

APS Solutions for Business Program Policies and Procedures

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The Arizona Public Service (APS) Solutions for Business program provides incentives for business customers who upgrade their facility with energy efficient equipment, are building a new energy efficient facility, or are including energy efficient options in a major renovation. The program also provides incentives for design assistance, feasibility studies, retro-commissioning and commissioning incentives. APS has hired DNV KEMA Energy and Sustainability to implement the APS Solutions for Business program.

This document conveys the rules, policies and procedures that govern program administration and customer participation. It is a companion document to the Incentive Application forms.

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1. Program Overview

The APS Solutions for Business program offers incentives to business customers for energy efficiency improvements in new construction and existing buildings.

- **Prescriptive Incentives** are available for common equipment upgrades including lighting, cooling, HVAC testing and repair, refrigeration and motors, in a retrofit, major renovation or new construction project. The “Express Solutions” approach (formerly referenced as “direct install”) is available to all schools in APS territory regardless of size and APS business customers with monthly per-site demand of 400 kW or less.
- **Custom Incentives** are available for retrofit, major renovation and new construction energy saving measures not included in the list of qualified prescriptive measures.
- **Technical Assistance and Energy Study** incentives are available for energy feasibility studies, design assistance, commissioning and retro-commissioning for new or existing business facilities.
- **Whole Building incentives** are available to explore higher performance designs and implementation of new buildings.

Application forms are available on aps.com/businessrebates.

2. Contact Information

APS Solutions for Business

2020 North Central Avenue, Suite 900, Phoenix, AZ 85004

Phone: 866-277-5605 Fax: 866-277-5604

Website: aps.com/businessrebates

3. Customer Eligibility

APS non-residential customers who contribute to the Systems Benefit charge or the Demand Side Management Cost Adjustment (DSMAC) charge are eligible. Measures installed in areas of any facility or premise that are served by an ineligible rate schedule are not eligible.

The “Express Solutions” approach is available to all K-12 schools in APS service territory regardless of monthly kW demand, and large and small nonresidential customers with per-site monthly demand of 400 kW or less.

If the owner of a nonresidential building in APS service territory installs a qualifying energy-efficiency measure that results in lower energy use for the tenant (an APS customer), the building owner can qualify for the incentive.

4. Project Terms and Conditions

Applicants must abide by all program rules as detailed in this document and the application document(s). By signing the application agreement form, the customer agrees to all rules and requirements in place on the date of signature. Customers should reference the measure specification sheets for detailed technical requirements.

- The Final Application and all required documentation must be received by DNV KEMA within six months of project completion or it will be deemed ineligible for payment. All equipment must be purchased new and installed prior to submitting the Final Application. All materials removed, including lamps and PCB ballasts, must be disposed of properly.

- Equipment measures must involve capital improvements or equipment testing and repair (for HVAC) that save energy through efficiency improvements. Savings must be sustainable for five years. If the customer receives an incentive payment and does not install or removes the product(s) before the end of the product's life or within five years of installation (whichever is less), the customer shall return a prorated amount of incentive funds to APS.
- Pursuant to Arizona Corporation Commission Decisions when calculating incremental measure cost, APS is required to reduce the incremental measure costs by any known monetary incentives available from other entities (such as tax credits), regardless if a customer applies for these incentives. Customer certifies that the sum of American Recovery and Reinvestment Act (ARRA) dollars, other grant dollars, and APS Solutions for Business rebates shall not exceed 100% of the incremental project cost.
- Technical assistance studies require submission of a written report, as described in the application document. To be eligible for commissioning services, the new facility must consist of a minimum of 25,000 square feet of conditioned floor space. To be eligible for retro-commissioning services the customer's facility must have a minimum of 25,000 square feet of conditioned floor space and use a chiller. It is strongly recommended that these facilities utilize a central building automation system.
- Customers may be recognized as program participants in promotional materials after receiving an incentive check; however, project details will not be released without prior consent. Customers can opt-out of any recognition in a written letter to the APS Solutions for Business program.
- The Solutions for Business program team reserves the right to inspect all projects to verify compliance with the program rules and verify the accuracy of project documentation. This may include pre-installation and/or post-installation inspections, detailed lighting layout descriptions, metering, data collection, interviews, and utility bill data analyses. The customer must allow access to records and installation sites for a period of three years after receipt of incentive payment.

5. Program Marketing

Marketing collateral has been developed for the APS Solutions for Business program and is downloadable from the website. Trade Allies are encouraged to use the APS Solutions for Business marketing materials when promoting the program.

- Trade Allies are not allowed to use the APS logo or name on Trade Ally-developed materials and email/FAX blasts.
- If any materials are developed and they include the program name, they must be approved by APS Solutions for Business prior to distribution.
- APS reserves the right to remove any Trade Ally and their associated company from the listing if they do not comply with the program's policy and procedures.

6. Incentive Caps

There are two types of incentive caps: annual customer caps and measure incentive caps.

6.1 Annual Customer Caps

Annual caps differ by customer size. For the APS Solutions for Business Program, APS defines the customer as the decision maker at an organization or firm that receives electric service from APS on an

approved retail rate schedule. This is often determined by tax identification number, although other factors may also be considered.

- For example, an organization that has responsibility for the capital budget for multiple facilities and has one tax identification number, may receive incentives for several different projects at various facilities; that customer may reach the annual customer cap above which no additional incentives can be paid in that program year. However, another parent organization may have subsidiaries (or departments) in which each subsidiary is responsible for its own capital budget (i.e., separate decision makers). In this case, each of these subsidiaries may be considered as a separate customer and thus, each would have its own cap.¹

100 kW or less monthly demand

A customer with monthly maximum billed demand of 100 kW or less can receive up to \$150,000 plus 50% of the eligible incentive amount above the \$150,000 per year for projects.

