

# Commercial Energy Solutions Policies and Procedures

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The UniSource Energy Services (UES) Commercial Energy Solutions program provides incentives for gas 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. This document is intended to convey the rules, policies and procedures that govern program administration and customer participation. It is a companion document to the Incentive Application form.

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Paid for by UniSource Energy Services gas customers and approved by the Arizona Corporation Commission.

## 1. Program Overview

The Commercial Energy Solutions program offers **Prescriptive Incentives** for energy efficiency equipment upgrades and improvements including water heaters, furnaces, boilers and commercial kitchen griddles. Incentives are provided for qualified equipment commonly installed in a retrofit, major renovation or new construction project. The application form is available on the [uesaz.com](http://uesaz.com) website. UES has hired KEMA to implement the Commercial Energy Solutions program.

## 2. Customer Eligibility

The Commercial Energy Solutions program is open to non-residential customers in UES gas service territory. A customer's rate schedule will determine their initial program eligibility. The energy savings from installed measures must occur on a meter with an eligible rate schedule. Eligible rate schedules include, but are not limited to: C20, C22, I-30, I-32, PA-40, PA-42, PA-44, IR-60 and Commercial, Industrial and Public Authority Transportation rates. Energy efficient equipment purchased, contracted for or work conducted prior to February 27, 2008 is not eligible for an incentive.

## 3. Project Requirements

Program applicants must abide by all program rules detailed in this document, the application and the agreement form. Applicants are responsible for any tax liability associated with the receipt of incentive payments.

- Incentives are taxable and if greater than \$600, will be reported to the IRS unless you are exempt.
- The Commercial Energy Solutions team will report your incentive as income to you on IRS Form 1099 unless you have indicated Corporation or Exempt tax status on the Applicant Information page of the Application.
- 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.
- UniSource Energy Corporation and KEMA are not responsible for any taxes that may be imposed on your business as a result of your receipt of this incentive.

Measures must involve capital improvements that produce energy savings due to efficiency gains.

Savings must be sustainable for a period of five years and provide the full benefit of the related energy savings to the customer and UES.

- The applicant must provide documentation establishing proof of payment for the equipment installed and must agree to allow sales transaction and/or equipment installation verification by the utility, KEMA, or their representative.
- If the customer does not install or removes the DSM product(s) identified, as submitted in their final application, at any time before the end of the life of the product or during the five year period after the receipt of the incentive (whichever is less), the customer shall return a prorated amount of incentive funds to UES based on the actual period of time in which the customer does not provide the related energy benefits as a customer of UES. The program is NOT meant to provide incentives for fuel switching (e.g. from gas to electric), renewables, onsite generation, or electric equipment projects.
- Any materials that are removed as part of a retrofit project must be disposed of properly.

## 4. Incentive Caps

The incentive caps are a maximum incentive amount that the program will pay for a specific measure and to an individual customer. Customer caps and the measure incentive caps differ by facility size and program component.

### Customer Caps

The program incentive cap is \$8,000 per calendar year per customer. K-12 schools may receive up to \$25,000 per calendar year, per school district.

For the Commercial Energy Solutions program, the customer is defined as an individual or entity paying gas bills for one or more locations or accounts. For very large multi-function customers such as governments, or universities, a customer is also defined as the decision maker at an organization or firm that receives gas service from UES on an approved retail rate schedule. Frequently, this is 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 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.<sup>1</sup>

All incentives paid through the Commercial Energy Solutions program will be applied towards the customer incentive cap. The program team can assist customers in determining eligibility and risk of exceeding their annual customer cap.

UES 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. Provided funds remain available, final applications, with all necessary documentation, must be received by the Commercial Energy Solutions program by November 30, to guarantee funds will be attributed to that calendar year.

### Measure Incentive Cap

In addition to the customer cap, there is a cap on each measure. The measure cap is 75% of the incremental measure cost. Incremental measure cost is the difference between the cost of installing a high efficiency piece of equipment and the lower cost of installing a standard efficiency piece of equipment. The Commercial Energy Solutions 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. Internal labor costs incurred by the utility customer will not be considered as measure costs for each measure.

If the customer intends to apply for state or federal tax credits, the estimated amount of those credits must be disclosed on the application, or written on the equipment invoice. The incremental cost of the measure will be reduced by these anticipated credits prior to applying the 75% cap.

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<sup>1</sup> 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.

