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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

- KRISTIN K. MAYES, Chairman
- GARY PIERCE
- PAUL NEWMAN
- SANDRA D. KENNEDY
- BOB STUMP

2009 JUN 12 P 3:59

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

JUN 12 2009

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IN THE MATTER OF ARIZONA PUBLIC
SERVICE COMPANY'S REQUEST FOR
EXPEDITED APPROVAL OF
MODIFICATIONS TO DECISION NO.
70960

DOCKET NO. E-01345A-07-0712
**REQUEST FOR MODIFICATION
OF DECISION NO. 70960**
(Expedited Consideration Requested)

Arizona Public Service Company ("APS" or "Company") requests that the Arizona Corporation Commission ("ACC" or "Commission") approve the following changes to the requirements to offer the Residential Existing Home Heating, Ventilation and Air Conditioning Efficiency Program ("Residential HVAC Program") rebates established in Decision No. 70960 (April 7, 2009):

Contractors that are not members of the Electric League of Arizona ("ELA") or its Heat Pump Council ("Council") can offer the rebates if:

1. They are licensed, bonded and insured. (A license number is required on the Rebate form.)
2. They complete the same training required of the APS Qualified Contractors.

APS also proposes that for the contractors that do not want to remain as members of ELA and its Council for the rest of 2009, the Residential HVAC Program will pay them the prorated remainder of their annual membership dues, and such payments would be recoverable program expenses.

1 APS requests that these Residential HVAC Program modifications be approved as
2 soon as possible. Summer is the busiest time of the year for HVAC contractors. APS
3 understands the Commission's workload is intensive and is prepared to cooperate and
4 support their review of this request.
5

6 DISCUSSION

7 The Issue

8 Decision No. 70960 approved changes to the Residential HVAC Program.
9 Specifically, page 7 of Decision No. 70960 states at Finding of Fact paragraph Nos. 26 and
10 27:
11

12 *"Offer the Combined Rebates Only through the APS "Qualified 13 Contractor" Network*

14 26. Once again, this proposed change is a substantive and very real change
15 to the way this program would be conducted. In 2008, only 46 percent of the
16 HVAC installs receiving an APS rebate were installed by an APS "Qualified
Contractor."

17 27. Qualified Contractor companies are certified by APS only after their
18 technicians have met requirements in two areas: 1) education of technicians,
19 and 2) company membership in the Arizona Heat Pump Council. The
20 education requirement mandates that 10 percent of the company's technicians
21 are "master technicians." Master technicians have completed all 12 of the
22 required Arizona Heat Pump Council classes. A continuing education
23 requirement further mandates that the company's technicians as a whole
24 complete on average a minimum of one class per technician per year. The 12
25 classes are promoted and supported by APS but conducted by the Arizona
26 Heat Pump Council. Contractor company membership in the Arizona Heat
27 Pump Council provides assurances that 1) a dispute resolution mechanism
28 including arbitration is in place; 2) a pledge of performance has been accepted
and signed; 3) the company is in good standing with the Better Business
Bureau and the Registrar of Contractors; 4) the company is licensed, bonded,
and insured; and 5) the company has a current retail sales tax privilege license.
Arizona Heat Pump Council members are also required to be members of the
Electric League of Arizona and to pay dues to belong to those organizations."

1 Since APS implemented the changes approved by Decision No. 70960 the
2 requirement of membership in the ELA and its Council has been met with considerable
3 concern from smaller HVAC contractors. These contractors inform us that it is a financial
4 hardship for them to pay the \$1,721 annual membership (\$321 for ELA, \$1,400 for its
5 Council) in addition to the cost of the master technician training, especially in light of the
6 current economic situation. They have asked that APS change the program so that
7 contractors can offer the Residential HVAC Program rebates to their customers without
8 having to join either the ELA or its Council.
9

10
11 In an effort to resolve these concerns, APS is making the instant request. Of course,
12 if contractors do not join the ELA and its Council, they would be ineligible for the many
13 membership benefits such as referrals, a complaint resolution process including arbitration,
14 and APS discounts for training classes.
15

16 Currently, there are 125 contractors that have already paid the 2009 annual ELA and
17 its Council membership dues. None of these contractors had the option of offering the new
18 rebates without the membership. If this request is approved it creates an unfair situation for
19 the incumbent contractors. For that reason, APS has included in its request the ability to
20 refund a portion of their dues should they wish to cancel their 2009 membership and recover
21 such refunds as a program cost.
22

23 **APS Relationship with ELA**
24

25 APS began working with the ELA in 1985. In 1999 the APS Qualified Contractor
26 network was established as a way to provide referrals to reliable HVAC contractors for APS
27 customers. The Company was getting a significant volume of such requests. The
28 Company's relationship with ELA was also a way to provide training on HVAC installation

1 procedures that were more energy efficient. The APS Qualified Contractor requirements
2 were developed at that time and have largely stayed the same since. One such requirement
3 was for contractors to join the ELA and its Council because they:

4
5 1. Track the number of master technicians each contractor
6 has on staff. APS requires that 10% of their
7 installer/technician staff be master technicians. These
8 technicians routinely change employers, so its important
9 that this information be tracked and maintained.

10 2. Monitor the annual training requirement for each contractor.
11 APS has an on-going training requirement of one class per service
12 technician on staff with a minimum of 4 classes per year.

13 3. Monitor the contractor's standing with the Registrar of
14 Contractors and the Better Business Bureau.

15 4. Follow-up and resolve customer complaints regarding these
16 contractors and have an established arbitration process if a
17 complaint cannot be resolved. For example, the ELA's Council
18 successfully handled 169 complaints regarding APS Qualified
19 Contractors in 2008.