Monthly demand greater than 100 kW

Customers with monthly maximum billed demand of greater than 100 kW can receive up to \$500,000 plus 50% of the eligible incentive amount above the \$500,000 amount per year for projects and \$12,000 for EIS.

Schools

Any K-12 school in APS service territory can access up to an additional \$100,000 from a special school fund. Therefore a school with less than 100kW demand could receive in one program year:

- \$250,000 plus 50% of the eligible incentive amount above the \$250,000 per year for projects and \$12,000 for EIS.

A school greater than 100 kW can receive in one program year:

- \$600,000 plus 50% of the eligible incentive amount above the \$600,000 per year for projects and \$12,000 for EIS.

Note: The school's CTDS number must be provided on the incentive application.

APS will, at its discretion, determine which calendar year to attribute an application's incentives. Incentive funds will be attributed to a calendar year based upon availability of incentive funds and project completion date or when the final application is approved for payment.

6.2 Measure Incentive Caps

The paid incentive is capped at a percentage of the incremental measure cost. Incremental measure cost is the difference between the cost of installing a high efficiency piece of equipment and the alternative lower cost of installing a standard efficiency piece of equipment. The APS Solutions for Business Team will use data provided by the customer, and typical industry base cost, to determine the incremental measure cost. In some cases the full measure cost will be used, in other cases only a portion of the full measure cost is appropriate.

Pursuant to Arizona Corporation Commission Decisions when calculating incremental measure cost, APS is required to reduce the incremental measure costs by any known monetary incentives available from other entities (such as tax credits), regardless if a customer applies for these incentives. The applicant is responsible for applying for any relevant monetary incentives and for any tax liability associated with the receipt of incentive payments. In addition, the customer must certify that the sum of American Recovery

¹ Government facilities are frequently an example for this exception as they often have a single tax identification number for numerous departments. In this case, the agency or organization responsible for the capital projects budget is defined as the customer for the purpose of setting customer caps.

and Reinvestment Act (ARRA) dollars, other grant dollars, and APS Solutions for Business rebates shall not exceed 100% of the incremental project cost.

The following table summarizes the measure incentive caps.

Incentive Type	Incentive Cap
Prescriptive Retrofit	75% of incremental measure cost
Prescriptive New Construction	75% of incremental measure cost
Express Solutions Measures	90% of incremental measure cost
Custom Retrofit	75% of incremental measure cost
Custom New Construction	75% of incremental measure cost
Technical Assistance (Studies)	50% of study cost up to \$10,000
	75% for retro-commissioning up to \$20,000
EIS	75%, up to \$12,000

7. Types of Incentives

This section provides specific details of the types of incentives available under the APS Solutions for Business program. The program applications provide further details regarding incentive levels and technical specifications. This program is not meant to provide incentives for fuel switching (e.g. from gas to electric or electric to gas), renewables, onsite generation, or gas chiller or other gas equipment projects.

7.1 Prescriptive and Express Solutions (Direct Install) Incentives

Customers can choose from an established (prescriptive) list of qualified measures with set incentive levels for retrofit and new construction projects. The eligible measures are summarized in the sections below. All applicants must review the program application forms for detailed incentive and technical specifications before assuming any measure is covered.

- Equipment replacement projects must demonstrate that the old equipment has been eliminated from the resale market.

The “Express Solutions” approach is available for a subset of prescriptive measures. This approach is available to all K-12 schools in APS service territory regardless of monthly kW demand, and large and small nonresidential customers with per-site monthly demand of 400 kW or less.

A site is defined as a customer at a single address having contiguous property. A customer site may be one location of a business that has multiple locations, such as a customer with a chain of convenience stores or restaurants. Customers must use an Express Solutions contractor to qualify for this incentive. These contractors are identified on the program website.

Measures available for Express Solutions include:

- T8 Lighting Retrofits
- Screw-in Retrofits
- Hardwired CFL Retrofits
- Exit Sign Retrofits
- Occupancy Sensors on Lighting
- De-lamping
- Refrigerated Case Evaporator Fan Controls
- Refrigerated Novelty Case Controls
- Anti-Sweat Heater Controls
- Refrigerated Case Fan Motor Retrofits
- Occupancy Sensor Controls on Vending Machines

Lighting

The prescriptive retrofit lighting component includes the following measures. Please reference the specification sheets on the application form for detailed requirements. Customers must dispose of PCB ballasts and lamps properly.

- Replace T12 lamps and ballasts with T8 or T5 lamps with electronic ballasts
- Replace T12 lamps and ballasts with premium efficiency T8 lamps and electronic ballasts
- Replace T8 lamps and ballasts with premium efficiency T8 lamps and electronic ballasts
- Permanent lamp removal (de-lamping): must include removal of all unused equipment² (Pre-Notification Application and pre-inspections are required for de-lamping projects)
- Install new T5 high output lamps and electronic ballasts
- Replace incandescent or CFL exit sign with an electroluminescent or light-emitting diode (LED) exit sign (retrofit projects only)
- Install hardwired passive infrared or ultrasonic detector occupancy sensors
- Install continuous or stepped daylighting controls
- Replace incandescent or high-intensity distortion lamps with compact fluorescent lamps (CFLs) or install hard-wired CFL fixtures
- Replace Mercury Vapor (MV) / Metal Halide (MH)/High Pressure Sodium (HPS) fixtures with new fixtures containing at least two high output lamps and electronic ballasts
- Install fluorescent induction lighting
- Replace incandescent lamp with Cold Cathode Fluorescent Lamp (CCFL)
- Replace incandescent green and red traffic lights with light-emitting diode (LED)
- Replace incandescent or halogen lamps with light-emitting diode (LED) lamps
- Replace T12 or T8 fluorescent lamps with light-emitting diode (LED) lamps in refrigerated cases
- Replace neon signage with light-emitting diode (LED) signage
- Install based on lighting power density (new construction and major renovation)

Controls

Prescriptive incentives are available for a variety of control devices.

