

**UniSource Energy Services**

**Gas Commercial Energy Solutions**

**2020 Program**

**Policies and Procedures**

The UES Gas Commercial Energy Solutions program is administered by DNV GL Energy Services (DNV GL) on behalf of UniSource Energy Services. This program is funded by UES gas customers as approved by the Arizona Corporation Commission. The Commercial Energy Solutions program offers Prescriptive Incentives for energy efficiency equipment upgrades and improvements. Incentives are provided for qualified equipment commonly installed in a retrofit, major renovation or new construction project.

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# Program Overview

The UES Gas Commercial Energy Solutions program provides incentives for commercial business and K-12 gas customers within the service territory who upgrade their existing facilities with energy efficient equipment, design and build new construction facilities for energy efficiency or implement energy efficiency upgrades as part of a major facility renovation project.

This Policies and Procedures Manual is intended to convey the rules, policies and procedures that govern program administration and customer participation. It is a companion document to Incentive Application Form and program information available on the UES Commercial Energy Solutions website: [uescommercialenergysolutions.com](http://www.uescommercialenergysolutions.com).

# Program Marketing

Marketing collateral has been developed for the UES Gas Commercial Energy Solutions program and are available upon request. Use of the UES logo or name on materials is prohibited. Materials that include the program name must be approved by the UES Commercial Energy Solutions team prior to distribution. UES reserves the right to remove Trade Allies and their associated companies from the list of participating contractors if they do not comply with program policies 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 DNV GL in a written letter.

# Customer Eligibility

The Commercial Energy Solutions program is open to non-residential customers in the 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, and IR-60. All work must be completed in the same year as the application submission. The deadline for submissions is December 1 of the current program year.

# Tax Implications

Applicants are responsible for any tax liability associated with the receipt of rebate 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.
* Third party payees will be required to submit a signed W9. The W9 must be filled in correctly and completely before the incentive is submitted for payment.
* UniSource Energy Services and DNV GL are not responsible for any taxes that may be imposed on your business as a result of your receipt of this incentive.

# Project Terms and Conditions

Program applicants must abide by all program rules detailed in this manual, the application document(s) and the Agreement Form. By signing the application Agreement Form, the applicant agrees to all rules and requirements in place on the date of signature. Customers should reference the program measure worksheets for technical requirements.

The following stipulations must be met for an application to qualify:

* 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, DNV GL or their representative.
* If the customer does not install or removes the 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.

**A Pre-Approval Application is required for all incentive projects.** The Pre-Approval Application for incentives must include sufficient information (equipment specifications, scope of work and incentive worksheets) to estimate an incentive amount. The pre-approval process reserves funding for a specific project for 90 days. One 30-day extension may be requested in writing with required documentation showing that the project is progressing. A longer extension may be approved depending on the scope of the project and funding availability, but it is not guaranteed. Applicants must contact the Commercial Energy Solutions team if a project is delayed, incentives increase or the project is cancelled. Reserved funds are not transferable to other projects, facilities, campuses, trade allies and/or customers.

The Final Application along with all required documentation must be received by DNV GL within 60 days of project completion, the reservation end date or by December 1 of the same program year, whichever is earlier. All equipment must be installed and operational prior to submitting the Final Application. All projects must be completed and invoiced in the same program year that the Final Application is submitted.

The UES Commercial Energy Solutions 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, metering, data collection, interviews and utility bill data analyses. The customer must allow access to records and installation sites for a period of five years after receipt of the incentive payment.

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

# Rebate Caps

Rebate caps are the maximum rebate amount that the program will pay for a given measure as well as the maximum amount paid to any given 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 and 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

All incentives paid through the Commercial Energy Solutions program will be applied toward 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 December 1 to guarantee funds will be attributed to that calendar year. Projects not completed within the same calendar year in which the application is received will be cancelled.

## Customer Cap

The program customer 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.

## Measure 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 manufacturers’ 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, while 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, but contractor labor charges may be included in measure costs.

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.

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.

# Types of Rebates

The UES Commercial Energy Solutions gas 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. This section provides an overview of the type of measures and rebates available. Actual measure details including rebate levels and technical specifications are included in full detail on the program applications found at [uescommercialenergysolutions.com](http://www.uescommercialenergysolutions.com).

The following section summarizes 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.

## UES Gas Prescriptive Retrofit Rebates

**Furnaces**

The furnace measure includes size range from 0-300 MBH. Furnaces must have efficiency ratings greater than 93% AFUE to qualify. Incrementally higher incentives are offered for units with efficiencies greater than 94 AFUE, 95 AFUE and 95.5% AFUE.

