



ORIGINAL



A subsidiary of Pinnacle West Capital Corporation

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November 14, 2005

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

RE: ADDITIONAL INFORMATION REGARDING DSM PORTFOLIO PLAN DOCKET E-01345A-05-0477

Enclosed is additional information for the subject Arizona Public Service Company's DSM filing. The enclosed pages replace the specific pages for the Portfolio Plan and for each Program Plan.

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

Sincerely,

Justin H. Thompson
Manager
Regulation, Policy & Analysis

JHT/AKK
Enclosures

Cc: Original plus 15 copies
B. Keene
E. Andreasen
J. Anderson

AZ CORP COMMISSION
DOCUMENT CONTROL

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IV. Budget

Consistent with Decision No. 67744 (Attachment A, paragraph 40), APS is obligated to spend \$48 million dollars on energy-efficiency DSM programs from 2005-2007. The proposed division of funds between residential and non-residential customers is commensurate with the relative contribution to the DSM funds from these customer classes and is also consistent with the preliminary list of programs and funding allocation shown in the "Preliminary Energy-Efficiency DSM Plan" (Decision No. 67744 Attachment A, Appendix B). Exhibit 2 on pages 10 and 11 shows the list of programs from the Preliminary Energy Efficiency DSM Plan and makes a comparison to the APS Portfolio Plan, including a description of minor modifications that were made during the program development process in conjunction with the DSM collaborative group.

The proposed budget maximizes the amount of program funds that go directly to customers through rebates and incentives, training and technical assistance, and consumer education. This plan also takes into account the realities of DSM program start-up costs and funds needed to adequately plan, develop and deliver and evaluate quality programs. It typically takes two years or more to ramp up programs and achieve significant customer participation levels and program savings. This Portfolio Plan recognizes program ramp-up costs over the 2005-2007 program planning period.

Although APS has provided the best estimates possible as to the amount allocated within an individual program budget to individual program elements such as rebates and incentives, training and technical assistance, customer education, program implementation, program marketing, and program planning and administration, APS anticipates that flexibility in managing the DSM programs and allocating funds will be needed to maximize program effectiveness. Incentive levels and the other program elements identified above will be reviewed and APS will modify them as needed during the first year from the approval date of this program, and periodically thereafter. Such modifications will be reported in the mid-year and year-end reports submitted to Staff.

The following guidelines will govern flexibility for program budget allocation categories, (i.e. Planning and Administration, Program Marketing, Program Implementation, Rebates and Incentives, Training and Technical Assistance and Consumer Education):

- Within a program, up to 25% of funding may be shifted from any spending category to another category within the same program.
- For the program period 2005-2007, APS will make reasonable efforts to limit to amounts expended for program planning and administration to 10% of the total funding for each program.
- For the program period 2005-2007, APS will use at least 45% of total program funding averaged for all programs directly to customer rebates and incentives.
- For any budget changes that would result in a change to the program's benefit/cost ratio (as defined by the Societal Cost Test), APS will provide written notice to

Commission Staff. In no cases shall a budget change cause the benefit/cost ratio to be less than 1.0 (except for the Low Income Weatherization program).

- All budget shifts will be reported in the semi-annual DSM reports submitted to Commission Staff.
- Budget allocations should be evaluated at the end of the 2005-2007 planning period. Prior to this time, program start up costs and the expected time it takes customers to become active in DSM programs will likely produce inconsistencies in the budget allocations within the DSM programs.
- The Preliminary Energy Efficiency DSM Plan and the Portfolio Plan budget projects an annual budget of \$6.2 million for Residential DSM Programs and \$6.9 million for Non-Residential DSM Programs. These figures represent average year budget estimates over the three year program. Each year will be adjusted to allow for schedule impacts. For instance, because 2005 is only a partial year of implementation, Year 2005 unspent budget dollars will be shifted to years 2006 and 2007 to comply with the Company's overall spending requirement of \$48 million by the end of 2007.

The following guidelines will govern program incentive level flexibility:

- As a general guideline, incentive levels will be set at or below 50% of a customer's incremental cost. If APS believes that an incentive level of greater than 50% is necessary to gain market penetration, APS will submit to Commission Staff a justification supporting such additional incentives. Additional incentives may be justified based on reasonable reimbursement to participating customers to motivate behavior, special promotional periods necessary to stimulate program interest, or the need for special incentive levels to achieve market transformation. Such justification will be provided to Commission Staff at the time that the DSM measure is submitted for approval, or will be provided in writing prior to changing the incentive level within an existing Commission-approved program.
- APS may adjust incentive levels as needed, without prior approval from the Commission, for all measures so long as the incentive level stays below 50% of incremental cost.
- To the extent that the Federal Energy Policy Act of 2005 or other energy standards change during the implementation of a DSM program and require changes in baseline efficiency levels and customer incremental costs, APS may adjust such incentive levels accordingly. All such changes will be reported in the Company's semi-annual DSM reports.

APS Residential New Construction Program

Program Cost Effectiveness

Total APS Program Cost 2005-2007	\$/Lifetime kWh	Societal Cost Test Total Benefits	Societal Cost Test Total Costs	Societal Cost Test Benefit/Cost Ratio
\$6,189,000	\$.0143	\$22,202,935	\$7,888,000	2.81

In addition to the savings shown above, it is estimated that the program will produce these additional benefits:

Water Savings	100,704,465 gallons
Sox	1858 lbs.
Nox	74,340 lbs.
CO2	396,334,736 lbs.
PM10	10,243 lbs.

Program Budget Flexibility

Between Elements of Individual Programs

Although APS has provided the best estimates possible as to the amount allocated within an individual program budget to individual program budget allocation categories such as rebates and incentives, training and technical assistance, customer education, program implementation, program marketing, and program planning and administration, APS anticipates that flexibility in managing the DSM programs and allocating funds will be needed to maximize program effectiveness.

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Between Budget Allocation Categories within an Individual Programs

APS Residential New Construction Program

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Program Incentive Levels

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Residential Existing Homes HVAC Efficiency Program

Program Costs

- Program budgets for program years 2005, 2006, and 2007 including planning and administration, program marketing, program implementation, rebates and incentives, training and technical assistance, and consumer education:
 - 2005: \$868,000
 - 2006: \$1,138,498
 - 2007: \$1,579,238
- See Appendix 2 for more information about program costs.

Estimated Energy Savings

- The following table shows estimated energy savings from each program measure. See Appendix 3 for more information.

Year	kW Peak Demand Savings	Lifetime kWh Savings*
2005	1128	47,433,600
2006	1500	62,243,700
2007	538	23,800,800
Program Total 2005-2007	3166	133,478,100

* Lifetime kWh savings refers to total energy savings over the expected life of the DSM measure installed in the year indicated.

Program Cost Effectiveness

Total APS Program Cost 2005-2007	\$/Lifetime kWh	Societal Cost Test Total Benefits	Societal Cost Test Total Costs	Societal Cost Test Benefit/Cost Ratio
\$3,585,736	\$.027	\$7,964,958	\$5,824,218	1.37

In addition to the savings shown above, it is estimated that the program will provide these additional benefits:

Water Savings	31,100,397 gallons
SOx	574 lbs.
NOx	22,958 lbs.
CO2	122,399,418 lbs.
PM10	3163 lbs.