## 5. Prescriptive Incentives

The Commercial Energy Solutions program offers Prescriptive Incentives for improvements in the following categories: furnaces, packaged air conditioners with high efficiency furnaces, space heating, process boilers, water heaters and high efficiency griddles. All non-residential gas customers with eligible meters can qualify for these incentives.

The following sections summarize the eligible measures. Applicants must review the program application forms for detailed incentive and technical specifications. Equipment replacement projects must demonstrate that the old equipment has been eliminated from the resale market.

### Furnaces

The Furnace measure includes 3 size ranges: 0-60 MBH, 61-100 MBH and greater than 100 MBH. Furnaces must have efficiency ratings greater than 90 AFUE to qualify. Additional incentives are offered for units with efficiencies greater than 92 AFUE, and 94 AFUE.

- Please reference [www.gamapower.org](http://www.gamapower.org) for the Furnace efficiency ratings.

### Packaged Air Conditioners with High Efficiency Furnaces

***PLEASE NOTE: This energy efficiency measure is not on the incentive application, due to insufficient units available in the marketplace to reach this stringent standard for efficiency. UES has retained information about this measure in this document in case units become available before program applications are updated to include this measure.***

This measure applies to the installation of a high efficiency furnace as part of a qualifying air conditioner. Qualifying high efficiency furnaces must have an AFUE of 90% or greater. Incentive levels will depend on the actual AFUE values.

- Please reference [www.gamapower.org](http://www.gamapower.org) for the Furnace efficiency ratings.

High efficiency packaged air conditioners must meet Tier 1 CEE standards as stated in the following table. Incentives will vary with specific combinations of air conditioner and furnace efficiency values.

- More information on CEE tiers and qualifying units can be found at [www.cee1.org](http://www.cee1.org). Once on this site, click on Commercial, then HVAC. For qualifying equipment, click on [www.cee1.org/ceehvacdirectory](http://www.cee1.org/ceehvacdirectory). Enter desired SEER and EER efficiency levels to receive a list of all qualifying models. This list can be shortened by adding additional search criteria such as Manufacturer, and Unit Size in BTU (equals Tons x 12,000).

Size Category	CEE Tier 1	CEE Tier 2	CEE Tier 3
<65,000 Btuh	13.0 SEER 11.3 EER	14.0 SEER 12.0 EER	15.0 SEER 12.5 EER
>= 65,000 and < 135,000 Btuh	11.0 EER 11.4 IPLV	11.5 EER 11.9 IPLV	12.0 EER 12.4 IPLV
>= 135,000 and <240,000 Btuh	10.8 EER 11.2 IPLV	11.5 EER 11.9 IPLV	12.0 EER 12.4 IPLV
>= 240,000 and < 760,000 Btuh	10.0 EER 10.4 IPLV	10.5 EER 10.9 IPLV	10.8 EER 12.0 IPLV

### **High Efficiency Space Heating and Process Boilers**

The qualifying space heating boilers must meet the qualifications listed in the following table.

- Please reference [www.gamapower.org](http://www.gamapower.org) for efficiency ratings.

**Qualification Requirements for Boilers**

Non-Condensing < 300,000 Btuh	AFUE 84.5% or Higher
Non-Condensing ≥ 300,000 Btuh	Thermal Efficiency 85% or Higher
Condensing < 300,000 Btuh	AFUE 94% or Higher
Condensing ≥ 300,000 Btuh	Thermal Efficiency 94% or Higher

### **Water Heaters**

Qualifying gas water heaters must meet efficiency requirements based on size, as shown in the table below.

- Please reference [www.gamapower.org](http://www.gamapower.org) for efficiency ratings.

**Required Efficiency by Size**

<b>Input Rating</b>	<b>Required Efficiency</b>
≤ 75,000 Btuh	Energy Factor ≥ 0.64
> 75,000 Btuh	Thermal Efficiency ≥ 85%

### **High Efficiency Commercial Kitchen Griddles**

Qualifying griddles must be thermostatically controlled and must have an efficiency level of 45% or greater.

## **6. Effective Program Dates**

The Commercial Energy Solutions program is offered on a **first-come, first-served** basis. Funding status can be checked by calling the Commercial Energy Solutions phone line at 866-324-5506, email at [CommercialEnergySolutions@us.kema.com](mailto:CommercialEnergySolutions@us.kema.com), or by visiting [uesaz.com](http://uesaz.com).