* Please reference [www.ahridirectory.org](file:///C:\Users\paugea\AppData\Local\Microsoft\Windows\Temporary%20Internet%20Files\Content.Outlook\2KSTVMV5\www.ahridirectory.org) for the furnace efficiency ratings.

**High Efficiency Space Heating and Process Boilers**

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

* Please reference [www.ahridirectory.org](http://www.ahridirectory.org) for efficiency ratings.

**Qualification Requirements for Boilers**

|  |  |
| --- | --- |
| **Size Category** | **Required Efficiency** |
| Non-Condensing < 300,000 Btuh | AFUE 85.6% or Higher |
| Non-Condensing ≥ 300,000 Btuh | Thermal Efficiency 85.6% or Higher |
| Condensing < 300,000 Btuh | AFUE 89% or Higher |
| Condensing ≥ 300,000 Btuh | Thermal Efficiency 89% or Higher |

**Water Heaters**

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

* Please reference [www.ahridirectory.org](http://www.ahridirectory.org) for efficiency ratings.

**Required Efficiency by Size**

|  |  |
| --- | --- |
| **Input Rating** | **Required Efficiency** |
| <= 75,000 Btuh | Energy Factor >= 0.67 |
| > 75,000 Btuh | Thermal Efficiency >= 90% |

**High Efficiency Commercial Kitchen Griddles**

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

# Effective Program Dates

The Commercial Energy Solutions gas program is offered on a **first-come, first-served** basis until program funds are fully committed and/or the program budget is depleted for the current program year.

* The completion of a Pre-Notification Application is **required** for all projects. Applicants must not begin project work until they have been notified that funds have been reserved.
* All applications will be reviewed against the program rules in place at the time the application is submitted.
* Final Applications **must be submitted** within 60 days after project completion, the reservation end date or by November 15 of the program year, whichever comes first. Rebates will be paid in the same calendar year.

# Definition of Application Types

A single Application Form is utilized for both phases of the application process: Pre-Notification Application and Final Application. While identical forms are used for both, there is a drop-down option on the Customer/Project Information form that indicates each phase.

**Pre-Notification Application**

The Pre-Notification Application is an applicant’s request to reserve funding for rebates in advance of project installation. **A Pre-Notification Application is** **required for all proposed projects**. Projects are ineligible for rebate funding without the submission of a Pre-Notification Application. Please note that a pre-installation inspection may be required as determined necessary by program staff.

The UES Commercial Energy Solutions gas program team will review the Pre-Notification Application and will work with the customer (or their designee) to reserve funds in a timely manner.

* For prescriptive measures, the application must include sufficient information to estimate the rebate amount. This will likely include measure quantities, equipment efficiencies and other specific project details.

Required supporting documentation is listed within the application documents located online at [uescommercialenergysolutions.com](http://www.uescommercialenergysolutions.com/).

**Final Application**

The Final Application is the official request for rebate payment. Final Applications **must be submitted** within 60 days after project completion, the reservation end date, or by December 1 of the same program year, whichever comes first. The project completion date shall be determined by the date the energy-efficient equipment becomes operational. Projects that will not be completed by December 1 of the program calendar year may be ineligible to receive funds. All applications will be reviewed against the program rules in place at the time the application is submitted.

Final Applications must include all project documentation that is specified on the Final Application Form, including copies of all itemized invoices and receipts as well as equipment specifications and technical details where mandated. Invoices must include the full cost to the customer for the project.

The Final Application also provides the customer with the opportunity to designate a third party as the recipient to receive the final rebate payment. The customer must sign and initial the Final Application in the appropriate places before rebates are paid to a third party. An original signature from the customer and third party, if applicable, is required on the application before funds will be paid.

# The 6-Step Application Process

The application process has been streamlined to make it as simple as possible for customers. Please refer to the general process flow chart in Appendix A of this document for more information. Program applications can be found online at [uescommercialenergysolutions.com](http://www.uescommercialenergysolutions.com/).

Program staff is available during the normal business hours of 8 a.m.-5 p.m. weekdays to assist customers with the application process. For inquiries, please contact the Commercial Energy Solutions team at 866-324-5506 or [ces@uesaz.com](mailto:ces@uesaz.com).

**Step 1: Pre-Approval Application Submission and Review**

**Pre-Approval Applications are required for all projects.** Pre-Approval Applications do not guarantee project funding approval until program staff determines that project requirements are met and funds are available and reserved. Installed measures must still meet program requirements to qualify for rebates.

