

ORIGINAL NEW APPLICATION



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Tucson Electric Power Company

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Tucson, Arizona 85702

Michelle D. Livengood
Counsel

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July 19, 2006

Arizona Corporation Commission
DOCKETED

JUL 19 2006

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

E-01933A-06-0473

DOCKETED BY

RE: In the Matter of the Application of Tucson Electric Power Company to extend and modify its Greenwatts™ SunShare Program

Docket No. E-01933A-06-_____

Docket Control:

Enclosed please find an original and 13 copies of Tucson Electric Power Company's ("TEP" or the "Company") proposed revisions to its Greenwatts™ SunShare Program (the "Program"). We request that the Arizona Corporation Commission ("Commission") approve these revisions. The Commission originally approved the program in Decision No. 63362 (Feb. 8, 2001) and approved revisions to the Program in Decision Nos. 66786 (Feb. 13, 2004) and 67177 (Aug. 10, 2004).

For ease of review, TEP has included both a clean version of the new Program documents, attached as Exhibit A, and a redlined version showing the modifications made to the previous Program documents, attached as Exhibit B.

As the Commission is aware, the current Program is set to expire at the end of 2006. In looking to the future, TEP sought comment from SunShare customers and solar installers and manufacturers, and evaluated the Program in light of its history and current Commission activity with regard to renewable energy. Based on review of comments received, as well as the evaluation of the Program itself, TEP proposes the following three modifications to the Program.

First, TEP proposes to extend the term of the Program until the earlier of (1) the end of 2007 or (2) until the Commission approves rules and a TEP-specific program incorporating the Uniform Credit Purchase Program currently being contemplated under

proposed rule 14-2-1810. This modification is not intended to prejudge the outcome of Docket No. RE-00000C-05-0030, but rather to recognize that the conditions under which the Program operates may change significantly should the Commission's proposed rules go into effect. At the same time, extension of the Program for one year will provide time for a decision to be made on Arizona's renewable program while continuing to provide financial incentive support for TEP customers in their decisions to install solar generation systems.

Second, TEP proposes to return the payment to customers under Option Three up to \$3.00 per Standard Test Condition ("STC") rated DC Watt (\$3,000 per STC rated DC kilowatt) of installed solar generating capacity of the customer's third party system. TEP's current Program allows for payment of up to \$2.40 per STC rated DC Watt (\$2,400 per STC rated DC kilowatt) so this modification will increase the return to the customer under Option Three. The term of the Renewable Energy Credits thus purchased in return for the larger incentive payment will be extended through 2020.

Finally, in response to a growing number of concerns from solar installers and solar manufacturers, TEP proposes to eliminate Option Two from the Program at the end of 2006. Effective immediately until such elimination, only residential customers shall be permitted to participate in Option Two.

TEP believes that these proposed changes to the Program are in the public interest for the reasons described above. Accordingly, TEP requests that the Commission issue an order approving these revisions to the Program.

Sincerely,


Michelle Livengood

Enclosures

cc: Chairman Jeff Hatch-Miller
Commissioner William A. Mundell
Commissioner Marc Spitzer

Commissioner Mike Gleason
Commissioner Kristin K. 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

EXHIBIT

"A"

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 that time, TEP 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 expire in its entirety on December 31, 2006, and will not be part of the 2007 program.

Option One: A direct hardware buydown program. 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. 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 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 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. 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 income tax credits of up to \$1,000 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 to

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: 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: A direct 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. 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 electrical output and all associated environmental credits to TEP through December 31, 2020. TEP will return the electric output to the owner at no cost. Since the Option Three 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, 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 income tax credits of up to \$1,000 to further reduce the initial cost of the system.

Scope

All three options are limited in scope. Reservations for buydown payments are limited to 360 kW of solar electric capacity in 2006 and 800 kW of installed solar capacity in 2007. The SunShare Program will expire on December 31, 2007, or at such time as a TEP proposed UCPP is approved by the Commission, whichever occurs first.

