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Arizona Corporation Commission

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JUN 18 2007

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IN THE MATTER OF THE  
APPLICATION OF ARIZONA PUBLIC  
SERVICE COMPANY FOR APPROVAL  
OF MODIFICATIONS OF CERTAIN  
NON-RESIDENTIAL DEMAND SIDE  
MANAGEMENT PROGRAMS

Docket No. E-01345A-05-0477

**REQUEST FOR EXPEDITED  
APPROVAL OF MODIFICATIONS OF  
CERTAIN DEMAND SIDE  
MANAGEMENT PROGRAMS**

**I. INTRODUCTION**

In Decision No. 68488, issued February 23, 2006, the Arizona Corporation Commission ("Commission") granted interim approval of Arizona Public Service's ("APS" or "Company") Non-Residential Demand-Side Management ("DSM") programs. The Company was ordered to provide the Commission with updated information regarding these programs and to request final approval of the Non-Residential DSM programs within 13 months ("DSM 13 Month Filing"). In Decision No. 68648, issued April 12, 2006, the Commission required APS to provide a report regarding Residential Heating, Ventilation and Air Conditioning ("HVAC") Program, commensurate with the DSM 13 Month Filing. The Company filed the DSM 13 Month Filing on March 26, 2007, and based on its experience with the DSM programs, the Company requested modifications to some of the programs.

In this filing, the Company is requesting that certain modifications requested in the DSM 13 Month Filing be bifurcated, and that the Commission review and approve those modifications on an expedited basis. Expedited treatment is requested for the Non-

1 Residential Existing Facilities Program because it is likely that its budgeted funding will  
2 be depleted before the end of summer, and authorization to increase incentive funds is  
3 necessary to meet strong customer demand. Additionally, expedited treatment is  
4 requested for the proposed modifications to the Residential Existing Homes HVAC  
5 Program in order to provide additional opportunities for customers to acquire energy  
6 efficient units during the summer's air conditioning replacement season. These  
7 modifications are necessary to facilitate customer participation and maximize cost  
8 effectiveness, as discussed below.

## 9 **II. NON-RESIDENTIAL EXISTING FACILITIES PROGRAM**

10 This program provides, among other things, prescriptive incentives to APS  
11 customers with large non-residential facilities for energy-efficiency improvements in  
12 lighting, HVAC, motors, and refrigeration measures. The Non-Residential Existing  
13 Facilities Program has transitioned from the start-up phase to the implementation phase,  
14 and has generated considerable customer interest and activity. To accommodate growth  
15 in the number of customer requests, APS utilized the budget flexibility granted in  
16 Decision No. 68488. In January 2007, the Company shifted 25% of each of the Small  
17 Business Program and Large New Construction Program funds to the Existing Facilities  
18 Program to meet the expected customer demand for the 2007 budget year.

19 As reported in the DSM 13 Month Filing, for the 12 months ended February 28,  
20 2007, over 40% of the 2005-2007 Existing Facilities Program incentive budget was either  
21 paid to customers or reserved for customers with pre-approved applications. Even more  
22 significant, applications received at the end of May 2007 represent approximately 85% of  
23 the incentive dollars available for the entire three-year adjusted Existing Facilities  
24 Program incentive budget. Of these applications, 55% are reserved and 30% have been  
25 paid to customers. Therefore, it is likely that the entire Existing Facilities incentive  
26 budget could be either reserved for projects or paid by July 2007.

1 Significant incentives have been paid to APS customers across a variety of  
2 business segments, with lighting change-outs as the most installed measure. Schools,  
3 retail businesses, office buildings and medical providers are the top four participating  
4 sectors. This highly successful program continues to deliver energy savings and net  
5 benefits to both customers and society. APS believes it is in the customer's best interest to  
6 have robust participation in these programs. Because of current customer interest, without  
7 expedited authorization to authorize more incentive funds for this program, it is very  
8 likely that the Company will be unable to continue to provide customer incentives, which  
9 could result in lost or delayed energy savings and cause customer dissatisfaction.

10 The Company is seeking Commission authorization for additional funding to be  
11 used for customer incentives, as a means to meet the customer demands of the Existing  
12 Facilities Program. The amount of customer demand and positive net benefits justify  
13 additional budget availability for this program. To date, APS has received over 289  
14 applications for \$4.4 million and this participation level is expected to continue.