* Pre-Approval Applications must include sufficient project information (equipment specifications, quantities, etc.) to estimate the amount of rebate funding that should be reserved to support the project. Failure to provide this information will result in the application being cancelled.
* **The Pre-Approval Application requires a customer signature.**
* Pre-Approval Applications may be submitted by email or U.S. mail. Applicants will receive an email confirming that their application has been received and whether any additional documentation is required.
* Only after the application is reviewed and approved will incentive funds be reserved. Additional reservation details are listed within Step 2: Reservation.

A **Pre-Approval Application** reserves funds for projects that meet these requirements:

* + - * Measures are fully installed and the project is completed within 90 days of receiving a notice of reservation for project funding.
      * Work commences within 30 days of the funding reservation notification.
      * Measures are determined to be within the program requirements.

An onsite pre-inspection may be required prior to the installation of equipment.

Businesses with multiple locations in the UES gas service territory may submit one application for all locations or may send applications for different projects at different times. If a project includes multiple sites, applicants must attach a list of all site addresses, corresponding account numbers, and appropriate contact information along with the signed pre-notification application. Each location will require individual measure worksheets to be completed.

Multiple copies of the measure worksheets may be submitted if additional space is needed. Please indicate whether additional pages are included when you send in your completed application. Only complete and submitted applications will be considered for reserved funding.

Applicants will be notified if additional information is needed and must respond within 10 business days or the Pre-Approval Application will be rejected. Customers who submit requested information after 10 business days will be considered a new applicant.

**IMPORTANT:** *Work should not commence until the applicant receives a notice of reserved funding. There is no guarantee that incentives will be available upon submission of a new application.*

**Step 2: Reservation**

Applicants whose projects have been approved will receive a notice of reserved funding by email along with the rebate amount reserved and the reservation expiration date. Incentive funds are reserved for 90 days from the estimated completion date. **Reservation letters do not guarantee that incentives will be provided.**

Projects must be fully completed and a Final Application submitted by the reservation expiration date or by December 1 of the same program year, whichever is earlier. Customers may submit a request in writing for a one-time 30-day extension of their funding reservation that is subject to approval by the Commercial Energy Solutions team.

Reserved funding for projects that take more than 90 days to complete may be cancelled and the funds released. It is the customer’s responsibility to contact program staff if a project is delayed, substantially changed or cancelled. Reserved funds are not transferable to other projects, facilities and/or customers.

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.

While every attempt is made to accurately estimate reserved funding to support projects, actual amounts may vary and are not guaranteed. The actual rebate amount is determined by a review of the Final Application, invoices, supporting project documentation and program funding availability. Any increases in rebate amounts may not exceed 10% of the original reserved funding amount. See Section 12 for more information.

**Step 3: Install Equipment and Perform Project Wor**k

Install equipment and perform project work per specifications prior to the 90-day reservation expiration date or within 120 days if a funding reservation extension was requested and approved. Applicants must dispose of or recycle materials properly and permanently remove or disable all replaced equipment and systems.

**Step 4: Complete the Final Application**

The Final Application Form is the same document as the Pre-Approval Application Form. Complete and submit a Final Application with all required supporting documentation within 60 days after project completion, the reservation end date or by December 1 of the program year, whichever comes first.

The information required for each measure is detailed on the application worksheet. Documentation should include final invoices and must be 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. The dates on the invoices must be in the same program year the application is submitted. Only expenses incurred during the term of the program can be reimbursed.

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 rebate 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.*

Customers must submit all required project documentation including, but not limited to, copies of purchase orders, statements of work, equipment specifications and paid invoices. Documents should clearly indicate equipment specifications and quantities. Manufacturer data, cut-sheets, or specification sheets must match the units installed and invoiced.

Be sure to check “Final Application” in the “Application Type” section. **Do not submit a Final Application unless all work has been completed.** Program funds are limited and submission of a Final Application does not guarantee an incentive payment.

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.

**A customer signature is required for payment**. Customers can designate a third party as the recipient for the final rebate payment. Customers must sign the Final Application and initial the agreement in the appropriate places as indicated on the application. An original signature from the customer, and third party if applicable, is required on the application before funds can be paid.

**Step 5: Project 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 copayment, 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.

**Step 6: Payment is Processed**

Rebates are processed within 4 to 6 weeks after all documentation is received, the final review is completed and a post-inspection, if required, is conducted.

