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A subsidiary of Pinnacle West Capital Corporation

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July 26, 2005

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

RE: ARIZONA PUBLIC SERVICE COMPANY ENERGY WISE LOW INCOME
WEATHERIZATION PROGRAM, (A DEMAND SIDE MANAGEMENT PROGRAM)
Docket No. E-01345A-05-0414

Dear Sir/Madam:

Attached is a corrected page five (5) for the APS Energy Wise Low Income Weatherization Program.
Please use this correct page 5 in lieu of the page originally submitted on June 6, 2005.

If you should have any questions regarding the information contained herein, please call me.

Sincerely,

Justin H. Thompson
Manager
Regulation, Policy & Analysis

Attachment

JHT/AKK

Cc: Original plus 13 copies
Participants in the ACC DSM Workshops

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APS Energy Wise Low Income Weatherization Program

expenses for technical training of field technicians; etc. These are the types of costs that would be included in the price that any contractor would charge.

Bill assistance is used to pay electric bills for customers in crisis situations.

Third party manager will coordinate the record keeping, invoicing and reporting through out the year. They review all invoices to assure compliance with program guidelines. They serve as a point of contact and a conduit for providing information to APS. They create and submit to APS the reports required by the ACC.

Training and technical support supplements the monitoring and evaluation conducted by the Energy Office.

Marketing and promotion is for brochures and signage for the CAAs and Tribal Governments.

APS administration is for the additional resources required to manage the expanded program with the additional constituencies. The weatherization and bill assistance program has been funded at \$500,000 since 1996. At times it has been a challenge to spend that budget. The new program requires APS to spend a minimum of \$1,000,000 each year. To facilitate that, APS has expanded coverage to include compact fluorescent lamps and refrigerators. Renters are now covered. Previously it was limited to owner occupied homes. The cap on expenditures per home has been raised from \$1,500 to \$6,000. Tribal governments are specifically included for the first time and they need training to develop technical and business skills. Tribal governments will likely not report through the third party manager that will oversee the CAAs, and that will require additional effort by APS.

All of these changes will require more management by APS if we are to reach the spending goal. It will be nearly a full time job for an Account Executive for the first year, and a significant portion of that person's time for several years.

Funds will be distributed to the CAA and Tribal Governments based largely on estimates of the number of APS low income customers in their service areas¹. Future distributions will be reviewed and adjusted annually.

Estimated Energy Savings

The most thoroughly documented cost effectiveness study of Arizona homes is from the Energy Office report titled "Present Value Analysis SWG Low-Income Weatherization Program July 1, 1999 to June 31, 2000". The data in the following tables is extracted from that report. Refer to Appendix B for details of the Energy Office study. Refer to Appendix C for supporting documentation for the values in the savings and cost effectiveness tables below.

	Savings per Home		Equivalent Homes Served per Year ⁽¹⁾			Total Savings	
	Annual kWh	kW	2005	2006	2007	Lifetime mWh ⁽²⁾	kW ⁽³⁾
Weatherization	1,998	0.30	562	562	562	50,503	505

(1) An equivalent home is one that receives \$1,255 in APS weatherization funding. The \$1,255 is the average amount of weatherization dollars spent on the study homes. APS has historically funded only 47% of the weatherization cost for a typical home. At that rate, the number of homes weatherized using APS funds leveraged with other funds would be 1,025 in each of the 3 years. Since the cap per home is increased, APS will be contributing a larger share and the number of homes weatherized with APS funds will be between the 562 that could be served if APS funded 100%, and the 1,196 that could be served if APS funded 47%. An estimate of homes that will be weatherized with leveraged APS funds under the proposed program is the average of the two, or 879 per year.

(2) Lifetime mWh is the electric energy saved from all weatherization measures implemented in 2005-2007 over the 15 year life of the measures.

(3) kW savings is 0.30 kW/home x 562 per year x 3 years = the demand reduction from weatherizing 562 homes in each of the three years.

Weatherization Program Cost Effectiveness

BCR Activity	Societal Benefit/Cost	Societal Net Benefit ⁽¹⁾	Societal Benefits	Societal Costs
Weatherization	0.72	(\$698,323)	\$1,807,460	\$2,505,782