15 Specifically, APS is seeking authorization to make two modifications to this  
16 program. First, the Company is seeking authority to increase the incentive budget for the  
17 Existing Facilities Program by an additional \$3.5 million through the end of 2007. This  
18 will allow APS to continue this program uninterrupted and provide the additional funds  
19 needed to pay incentives on the approved cost-effective energy efficient measures  
20 currently being installed. Second, in order to pay this additional money to customers as  
21 incentives, the Company also requests that the 52% cap on incentives be waived for the  
22 additional \$3.5 million in funding for this program, so a greater percentage of DSM funds  
23 may be paid directly to the customers who want to participate in the program.

### 24 **III. RESIDENTIAL EXISTING HOMES DSM PROGRAM**

25 APS is also seeking authorization to modify the Energy Efficiency Ratio ("EER")  
26 criteria for air-conditioning units to allow more customers who may be making air  
27 conditioning replacement choices this summer to participate in the Residential Existing  
28

1 Homes HVAC Program (“A/C Rebate Program”). Many Arizona homes that were  
2 constructed before the mid-1980s are ranch style homes with shingle roofs that have  
3 rooftop packaged heat pump or air-conditioning units, (HVAC unit on a stand on the  
4 roof). The packaged air conditioning replacement equipment used to retrofit these homes  
5 typically has somewhat lower EER efficiency levels than corresponding split system  
6 design equipment that is utilized in homes with tile roofs and two-story construction  
7 (compressor on the side of the home on the ground and air handler in the attic). Under the  
8 APS A/C Rebate Program’s existing efficiency requirements, it is difficult to find  
9 qualifying equipment that meets the needs for the rooftop units. As a result, a portion of  
10 the market is unserved, which limits potential energy savings under this program, and  
11 frustrates customers and contractors.

12 For these reasons, the Company is proposing minor modifications to the program’s  
13 Energy Efficiency Ratio (“EER”) requirements, as set forth in the chart below. These are  
14 designed to better align the program with current market conditions and availability of  
15 equipment that meets program standards.

16

Incentive Amount	Current SEER/EER Minimum Level	Proposed SEER/EER Minimum Level
\$250	14 SEER and 12 EER	14 SEER and 11.5 EER
\$400	16 SEER and 14 EER	16 SEER and 12.25 EER

17  
18

19 Although these modifications yield slightly lower savings per unit, they produce a  
20 number of important benefits to the program, which includes permitting more customers  
21 to participate in energy efficiency programs; providing the ability for packaged equipment  
22 to qualify; encouraging more contractor participation as more units qualify; and better  
23 aligning the program with HVAC equipment that is currently available and with current  
24 EPA/DOE Energy Star requirements (14 SEER/11.5 EER). The Company conducted a  
25 revised cost/benefit analysis for the proposed modifications, the outcome of which  
26 resulted in essentially the same value, albeit slightly higher, as the current A/C Rebate  
27 Program requirements, thus maintaining the cost-effectiveness of this program.

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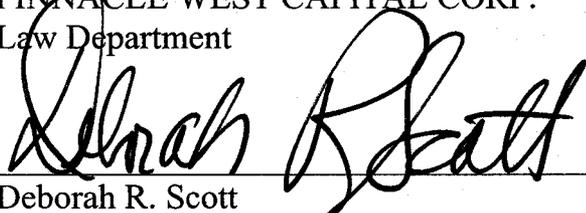
1 Although it is difficult to predict customer behavior, APS anticipates that increased  
2 customer participation as a result of the program modifications will produce higher net  
3 benefits for the program. It will also produce a more equitable program by allowing  
4 broader opportunities for customer participation, with greater contractor and customer  
5 satisfaction. This should result in overall increased program savings and net benefits.

6 **IV. CONCLUSION**

7 For the reasons discussed above, the Company respectfully requests that the  
8 Commission review and approve the modifications to the Non-Residential Existing  
9 Facilities DSM Program granting an incentive budget increase for the Existing Facilities  
10 Program by an additional \$3.5 million through the end of 2007 and waiving the 52%  
11 incentive cap for those funds. APS also requests that the Commission authorize a  
12 reduction in the EER requirements for the Residential Existing Homes HVAC Program.  
13 The Company further requests that the Commission act on an expedited basis to facilitate  
14 customer participation and maximize cost effectiveness of these programs.

15 RESPECTFULLY SUBMITTED this 18<sup>th</sup> day of June 2007.

16 PINNACLE WEST CAPITAL CORP.  
17 Law Department

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19 \_\_\_\_\_  
20 Deborah R. Scott  
21 Attorney for Arizona Public Service Company

22 ORIGINAL and 13 copies of the foregoing  
23 filed this 18<sup>th</sup> day of June 2007, with:

24 Docket Control  
25 Arizona Corporation Commission  
26 1200 West Washington Street  
27 Phoenix, AZ 85007

28 Participants in the ACC DSM Workshops