# Inspections

UES reserves the right to require pre- and/or post-inspections of all projects to ensure quality control. Inspections may include requests for detailed lighting layout descriptions, metering, data collection, interviews and utility bill data analyses. Applicants must provide UES with access to their records and project sites for up to five years after receipt of rebates. All projects are subject to inspection for independent measurement and verification (M&V) purposes. If selected, the customer will be contacted by a UES representative to schedule an onsite inspection. Measurement and verification may include obtaining logged data on individual project components.

# Payment Process

Incentives will be paid directly to customers. The customer may designate a third-party, such as a contractor or corporate office, to receive the rebate by filling out the payment release authorization portion of application’s applicant information page. The customer must indicate the exact name of the designated payee, complete mailing address, and the appropriate tax identification number. A signed W9 is required from the third party if they are receiving incentive payment(s).

Payments will not be made until the proper project documentation is submitted to and reviewed by the UES Commercial Energy Solutions team. All Final Applications must be fully completed with all required final documentation provided as indicated on the application documents. Final Applications must be signed by the customer and, if applicable, a third-party payee.

# Application Changes or Discrepancies after Verification

If the project scope has changed or Final Application funding request differs from the Pre-Notification Application reserved funding amount, the project will be reviewed considering 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 UES Commercial Energy Solutions team. If the additional portion is approved, rebate funding is available and rebate caps have not been met, the additional incentive amount *up to and not exceeding 10% above the reserved funding amount* will be added to the project total.

If rebate funding is unavailable or project funding caps have been met, additional rebate funding will be denied. If the Final Application amount is lower than the reserved funding, the approved project will be paid at the lower amount.

If there are discrepancies between the Final Application and the UES Commercial Energy Solutions team inspection verification and/or analysis of the submitted measures that leads to a greater than 10% reduction in incentive, the customer will receive an email from the engineering staff detailing these differences. The customer (or contractor) may submit a dispute of the inspection results or analysis within 10 business days. The Commercial Energy Solutions team shall review the dispute and make a good faith attempt to resolve the issue. If the UES Commercial Energy Solutions team does not receive notice of a dispute or the customer and/or contractor agree with the inspection results or analysis, the revised rebate levels will be deemed final and the rebate issued.

# Cancellation

An application can be cancelled at any point in the process and are considered final. Funds will not be paid for the project until the team receives a completed application package. The Commercial Energy Solutions team will notify the applicant of any missing information. If requests go unanswered within 10 business days, the application will be cancelled. If the applicant submits all required documentation later, it will be treated as a new application. There is **NO GUARANTEE** that incentives will be available upon submission of a new application.

# Customer Satisfaction

The UES Commercial Energy Solutions 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 UES Commercial Energy Solutions team immediately at 866-324-5506.

# Billing Release

All customer information is kept confidential unless UES receives a written Letter of Authorization (LoA) from the customer to release or share their information, billing data and project details with a third-party. The following information must be included in the LoA:

* Customer name of record for each customer account
* Customer premise number for each property to be released
* Contact name for each customer account
* Contact information for each customer account (include: phone number and email address)
* Address for each account number
* Signature of customer of record
* Identification of third party to receive the information (company name, title of person and address)

# Definitions

**AFUE: 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.ahridirectory.org posts efficiency ratings for furnaces, boilers and water heaters.

**Applicant:** Either the customer or the customer’s representative (third-party) submitting the Pre-Notification/ Final Application.

**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.2

**Final Application:** Once the project has been completed, the customer is to submit a copy of the Final Application and appropriate measure worksheet(s). If a Pre-Notification Application was submitted, the Final Application should include any new or corrected information. The Final Application must include an original signature and all appropriate backup documentation, including detailed invoices.

**Incremental Cost:** Incremental measure cost is the difference between the cost of installing a high-efficiency piece of equipment and lower-cost standard equipment. The TEP 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. Direct labor costs incurred by the TEP customer will not be considered as measure costs for each measure. Please contact the TEP Commercial Energy Solutions team for clarification or assistance in determining the right value.

**Pre-Notification**: Pre-notification is the application process of informing the TEP Commercial Energy Solutions team of your project plans for pre-approval based on customer eligibility and project requirements.

**Prescriptive Incentive:** Refers to incentives that are tied to a unit of measure other than energy savings. These measures are pre-determined and do not require any technical analysis to qualify for a rebate.

**Rebate/Incentive:** The rebate is the amount to be paid to the customer or contractor once the energy efficiency measure(s) have been installed and final project documentation has been approved. Rebate levels are determined by the project specifications and can be found by measure or type on the program Application Forms.

2 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.

# Contact Information

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Appendix A: General Process