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Residential Existing Homes HVAC Efficiency Program

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High-Efficiency Consumer Products Program

Program Cost Effectiveness

\$5,525,000	\$.011	\$23,121,222	\$8,977,672	2.58
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In addition to the savings shown above, it is estimated that the program will produce these additional benefits:

Natural Gas Savings*	597,888 therms
Water Savings**	769,301,717 gallons
SOx	2146 lbs.
NOx	85,854 lbs.
CO2	457,719,633 lbs.
PM10	11,830 lbs.

* Natural gas savings result from hot water saved in homes with gas water heaters. Natural gas savings are provided consistent with the Cost Effectiveness section in staff's first draft of proposed DSM rules (Docket# RE-00000C-05-0230).

** Total water savings including both utility and customer water savings.

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High-Efficiency Consumer Products Program

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APS Energy Wise Low Income Weatherization Program

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 spend 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 1,196 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

Refer to the companion Excel workbook "Weatherization Appendix 2" for details.

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

APS Energy Wise Low Income Weatherization Program

(1) The Societal net benefit does not include the monetary value of the environmental externalities that are saved. The externalities are shown in the table below, along with the physical quantities of the emissions emitted and resources consumed. These have a monetary value that is not quantified.

Externalities – emissions reductions based on 50,503 mWh saved
SOx – 217 pounds
NOx - 8,687 pounds
CO2 – 46,311,516 pounds
PM10 – 1,197 pounds
Water – 11,767,266 gallons

Program Budget Flexibility

Between Elements of Individual Programs

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APS Schools Program

Program Cost Effectiveness

See Appendix 4 for details.

Total APS Program Cost 2005-2007	Lifetime Program Cost per kWh	Societal Cost Test Total Benefits	Societal Cost Test Total Costs	Societal Cost Test Benefit/Cost Ratio
\$1,680,000	\$0.010	\$4,535,799	\$3,744,174	1.21

The Societal benefits do not include the monetary value of the environmental externalities that are saved. The externalities are shown in the table below, along with the physical quantities of the emissions reduced and resources conserved. These are savings that will be realized over the life of the measures. The monetary value is not quantified. See Appendix 5 for details.

Externalities – emissions reductions based on 162,069MWh saved		
SOx	697	Pounds
NOx	27,876	Pounds
CO2	148,617,273	Pounds
PM10	3,841	Pounds
Water Consumption	36,394,367	Gallons

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The following guidelines will govern budget flexibility between programs:

- Budget shifting may occur only within a segment of customers, not across segments. No budget dollars may be shifted between Residential and Non-Residential programs.
- No more than 25% of a program budget may be shifted in any given year. Any budget shifts will be reported in semi-annual reports submitted to the Commission Staff.
- Budget shifting will not be permitted to reduce funding for special customer groups that have been addressed in the Portfolio Plan:
 - No budget dollars will be shifted away from the Low Income Program budget, including special funding devoted to Native American tribes.
 - No budget dollars will be shifted away from the Schools Program budget.

Program Incentive Levels

Incentive levels and the other program elements identified above will be reviewed and APS will modify them as needed during the first year from the approval date of this program, and periodically thereafter. Such modifications will be reported in the mid-year and year-end reports submitted to Staff.

The following guidelines will govern program incentive level flexibility:

- Program incentive levels shall never exceed 100% of a customer's incremental cost for selecting an energy efficient measure, as compared to standard efficiency.
- As a general guideline, incentive levels will be set at or below 50% of a customer's incremental cost. If APS believes that an incentive level of greater than 50% is necessary to gain market penetration, APS will submit to Commission Staff a justification supporting such additional incentives. Additional incentives may be justified based on reasonable reimbursement to participating customers to motivate behavior, special promotional periods necessary to stimulate program interest, or the need for special incentive levels to achieve market transformation. Such justification will be provided to Commission Staff at the time that the DSM measure is submitted for approval, or will be provided in writing prior to changing the incentive level within an existing Commission-approved program.
- APS may adjust incentive levels as needed, without prior approval from the Commission Staff, for all measures so long as the incentive level stays below 50% of incremental cost.
- To the extent that the Federal Energy Policy Act of 2005 or other energy standards change during the implementation of a DSM program and require changes in baseline efficiency levels and customer incremental costs, APS may adjust such incentive levels accordingly. All such changes will be reported in the Company's semi-annual DSM reports.

School DSM Program
Appendix 2, (pg.1 of 6)

Prescriptive Lighting Incentive Worksheet 2005

Equipment Type	Replace	Incentive
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Standard T8 or T5 Electronic Ballast Fixtures		
2-foot to 4-foot lamp	T12 magnetic ballast	\$ 5.00 per lamp
8-foot lamp	T12 magnetic ballast	\$ 8.00 per lamp

Delamping		
3 Lamp T8	4 Lamp T12	\$7.00 per fixture
2 Lamp T8 or T5	4 Lamp T12	\$13.00 per fixture
2 Lamp T8 or T5	3 Lamp T12	\$7.00 per fixture
1 Lamp T8 or T5	2 Lamp T12	\$7.00 per fixture

Compact Fluorescent Lamps (CFL)		
All sizes	Incandescent	\$1.75 per lamp

Exit Signs (LED or Electroluminescent)		
Double or Single Face	Incandescent or CFL	\$25.00 per unit

Occupancy Sensors & Daylighting Controls		
All Sensor Mountings		\$40.00 per sensor
Daylighting Controls		\$100.00 per unit
All Sensor Mountings		\$40.00 per sensor

Equipment Type	Replace	Incentive
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Premium T8 Electronic Ballast Fixtures		
2-foot to 4-foot lamp	T12 magnetic ballast	\$8.00 per lamp
8-foot lamp	T12 magnetic ballast	\$10.00 per lamp

T5 F28 HO Electronic Ballast		
4 Lamp T5	Metal Halide	\$75.00 per fixture

Outdoor Lighting		
CFL < 26 W	Incandescent	\$2.50 per fixture
CFL > 26 W ≤ 55 W	Incandescent	\$3.50 per fixture
CFL > 55 W	Incandescent	\$5.00 per fixture
CFL Flood	Halogen PAR	\$3.50 per fixture
High Pressure Sodium	Halogen PAR	\$25.00 per fixture
High Pressure Sodium	Mercury Vapor	\$10.00 per fixture
High Pressure Sodium	Metal Halide	\$10.00 per fixture

School DSM Program
Appendix 2 (pg. 3 of 6)