- Install carbon monoxide (CO) sensors in enclosed parking garage
- Install carbon dioxide (CO₂) sensors to control the introduction of outside air
- Manage plug loads with installation of smart strips (occupancy sensor, load or timer controlled)
- Replace existing pneumatic or non-programmable electric thermostats with digital energy management system to optimize system operation
- Replace existing digital energy management system or programmable electric thermostats with new digital energy management system to optimize system operation
- Install hotel room occupancy sensing devices (passive, dual technology, key activated) to control the room's HVAC system
- Replace non-programmable thermostats with 5-1-1, 5-2 or 7 day programmable models
- Install beverage and snack vending machine controls

² For projects where a T12 to T8/T5 conversion occurs with de-lamping, the new T8/T5 lamps will receive the T12 to T8/T5 incentive level per new lamp installed and the lamps de-lamped will receive the de-lamping incentive on a per lamp de-lamped basis. The equipment for the T12 T8/T5 retrofit incentives must be in place for a minimum of 5 years. If there are any additional modifications, such as de-lamping done in the future, a prorated portion of the T8/T5 incentive must be returned to APS.

³ The required efficiency for the program is the integrated part load value (IPLV).

Cooling

Prescriptive incentives are available for a variety of cooling systems including air- or water- split system; package terminal air-conditioners/heat pumps; single packaged units; air- or water-cooled chillers and supplemental evaporative subcooling. Incentives are available for programmable thermostats and for installing outside air economizers on existing AC or Heat Pump units or with purchase of new units.

- Cooling equipment must meet the minimum qualifying efficiency levels; applications must include product specification sheets to confirm the efficiency levels and tonnage.

The total cooling incentive is determined from two components: an equipment incentive and an efficiency incentive. Both incentives apply per ton of cooling installed. To qualify for an equipment incentive, the equipment must meet the qualifying efficiency guidelines for the relevant size category. The additional incentive is added for equipment that exceeds the minimum qualifying efficiency for the size category.

The incentive for air conditioners and heat pumps is calculated corresponding to the appropriate qualifying efficiency rating as follows:

$$\begin{aligned} & \text{Tons X \{Equipment Incentive/ton + [Efficiency Incentive/ton X (IEER}_{\text{new}} - \text{IEER}_{\text{qualifying}})\}] \} \text{ or} \\ & \text{Tons X \{Equipment Incentive/ton + [Efficiency Incentive/ton X (SEER}_{\text{new}} - \text{SEER}_{\text{qualifying}})\}] \} \text{ or} \\ & \text{Tons X \{Equipment Incentive/ton + [Efficiency Incentive/ton X (EER}_{\text{new}} - \text{EER}_{\text{qualifying}})\}] \} \end{aligned}$$

The incentive for chillers is calculated as follows:

$$\text{Tons X \{Equipment Incentive/ton + [Efficiency Incentive/ton X (kW/ton}_{\text{qualifying}} - \text{kW/ton}_{\text{new}})\}] \}$$

For example, if an applicant decides to install a 12.4 IEER 72,000 Btuh (or Btu/hr) rated air-cooled air conditioner, the following steps are taken to calculate the incentive:

1. Calculate the tons
 - Divide equipment Btuh by 12,000 Btuh/ton
 - This unit is 72,000 Btuh/12,000Btuh/ton = 6 tons.
2. Identify the size category and associated minimum efficiency level
 - The unit is > 65,000 btu/hr (5.4 tons)
 - The minimum efficiency for this size category is 11.1 IEER.
3. The workbook will then calculate the incentive.

High Performance Glazing

The program pays an incentive for high performance glazing on a per square foot basis. Energy efficiency measures can be any combination of glazing, coating, film, and gas filling that meets the specified U-factor and Solar Heat Gain Coefficient. Films or coatings only added to existing glazing do not qualify.

Shade Screen

The program pays an incentive for adding exterior physical shading to the east, south, and west exposures of existing structures. Devices must meet specified Shading Coefficient ratings. Interior shades, blinds, and drapes do not qualify.

HVAC Quality Installation and Testing and Repair

This multi-pronged approach includes performing a quality installation, sealing ducts, testing for refrigerant charge and air flow, testing for duct leakage, and/or correcting any problems identified in the testing and repair process. The application includes a detailed overview of the HVAC installation and testing and repair phases, and the incentive criteria. Incentives are calculated on a per-unit basis with an additive incentive per ton in some cases.

Motors and Variable Speed Drives for Motors

Incentives are available for three-phase motors ranging in size from less than 1 horsepower to greater than 200 horsepower that exceed the efficiency standard (NEMA Premium) provided in the table in the program application. Motor incentives are calculated using the horsepower of the motor.

Variable speed drive (VSD) incentives are paid per horsepower. For New Construction, VSDs required as part of ASHRAE 90.1, 2004 are excluded. Examples of VSDs excluded for incentives in new building applications include VAV fans 15 horsepower and greater on variable flow systems and pumps greater than 50 horsepower on variable flow systems. The APS Solutions for Business team will need to verify that any VSDs installed under the Program are producing energy savings. Detailed product specifications are discussed on the program application.

Refrigeration

The program offers incentives for a variety of refrigeration measures including: strip curtains on walk-ins, night covers, reach-in cooler controls, anti-sweat heater controls, high efficiency ice makers, high efficiency refrigerators/freezers, high efficiency evaporator fan motors, floating head controls, automatic door closers, high efficiency compressors and condensers. These measures reduce operation of refrigerator compressors by reducing heat gain (strip curtains and night covers) or eliminate the need for additional refrigeration by removing excess humidity on doors (anti-sweat controls). The specifications and eligibility requirements for each measure are covered on the prescriptive applications.

