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AZ CORP COMMISSION
DOCKET CONTROL

December 29, 2009

Arizona Corporation Commission
DOCKETED

DEC 29 2009

Steve Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

DOCKETED BY

RE: DOCKET NO. E-01345A-07-0712 - NOTICE OF EXCEEDING BUDGET AND REALLOCATION OF FUNDING REGARDING: (1) 2009 RESIDENTIAL EXISTING HOMES HEATING, VENTILATION AND AIR CONDITIONING DEMAND SIDE MANAGEMENT PROGRAM; (2) RESIDENTIAL CONSUMER PRODUCTS PROGRAM; (3) RESIDENTIAL NEW CONSTRUCTION PROGRAM; (4) SMALL BUSINESS PROGRAM; AND (5) NON-RESIDENTIAL NEW CONSTRUCTION PROGRAM

Dear Mr. Olea:

Pursuant to the authority granted by Decision No. 68648, Arizona Public Service Company ("APS") hereby is notifying the Commission that it is transferring up to 25% of the approved budget funding for the Residential Consumers Products Program ("CP Program") and the Residential New Construction Program ("NC Program") to the 2009 Residential Existing Homes Heating, Ventilation and Air Conditioning Demand Side Management program ("HVAC Program"). On the commercial side, APS will be transferring up to 25% of the approved 2009 budget funds for the Small Business Program ("SB Program") to the Non-Residential New Construction Program ("NRNC Program"). Even with these transfers, all five of the affected programs will be within 115% of their spending budgets as required by Decision No. 70637.

The increased incentives and HVAC Program changes approved in Decision No. 70960 have had the desired effect of significantly increasing the HVAC Program's rebate volume and also improving the cost benefit results. APS estimates that the Program will pay about 10,000 rebates in 2009 compared to 7,200 in 2008. Also, 2009 incentive payments are estimated to be \$3.4 Million compared to the 2008 total of \$1.7 Million. APS is pleased that the HVAC Program has done well despite the economic downturn and that it has sustained strong volumes in the off-season this year.

Without these reallocations of funding, the HVAC Program would have been unable to continue offering customers the HVAC Program (which helps customers mitigate the 40-50 percent of their electric bill that affect their homes heating and cooling). Even a short-term interruption in the availability of rebates from the HVAC Program would have been confusing for APS customers, counterproductive for APS and detrimental to a program that has made significant improvement.

Although not as dramatic a shortfall in funding, the NRNC Program would also have had to be interrupted had not funds been available from the SB Program.

A summary of the transfers and resultant budgets and expected variances is set forth on the following page. Further details of the budget shifts and final variances will be provided in the DSM Semi-Annual Report filed with the Commission by March 1, 2010.

Steve Olea
Director, Utilities Division
December 29, 2009
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<u>Program</u>	<u>Original Budget</u>	<u>Transfers</u>	<u>Adj. Budget</u>	<u>Exp.YE Spend</u>	<u>% Var.</u>
Residential					
HVAC Program	\$2.8 M	\$1.4 M	\$4.2 M	\$4.8 M	15% over
CP Program	\$4.1 M	(\$1.0 M)	\$3.1 M	\$3.6 M	14% over
NC Program	\$1.8 M	(\$0.4 M)	\$1.4 M	\$1.5 M	9% over
Non-Residential					
NRNC Program	\$1.7 M	\$0.5 M	\$2.2 M	\$2.2 M	at Adj. Budget
SB Program	\$2.2 M	(\$0.5 M)	\$1.7 M	\$0.6 M	under Budget

Overall, the combined Residential and Non-Residential Programs are expected to be slightly less than the Commission approved budget of \$25.5 million. Final actual DSM spending for 2009 will be reported in the Semi-Annual Report filed by March 1, 2010.

If you or your staff has any questions regarding the enclosed information, please call Jeff Johnson at (602) 250-2661.

Sincerely,



Leland R. Snook

LRS/jah

cc: Terri Ford
Julie McNeely-Kirwan
Janet Wagner
Docket Control