Prescriptive Cooling Incentive Worksheet - Existing 2005

Equipment Type	Size Category	Qualifying Efficiency	Incentive		Efficiency Incentive
Air Cooled AC Units (Split System and Single Package Units)	≤ 5 Tons	11.6 EER	\$50.00	per ton	\$30.00 per EER point over 11.6 per ton
	> 5 Tons ≤ 10 Tons	11.4 EER	\$50.00	per ton	\$30.00 per EER point over 11.4 per ton
	> 10 Tons	11.2 EER	\$25.00	per ton	\$30.00 per EER point over 11.2 per ton
Water Cooled Chillers	All Sizes	.61 kW/Ton	\$10.00	per ton	\$200.00 per kW/Ton under .61 per ton
Air Cooled Chillers	< 150 Tons	1.25 kW/Ton	\$10.00	per ton	\$200.00 per kW/Ton under 1.25 per ton
	≥ 150 Tons	1.25 kW/Ton	\$15.00	per ton	\$200.00 per kW/Ton under 1.25 per ton
Quality Installation*	≤ 10 Tons	NA	Up to \$125.00	per ton	Size Category = Total Project Capacity
	> 10 Tons ≤ 25 Tons	NA	Up to \$100.00	per ton	Size Category = Total Project Capacity
	> 25 Tons	NA	Up to \$75.00	per ton	Size Category = Total Project Capacity
Diagnostic Tune Up*	≤ 5 Tons	NA	Up to \$100.00	per ton	Size Category = Total Project Capacity
	> 5 Tons ≤ 12.5 Tons	NA	Up to \$75.00	per ton	Size Category = Total Project Capacity
	> 12.5 Tons	NA	Up to \$50.00	per ton	Size Category = Total Project Capacity
Programmable Thermostats	NA	NA	\$50.00	per T Stat	
Cool Roofs	NA	NA	\$0.50	per Sq Ft	Both roof coatings and single membrane applications that have a minimum solar reflectance of 0.65 are eligible.

* Incentives for Quality Installation and Diagnostic Tune Up will never exceed the incremental cost of these measures.

School DSM Program
Appendix 2, (pg. 4 of 6)

Prescriptive Cooling Incentive Worksheet 2005

Equipment Type	Size Category	Qualifying Efficiency	Incentive	Efficiency Incentive
Air Cooled AC Units (Split System and Single Package Units)	≤ 5 Tons	11.6 EER	\$50.00	per ton
	> 5 Tons ≤ 10 Tons	11.4 EER	\$50.00	per ton
	> 10 Tons	11.2 EER	\$25.00	per ton
Water Cooled Chillers	All Sizes	.61 kW/Ton	\$10.00	per kW/Ton under .61 per ton
Air Cooled Chillers	< 150 Tons	1.25 kW/Ton	\$10.00	per kW/Ton under 1.25 per ton
	≥ 150 Tons	1.25 kW/Ton	\$15.00	per kW/Ton under 1.25 per ton
Quality Installation*	≤ 10 Tons	NA	Up to \$125.00	per ton
	> 10 Tons ≤ 25 Tons	NA	Up to \$100.00	per ton
	> 25 Tons	NA	Up to \$75.00	per ton
Programmable Thermostats	NA	NA	\$50.00	per T Stat
Cool Roofs	NA	NA	\$0.50	per Sq Ft
				Both roof coatings and single membrane
				Size Category = Total Project Capacity
				Size Category = Total Project Capacity
				Size Category = Total Project Capacity

* Incentives for Quality Installation will never exceed the incremental cost of this measure.

School DSM Program
Appendix 2, (pg. 5 of 6)

Prescriptive Motor Incentive Worksheet 2005

Horse Power	Premium Efficiency Motors										Incentive/HP
	3600 RPM		1800 RPM		1200 RPM		1200 RPM				
	Open	Closed	Open	Closed	Open	Closed	Open	Closed	Open	Closed	
1	77.6%	77.6%	85.7%	85.0%	82.2%	82.7%	82.2%	82.7%			\$20.00
1.5	85.4%	85.1%	86.9%	87.2%	86.2%	87.3%	86.2%	87.3%			\$18.00
2	86.7%	86.1%	87.5%	87.4%	87.1%	88.1%	87.1%	88.1%			\$12.00
3	86.1%	87.6%	89.8%	89.7%	89.3%	89.0%	89.3%	89.0%			\$7.00
5	88.5%	89.5%	90.4%	90.2%	90.1%	90.0%	90.1%	90.0%			\$6.00
7.5	89.7%	90.5%	91.7%	91.5%	91.5%	91.4%	91.5%	91.4%			\$6.00
10	90.4%	91.7%	92.0%	91.8%	92.0%	91.7%	92.0%	91.7%			\$4.00
15	91.0%	91.8%	93.2%	92.7%	92.7%	92.5%	92.7%	92.5%			\$2.50
20	91.8%	92.1%	93.3%	93.3%	92.9%	92.5%	92.9%	92.5%			\$2.50
25	92.9%	92.9%	94.0%	93.8%	93.7%	93.4%	93.7%	93.4%			\$2.50
30	93.3%	92.7%	94.0%	93.9%	94.0%	93.7%	94.0%	93.7%			\$2.50
40	93.6%	93.4%	94.5%	94.6%	94.5%	94.3%	94.5%	94.3%			\$2.50
50	93.7%	93.9%	94.9%	94.9%	94.6%	94.4%	94.6%	94.4%			\$2.50
60	94.3%	94.3%	95.6%	95.2%	95.1%	94.9%	95.1%	94.9%			\$2.00
75	94.4%	94.5%	95.3%	95.4%	95.3%	94.9%	95.3%	94.9%			\$1.50
100	94.6%	94.8%	95.9%	95.5%	95.5%	95.1%	95.5%	95.1%			\$1.50
125	94.7%	95.2%	95.9%	95.4%	95.7%	95.1%	95.7%	95.1%			\$1.50
150	94.8%	95.5%	96.1%	95.8%	95.9%	95.9%	95.9%	95.9%			\$1.50
> 150	95.1%	95.7%	96.2%	96.3%	96.0%	95.8%	96.0%	95.8%			\$1.50

Efficiency standards are for all motors less than or equal to the indicated horsepower (up to the lower sized motor).

For example, for a 4 HP motor, use the efficiency standard for a 5 HP motor.

Variable Speed Drives	
Horse Power	Incentive per HP
All Sizes	\$ 50.00

Non-Residential DSM Program for Existing Facilities

Program Budget Flexibility

Between Elements of Individual Programs

Although APS has provided the best estimates possible as to the amount allocated within an individual program budget to individual program budget allocation categories such as rebates and incentives, training and technical assistance, customer education, program implementation, program marketing, and program planning and administration, APS anticipates that flexibility in managing the DSM programs and allocating funds will be needed to maximize program effectiveness.

The following guidelines will govern program budget flexibility within each program:

- Within a program, up to 25% of funding may be shifted from any spending category to another category within the same program.
- For the program period 2005-2007, APS will make reasonable efforts to limit to amounts expended for program planning and administration to 10% of the total funding for each program.
- For the program period 2005-2007, APS will use at least 45% of total program funding averaged for all programs directly to customer rebates and incentives.
- For any budget changes that would result in a change to the program's benefit/cost ratio (as defined by the Societal Cost Test), APS will provide written notice to the Commission Staff. In no cases shall a budget change cause the benefit/cost ratio to be less than 1.0 (except for the Low Income Weatherization program).
- All budget shifts will be reported in the semi-annual DSM reports submitted to the Commission Staff.
- Budget allocations should be evaluated at the end of the 2005-2007 planning period. Prior to this time, program start up costs and the expected time it takes customers to become active in DSM programs will likely produce inconsistencies in the budget allocations within the DSM programs.
- The Preliminary Energy Efficiency DSM Plan and the Portfolio Plan budget projects an annual budget of \$6.2 million for Residential DSM Programs and \$6.9 million for Non-Residential DSM Programs. These figures represent average year budget estimates over the three year program. Each year will be adjusted to allow for schedule impacts. For instance, because 2005 is only a partial year of implementation, Year 2005 unspent budget dollars will be shifted to years 2006 and 2007 to comply with the Company's overall spending requirement of \$48 million by the end of 2007.