7.2 Custom Incentives

The APS Solutions for Business Program offers custom incentives for energy efficiency improvements that do not fall under the prescriptive offering, but have isolated and measurable or verifiable energy savings. All custom measures must pass a benefit-to-cost test, also called a Societal Cost Test (SCT) , as defined and calculated by APS Solutions for Business, using energy savings and incremental measure costs provided by the customer.

Custom incentives are calculated using \$0.09 per estimated first year kilowatt hour saved. Actual incentive payments are based on either (1) documented electrical energy (kWh) reduction or (2) an electrical energy reduction estimate approved by APS Solutions for Business. The incentive payment cannot exceed 75 percent of the energy efficiency-related project costs, which are defined as the incremental costs associated with implementing the energy-saving measures.

- Equipment replacement projects must demonstrate that the old equipment has been eliminated from the resale market.
- Prescriptive measures can be included with a custom application (rather than submitting separate applications) when those measures have interactive energy-saving effects.

The Custom application form provides further detail on the specific measure criteria, supporting documentation, and savings calculation inputs required for the applicant to be eligible for an incentive. It

is up to the applicant to present a convincing case for how energy savings should be estimated. The APS Solutions for Business Team is available to assist in developing energy savings estimates.

Examples of Custom measures include but are not limited to:

- Light fixture improvements not covered under the prescriptive measures (LED lighting)
- Plate and frame heat exchanges to provide “free” cooling
- Central plant optimization
- Building envelope improvements (insulation, high-speed thermal doors, etc.)

Ineligible projects include, but are not limited to, cool roofs, electrical generation projects including renewables, fuel switching, and customer-owned onsite generation.

7.3 Technical Assistance & Study Incentives

The APS Solutions for Business Program offers incentives for four types of technical assistance services that investigate energy efficiency opportunities in existing facilities or in the design of new buildings. Incentives for engineering services aimed at existing facilities include retro-commissioning services and feasibility studies. For new construction and major renovations projects incentives are available for design assistance and commissioning services. The detailed technical assistance and study specifications and application requirements are listed in the application.

Engineering and Commissioning firms conducting these studies must produce detailed reporting that includes energy savings calculations and documentation. APS Solutions for Business program staff will review this documentation, and reserve the right to reduce the assumed cost of the study to reflect the rigor of the report. Firms are encouraged to contact program staff prior to performing the technical assistance or study, to receive guidance and/or templates for the required reporting.

Feasibility Studies

Feasibility studies assist customers in identifying, evaluating and implementing energy efficiency opportunities within their existing facility. These studies are typically either a comprehensive energy audit or a more focused cost-effective assessment of one or more specific energy-savings technologies. Services involve detailed energy analysis, energy and cost calculations, and estimates on incremental costs of energy efficiency measures. Feasibility studies may involve, but are not limited to, systematic improvements to chiller systems, dynamic optimization of direct digital control (DDC) systems or advanced lighting designs.

- The engineering firm conducting the study must produce a written report detailing the study findings, methodology and supporting documentation along with completed program application forms ready for the customer to pursue program participation.

Retro-commissioning

Retro-commissioning is considered to be one of the most cost-effective ways to improve energy efficiency in existing buildings. Retro-commissioning services assess the operational and maintenance components of complex HVAC and lighting control systems. The goal is to develop and implement strategies to optimize the systems’ energy efficiency. Typical tasks include identifying and implementing relatively low-cost operational changes that save energy and improve performance. These opportunities are documented in a retro-commissioning report.

To be eligible for retro-commissioning services the customer’s facility must a minimum of 25,000 square feet of conditioned floor space and use a chiller. It is strongly recommended that these facilities utilize a central building automation system.

Retro-commissioning services will consist of two phases.

- Phase one requires that the applicant establish an energy usage baseline by benchmarking the facility using the ENERGY STAR® Portfolio Manager or similar tool.
- Phase two requires an engineering firm to perform predefined retro-commissioning services and produce a written report documenting an assessment of the existing energy systems along with recommended actions for system optimization.
- Phase three requires that low-cost, no-cost calibrations and repairs be included as part of the retro-commissioning services.

Design Assistance

Design assistance off-sets a portion of the incremental cost associated with a variety of new construction planning and design activities. The services must focus on activities that have the potential to result in electrical energy savings and can consist of one or more of the following:

- Energy simulation
- Business case assessment for energy savings technologies
- Business case assessment for LEED® certification
- First-time incorporation of energy efficiency concepts into the building design
- LEED® certification process facilitation
- Design document review

Commissioning Services

Commissioning is a quality assurance process for new construction to ensure that complex HVAC, lighting control and energy management systems have been installed properly and operate as designed from an efficiency standpoint. Commissioning gains much of its success from the methodical, systematic review and record keeping carried out in parallel to the standard design, construction and project close out sequence. To be eligible for commissioning services, the new facility must consist of a minimum of 25,000 square feet of conditioned floor space.

- A Commissioning Agent will perform predefined commissioning services and provide the customer with a written report that also incorporates operating training and documentation.

7.4 Whole Building Design and Construction

APS Solutions for Business offers a whole building incentive to encourage design teams and building owners/developers to design and construct highly efficient buildings. The purpose of the “design” incentive is to encourage creative, energy-efficient design strategies at the earliest stages. Building owners/developers can apply for a “studies” incentive to off-set the cost of performance modeling and the “construction” incentive to off-set the cost of constructing a higher-performing building. The whole building incentive increases according to the building’s performance.

Incentive for Design and Construction

The Whole Building incentive is based on annual kWh saved for buildings designed and constructed to perform at least 10% more efficient than the baseline standard of ASHRAE 90.1, 2007. The incentive increases for every two percentage points above the initial 10% and caps at an amount established in the application.

