31, 2020, if an Option Three system) without prior written express agreement of Company. If Customer removes the Customer System in violation of this provision, Customer shall immediately reimburse Company all ~~Hardware~~ Buydown payment and/or Buydown Credit amounts paid by Company to Customer under Sections 5.1, 5.2 or 5.3 hereunderabove.

6.5 Duration. Notwithstanding anything contained herein to the contrary, Company will continue to provide the annual inspection and normal repair labor maintenance services set forth in Sections 6.1 and 6.2 above, for so long as customer-sited renewable generation program ~~EPS~~ funding is sufficient to support such services. If, in Company's sole discretion, funding levels provided for a customer-sited renewable generation program ~~under the EPS~~ are insufficient to continue said inspection and maintenance services, Company may terminate such services. To the extent possible, Company will notify Customer no less than twelve (12) months prior to such termination. Thereafter, Company will endeavor to offer Customer the option to purchase a Customer System maintenance and inspection program from Company offering comparable services as those previously offered. In no event will any inspection and maintenance programs offered by Company extend beyond December 31, 2012.

7. **METER READING**

Once per month during the term of this Agreement, Customer shall read the Customer System solar production meter and shall report Customer's name, ~~meter number,~~ and present meter reading to a Company voice recording device at (520) 745-3252, or by e-mail to banderson@tep.com ~~in some other format as specified by Company~~. In December of each year, the reading should be taken on December 29, 30, or 31st as a representative end-of-the-year reading. Company reserves the right to read, at its option, the Customer System meter. Customer shall provide Company with reasonable access to its Customer System to conduct any such readings.

8. **WARRANTY**

COMPANY MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND HEREUNDER, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO ITS PERFORMANCE OF ANY SERVICES OR PROVISION OF ANY GOODS HEREUNDER.

9. **LIMITATION OF LIABILITY**

COMPANY'S ENTIRE LIABILITY ARISING OUT OF ITS PERFORMANCE UNDER THIS AGREEMENT SHALL BE LIMITED TO CLAIMS DIRECTLY ATTRIBUTABLE TO COMPANY'S GROSS NEGLIGENCE OR WILFUL MISCONDUCT. IN NO EVENT SHALL COMPANY, ITS EMPLOYEES OR AGENTS BE LIABLE TO CUSTOMER FOR LOSS OF PROFITS OR ANY OTHER SPECIAL, INDIRECT, OR CONSEQUENTIAL DAMAGE, HOWEVER CAUSED, RESULTING FROM COMPANY'S PERFORMANCE HEREUNDER.

10. **TERMINATION**

If either Party shall at any time commit any material breach of any covenant or warranty under this Agreement and shall fail to cure the same within 30 days following written notice

thereof, the non-breaching Party may terminate this Agreement, in whole or in part. This Agreement may also be terminated at any time by mutual written agreement of the Parties.

11. MISCELLANEOUS

- 11.1. Modification, Waiver and Severability. This Agreement may not be modified or supplemented except by written instrument signed by the Parties. No waiver of any default or breach hereof shall be deemed a waiver of any other default or breach thereof. If any part of this Agreement is declared void and/or unenforceable, such part shall be deemed severed from this Agreement which shall otherwise remain in full force and effect.
- 11.2. Assignment. This Agreement and the rights, duties, and obligations hereunder may not be assigned or delegated by any Party without the prior written consent of Company.
- 11.3. Governing Law and Venue. This Agreement shall be governed by the laws of the State of Arizona, without regard to the choice of law provisions thereof. Venue for any dispute arising hereunder shall be any court of competent jurisdiction located in Pima County, Arizona.
- 11.4. Entire Agreement. This Agreement is the final integration of the agreement between the Parties with respect to the matters covered by it and supersedes any prior understanding or agreements, oral or written, with respect thereto.
- 11.5. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same Agreement.
- 11.6. Titles and Captions. Titles or captions contained in this Agreement are inserted for convenience and for reference only and in no way define, limit, extend, or describe the scope of this Agreement or the intent of any provision hereof.
- 11.7. Expenses and Attorney's Fees. In the event of a breach or threatened breach of any term or provision of this Agreement, the non-breaching party shall be entitled to all of its remedies available at law or in equity, unless otherwise limited in this Agreement, and in addition shall be entitled to be reimbursed for all of its reasonable costs and expenses in enforcing this Agreement (if successful), including, but not limited to, reasonable attorney's fees. This section shall survive termination or expiration of this Agreement for any reason.
- 11.8. Force Majeure. Neither Party shall be liable to the other for failure to perform its obligations hereunder to the extent such failure results from causes beyond its reasonable control, including strikes, climatic conditions, acts of God,

governmental laws, regulations, orders or requirements, interruptions of power or unavailability of equipment or supplies.