Between Budget Allocation Categories within an Individual Program

Within a segment of customers (such as residential or non-residential), APS expects that some programs may perform better than others. To utilize DSM funds in the most effective manner and to avoid under-spending, it may be beneficial to shift funds between programs within a segment.

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- Budget shifting will not be permitted to reduce funding for special customer groups that have been addressed in the Portfolio Plan:
 - No budget dollars will be shifted away from the Low Income Program budget, including special funding devoted to Native American tribes.
 - No budget dollars will be shifted away from the Schools Program budget.

Program Incentive Levels

Incentive levels and the other program elements identified above will be reviewed and APS will modify them as needed during the first year from the approval date of this program, and periodically thereafter. Such modifications will be reported in the mid-year and year-end reports submitted to Staff.

The following guidelines will govern program incentive level flexibility:

- Program incentive levels shall never exceed 100% of a customer's incremental cost for selecting an energy efficient measure, as compared to standard efficiency.

Non-Residential DSM Program for Existing Facilities

- As a general guideline, incentive levels will be set at or below 50% of a customer's incremental cost. If APS believes that an incentive level of greater than 50% is necessary to gain market penetration, APS will submit to Commission Staff a justification supporting such additional incentives. Additional incentives may be justified based on reasonable reimbursement to participating customers to motivate behavior, special promotional periods necessary to stimulate program interest, or the need for special incentive levels to achieve market transformation. Such justification will be provided to Commission Staff at the time that the DSM measure is submitted for approval, or will be provided in writing prior to changing the incentive level within an existing Commission-approved program.
- APS may adjust incentive levels as needed, without prior approval from the Commission Staff, for all measures so long as the incentive level stays below 50% of incremental cost.
- To the extent that the Federal Energy Policy Act of 2005 or other energy standards change during the implementation of a DSM program and require changes in baseline efficiency levels and customer incremental costs, APS may adjust such incentive levels accordingly. All such changes will be reported in the Company's semi-annual DSM reports.

Large Non-Residential DSM Program
Appendix 1, (pg.1 of 4)

Prescriptive Lighting Incentive Worksheet 2005

Equipment Type	Replace	Incentive
Standard T8 or T5 Electronic Ballast Fixtures		
2-foot to 4-foot lamp	T12 magnetic ballast	\$ 5.00 per lamp
8-foot lamp	T12 magnetic ballast	\$ 8.00 per lamp

Equipment Type	Replace	Incentive
Premium T8 Electronic Ballast Fixtures		
2-foot to 4-foot lamp	T12 magnetic ballast	\$8.00 per lamp
8-foot lamp	T12 magnetic ballast	\$10.00 per lamp

Delamping		
3 Lamp T8	4 Lamp T12	\$7.00 per fixture
2 Lamp T8 or T5	4 Lamp T12	\$13.00 per fixture
2 Lamp T8 or T5	3 Lamp T12	\$7.00 per fixture
1 Lamp T8 or T5	2 Lamp T12	\$7.00 per fixture

T5 F28 HO Electronic Ballast		
4 Lamp T5	Metal Halide	\$75.00 per fixture

Compact Fluorescent Lamps (CFL)		
All sizes	Incandescent	\$1.75 per lamp

Outdoor Lighting		
CFL ≤ 26 W	Incandescent	\$2.50 per fixture
CFL > 26 W ≤ 55 W	Incandescent	\$3.50 per fixture
CFL > 55 W	Incandescent	\$5.00 per fixture
CFL Flood	Halogen PAR	\$3.50 per fixture
High Pressure Sodium	Halogen PAR	\$25.00 per fixture
High Pressure Sodium	Mercury Vapor	\$10.00 per fixture
High Pressure Sodium	Metal Halide	\$10.00 per fixture

Exit Signs (LED or Electroluminescent)		
Double or Single Face	Incandescent or CFL	\$25.00 per unit

Occupancy Sensors & Daylighting Controls		
All Sensor Mountings		\$40.00 per sensor
Daylighting Controls		\$100.00 per unit

PROPOSED - REVISED DRAFT as Filed by APS on November 2005

Large Non-Residential DSM Program
Appendix 1, (pg. 2 of 4)

Prescriptive Cooling Incentive Worksheet 2005

Equipment Type	Size Category	Qualifying Efficiency	Incentive	Efficiency Incentive
Air Cooled AC Units (Split System and Single Package Units)	≤ 5 Tons	11.6 EER	\$50.00	\$30.00 per EER point over 11.6 per ton
	> 5 Tons ≤ 10 Tons	11.4 EER	\$50.00	\$30.00 per EER point over 11.4 per ton
	> 10 Tons	11.2 EER	\$25.00	\$30.00 per EER point over 11.2 per ton
Water Cooled Chillers	All Sizes	.61 kW/Ton	\$10.00	\$200.00 per kW/Ton under .61 per ton
Air Cooled Chillers	< 150 Tons	1.25 kW/Ton	\$10.00	\$200.00 per kW/Ton under 1.25 per ton
	≥ 150 Tons	1.25 kW/Ton	\$15.00	\$200.00 per kW/Ton under 1.25 per ton
Quality Installation*	≤ 10 Tons	NA	Up to \$125.00	Size Category = Total Project Capacity
	> 10 Tons ≤ 25 Tons	NA	Up to \$100.00	Size Category = Total Project Capacity
	> 25 Tons	NA	Up to \$75.00	Size Category = Total Project Capacity
Diagnostic Tune Up*	≤ 5 Tons	NA	Up to \$100.00	Size Category = Total Project Capacity
	> 5 Tons ≤ 12.5 Tons	NA	Up to \$75.00	Size Category = Total Project Capacity
	> 12.5 Tons	NA	Up to \$50.00	Size Category = Total Project Capacity
Programmable Thermostats	NA	NA	\$50.00	per T Stat
Cool Roofs	NA	NA	\$0.50	per Sq Ft Both roof coatings and single membrane

* Incentives for Quality Installation and Diagnostic Tune Up will never exceed the incremental cost of these measures.

