



A UniSource Energy Company

Small Wind Program Grid-Tied Up Front Incentive (UFI) Renewable Energy Credit Purchase Agreement

This Grid-Tied Small Wind System Agreement (the "Agreement") is hereby made and entered into this _____ day of _____, 20____, 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." Grid-Tied Small Wind is hereby referred to as the "Program".

RECITALS

A. Company desires to increase the number of renewable electricity generation facilities and the consumption of renewable electricity within its service territory, while concurrently reducing the cost of renewable 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 the program to provide financial incentives to its customers to install renewable generating equipment (the "Program"; and

B. Company desires for Customer to participate in the Program and Customer desires to so participate under the terms and conditions contained in this Agreement, at the address of _____, _____, Arizona (the "Premises").

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

AGREEMENT

1. PROGRAM

Customer shall elect to participate in the Program by entering into this Agreement subject to the following conditions:

1.1 Renewable Energy System

1.1.1 System. Customer shall purchase a renewable energy generating system from any third party of Customer's choice ("Customer System"). To qualify under the Program, any such Customer System must comply with all renewable energy grid-tied residential wind technology specific requirements set forth in Attachment A "System Qualifications", which are attached hereto and incorporated herein.

1.1.2 Basis of Payment. The calculation of Customer environmental credits and Company payments hereunder shall be based on the system capacity or estimated energy kWh production rather than on measured system output. This represents a one time Up Front Incentive ("UFI") payment method.

2. SYSTEM INSTALLATION

To qualify for participation in the 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. 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. 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 Renewable Energy Standard and Tariff Program (the "REST"), which may result from the installation and use of the Customer System. Company

will thereafter return any and all value of such electric output to the Customer at no cost to Customer. Company's right to Customer's power output and Renewable Energy Credits assigned hereunder shall continue until December 31st of the 20th full calendar year after completion of the installation of the Customer System in compliance with this Agreement (The "Assignment Period") and shall survive any termination of this Agreement.

5. RENEWABLE ENERGY CREDIT PURCHASE

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 rebate based on installed grid-tied residential wind 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. The Customer System's AC kW of installed grid-tied residential wind 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 and successful Customer System inspection. Any amounts determined to be owed under this Section shall be paid by Company to Customer within 30 days following the Company's completion of AC kWh testing hereunder.

6. RIGHTS FOR CREDITS

Company shall have the right to the Renewable Energy Credits from the Customer System until the end of the Assignment Period. Customer shall not offer to sell or trade Renewable Energy Credits from the Customer System to any other party during this time. Customer shall not remove the Customer System or any components thereof from the Premises during the Assignment Period without express agreement of Company. If Customer removes the Customer System in violation of this Section 6, Customer shall immediately reimburse Company all UFI amounts paid by Company to Customer hereunder.

7. METER READING

Once per year, typically in late December, during the term of this Agreement, Company shall read the Customer System wind production meter. Thus, 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 HEREUNDER. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, COMPANY MAKES NO REPRESENTATIONS

OR WARRANTIES WITH RESPECT TO THE CUSTOMER SYSTEM, ITS OPERATION, SAFETY, INSTALLATION , OR COMPLIANCE WITH ANY BUILDING OR SAFETY CODES, RULES OR REGULATIONS, AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, COMPANY HEREBY EXPRESSLY DISCLAIMS ANY AND ALL LIABILITY ASSOCIATED THEREWITH.

9. LIMITATION OF LIABILITY

COMPANY'S ENTIRE LIABILITY ARISING OUT OF ITS PERFORMANCE UNDER THIS AGREEMENT SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES STEMMING FROM CLAIMS DIRECTLY ATTRIBUTABLE TO COMPANY'S GROSS NEGLIGENCE OR WILLFUL 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 Premises. In the event Customer sells the Premises 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 Renewable Energy 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) 918-8350

Attn: Renewable Energy & Energy Efficiency Group

[signatures on following page]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of _____, 20____.

TUCSON ELECTRIC POWER COMPANY

By: _____

Title: _____

CUSTOMER

By: _____

Print Name: _____

Address: _____

Phone: _____

BELOW TO BE FILLED IN BY UTILITY

Estimated Funding Reserved: \$ _____

Date Reserved: _____

Application Process
ATTACHMENT A
Grid-Tied Small Wind System Qualifications

All grid-tied small wind Customer Systems must meet the following system and installation requirements to qualify for Tucson Electric Power Company's ("TEP" or the "Company") Renewable Energy Credit Purchase Program. Capitalized terms not defined herein shall have the meanings ascribed to them in the Renewable Energy Credit Purchase Program Agreement.

1. Eligible small wind systems must be certified and nameplate rated by the CEC¹. See www.consumerenergycenter.org/erprebate/equipment.html for a list of certified generators. For grid tied or off-grid wind generators where an inverter is used, the CEC listed nameplate rating of the wind generator will be multiplied by the CEC approved weighted efficiency percentage listed for the inverter in the "List of Eligible Inverters" at www.consumerenergycenter.org/cgi-bin/eligible_inverters.cgi to calculate the wind turbine nameplate rating for use in determining the UFI payment.
2. Grid connected inverters used as part of the system shall carry a UL listing certifying full compliance with Underwriter's Laboratory ("UL")-1741.
3. The tower used in the installation must be designed by an Arizona registered engineer and must be suitable for use with the wind generator. Tower installation must be designed and supervised by individuals familiar with local geotechnical conditions.
4. To receive a UFI, the wind generator and system must be covered by a manufacturer's warranty of at least ten years. Otherwise the system will qualify for a PBI. In all cases the wind system will have a material and labor warrantee of at least five 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).

¹ TEP recommends review of the SWCC standards for rating small wind generators once they become available for purposes of supplanting the CEC requirement in this Technology Criterion.

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. 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 Customer System 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 Customer System and the connection to the overcurrent device in the Customer’s electric service panel.
10. Energy storage devices are not allowed as part of the Customer System unless the energy storage device is a separate component and Company can locate the meter at the Customer System’s output.
11. Installation must have been made after January 1, 1997.
12. The Customer must be connected to the Company’s electric grid.
13. All Customer System installations must be completed in a professional, workmanlike and safe manner.