The whole building incentive has two parts: design and construction. A project can qualify for both or just the construction portion.

- To qualify for the full incentive (design + construction), the project team must submit a Project Notification at the stage where changes for increased energy efficiency are still feasible. If a

project is submitted after design is complete and there are no opportunities to influence the energy efficiency decisions, then it is no longer eligible for the “design” portion of the incentive.

- To qualify for the construction portion of the incentive, the owner/developer must submit a final application with performance modeling results that demonstrate 10% or better than baseline.
- The whole building incentive is not paid on projects that are designed but not built. These projects may still qualify for the “studies” incentive.

Simulation modeling software must be utilized, such as eQUEST, DOE-2, HAP or TRACE. Other software products with hour-by-hour, multi-zone output capabilities may be accepted with prior approval by the program team. Detailed specifications can be found in the whole building incentive application.

Eligibility Requirements

- The proposed new building project must receive qualifying non-residential retail electric service from APS. The building owner/developer (or its designated, authorized agent) must apply for the incentive.
- The project must be either a new construction building, where all energy-consuming systems are being designed simultaneously or a major renovation involving the removal and redesign of at least two building systems (such as building envelope elements and mechanical systems).
- Construction project must be substantially complete within 24 months of submitting modeling results.
- The construction portion is capped at \$300,000 per owner/developer (APS customer) per year. The design incentive is capped at \$125,000 per design team per project.

7.5 Self Direction

The Self Direction (SD) option is offered to qualifying APS large customers since they have the ability and resources (technical knowledge, expertise and funding) to implement effective Demand Side Management (DSM) and they may choose to use their DSM contributions to fund their own energy efficiency projects.

The Self Direction option allows qualifying APS non-residential customers to reserve their DSM funds, less administration and other program costs, for their exclusive use to help fund qualifying energy efficiency projects at their facilities.

- APS customers contribute their share of DSM funds through base rates and the DSM Adjustment Charge (DSMAC). Customers who choose Self Direction option must continue their DSMAC contributions.

Qualifying Customers

Large APS customers using a minimum of 40 million kWh per calendar year, based on the aggregation of all of the customer’s APS accounts, can elect to Self Direct their DSM funds.

- Aggregation is only allowed within a given customer set of accounts, not across groups of customers (you cannot form a buying association to meet the SD size criteria).

Qualifying customers are required to commit all of their facilities to the Self Direction option for the duration of the specific SD funding period.

- Customers cannot designate some of their accounts for SD while allowing other accounts to remain eligible for the standard APS Solutions for Business program incentives.

Annual customer incentive caps do not apply to Self-Direction funds.

Notification

Qualifying customers who wish to choose the SD option **must notify APS in each year** that they wish to Self Direct.

- Notification forms must be received on or before December 1, in the year the customer elects the SD option.
- There will be no retroactive Self Direction funds set aside from prior budget years (company's books were closed prior to customer election).

Funding

After the customer notifies the APS Solutions for Business team of their intent to Self Direct, 85% of the customer's DSM contribution will be reserved for the customer's future energy efficiency project. The remaining 15% will be retained to cover the SD program administration, management, verification, measurement, and evaluation costs.

Self Direction funds will be paid once a year in December, beginning in the year that the DSM project is completed and verified by the APS Solutions for Business team.

If project incremental costs exceed the credited amount in one year, then funding will continue to be paid in December of each year until the incremental project cost is 100% funded or on the tenth year of funding (whichever comes sooner).

Time Limit on Funds: Two Years

If the energy efficiency project is not completed within two years of the Self Direction notification date, then the SD funds from the first calendar year from the SD election will not be available to the customer and will revert to the program's general account.

Submit Incentive Application

Within six months of the project completion date, an energy efficiency project application (final incentive application) must be filed and include:

- Name of retail electricity customer;
- Description of the electricity conservation projects;
- Project scope of work;
- Annual energy (kWh) and peak demand (kW) savings estimate;
- Project and incremental costs;
- Paid project invoices;
- Calculations that support or demonstrate the electricity savings and simple payback of the project.

The qualifying projects must be cost effective and meet all requirements set forth in the APS Solutions for Business Program Policies & Procedures.

Energy Savings

All kWh energy and kW demand savings and any and all environmental credits generated by the project will be reported as part of the APS Solutions for Business DSM program savings (and will be claimed as part of meeting the energy efficiency goals and standards).

After Self Direction Project Completion

Upon completion of the final Self Direction payment, the customer may elect to continue SD by submitting another SD Notification form before December 1.

If the customer does not re-apply for Self Direction, then it will be eligible to participate in the Solutions for Business program beginning January 1 of the year following the final Self Direction payment.

8. Application Process

A single application form is utilized for both phases of the application process: Pre-Notification Application and Final Application. If submitting a pre-approval application, simply check the “Pre-Notification” box on the form and submit for pre-approval. To request payment for a completed project, submit the same form with the “Final Application” box checked and any changes indicated. The Final Application must be returned with an original signature and complete documentation before incentives will be paid.

The process of applying for a program incentive is designed to be simple and to involve as few steps as possible. The APS Solutions for Business Program staff is available during normal business hours to facilitate the application process. All customer information will be held in confidence.

Step 1: Submit a Pre-Notification Application

While strongly recommended for all projects, a Pre-Notification Application is only required for retrofit projects with de-lamping. For custom projects the Pre-Notification process is important for providing a preliminary energy savings methodology, to help identify potential incentives and ensure the proposed approach is acceptable to the APS Solutions for Business team.

- If an applicant plans on installing more equipment than there is space available on the form, multiple copies of the required page can be submitted. Please make a note that additional pages are included when you send in your completed Pre-Notification Application.

Businesses with multiple locations throughout APS’ service territory may submit one application for all locations or may send applications for different projects at different times. If multiple applications are filed, the customer will still be subject to the annual customer incentive caps.