Large Non-Residential DSM Program
Appendix 1, (pg. 3 of 4)

Prescriptive Motor Incentive Worksheet 2005

Premium Efficiency Motors									
Horse Power	3600 RPM		1800 RPM		1200 RPM		Incentive/HP		
	Open	Closed	Open	Closed	Open	Closed			
1	77.6%	77.6%	85.7%	85.0%	82.2%	82.7%	\$20.00		
1.5	85.4%	85.1%	86.9%	87.2%	86.2%	87.3%	\$18.00		
2	86.7%	86.1%	87.5%	87.4%	87.1%	88.1%	\$12.00		
3	86.1%	87.6%	89.8%	89.7%	89.3%	89.0%	\$7.00		
5	88.5%	89.5%	90.4%	90.2%	90.1%	90.0%	\$6.00		
7.5	89.7%	90.5%	91.7%	91.5%	91.5%	91.4%	\$6.00		
10	90.4%	91.7%	92.0%	91.8%	92.0%	91.7%	\$4.00		
15	91.0%	91.8%	93.2%	92.7%	92.7%	92.5%	\$2.50		
20	91.8%	92.1%	93.3%	93.3%	92.9%	92.5%	\$2.50		
25	92.9%	92.9%	94.0%	93.8%	93.7%	93.4%	\$2.50		
30	93.3%	92.7%	94.0%	93.9%	94.0%	93.7%	\$2.50		
40	93.6%	93.4%	94.5%	94.6%	94.5%	94.3%	\$2.50		
50	93.7%	93.9%	94.9%	94.9%	94.6%	94.4%	\$2.50		
60	94.3%	94.3%	95.6%	95.2%	95.1%	94.9%	\$2.00		
75	94.4%	94.5%	95.3%	95.4%	95.3%	94.9%	\$1.50		
100	94.6%	94.8%	95.9%	95.5%	95.5%	95.1%	\$1.50		
125	94.7%	95.2%	95.9%	95.4%	95.7%	95.1%	\$1.50		
150	94.8%	95.5%	96.1%	95.8%	95.9%	95.9%	\$1.50		
> 150	95.1%	95.7%	96.2%	96.3%	96.0%	95.8%	\$1.50		

Efficiency standards are for all motors less than or equal to the indicated horsepower (up to the lower sized motor).
For example, for a 4 HP motor, use the efficiency standard for a 5 HP motor.

Variable Speed Drives	
Horse Power	Incentive per HP
All Sizes	\$ 50.00

Non-Residential New Construction & Major Renovation Program

Program Cost Effectiveness

The Large New Construction & Major Renovation Non-Residential DSM program is effective with a Societal Cost Test benefit/cost ratio of 2.54.

Total APS Program Cost 2005-2007	%Lifetime kWh	Societal Cost Test Total Benefits	Societal Cost Test Total Costs	Societal Cost Test Benefit/Cost Ratio
\$7,360,074	\$0.0100	\$26,725,755	\$10,505,604	2.54

In addition to the savings shown above, it is estimated that the program will produce these environmental benefits over the life of the measures:

Water Savings*	179,671,678 gal.
SOx	3,161 lbs.
NOx	126,432 lbs.
CO2	674,060,640 lbs.
PM10	17,421 lbs.

* Total water savings including both utility and customer savings.

Program Budget Flexibility

Between Elements of Individual Programs

Although APS has provided the best estimates possible as to the amount allocated within an individual program budget to individual program budget allocation categories such as rebates and incentives, training and technical assistance, customer education, program implementation, program marketing, and program planning and administration, APS anticipates that flexibility in managing the DSM programs and allocating funds will be needed to maximize program effectiveness.

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- Budget allocations should be evaluated at the end of the 2005-2007 planning period. Prior to this time, program start up costs and the expected time it takes customers to become active in DSM programs will likely produce inconsistencies in the budget allocations within the DSM programs.
- The Preliminary Energy Efficiency DSM Plan and the Portfolio Plan budget projects an annual budget of \$6.2 million for Residential DSM Programs and \$6.9 million for Non-Residential DSM Programs. These figures represent average year budget estimates over the three year program. Each year will be adjusted to allow for schedule impacts. For instance, because 2005 is only a partial year of implementation, Year 2005 unspent budget dollars will be shifted to years 2006 and 2007 to comply with the Company's overall spending requirement of \$48 million by the end of 2007.

Between Budget Allocation Categories within an Individual Program

Non-Residential New Construction & Major Renovation Program

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 - No budget dollars will be shifted away from the Schools Program budget.

Program Incentive Levels

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- APS may adjust incentive levels as needed, without prior approval from the Commission Staff, for all measures so long as the incentive level stays below 50% of incremental cost.
- To the extent that the Federal Energy Policy Act of 2005 or other energy standards change during the implementation of a DSM program and require changes in baseline efficiency levels and customer incremental costs, APS may adjust such incentive levels accordingly. All such changes will be reported in the Company's semi-annual DSM reports.

Large New Construction Non-Residential DSM Program
Appendix 1, (pg. 2 of 4)

Prescriptive Cooling Incentive Worksheet 2005

Equipment Type	Size Category	Qualifying Efficiency	Incentive	Efficiency Incentive
Air Cooled AC Units (Split System and Single Package Units)	≤ 5 Tons	11.6 EER	\$50.00	\$30.00 per EER point over 11.6 per ton
	> 5 Tons	11.4 EER	\$50.00	\$30.00 per EER point over 11.4 per ton
	≤ 10 Tons	11.2 EER	\$25.00	\$30.00 per EER point over 11.2 per ton
Water Cooled Chillers	> 10 Tons	11.2 EER	\$25.00	\$30.00 per EER point over 11.2 per ton
	All Sizes	.61 kW/Ton	\$10.00	\$200.00 per kW/Ton under .61 per ton
Air Cooled Chillers	< 150 Tons	1.25 kW/Ton	\$10.00	\$200.00 per kW/Ton under 1.25 per ton
	≥ 150 Tons	1.25 kW/Ton	\$15.00	\$200.00 per kW/Ton under 1.25 per ton
Quality Installation*	≤ 10 Tons	NA	Up to \$125.00	Size Category = Total Project Capacity
	> 10 Tons ≤ 25 Tons	NA	Up to \$100.00	Size Category = Total Project Capacity
	> 25 Tons	NA	Up to \$75.00	Size Category = Total Project Capacity
Programmable Thermostats	NA	NA	\$50.00	per T Stat
	NA	NA	\$0.50	per Sq Ft
Cool Roofs				Both roof coatings and single membrane

* Incentives for Quality Installation will never exceed the incremental cost of this measure.

Large New Construction Non-Residential DSM Program
Appendix 1, (pg. 3 of 4)

Prescriptive Motor Incentive Worksheet 2005

Premium Efficiency Motors										Incentive/HP	
Horse Power	3600 RPM		1800 RPM		1200 RPM		Open	Closed	Open		Closed
	Open	Closed	Open	Closed	Open	Closed					
1	77.6%	77.6%	85.7%	85.0%	82.2%	82.7%			82.2%	82.7%	\$20.00
1.5	85.4%	85.1%	86.9%	87.2%	86.2%	87.3%			86.2%	87.3%	\$18.00
2	86.7%	86.1%	87.5%	87.4%	87.1%	88.1%			87.1%	88.1%	\$12.00
3	86.1%	87.6%	89.8%	89.7%	89.3%	89.0%			89.3%	89.0%	\$7.00
5	88.5%	89.5%	90.4%	90.2%	90.1%	90.0%			90.1%	90.0%	\$6.00
7.5	89.7%	90.5%	91.7%	91.5%	91.5%	91.4%			91.5%	91.4%	\$6.00
10	90.4%	91.7%	92.0%	91.8%	92.0%	91.7%			92.0%	91.7%	\$4.00
15	91.0%	91.8%	93.2%	92.7%	92.7%	92.5%			92.7%	92.5%	\$2.50
20	91.8%	92.1%	93.3%	93.3%	92.9%	92.5%			92.9%	92.5%	\$2.50
25	92.9%	92.9%	94.0%	93.8%	93.7%	93.4%			93.7%	93.4%	\$2.50
30	93.3%	92.7%	94.0%	93.9%	94.0%	93.7%			94.0%	93.7%	\$2.50
40	93.6%	93.4%	94.5%	94.6%	94.5%	94.3%			94.5%	94.3%	\$2.50
50	93.7%	93.9%	94.9%	94.9%	94.6%	94.4%			94.6%	94.4%	\$2.50
60	94.3%	94.3%	95.6%	95.2%	95.1%	94.9%			95.1%	94.9%	\$2.00
75	94.4%	94.5%	95.3%	95.4%	95.3%	94.9%			95.3%	94.9%	\$1.50
100	94.6%	94.8%	95.9%	95.5%	95.5%	95.1%			95.5%	95.1%	\$1.50
125	94.7%	95.2%	95.9%	95.4%	95.7%	95.1%			95.7%	95.1%	\$1.50
150	94.8%	95.5%	96.1%	95.8%	95.9%	95.9%			95.9%	95.9%	\$1.50
> 150	95.1%	95.7%	96.2%	96.3%	96.0%	95.8%			96.0%	95.8%	\$1.50