Inspection

The free annual inspection and normal repair labor maintenance program offered by TEP in Options One, Two and Three (inspection only) are dependent upon the sufficiency of funding provided under the EPS. While 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 under the EPS are insufficient to continue the maintenance 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 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

See Attachment A, "System Qualifications" in 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 System"). However, to qualify under the SunShare Program, any such Third Party 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", 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.

1.3 Option Three: Third Party System

1.3.1 System. Under Option Three, Customer shall purchase a Third Party System. However, to qualify under the SunShare Program, any such Third Party System must comply with all requirements set forth in Attachment A and Attachment B hereto.

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

1.3.3 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. 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 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 31, 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. 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 System, 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 System's AC kW of installed solar generating capacity shall be determined by Company following successful Customer System inspection and level of compliance with Attachment B. To ensure accurate test results, Company shall correct mathematically to accommodate for STCs of 77 degrees Fahrenheit ambient temperature, 1,000 Watts/meter squared solar insolation, 1MPH 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.
- 5.3 Option Three. Under Option Three, 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 up to \$3,000 per STC rated DC kW of installed solar generating capacity of the Third Party System for which completed SunShare Agreements are received and accepted by Company and operational within 180 days. Payment derating for off-angle and shading shall apply by the percentages listed on Attachment B.

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. 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. 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 service 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 31, 2012, (December 31, 2020, if an Option Three system) without 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 Section 5 hereunder.

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 Section 6.2 above, for so long as EPS funding is sufficient to support such services. If, in Company's sole discretion, funding levels provided 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 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 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 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

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: _____

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. The Customer System must produce at least 800 watts AC and no more than 10,000 watts AC at noon as corrected to PTC for temperature and solar insolation over a one-year cycle.
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. 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.
12. Storage Batteries are not allowed as part of the Customer System as they would reduce the annual AC power output. 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 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.

EXHIBIT

"B"

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.

~~TEP is proposing three related options to work in partnership with our successful, existing renewable program, GreenWatts as follows:~~

~~The SunShare program was Commission approved by the Arizona Corporation Commission ("Commission") for 2004, 2005 and 2006 and will expire on December 31, 2006. At that time, TEP 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 expire in its entirety on December 31, 2006, and will not be part of the 2007 program.~~

Option One: A direct hardware buydown program. 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. 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 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 Arizona Corporation 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. 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 income tax credits of up to \$1,000 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 to 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: 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. ~~Company 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: A direct 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. ~~SunShare Option 3 offers a subsidy of up to \$3,000 per kW of rated DC capacity for systems for which completed SunShare Agreements are received and accepted by TEP in 2004 and~~

~~operational within 180 days after agreement receipt. The subsidy will be to up to \$2,700 in 2005 for systems for which completed Agreements are received and accepted by TEP in 2005 and operational within 180 days and up to \$2,400 in 2006 for systems for which completed Agreements are received and accepted by TEP in 2006 and operational within 180 days.~~ 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 electrical output and all associated environmental credits to TEP through December 31, ~~2020~~46. TEP will return the electric output to the owner at no cost. Since the Option Three 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 ~~360200~~ 360200 kW of solar capacity in ~~2006~~ and up to 800 kW of solar capacity in 2007 each year of the total 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, 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 income tax credits of up to \$1,000 to further reduce the initial cost of the system.

Scope

All three options are limited in scope. Reservations for bBuydown payments are limited to 360200 kW of solar electric capacity in 2006 and 800 kW of installed solar capacity in 2007. The SunShare pProgram will expire on December 31, 2007, or at such time as a TEP proposed UCPP is approved by the Commission, whichever occurs first. each year of the program 2004 thru 2006.

Inspection

The free annual inspection and normal repair labor maintenance program offered by TEP, in Options One~~1~~, Two~~2~~ and Three~~3~~ (inspection only), are dependent upon the sufficiency of funding provided under the EPS. While the EPS program is expected to be fully funded through the end of the year 2012, it could be changed by the AGG Commission in the future. If funding levels provided under the EPS are insufficient to continue the maintenance program, TEP, to the extent possible, will notify all maintenance program participants at least 12 months prior to the free program's termination. Thereafter, Company-TEP will endeavor to offer Ccustomers the option to purchase a Customer System maintenance and inspection program from the Company offering ~~comparable services~~ comparable as those previously offered. In all cases the free or paid maintenance and inspection programs offered by TEP would terminate at the end of 2012.