- If a project includes multiple sites, please attach a list of all sites, addresses, account numbers and appropriate contact information for the sites to the application.

The APS Solutions for Business team will review all Pre-Notification Applications for eligibility and completeness of customer information. APS Solutions for Business team will notify applicant when the pre-review of the application measures is complete.. APS reserves the right to reject applications that are inaccurate or incomplete.

Step 2: Install Equipment or Perform Project Work

The customer or contractor installs the equipment or performs other project work according to the specifications described for the eligible measures. Detailed specifications associated with each of the individual programs are provided on the program application form.

- All projects are given a grace period of 30 days after the estimated project completion date submitted in the application to allow applicants time to submit a Final Application with supporting documentation. The Final Application must be received during this grace period in order to have the measures reviewed at the time of the Pre-Notification Application submission be eligible. If the Final Application is not received within the grace period noted, applicants will be required to resubmit each project application under the current measures. A notice will be sent to inform customers of the resubmission process. Any extension request must be submitted in writing for approval. The APS Solutions for Business team reserves the right to approve or deny any extension request.

Step 3: Submit Final Application

Within six months of project completion, the applicant submits the Final Application with all required supporting documentation. The project completion date shall be determined by the date the energy-efficient equipment becomes operational. Applications submitted after six months will be deemed ineligible for payment. Applicants may use a copy of the Pre-Notification Application with changes indicated and the “Final Application” boxed checked.

- Documentation should include invoices detailing of the specific equipment and purchases, the services provided, and other costs.
- The location or business name on the invoice must be consistent with the application information.
- The project invoice must provide sufficient detail for the APS Solutions for Business team to separate the costs of the energy efficiency measures from the costs for other services such as repairs and building code compliance.
- In cases where the contractor will receive the incentive payment directly, the submitted invoices must include the full cost of the measures and not only show the portion of the project cost that the APS customer will pay.

The APS Solutions for Business team reserves the right to reject an application that is inaccurate or incomplete, or to request additional supporting documentation with the Final Application as deemed necessary to ensure measure eligibility and verify that the expected energy savings will occur. Additional documentation may include, but is not limited to: equipment purchase dates, installation dates, proof that the equipment is operational, manufacturer specifications, warranty information, proof of customer co-payment, or commissioning reports. All projects that request and/or receive incentive funding may require onsite inspections and/or equipment monitoring to verify energy savings before determining the final incentive payment.

The customer can designate a third party as the recipient to receive the final incentive payment. The customer must sign the final application in the appropriate places and initial the Agreement in the appropriate place before the incentive will be paid to a third party. Property management companies applying for incentives on behalf of the APS customer must contact the APS Solutions for Business team to determine if additional documentation is needed to apply (third-party letter).

Step 4: Final Application Review

The APS Solutions for Business team will review all applications and final project documentation for eligibility and completeness. Funds will not be authorized for payment until the team receives a complete application and determines that the project meets the program eligibility requirements. Incentives will be paid within eight weeks following review and approval of the Final Application by the APS Solutions for Business team.

- Payment of incentive funds is contingent upon funding availability and continued approval of this program by the Arizona Corporation Commission.

8.1 Pre and Post Inspections

The APS Solutions for Business team reserves the right to inspect and monitor all projects to verify compliance with the program rules, verify the accuracy of project documentation, and verify equipment / system performance. This may include pre-installation and/or post-installation inspections, detailed lighting layout descriptions, metering, data collection, interviews, and utility bill data analyses. Recipients of the incentive payment must allow access to records and installation sites for three years after receipt of incentive payment.

8.2 Special Considerations for the Custom Incentive Application

For custom incentive requests, customers must document the estimated energy (kWh) savings, demand (kW) savings and costs as defined above. The calculations and assumptions supporting the kWh impact estimates and the resulting incentive amount are subject to APS Solutions for Business team review and approval (including a Societal Cost Test (SCT)). The APS Solutions for Business Team will work with customers or their installation contractor or consultant to develop a methodology and to identify the information necessary to support the savings estimate and to verify the savings after installation. However, the customer is required to provide project documentation to support this analysis.

9. Payment Process

The APS Solutions for Business Program incentive will be paid directly to customers, unless the customer indicates a third-party recipient. The customer must indicate the exact name of the designated payee and the appropriate federal taxpayer identification number on the application. Payments will not be made until the proper project documentation is submitted to, and reviewed by, the APS Solutions for Business team. All Final Applications must be fully completed with final documentation. Final Applications also require the signature of the customer.

The location or business name on the invoice must be consistent with the application information. Only expenses incurred during the term of the program can be reimbursed. Applicants may be asked to provide more detailed information on the equipment location and to aid in the pre and post-inspection process. Power or other operating measurements or monitoring may be required for verification of calculated energy savings prior to approval of incentive payments.

Incentives will be paid within eight weeks after the APS Solutions for Business Team's approval of the Final Application.

10. Financing Solutions for Business Projects

APS is partnering with National Bank of Arizona (NB|AZ) to offer financing options to all customers who use the Solutions for Business rebate program to install energy-efficient equipment in their commercial facilities. While the rebate program reduces the initial investment required for a project, some businesses need additional assistance to fund the up-front cost. Financing offers one solution to this project obstacle.

The customer or contractor can estimate the monthly loan payment and electric bill savings with the easy-to-use tool on the NB|AZ website at: https://www.nbarizona.com/green_returns_cee_financing.htm.

The intention is that generally, the monthly electricity bill savings would offset the cost of the financing payment. Electricity use varies each month and is impacted by many factors, so the program cannot guarantee that bill savings will exceed the loan payment.

10.1 Eligibility

Financing is available to all APS nonresidential customers. Customers must have an active APS non-residential account for at least six months with good payment history for at least the past 12 months.