- 11.9 Customer Sale of Residence. In the event Customer sells the residence (or facility in the case of a Non-Residential Customer) where ~~for which~~ the Customer installed the Customer System, Customer's successor-in-interest shall expressly assume all of Customer's obligations hereunder in writing, and this Agreement shall not be affected, nor shall Company's rights hereunder be disturbed in any way, including, without limitation, Company's continued right to all power output and credits assigned pursuant to Section 4 hereunder.
- 11.10 Notices. All notices under this Agreement shall be in writing and shall be given to the Parties thereto by personal service (including receipted confirmed facsimile), or by certified or registered mail, return receipt requested, or by recognized overnight courier service, to the Parties at the Addresses set forth below. All notices shall be deemed given upon the actual receipt thereof.

_____ **Company:** _____ **Tucson Electric Power Company**
PO Box 711
Tucson, Arizona 85702
Fax: (520) 571-4014
Attn: Blanka Anderson

[signatures on following page]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of _____, 200__.

TUCSON ELECTRIC POWER COMPANY

By: _____

Title: _____

CUSTOMER

By: _____

Print Name: _____

Address:

Phone: _____

Capacity Reserved: _____ **kW DC**

Date Reserved: _____

Application Process
ATTACHMENT A
System Qualifications

All solar electric generating Customer Systems must meet the following system and installation requirements to qualify for Tucson Electric Power Company's ("TEP" or the "Company") GreenWatts™ SunShare Hardware Buydown Program. Capitalized terms not defined herein shall have the meanings ascribed to them in the GreenWatts™ SunShare Program Hardware Buydown Agreement.

1. A Residential Customer System must have a total solar array nameplate rating of produce at least 1,2800 watts DAC and no more than 150,000 watts DAC at noon as corrected to PTC for temperature and solar insolation over a one-year cycle. Any Non-Residential Customer System must have a total solar array nameplate rating of more than 1,200 watts DC.
2. The Customer System components must be certified as meeting the requirements of IEEE-929 - Recommended Practice for Utility Interface of Photovoltaic Systems.
3. The Customer System components must be certified as meeting the requirements of UL-1741 - Power Conditioning Units for use in Residential Photovoltaic Power and be covered by a non-prorated manufacturer's warranty of at least two years.
4. Photovoltaic components must be certified as meeting the requirements of UL-1703 - Standard for Flat Plate Photovoltaic Modules and Panels Systems and be covered by a non-prorated manufacturer's warranty of at least 10 years.
5. The Customer System design and installation must meet all requirements of the latest edition of the National Electrical Code, including Article 690 and all grounding, conductor, raceway, overcurrent protection, disconnect and labeling requirements.
6. The Customer System and installation must meet the requirements of all federal, state and local building codes and have been successfully inspected by the building official having jurisdiction. Accordingly, the installation must be completed in accordance with the requirements of the latest edition of National Electrical Code in effect in the jurisdiction where the installation is being completed (NEC), including, without limitation, Sections 200-6, 210-6, 230-70, 240-3, 250-26, 250-50, 250-122, all of Article 690 pertaining to Solar Photovoltaic Systems, thereof, all as amended and superseded.
7. The Customer System must meet Company and Arizona Corporation Commission interconnection requirements for self-generation equipment.

