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June 18, 2007

AZ CORP COMMISSION
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JUN 18 2007

Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85997

DOCKETED BY	<i>JK</i>
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RE: DSM Program 13 Month Report
Docket No. E-01345A-05-0477

Dear Mr. Johnson:

On March 26, 2007, Arizona Public Service Company ("APS" or "Company") filed its Non-Residential DSM Program 13 Month Report ("13 Month Report"), in compliance with Decision No. 68488. The purpose of this letter is to modify the 13 Month Report in two ways: 1) to withdraw the Company's recommendation to remove the Energy Efficiency Ratio (EER) as a measure of energy efficiency related to heat pumps and air conditioners, and 2) to correct an inadvertent typographical error. Both of these issues are discussed below.

Residential Existing Homes Heating, Ventilation and Air Conditioning ("HVAC") Program

The Residential Existing Homes HVAC Program was approved by the Arizona Corporation Commission in April 2006 in Decision No. 68648. Under the program, APS offers incentives to encourage customers to upgrade their replacement heat pump or AC units to high efficiency equipment. The program energy efficiency requirements are based on two measures of energy efficiency; SEER (Seasonal Energy Efficiency Ratio), which indicates the performance of the system over an entire summer cooling season, and EER (Energy Efficiency Ratio), which measures steady state efficiency at 95 degrees.

In the DSM Program 13 Month Report filing, APS requested that the Residential Existing Homes HVAC Program energy efficiency levels be modified to remove the EER requirement, because of the lack of available EER data provided by manufacturers. However, since the Company's filing in March, EER data has been made more readily available. As of late March 2007, the main database that contractors use to verify a wide range of equipment information (the ARI Directory of Certified Product Performance) now includes significantly more information on equipment EER levels. This is largely due to the fact that federal tax credits for high efficiency HVAC equipment replacement are tied to both SEER and EER efficiency requirements. Contractors are now able to easily access the information needed to verify the EER and to qualify equipment for APS incentives. For these reasons, APS is withdrawing its request to remove the EER requirement; instead, it is APS's position that the EER

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efficiency requirements should remain as a measure. APS will continue to monitor this situation to ensure that EER information remains available to support the program.

Correction to Lighting Measure Incentive

APS has recently identified a typographical error in the 13 Month Report -- specifically the "Lighting Measures Updates" paragraph on page 27. The second to last sentence of this paragraph should have referred to a change in the delamping incentive rather than a change in the CFL incentive. The second last sentence should read, "The delamping incentive was changed from \$2.50 to \$5.00 per lamp to reflect the significant savings this measure achieves." This change does not affect any other information contained within the 13 Month Report. In fact, this delamping incentive is consistent as listed in Exhibit 26 on page 49 of the report. For your convenience, I have enclosed a replacement page that can be inserted in the 13 Month Report.

If you have any questions, or wish to discuss further, please feel free to contact Jeff Johnson at 602-250-2661.

Sincerely,



Barbara Klemstine

Enclosure

CC: Brian Bozzo
Docket Control