Efficiency standards are for all motors less than or equal to the indicated horsepower (up to the lower sized motor).
For example, for a 4 HP motor, use the efficiency standard for a 5 HP motor.

Variable Speed Drives	
Horse Power	Incentive per HP
All Sizes	\$ 50.00

Small Non-Residential DSM Program

The following Table shows the estimated energy savings for the program:

Year	Annual Peak kW Demand Savings	Lifetime kWh Savings*
2005	1,512	129,996,000
2006	2,068	177,772,200
2007	2,701	232,215,000
Program Total 2005-2007	6,281	539,983,200

* Lifetime kWh savings refers to total energy savings over the expected life of the DSM measure.

Program Cost Effectiveness

The Small Non-Residential DSM program is effective with a weighted average Societal Cost Test benefit/cost ratio of 3.08.

Total APS Program Cost 2005-2007	\$/Lifetime kWh	Societal Cost Test Total Benefits	Societal Cost Test Total Costs	Societal Cost Test Benefit/Cost Ratio
\$4,359,852	\$0.0081	\$15,914,298	\$5,159,253	3.08

In addition to the savings shown above, it is estimated that the program will produce these environmental benefits over the life of the measures:

Water Savings*	132,516,054 gal.
SOx	2,322 lbs.
NOx	92,877 lbs.
CO2	495,164,468 lbs.
PM10	12,798 lbs.

* Total water savings includes both utility and customer savings.

Program Budget Flexibility

Between Elements of Individual Programs

Although APS has provided the best estimates possible as to the amount allocated within an individual program budget to individual program budget allocation categories such as rebates and incentives, training and technical assistance, customer education, program implementation, program marketing, and program planning and administration, APS anticipates that flexibility in managing the DSM programs and allocating funds will be needed to maximize program effectiveness.

The following guidelines will govern program budget flexibility within each program:

- Within a program, up to 25% of funding may be shifted from any spending category to another category within the same program.
- For the program period 2005-2007, APS will make reasonable efforts to limit to amounts expended for program planning and administration to 10% of the total funding for each program.
- For the program period 2005-2007, APS will use at least 45% of total program funding averaged for all programs directly to customer rebates and incentives.
- For any budget changes that would result in a change to the program's benefit/cost ratio (as defined by the Societal Cost Test), APS will provide written notice to the Commission Staff. In no cases shall a budget change cause the benefit/cost ratio to be less than 1.0 (except for the Low Income Weatherization program).

Small Non-Residential DSM Program

- All budget shifts will be reported in the semi-annual DSM reports submitted to the Commission Staff.
- Budget allocations should be evaluated at the end of the 2005-2007 planning period. Prior to this time, program start up costs and the expected time it takes customers to become active in DSM programs will likely produce inconsistencies in the budget allocations within the DSM programs.
- The Preliminary Energy Efficiency DSM Plan and the Portfolio Plan budget projects an annual budget of \$6.2 million for Residential DSM Programs and \$6.9 million for Non-Residential DSM Programs. These figures represent average year budget estimates over the three year program. Each year will be adjusted to allow for schedule impacts. For instance, because 2005 is only a partial year of implementation, Year 2005 unspent budget dollars will be shifted to years 2006 and 2007 to comply with the Company's overall spending requirement of \$48 million by the end of 2007.

Between Budget Allocation Categories within an Individual Program

Within a segment of customers (such as residential or non-residential), APS expects that some programs may perform better than others. To utilize DSM funds in the most effective manner and to avoid under-spending, it may be beneficial to shift funds between programs within a segment.

The following guidelines will govern budget flexibility between programs:

- Budget shifting may occur only within a segment of customers, not across segments. No budget dollars may be shifted between Residential and Non-Residential programs.
- No more than 25% of a program budget may be shifted in any given year. Any budget shifts will be reported in semi-annual reports submitted to the Commission Staff.
- Budget shifting will not be permitted to reduce funding for special customer groups that have been addressed in the Portfolio Plan:
 - No budget dollars will be shifted away from the Low Income Program budget, including special funding devoted to Native American tribes.
 - No budget dollars will be shifted away from the Schools Program budget.

Program Incentive Levels

Incentive levels and the other program elements identified above will be reviewed and APS will modify them as needed during the first year from the approval date of this program, and periodically thereafter. Such modifications will be reported in the mid-year and year-end reports submitted to Staff.

The following guidelines will govern program incentive level flexibility:

- Program incentive levels shall never exceed 100% of a customer's incremental cost for selecting an energy efficient measure, as compared to standard efficiency.
- As a general guideline, incentive levels will be set at or below 50% of a customer's incremental cost. If APS believes that an incentive level of greater than 50% is necessary to gain market penetration, APS will submit to Commission Staff a justification supporting such additional incentives. Additional incentives may be justified based on reasonable reimbursement to participating customers to motivate behavior, special promotional periods necessary to stimulate program interest, or the need for special incentive levels to achieve market transformation. Such justification will be provided to Commission Staff at the time that the DSM measure is submitted for approval, or will be provided in writing prior to changing the incentive level within an existing Commission-approved program.
- APS may adjust incentive levels as needed, without prior approval from the Commission Staff, for all measures so long as the incentive level stays below 50% of incremental cost.
- To the extent that the Federal Energy Policy Act of 2005 or other energy standards change during the implementation of a DSM program and require changes in baseline efficiency levels and customer incremental costs, APS may adjust such incentive levels accordingly. All such changes will be reported in the Company's semi-annual DSM reports.