- Final Applications should be submitted within 60 days of project completion.
- Applications will only be accepted for work completed after February 27, 2008. Expenses for energy efficiency projects contracted for or incurred prior to February 27, 2008 are not eligible for program funding.
- Incentives are available until funds are exhausted. All applications will be reviewed against the program rules in place at the time the application is submitted.
- Applications should be submitted by November 30, to be paid in the same calendar year.

## 7. How to Apply

A single application form is utilized for both phases of the application process: Pre-Notification Application and Final Application. Applicants simply check the box to indicate whether it is a Pre- or Final Application. Program staff is available during normal business hours to facilitate the application process.

The Pre-Notification application reserves incentive funds in advance of project installation. While strongly recommended for all projects, a Pre-Notification Application is not required. The Final Application is the official request for incentive payment. Final Applications should be submitted by November 30 to be paid in the same calendar year.

### **Step 1: Submit a Pre-Notification Application**

Download an application form from the website and check the “Pre-Notification” box on the customer information page. Complete the application and submit via email, fax or postal service to:

UNS Gas Commercial Energy Solutions  
2001 North 3<sup>rd</sup> Street, Suite 106  
Phoenix, AZ 85004  
Fax: 1-866-277-5604  
Email: [CommercialEnergySolutions@us.kema.com](mailto:CommercialEnergySolutions@us.kema.com)

Businesses with multiple locations in UES gas 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, gas account numbers (printed on bill) and appropriate contact information.

Multiple copies of the required equipment page may be submitted if additional space is needed. Please note that additional pages are included when you send in your completed application.

The Commercial Energy Solutions team will review pre-notification applications for eligibility and completeness of customer information in the order received. When the application review is complete, the team will alert the applicant by letter of the amount of incentives reserved and the reservation expiration date. Incentive funds will be secured for 120 days.

- Funds will not be reserved for the project until the team receives a completed application.
- While the team will notify the applicant of any information deficiencies, the applicant will lose its place in line in the review process until all requested information is received.

The customer may request, subject to approval by the Commercial Energy Solutions team, that the funding be reserved for more than 120 days if the project schedule is expected to extend more than four months. The team may contact the customer periodically to ensure that the project is moving forward and may cancel the commitment based on the customer’s response. Reserved funds are not transferable to other projects, facilities, and/or customers. It is the customer’s responsibility to contact program staff if a project is delayed, substantially changed, or cancelled.

### **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 listed on the program application form.

### **Step 3: Submit Final Application**

Within 60 days of project completion, the applicant submits a Final Application (check indicator box at top of form) with all required supporting documentation. Applicants may use a copy of the Pre-Notification Application with changes indicated.

The information required for each measure is detailed on the corresponding application worksheet. Documentation should include invoices detailing 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 Commercial Energy Solutions 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, not just the portion of the project cost that the utility customer will pay. Customer internal labor is not reimbursable.

If the customer intends to apply for state or federal tax credits, the estimated amount of those credits must be disclosed on the application, or written on the equipment invoice. The incremental cost of the measure will be reduced by these anticipated credits prior to applying the 75% cap.

The customer can designate a third party as the recipient for the final incentive payment. The customer must sign the final application and initial the Agreement in the appropriate places before the incentive will be paid to a third party.

### **Step 4: Final Application Review**

The Commercial Energy Solutions team will review all applications and final project documentation in the order received. The team reserves the right to request additional supporting documentation 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.

- 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, but will lose their place in line in the review process until all requested information is received.

Incentives will be paid within 6 weeks of approval of the Final Application.

## **8. Inspections**

The Commercial Energy Solutions 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,

metering, data collection, interviews, and utility bill data analyses. Recipients of the incentive payment must allow access to records and installation sites for a period of three years after receipt of incentive payment.

## **9. Incentive Payments**

The Commercial Energy Solutions Program incentive will be paid directly to customers. Alternatively, the customer may designate a third-party, such as a contractor or corporate office, to receive the incentive check by filling out the bottom portion of the Applicant Information Page. The customer must indicate the exact name of the designated payee and the appropriate tax identification number. Payments will not be made until the proper project documentation is submitted to, and reviewed by, the Commercial Energy Solutions team. All Final Applications must be fully completed with final documentation. Final Applications require the signature of the customer and, if applicable, the designated third party recipient of the incentive.

In order to verify that the customer has paid for the work, invoices submitted for documentation purposes must be indicated as “paid” and itemized with the costs for equipment, labor, supplies, and other costs. 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.