Eligible projects can include any individual retrofit measure or combination of approved retrofit measures under the APS Solutions for Business program, including Express Solutions. A Pre-Notification application is required for financing.

- New Construction and Major Renovation projects are not eligible for financing.
- Financing cannot be provided for projects which have been completed prior to program review or approval.

Customers interested in participating in the financing option must submit a loan application to NB|AZ. Applications are available for download at: https://www.nbarizona.com/green_returns_cee_financing.htm Loan approval is subject to APS bill payment history and NBAZ credit review and underwriting.

10.2 Loan Amount

The loan amount can not exceed the project cost minus the APS Solutions for Business rebate.

- Loan amount \leq Project Cost – Rebate.

The minimum loan amount is \$1,000 per project. The maximum loan amount is \$250,000 per project. The maximum total loan per customer is \$1,000,000. Requests for loans greater than \$250,000 per project or \$1,000,000 per customer require prior authorization by National Bank of Arizona and APS.

10.3 Loan Terms

Current interest rates are posted on the NB|AZ website https://www.nbarizona.com/green_returns_cee_financing.htm and are subject to change.

Interest rates are fixed once loan documents are signed. Term requests extending beyond those specified in the table below will be assessed by National Bank of Arizona on an individual basis.

Loan Amount	Maximum Term
\$ 1,000 - \$ 2,500	12 months
\$ 2,501 - \$ 15,000	24 months
\$ 15,001 - \$ 50,000	36 months
\$ 50,001 - \$100,000	48 months
\$100,001 +	60 months

10.4 Project and Loan Application Process

(Note: This process varies from the standard APS Solutions for Business four-step process as described in Section 7.)

Step 1: Submit a Pre-Notification Application

Submit completed rebate application directly to the APS Solutions for Business team. Indicate your interest in financing by checking the financing box on the application form. The application must include enough information to fully evaluate the project. Generally, this will require a contractor’s quote or proposal with quantity and model numbers, equipment specifications and any other information to insure measure eligibility and that the anticipated energy savings are realistic.

If applying under the Express Solutions (Direct Install) program, submit a request through your contractor. Indicate interest by initialing the financing section of the participation agreement.

After submitting the Pre-Notification Application, the customer should gather the information required for the bank application and can begin the loan application process.

Step 2: Initial Review/Notification

The APS Solutions for Business team will review the project documentation to determine if the project is eligible for a rebate. All applications will be reviewed against the program's policies and procedures in place at the time the application is submitted. An on-site inspection will be completed if required. Additionally, the customer's APS commercial account(s) will be reviewed to determine if it meets the minimum eligibility criteria.

Step 3: Submit NB|AZ Application for Financing

All loans are processed through NB|AZ. All loans \$10,000 and over are subject to a loan documentation fee of up to \$250.

For financing amounts \$10,000 and under - customers can complete an "all in one" application and submit the completed loan application to any NB|AZ branch, by fax at 866.963.9985 or via email to energysolutions@nbarizona.com.

For financing amounts over \$10,000, customers can complete a non-residential financing application and submit the completed loan application to any NB|AZ branch, by fax at 866.963.9985 or via email to energysolutions@nbarizona.com

NB|AZ will notify the customer when the loan application is approved or denied.

IMPORTANT NOTE: The customer must notify the contractor of the bank decision. Bank lending laws do not allow NB|AZ or the APS Solutions for Business program to provide the outcome of the bank decision to a third party.

For details on the loan process and information required, visit https://www.nbarizona.com/green_returns_cee_financing.htm

Step 4: Install Equipment/Perform approved work

The customer or contractor installs the equipment or performs other project work according to the specifications for the approved eligible measures. If the scope of work changes, the customer or contractor should notify the APS Solutions for Business team immediately.

IMPORTANT NOTE: If the final project cost increases and exceeds the original loan amount plus the rebate, outstanding customer costs due will be between the contractor and customer. If the final project costs decrease such that the original loan amount can be reduced after the rebate is applied to the final contractor invoice, the loan amount will be re-amortized resulting in a lower monthly loan payment.

Step 5: Submit Final Application/Final Application Review

The applicant submits the Final Application with all required supporting documentation. The project completion date shall be determined by the date the energy efficient equipment becomes operational. Applicants may use a copy of the Pre-Notification Application with the "Final Application" boxed checked.

Documentation must include and comply with all items described in Step 3 of Section 7 “Application Process” of the APS Solutions for Business Policies and Procedures.

Projects that request and/or receive incentive funding will require an on-site post inspection and/or equipment monitoring to verify energy savings before determining the final incentive payment.

When installing measures under the Express Solutions (Direct Install) program, the project completion notification will be submitted through the contractor and the post-installation process will be the same as the Express Solutions post-installation process without financing.

The APS Solutions for Business team will review all applications and final project documentation for eligibility and completeness. Funds will not be authorized for payment until the team receives a complete application and determines that the project meets the program eligibility requirements. Applicants who submit incomplete applications will be notified of deficiencies.

NB|AZ will be notified of the rebate payment once the amount is finalized, so loan funds can be disbursed. Incentives will be paid to the contractor after approval of the Final Application by the APS Solutions for Business team.

10.5 Processing Time

The NB|AZ loan approval process will generally take from 1 to 5 business days after all required information and documentation has been submitted to the bank. The processing will depend upon the size and type of loan.

10.6 Marketing of Financing Option

Marketing collateral, tools and forms have been developed for the financing option for the APS Solutions for Business program and they are downloadable from NB|AZ website, https://www.nbarizona.com/green_returns_cee_financing.htm.

- Trade Allies are encouraged to use the materials when promoting project financing. Use of the APS and/or the NB|AZ logos or names on Trade Ally-developed materials and email/FAX blasts is prohibited.
- Any materials describing the financing option must be approved by APS Solutions for Business prior to distribution. APS reserves the right to remove any Trade Ally and associated company from participation as a Trade Ally if they do not comply with the program’s policies and procedures.