Small Non-Residential DSM Program
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Prescriptive Lighting Incentive Worksheet 2005

Equipment Type	Replace	Incentive
Standard T8 or T5 Electronic Ballast Fixtures		
2-foot to 4-foot lamp	T12 magnetic ballast	\$ 5.00 per lamp
8-foot lamp	T12 magnetic ballast	\$ 8.00 per lamp
Delamping		
3 Lamp T8	4 Lamp T12	\$7.00 per fixture
2 Lamp T8 or T5	4 Lamp T12	\$13.00 per fixture
2 Lamp T8 or T5	3 Lamp T12	\$7.00 per fixture
1 Lamp T8 or T5	2 Lamp T12	\$7.00 per fixture
Compact Fluorescent Lamps (CFL)		
All sizes	Incandescent	\$1.75 per lamp
Exit Signs (LED or Electroluminescent)		
Double or Single Face	Incandescent or CFL	\$25.00 per unit
Occupancy Sensors & Daylighting Controls		
All Sensor Mountings		\$40.00 per sensor
Daylighting Controls		\$100.00 per unit

Equipment Type	Replace	Incentive
Premium T8 Electronic Ballast Fixtures		
2-foot to 4-foot lamp	T12 magnetic ballast	\$8.00 per lamp
8-foot lamp	T12 magnetic ballast	\$10.00 per lamp
T5 F28 HO Electronic Ballast		
4 Lamp T5	Metal Halide	\$75.00 per fixture
Outdoor Lighting		
CFL ≤ 26 W	Incandescent	\$2.50 per fixture
CFL > 26 W ≤ 55 W	Incandescent	\$3.50 per fixture
CFL > 55 W	Incandescent	\$5.00 per fixture
CFL Flood	Halogen PAR	\$3.50 per fixture
High Pressure Sodium	Halogen PAR	\$25.00 per fixture
High Pressure Sodium	Mercury Vapor	\$10.00 per fixture
High Pressure Sodium	Metal Halide	\$10.00 per fixture

Small Non-Residential DSM Program
Appendix 1, (pg. 2 of 4)

Prescriptive Cooling Incentive Worksheet 2005

Equipment Type	Size Category	Qualifying Efficiency	Incentive	Efficiency Incentive
Air Cooled AC Units (Split System and Single Package Units)	≤ 5 Tons	11.6 EER	\$50.00	per ton \$30.00 per EER point over 11.6 per ton
	> 5 Tons ≤ 10 Tons	11.4 EER	\$50.00	per ton \$30.00 per EER point over 11.4 per ton
	> 10 Tons	11.2 EER	\$25.00	per ton \$30.00 per EER point over 11.2 per ton
Water Cooled Chillers	All Sizes	.61 kW/Ton	\$10.00	per kW/Ton under .61 per ton \$200.00 per kW/Ton under 1.25 per ton
Air Cooled Chillers	< 150 Tons	1.25 kW/Ton	\$10.00	per ton \$200.00 per kW/Ton under 1.25 per ton
	≥ 150 Tons	1.25 kW/Ton	\$15.00	per ton \$200.00 per kW/Ton under 1.25 per ton
Quality Installation*	≤ 10 Tons	NA	Up to \$125.00	per ton Size Category = Total Project Capacity
	> 10 Tons ≤ 25 Tons	NA	Up to \$100.00	per ton Size Category = Total Project Capacity
	> 25 Tons	NA	Up to \$75.00	per ton Size Category = Total Project Capacity
Diagnostic Tune Up*	≤ 5 Tons	NA	Up to \$100.00	per ton Size Category = Total Project Capacity
	> 5 Tons ≤ 12.5 Tons	NA	Up to \$75.00	per ton Size Category = Total Project Capacity
	> 12.5 Tons	NA	Up to \$50.00	per ton Size Category = Total Project Capacity
Programmable Thermostats Cool Roofs	NA	NA	\$50.00	per T Stat
	NA	NA	\$0.50	per Sq Ft Both roof coatings and single membrane

* Incentives for Quality Installation and Diagnostic Tune Up will never exceed the incremental cost of these measures.

Small Non-Residential DSM Program
Appendix 1, (pg. 3 of 4)

Prescriptive Motor Incentive Worksheet 2005

Horse Power	Premium Efficiency Motors										Incentive/HP
	3600 RPM		1800 RPM		1200 RPM		1200 RPM		1200 RPM		
	Open	Closed	Open	Closed	Open	Closed	Open	Closed	Open	Closed	
1	77.6%	77.6%	85.7%	85.0%	82.2%	82.7%	82.2%	82.7%	82.2%	82.7%	\$20.00
1.5	85.4%	85.1%	86.9%	87.2%	86.2%	87.3%	86.2%	87.3%	86.2%	87.3%	\$18.00
2	86.7%	86.1%	87.5%	87.4%	87.1%	88.1%	87.1%	88.1%	87.1%	88.1%	\$12.00
3	86.1%	87.6%	89.8%	89.7%	89.3%	89.0%	89.3%	89.0%	89.3%	89.0%	\$7.00
5	88.5%	89.5%	90.4%	90.2%	90.1%	90.0%	90.1%	90.0%	90.1%	90.0%	\$6.00
7.5	89.7%	90.5%	91.7%	91.5%	91.5%	91.4%	91.5%	91.4%	91.5%	91.4%	\$6.00
10	90.4%	91.7%	92.0%	91.8%	92.0%	91.7%	92.0%	91.7%	92.0%	91.7%	\$4.00
15	91.0%	91.8%	93.2%	92.7%	92.7%	92.5%	92.7%	92.5%	92.7%	92.5%	\$2.50
20	91.8%	92.1%	93.3%	93.3%	92.9%	92.5%	92.9%	92.5%	92.9%	92.5%	\$2.50
25	92.9%	92.9%	94.0%	93.8%	93.7%	93.4%	93.7%	93.4%	93.7%	93.4%	\$2.50
30	93.3%	92.7%	94.0%	93.9%	94.0%	93.7%	94.0%	93.7%	94.0%	93.7%	\$2.50
40	93.6%	93.4%	94.5%	94.6%	94.5%	94.3%	94.5%	94.3%	94.5%	94.3%	\$2.50
50	93.7%	93.9%	94.9%	94.9%	94.6%	94.4%	94.6%	94.4%	94.6%	94.4%	\$2.50
60	94.3%	94.3%	95.6%	95.2%	95.1%	94.9%	95.1%	94.9%	95.1%	94.9%	\$2.00
75	94.4%	94.5%	95.3%	95.4%	95.3%	94.9%	95.3%	94.9%	95.3%	94.9%	\$1.50
100	94.6%	94.8%	95.9%	95.5%	95.5%	95.1%	95.5%	95.1%	95.5%	95.1%	\$1.50
125	94.7%	95.2%	95.9%	95.4%	95.7%	95.1%	95.7%	95.1%	95.7%	95.1%	\$1.50
150	94.8%	95.5%	96.1%	95.8%	95.9%	95.9%	95.9%	95.9%	95.9%	95.9%	\$1.50
> 150	95.1%	95.7%	96.2%	96.3%	96.0%	95.8%	96.0%	95.8%	96.0%	95.8%	\$1.50

Efficiency standards are for all motors less than or equal to the indicated horsepower (up to the lower sized motor). For example, for a 4 HP motor, use the efficiency standard for a 5 HP motor.

Variable Speed Drives	
Horse Power	Incentive per HP
All Sizes	\$ 50.00

Building Operator Training Program

Program Budget

- The BOT Program budget for program year 2005 is \$65,000; \$80,000 in 2006; and \$95,000 in 2007, which includes planning & administration, implementation, incentives, consumer education, training & technical assistance, and marketing. See Appendix 2 for more information about the program budget.

Estimated Energy Savings

The BOT total program cost per lifetime kWh is \$0.0033, which equals \$240,000 total program costs / 73,703,500 lifetime kWh. See Appendix 3 for more detailed information on savings estimates.