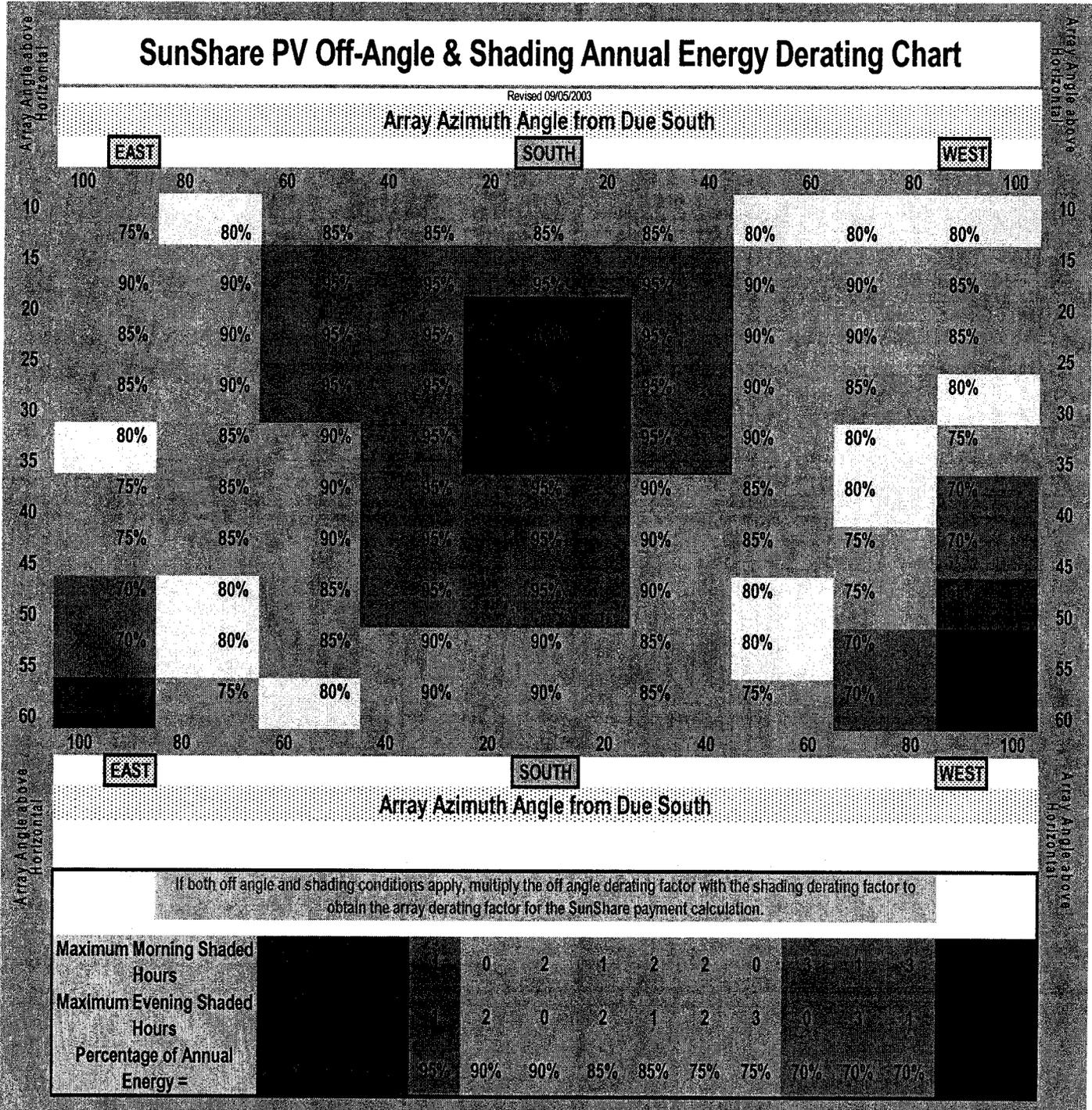
8. The Customer System installation must meet the TEP Service Requirements 2000 Edition, Page 1.20, as follows:

“AN AC DISCONNECT MEANS SHALL BE PROVIDED ON ALL UNGROUNDED AC CONDUCTORS and SHALL CONSIST OF A LOCKABLE GANG OPERATED DISCONNECT CLEARLY INDICATING OPEN OR CLOSED. THE SWITCH SHALL BE VISUALLY INSPECTED TO DETERMINE THAT THE SWITCH IS OPEN. THE SWITCH SHALL BE CLEARLY LABELED STATING “DG SERVICE DISCONNECT.”