10.7 Other Conditions

The Customer will be required to designate the contractor to receive the Solutions for Business incentive. All Express Solutions incentives are paid directly to the contractor. The customer must sign and initial the final application in the appropriate places before the incentive will be paid to a third party.

All terms and conditions associated with the loan are governed by NB|AZ. Unless otherwise defined in this financing section, all APS Solutions for Business policies and procedures apply to all projects requesting financing.

11. Training

APS Solutions for Business customers and program Trade Allies qualify for a discount on the program's technical training workshops. The course schedule is posted on the program website at aps.com/businessrebates. Registration typically begins 30 days prior to the workshop.

12. Changes to the Application or Discrepancies after Verification

If the project scope has changed or Final Application measures differ from the Pre-Notification Application measures, or if there are discrepancies between the Final Application and the APS Solutions for Business team on-site verification and/or analysis, the on-site verification and/or analysis shall take precedent.

13. Dispute Resolution

The APS Solutions for Business team will take every possible step to ensure a high level of satisfaction with all aspects of the program. However, if any problems or concerns should arise, we encourage you to contact the APS Solutions for Business team immediately at 866-277-5605.

14. Billing Release

The APS Solutions for Business Team keeps all customer information in confidence, unless given permission by the customer. Third parties must acquire written authorization from the customer they are representing to receive billing data from APS or from the APS Solutions for Business team. The minimum components must be included in the written authorization provided by the customer to release their information to a third party:

- Customer name of record for each customer account
- Customer account number for each property to be released
- Contact name for each customer account
- Contact information for each customer account (include: phone, fax, email)
- Address for each account number
- Meter number
- Signature of customer of record
- Title of customer of record
- Identification of third party to receive the information (Company, title, address)

15. Tax Implications

Incentives are taxable. If you indicate your tax status as "Other" on the incentive application, and your incentive is greater than \$600, the APS Solutions for Business Team may report your incentive as income on IRS Form 1099. If the customer signs over the incentive to a third party (e.g., contractor), then the third party will receive Form 1099 and is responsible for any tax liability. Pinnacle West Capital Corporation, Arizona Public Service Company (APS) and DNV KEMA are not responsible for any taxes that may be imposed on your business as a result of your receipt of this incentive.

16. Definitions

Custom: Custom incentives are tied to energy savings for a specific project that does not fit under the prescriptive menu. An energy savings analysis is required to receive a custom incentive.

Customer: The decision maker at an organization or firm that receives electric service from APS on an approved retail rate schedule. This is often determined by tax identification number, although other factors may also be considered.

Energy Efficiency Ratio (EER): The EER is a rating used to measure air conditioning efficiency in Btuh per Watt. The rating is typically measured when outside air temperature is 95°F. The higher the rating, the more efficient the equipment.

Final Application: This is the request for payment. Within six months of project completion, the customer must submit a Final Application. The Final Application must include an original signature and all appropriate backup documentation, including detailed invoices.

Incentive: The incentive (rebate) is the amount to be paid to the customer or contractor once the energy efficiency measure(s) has been installed and final project documentation has been approved. Incentive levels are determined based on the project specifications and are detailed on the application forms.

Incremental Cost: Incremental measure cost is the difference between the cost of installing a high efficiency piece of equipment and the alternative lower cost of installing a standard efficient piece of equipment. The APS Solutions for Business team will use data provided by the customer to determine the incremental measure cost. In some cases the full measure cost will be used, in other cases only a portion of the full measure cost is appropriate. Pursuant to Arizona Corporation Commission Decision 73089, when calculating incremental measure cost, APS is required to reduce the incremental measure costs by any known monetary incentives offered by other entities (such as tax incentives).

Integrated Energy Efficiency Ratio (IEER): The IEER is a calculated efficiency based on measured efficiency levels at 25, 50, 75 and 100 percent load of the cooling equipment. The Air Conditioning and Refrigeration Institute publishes the equation to calculate this rating. The qualifying efficiency values are listed on the application for chillers and will be used to determine the chiller incentive amount.

Large Customer: A customer with maximum aggregated monthly billed demand greater than 100 kW over the most recent 12 months of billing history is considered a large customer for program purposes.

Major Renovation: Major renovation projects include tenant build-out of a building shell, a building addition, or a change in building use.

Maximum Aggregated Monthly Demand: Maximum aggregated monthly demand is the highest demand for a billing period. This value is available on your bill under the service information section.

New Construction: Projects that qualify under new construction are for new APS accounts (or meters) and major renovations as defined above.

Pre-Notification: This is the application process of informing the APS Solutions for Business team of your project plans for pre-approval based on customer eligibility and project requirements.

Prescriptive: Prescriptive measures are pre-determined and do not require energy-savings analysis to qualify for an incentive.

Retrofit: A retrofit project is when an existing building or system undergoes an efficiency upgrade or controls are added to the equipment.

Small Customer: A customer with maximum aggregated monthly billed demand less than or equal to 100 kW over the most recent 12 months of billing history is defined as a “small” customer for the program and is limited to \$150,000 in incentives per year.

Socetal Cost Test (SCT): The SCT is a metric used by the program to assess the cost-effectiveness of proposed energy efficiency expenditure from a societal perspective. The SCT is a benefit-cost test that measures the net costs of a proposed energy efficiency expenditure based on the total costs, including both the participant’s (e.g. cost of equipment and installation) and the utility’s costs (e.g. non-incentive costs). The benefits for the SCT are avoided supply costs. The APS Solutions for Business program requires that all measures that receive a custom incentive are verified to have a SCT that is greater than one. The APS Solutions for Business team will calculate the SCT for a proposed project using energy savings and cost information provided by the customer.