The following Table shows the estimated energy savings for the BOT program:

Year	Annual Peak kW Demand Savings	Lifetime kWh Savings*
2005	172	19,961,400
2006	212	24,567,800
2007	251	29,174,300
Program Total 2005-2007	635	73,703,500

* Lifetime kWh savings refers to total energy savings over the expected life of the DSM measure.

Program Cost Effectiveness

The BOT program is effective with a Societal Cost Test benefit/cost ratio of 3.20.

Total APS Program Cost 2005-2007	\$/Lifetime kWh	Societal Cost Test Total Benefits	Societal Cost Test Total Costs	Societal Cost Test Benefit/Cost Ratio
\$240,000	\$0.0033	\$2,762,386	\$864,000	3.20

In addition to the savings shown above, it is estimated that the program will produce these environmental benefits over the life of the measures:

Water Savings	17,172,916 gal.
SOx	317 lbs.
NOx	12,677 lbs.
CO2	67,586,110 lbs.
PM10	1,747 lbs.

Program Budget Flexibility

Between Elements of Individual Programs

Although APS has provided the best estimates possible as to the amount allocated within an individual program budget to individual program budget allocation categories such as rebates and incentives, training and technical assistance, customer education, program implementation, program marketing, and program planning and administration, APS anticipates that flexibility in managing the DSM programs and allocating funds will be needed to maximize program effectiveness.

The following guidelines will govern program budget flexibility within each program:

Building Operator Training Program

- Within a program, up to 25% of funding may be shifted from any spending category to another category within the same program.
- For the program period 2005-2007, APS will make reasonable efforts to limit to amounts expended for program planning and administration to 10% of the total funding for each program.
- For the program period 2005-2007, APS will use at least 45% of total program funding averaged for all programs directly to customer rebates and incentives.
- For any budget changes that would result in a change to the program's benefit/cost ratio (as defined by the Societal Cost Test), APS will provide written notice to the Commission Staff. In no cases shall a budget change cause the benefit/cost ratio to be less than 1.0 (except for the Low Income Weatherization program).
- All budget shifts will be reported in the semi-annual DSM reports submitted to the Commission Staff.
- Budget allocations should be evaluated at the end of the 2005-2007 planning period. Prior to this time, program start up costs and the expected time it takes customers to become active in DSM programs will likely produce inconsistencies in the budget allocations within the DSM programs.
- The Preliminary Energy Efficiency DSM Plan and the Portfolio Plan budget projects an annual budget of \$6.2 million for Residential DSM Programs and \$6.9 million for Non-Residential DSM Programs. These figures represent average year budget estimates over the three year program. Each year will be adjusted to allow for schedule impacts. For instance, because 2005 is only a partial year of implementation, Year 2005 unspent budget dollars will be shifted to years 2006 and 2007 to comply with the Company's overall spending requirement of \$48 million by the end of 2007.

Between Budget Allocation Categories within an Individual Program

Within a segment of customers (such as residential or non-residential), APS expects that some programs may perform better than others. To utilize DSM funds in the most effective manner and to avoid under-spending, it may be beneficial to shift funds between programs within a segment.

The following guidelines will govern budget flexibility between programs:

- Budget shifting may occur only within a segment of customers, not across segments. No budget dollars may be shifted between Residential and Non-Residential programs.
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- Budget shifting will not be permitted to reduce funding for special customer groups that have been addressed in the Portfolio Plan:
 - No budget dollars will be shifted away from the Low Income Program budget, including special funding devoted to Native American tribes.
 - No budget dollars will be shifted away from the Schools Program budget.

Program Incentive Levels

Incentive levels and the other program elements identified above will be reviewed and APS will modify them as needed during the first year from the approval date of this program, and periodically thereafter. Such modifications will be reported in the mid-year and year-end reports submitted to Staff.

The following guidelines will govern program incentive level flexibility:

- Program incentive levels shall never exceed 100% of a customer's incremental cost for selecting an energy efficient measure, as compared to standard efficiency.
- As a general guideline, incentive levels will be set at or below 50% of a customer's incremental cost. If APS believes that an incentive level of greater than 50% is necessary to gain market penetration, APS will submit to Commission Staff a justification supporting such additional incentives. Additional incentives may be justified based on reasonable reimbursement to participating customers to motivate behavior, special promotional periods necessary to stimulate program interest, or the need for special incentive levels to achieve market transformation. Such justification will be provided to Commission Staff at the time that the DSM measure is submitted for approval, or will be provided in writing prior to changing the incentive level within an existing Commission-approved program.
- APS may adjust incentive levels as needed, without prior approval from the Commission Staff, for all measures so long as the incentive level stays below 50% of incremental cost.
- To the extent that the Federal Energy Policy Act of 2005 or other energy standards change during the implementation of a DSM program and require changes in baseline efficiency levels and customer

Building Operator Training Program

incremental costs, APS may adjust such incentive levels accordingly. All such changes will be reported in the Company's semi-annual DSM reports.

Energy Information Services Program

The following Table shows the estimated savings for the EIS program:

Year	Annual Peak kW Demand Savings	Lifetime kWh Savings*
2005	91	10,985,600
2006	113	13,520,700
2007	134	16,055,900
Program Total 2005-2007	338	40,562,200

* Lifetime kWh savings refers to total energy savings over the expected life of the DSM measure.

Program Cost Effectiveness

The EIS program appears to be effective with a Societal Cost Test benefit/cost ratio of 4.27, given the estimated energy savings as noted above.

Total APS Program Cost 2005-2007	\$/Lifetime kWh	Societal Cost Test Total Benefits	Societal Cost Test Total Costs	Societal Cost Test Benefit/Cost Ratio
\$300,000	\$0.0074	\$1,513,253	\$354,000	4.27

In addition to the savings shown above, it is estimated that the program will produce these environmental benefits over the life of the measures:

Water Savings	9,450,984 gal.
SOx	174 lbs.
NOx	6,977 lbs.
CO2	37,195,503 lbs.
PM10	961 lbs.

Program Budget Flexibility

Between Elements of Individual Programs

Although APS has provided the best estimates possible as to the amount allocated within an individual program budget to individual program budget allocation categories such as rebates and incentives, training and technical assistance, customer education, program implementation, program marketing, and program planning and administration, APS anticipates that flexibility in managing the DSM programs and allocating funds will be needed to maximize program effectiveness.

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Energy Information Services Program

- Budget allocations should be evaluated at the end of the 2005-2007 planning period. Prior to this time, program start up costs and the expected time it takes customers to become active in DSM programs will likely produce inconsistencies in the budget allocations within the DSM programs.
- The Preliminary Energy Efficiency DSM Plan and the Portfolio Plan budget projects an annual budget of \$6.2 million for Residential DSM Programs and \$6.9 million for Non-Residential DSM Programs. These figures represent average year budget estimates over the three year program. Each year will be adjusted to allow for schedule impacts. For instance, because 2005 is only a partial year of implementation, Year 2005 unspent budget dollars will be shifted to years 2006 and 2007 to comply with the Company's overall spending requirement of \$48 million by the end of 2007.

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Program Incentive Levels

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- To the extent that the Federal Energy Policy Act of 2005 or other energy standards change during the implementation of a DSM program and require changes in baseline efficiency levels and customer incremental costs, APS may adjust such incentive levels accordingly. All such changes will be reported in the Company's semi-annual DSM reports.