9. The Customer System photovoltaic panels and modules must face within +/- 90 degrees of real south, and be completely unshaded from three hours after sunrise to three hours before sunset. System arrays which are facing at an azimuth angle of more than 20 degrees from true south or shaded for more than one hour per day will be subject to a reduced amount of buydown payment per Attachment “B”.
10. The Customer System photovoltaic panels and modules must be fitted at an angle of 10 degrees to 60 degrees from horizontal. System arrays which are fitted with an elevation angle of less than 20 degrees or more than 35 degrees above horizontal will be subject to a reduced amount of buydown payment per Attachment “B”.
11. For Residential Customer Systems, Company will provide a meter and meter socket that will be installed in a readily accessible outdoor location by the Customer between the DC to AC converter and the connection to the overcurrent device in the Customer’s electric service panel. For Non-Residential Customer Systems, Company shall provide the meter only, to be installed in a Customer supplied meter socket to be installed in a readily accessible outdoor location by the Customer between the DC to AC converter and the connection to the overcurrent device in the Customer’s electric service panel.
12. Storage Batteries are not allowed as part of the Customer System unless the inverter is a separate component and TEP can locate the Solar Meter at the inverter’s output. If configured otherwise, battery losses will adversely reflect in the -as they would reduce the annual AC metered energypower output. Customer’s solar energy generation and energy storage system must meet the requirements of 2 and 3 of this attachment. Company offers a net metering option, Rate PRS-101-3.b.III, which credits the Customer with the energy sent into the grid on a kWh basis.
13. Installation must have been made after January 1, 1997.
14. The Customer must be connected to the Company’s electric grid.

15. The DC to AC inverter used must provide maximum power point tracking for the full voltage and current range expected from the photovoltaic panels used and the temperature and solar insolation conditions expected in Tucson, Arizona.
16. The DC to AC inverter must be capable of adjusting to "sun splash" from all possible combinations of cloud fringe effects without interruption of electric production.
17. All Customer System installations must be completed in a professional, workmanlike and safe manner.
18. Total voltage drop on the DC and AC wiring from the furthest PV module to the AC meter will not exceed 2%.
19. PV panels and DC to AC inverter will be installed with sufficient clearance to allow for proper ventilation and cooling. At a minimum, manufacturer clearance recommendations will be observed, ~~but in no case will~~ PV modules be mounted less than 4 inches above any surface and an additional inch of clearance for each foot of continuous array surface beyond four feet in the direction parallel to the mounting support surface.

ATTACHMENT B
 SunShare PV Off-Angle & Shading Annual Energy Derating Chart



ATTACHMENT C
Supplemental Non-Residential System Qualifications
(Applicable Only for Customer Systems of Capacity Larger than 15,000 watts DC)

1. All solar electric generating Non-Residential Customer Systems must meet the following additional system and installation requirements to qualify for Tucson Electric Power Company's ("TEP" or the "Company") GreenWatts™ SunShare Hardware Buydown Program. Capitalized terms not defined herein shall have the meanings ascribed to them in the GreenWatts™ SunShare Program Hardware Buydown Agreement.
2. The Non-Residential Customer System shall be operating, substantially complete and have produced an AC output at least 75% of the total array nameplate DC rating at PTC as described below, or the SunShare buydown payment will be reduced to 1.33 times the AC output at PTC conditions.
3. Data Collection System: The Customer shall purchase and install data collection equipment (the "Data Collection System") and update Customer information systems as needed to provide a secure Internet FTP data file retrieval site where Company can retrieve daily production data files consisting of at least the following information: plane of array solar insolation in watts/M², ambient temperature in degrees F., wind speed in miles/hour and actual AC power output in watts of the total Non-Residential Customer System arrays on an average time interval not to exceed five (5) minutes for each data point throughout the day. The data generated by the Data Collection System shall be in *.XLS or *.CSV format unless otherwise agreed by the Parties. The data shall be accessible to Company via the Internet at all times unless Customer is performing network maintenance. Company should be provided notice of said planned maintenance at least 24 hours in advance or within an hour of emergency maintenance. Following execution of the Agreement, the Parties will work in good faith to define any other mutually agreeable Data Collection System needs, formats and interface points. The Data Collection System is included in and considered a part of the Non-Residential Customer System.
4. Operation, Maintenance and Repair. The Customer shall be solely responsible for the operation, maintenance and repair of the Non-Residential Customer System and any and all costs and expenses associated therewith. Company will notify Customer of all Non-Residential Customer System repairs the Company determines are reasonably necessary to support proper continued electrical production of the Non-Residential Customer System. The Customer will notify the Company within five (5) business days of its receipt of any such Company repair notice if the repair requires the installation of a new inverter and/or PV module. The Customer shall complete any such repair that affects the Non-Residential Customer System performance and does not require the purchase of a new inverter or PV module(s) within five (5) business days of the

Company's notice of the need for such repair. For any such repair that does require the purchase and installation of a new inverter and/or PV module, the Customer shall promptly commence and diligently pursue such repair to completion, provided, in no event shall such repair take more than thirty (30) days to complete. At all times while Company is receiving the environmental credits from the Non-Residential Customer System, Customer shall clean all PV modules in the Non-Residential Customer System as necessary to keep them free from foreign material that would visibly obscure the modules, including any dirt and/or oils.