20 5. Work with APS, Salt River Project ("SRP"), electric
21 cooperatives and other industry groups to provide technical
22 training.

23 APS began offering rebates for high efficiency HVAC equipment in June 2006. The
24 \$100 APS Quality Installation rebate was implemented in August 2007. It was only offered
25 through the APS Qualified Contractor network and continued that way until April 7, 2009
26 when it was combined with the high efficiency equipment rebates. APS did not receive any
27 negative contractor comments about the requirement of joining the ELA and its Council to
28 offer the \$100 Quality Installation rebate while that stand-alone rebate was available. The
reason the \$100 Quality Installation rebate was originally offered only through the APS
Qualified Contractor network was because these contractors already had been through
training and APS was familiar with and confident of their Quality Installation procedures.

1 **Electric League of Arizona**

2 The ELA and its associated Council are non-profit groups that provide training on
3 HVAC, electrical, facility maintenance, building operator and lighting in Phoenix and
4 Tucson. The ELA has a six member state executive committee, with three of those seats
5 held by one representative each from APS, SRP and Arizona Electric Co-operative
6 (“AEPCO”), although the AEPCO seat is currently vacant. The Council currently has 19
7 board members. Of the 19 board members, 2 are from SRP and 1 is from APS. All of the
8 other council board members are contractors. APS pays membership dues to both the ELA
9 and its Council.
10
11

12 All Council member companies meet all of the following requirements:

- 13 1) A signed pledge of performance
- 14 2) Applicable registrar of contractor’s license
- 15 3) Prescribed continuing education courses
- 16 4) Current surety bond
- 17 5) Current public liability insurance certificate
- 18 6) Workman’s compensation insurance certificate
- 19 7) Current Arizona retail sales tax privilege license, if applicable
- 20 8) No unresolved complaints with the Registrar of Contractors
- 21 9) No unresolved complaints with the Better Business Bureau

22
23 The contractor benefits of membership in the ELA Council are: referrals, 100%
24 contractor lead tracking, industry education programs and monthly referral report. The
25 average number of referrals for APS Qualified Contractors last year was 198 per contractor.
26 With a membership cost of \$1,721, that is \$8.69 per lead. That is very cost effective
27 advertising. Membership also provides a member with referrals in SRP’s territory at no
28

1 additional cost because SRP has the same membership requirement. If APS's proposed
2 changes to the Residential HVAC Program are approved, APS plans to list contractors who
3 are eligible to offer the rebates on the APS website.
4

5 To keep track of the master technicians training, APS is proposing that the
6 contractors which are not members of ELA and its Council, send APS a list of the names of
7 their master technicians on staff at the end of each month. It will be randomly verified. If
8 the contractor has less than the required number of master technicians they will be removed
9 from the eligibility list until the situation is corrected. This is the same process in place for
10 the original APS Qualified Contractors network.
11

12 To keep track of the non-member contractor's status of compliance with the on-going
13 training requirement, the contractors will need to send APS a certificate of successful
14 completion for the classwork required to satisfy this requirement each year, which will be
15 verified by APS. If the contractor is not in compliance with the requirement they will be
16 removed from the eligibility list until the situation is corrected, which is the same process in
17 place with the original APS Qualified Contractors network.
18
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20 **Additional Implementation Costs**

21 The proposed solution requires APS to implement its own tracking procedures to
22 confirm the number of master technicians each contractor has on staff each month and also
23 their on-going training status. Although it is difficult to know with certainty how many
24 contractors that APS will need to keep track of this way, we estimate 50 – 80 contractors
25 may choose this option. APS projects this could add an additional \$10,000 - \$15,000 annual
26 implementation expense to the program. This additional cost may be balanced by additional
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1 energy savings derived from potentially increased participation in the program.

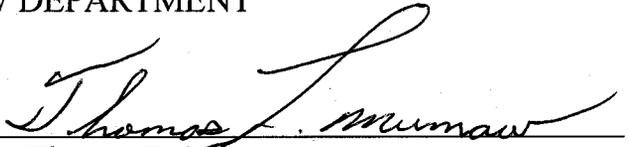
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4 APS requests that the Commission approve these changes to the requirements to offer
5 the Residential HVAC program rebates established in Decision No. 70960. These changes
6 allow contractors that are not members of the ELA or its Council to offer rebates if they
7 meet other specific requirements. APS also proposes that for the contractors that do not
8 want to remain ELA members for the rest of 2009, the Residential HVAC Program will pay
9 them the prorated remainder of their annual membership dues, and such payments would be
10 recoverable program expenses.
11

12
13 APS requests that these Residential HVAC Program modifications be approved as
14 soon as possible. This is the busiest time of the year for HVAC contractors. As noted above,
15 APS understands the Commission's workload is intensive and is prepared to cooperate and
16 support their review of this request.
17

18 RESPECTFULLY SUBMITTED this 12th day of June, 2009.

19
20 PINNACLE WEST CAPITAL CORPORATION
21 LAW DEPARTMENT

22 By: 
23 Thomas L. Mumaw
24 Deborah R. Scott

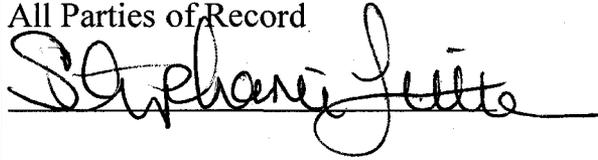
25 Attorneys for Arizona Public Service Company

26 ORIGINAL and thirteen (13) copies
27 of the foregoing filed this 12th day of
28 June, 2009, with:

Docket Control

1 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
2 Phoenix, Arizona 85007

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4 All Parties of Record

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