Metering 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 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

See Attachment A, "System Qualifications" in 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 System"). However, to qualify under the SunShare Program, any such Third Party 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", 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.

1.3 Option Three: Third Party System

1.3.1 System. Under Option Three, Customer shall purchase a Third Party System. However, to qualify under the SunShare Program, any such Third Party System must comply with all requirements set forth in Attachment A and Attachment B hereto.

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

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

2.

2-SYSTEM INSTALLATION

To qualify for participation in the SunShare Program, all Customer Systems installed under Options One, ~~Option Two~~ or ~~Option 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. Customer shall be solely responsible for the installation of the Customer System, including all costs and expenses associated therewith.

3.3. 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 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.

4.4. SYSTEM ELECTRICAL OUTPUT

~~As a further condition to Customer's participation in the SunShare Program, 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 31, 2012, (December 31, 2004~~16~~, if an Option Three Customer System) and shall survive any termination of this Agreement.

5.5. HARDWARE BUYDOWN AND CREDIT

5.4.5.1 Option One. 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 System, 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 System's AC kW of installed solar generating capacity shall be determined by Company following successful Customer System inspection and level of compliance with Attachment B. To ensure accurate test results, Company shall correct mathematically to accommodate for ~~Standard Test Conditions~~STCs of 77 degrees Fahrenheit ambient

temperature, 1,000 Watts/meter squared solar insolation, 1MPH 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.

~~5.2.5.2~~ 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.

~~4.1.5.3~~ Option Three. Under Option Three, 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 up to \$3,000 per STC rated DC kW of installed solar generating capacity of the Third Party System ~~the following amounts:~~

~~1.1.1.~~ For Customer Systems for which completed SunShare Agreements are received and accepted by Company in 2004 and operational within 180 days up to \$3.00 per STC rated DC Watt of installed solar generating capacity of the Third Party System.

~~1.1.2.~~ For Customer Systems for which completed SunShare Agreements are received and accepted by Company in 2005 and operational within 180 days up to \$2.70 per STC rated DC Watt of installed solar generating capacity of the Third Party System.

~~1.1.3.~~ For Customer Systems for which completed SunShare Agreements are received and accepted by Company in 2006 and operational within 180 days up to \$2.40 per STC rated DC Watt of installed solar generating capacity of the Third Party System. for which completed SunShare Agreements are received and accepted by Company and operational within 180 days. Payment derating for off-angle and shading shall apply by the percentages listed on Attachment B.

~~1.1.4.~~ This SunShare Agreement was received and accepted by Company on _____.

~~Provided, in each case, payment de-rating for off-angle and shading shall apply by the percentages listed on Attachment B.~~

6.6.—SYSTEM SERVICE AND MAINTENANCE

~~6.1.6.1~~ Annual Inspection. (For Options One, ~~Option Two~~ and ~~Option 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.

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 Option 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. 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 service 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 31, 2012, (December 31, ~~2016~~2020, if an Option Three system) without 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 Section 5 hereunder.
- 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 Section 6.2 above, for so long as EPS funding is sufficient to support such services. If, in Company's sole discretion, funding levels provided 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.

7.7. 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 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 System to conduct any such readings.

8.
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.

9.9. 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.

10.10. 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.

11.11. MISCELLANEOUS

11.11.1 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.~~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.~~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.~~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.~~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.~~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 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

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: _____

Application Process
ATTACHMENT "A"
System YSTEM Qualifications UALIFICATIONS

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. The Customer System must produce at least 800 watts AC and no more than 10,000 watts AC at noon as corrected to PTC for temperature and solar insolation over a one-year cycle.
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 superseeded.
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. ~~TEP 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.
12. Storage Batteries are not allowed as part of the Customer System as they would reduce the annual AC power output. 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 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"