5. Non-Residential Customer System Security. At all times during and after installation of the Non-Residential Customer System, the Customer shall use commercially reasonable efforts to provide adequate security to prevent damage or vandalism to the Non-Residential Customer System.
6. Company shall provide Customer with a revenue grade AC meter to be installed between the Non-Residential Customer System and the grid interconnection. This meter will not be used for billing but shall be used for any official Non-Residential Customer System production output data. Company will retain ownership of the meter and be responsible for its repair if needed.
7. The utility interactive solar generation Non-Residential Customer System shall deliver an AC output in AC watts at least equal to 75% of the total array nameplate rating in DC watts as measured at performance test conditions (PTC) of 1000 watts/m² irradiance, 68 degrees F. ambient temperature and a maximum of a 2.4 mph wind speed. The Customer will verify performance of the system with a 30 day test using a data acquisition system or make a single point measurement to determine the output of the system.
8. The Customer shall verify and demonstrate to Company the proper calibration and operation through the Data Collection System of the solar insolation sensor, the ambient temperature sensor, the wind speed sensor and the AC power meter within +/- 2% of Company independent sensor data. If performance test data is not available at PTC, the indicated AC power output of the Non-Residential Customer System will be corrected to PTC by the following formula:

$$\text{Power(PTC)} = \frac{\text{Power(Meter)} \times (1000 / \text{SolarSensor(W/M}^2))}{1 + (((\text{AmbientTempSensor(DegF)} - 68) \times 0.0026))}$$

(On the condition that data used in the formula is taken on a cloudless day at a solar insolation of at least 950 watts per square meter and wind speed is less than 2.4 mph)

9. Company shall have the right to challenge the accurate calibration of the sensors and Data Collection System with proper documentation demonstrating the reasons for the

challenge. The Customer shall resolve the challenged sensor or Data Collection System calibration to the satisfaction of Company prior to the data being used in the performance test being recorded.

10. Customer shall provide Company with no less than ten (10) days prior notice of any planned Customer tests to the Non-Residential Customer System. Company shall have the right to be present at any and all tests of the Non-Residential Customer System. The Customer shall provide Company notice as soon as the Non-Residential Customer System has been installed and has passed all Customer tests.

11. Customer shall provide Company with all documentation reasonably requested by Company to demonstrate to the Commission that any environmental credits transferred under the Agreement were derived from an eligible technology, that the kWh generated are accurately reported and that the environmental credits have not expired or been used by any other entity for any purpose.

12. If certified proof can not be provided of complete galvanic isolation of any and all DC from the AC output of the inverter(s) used in the Non-Residential Customer System, the Non-Residential Customer System shall include an isolation transformer installed between the inverter(s) and the grid interconnection. The transformer will be rated at full load continuous operation at 50 degrees C. at 125% of nameplate DC array rating and have an efficiency rating at nameplate DC array rating power of at least 98% as tested. The transformer will have at least one tap each of 2.5% and 5% both above and below the nominal voltage tap.

ATTACHMENT C
Supplemental Non-Residential System Qualifications
(Applicable Only for Customer Systems of Capacity Larger than 15,000 watts DC)

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4. Operation, Maintenance and Repair. The Customer shall be solely responsible for the operation, maintenance and repair of the Non-Residential Customer System and any and all costs and expenses associated therewith. Company will notify Customer of all Non-Residential Customer System repairs the Company determines are reasonably necessary to support proper continued electrical production of the Non-Residential Customer System. The Customer will notify the Company within five (5) business days of its receipt of any such Company repair notice if the repair requires the installation of a new inverter and/or PV module. The Customer shall complete any such repair that affects the Non-Residential Customer System performance and does not require the purchase of a new inverter or PV module(s) within five (5) business days of the

Company's notice of the need for such repair. For any such repair that does require the purchase and installation of a new inverter and/or PV module, the Customer shall promptly commence and diligently pursue such repair to completion, provided, in no event shall such repair take more than thirty (30) days to complete. At all times while Company is receiving the environmental credits from the Non-Residential Customer System, Customer shall clean all PV modules in the Non-Residential Customer System as necessary to keep them free from foreign material that would visibly obscure the modules, including any dirt and/or oils.

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