In return for the payment by UniSource Energy Corporation under the "Commercial Energy Solutions" program, any energy efficiency credits and all resultant associated environmental credits from the energy efficiency measures for which the rebate is paid are assigned to UniSource Energy Corporation.

## **10. Changes to the Application or Discrepancies after Verification**

If the project scope changes or the Final Application funding request differs from the Pre-Notification Application reserved funding amount, the project will be reviewed in light of funding availability. If the funding requested is higher than the funding initially reserved, any reserved funding that is associated with an approved portion of the project will be paid. The additional portion will be reviewed by the Commercial Energy Solutions team. If the additional portion is approved and incentive funding is still available, the additional incentive amount will be added to the project total. If there is no incentive funding available or the applicant has otherwise met project caps, the excess incentive requested (or a portion thereof) will be denied. If the Final Application amount is a decrease from the reserved funding, the approved project will be paid at the lower amount.

If there are discrepancies between the Final Application and the Commercial Energy Solutions team on-site verification and/or analysis, the customer will receive notification detailing these differences. This notification provides an opportunity for the customer (or contractor) to dispute the inspection results before the final decision is made. If the Commercial Energy Solutions staff has not been notified of a dispute, the revised incentive levels will be confirmed, and the check issued.

## **11. Dispute Resolution**

The Commercial Energy Solutions team will take every possible step to ensure a high level of satisfaction with all aspects of the program. If any problems or concerns arise, we encourage you to contact the team immediately at 866-324-5506.

## 12. Program Marketing

Marketing collateral has been developed for the Commercial Energy Solutions program and is downloadable from the website. Trade Allies are encouraged to use the Commercial Energy Solutions marketing materials when promoting the program. Use of the UES logo or name on Trade Ally-developed materials, including email and FAX blasts, is prohibited. If any materials are developed and they include the program name, they must be approved by the Commercial Energy Solutions team prior to distribution. UES reserves the right to remove any Trade Ally and their associated company from the listing if they do not comply with the above policy and procedures.

Program participants may be recognized in promotional materials; however, specific project details will not be released without prior consent. If a participant prefers to opt-out of any recognition, the company must notify KEMA in a written letter.

## 13. Billing Release

Third parties must acquire written authorization from the customer they are representing to receive billing data from UES. 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: telephone no., fax no., and 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 (Co. name, title of person, and address)

## 14. Definitions

**AFUE:** The **annual fuel utilization efficiency** is a thermal efficiency measure of combustion equipment like furnaces, boilers, and water heaters. The AFUE differs from the true 'thermal efficiency' in that it is not a steady-state, peak measure of conversion efficiency, but instead attempts to represent the actual, season-long, average efficiency of that piece of equipment. The website [www.gamapower.org](http://www.gamapower.org) posts efficiency ratings for furnaces, boilers and water heaters.

**Customer:** For the Commercial Energy Solutions program, the customer is defined as an individual or entity paying gas bills for one or more locations or accounts. For very large multi-function customers such as governments, or universities, a customer is also defined as the decision maker at an organization or firm that receives gas service from UES on an approved retail rate schedule. Frequently, this is 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 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.<sup>2</sup>

**Final Application:** The Final Application is the official request for incentive payment. The customer should submit the Final Application form within 60 days of project completion with all required documentation and signatures.

**Incentive:** The incentive (rebate) is the dollar amount to be paid to the customer or contractor for installing energy efficiency measures. Incentive levels are determined based on the project specifications and can be found by measure or type on the program 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 Commercial Energy Solutions 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. Direct labor costs incurred by the customer will not be considered as measure costs for each measure. Please contact the Commercial Energy Solutions team for clarification or assistance in determining the right value.

**Pre-Notification:** The Pre-Notification Application reserves incentive funding in advance of project implementation. The Pre-Notification step allows the customer to inform the Commercial Energy Solutions team of the project plans for pre-approval based on customer eligibility and project requirements.

## 15. Contact Information

Commercial Energy Solutions  
2001 North 3<sup>rd</sup> Street, Suite 106  
Phoenix, AZ 85004  
Phone: 866-324-5506  
Fax: 866-277-5604  
Email: [CommercialEnergySolutions@us.kema.com](mailto:CommercialEnergySolutions@us.kema.com)  
Website: [uesaz.com](http://uesaz.com)

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<sup>2</sup> 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.