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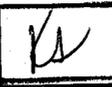
BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
MARC SPITZER  
Commissioner  
MIKE GLEASON  
Commissioner  
KRISTIN K. MAYES  
Commissioner

Arizona Corporation Commission

DOCKETED

AUG 17 2005

DOCKETED BY 

IN THE MATTER OF ARIZONA PUBLIC  
SERVICE COMPANY FOR APPROVAL OF  
ITS HIGH EFFICIENCY CONSUMER  
PRODUCTS PROGRAM (A DEMAND-SIDE  
MANAGEMENT PROGRAM)

DOCKET NO. E-01345A-05-0429

DECISION NO. 68064

ORDER

Open Meeting  
August 9 and 10, 2005  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On June 10, 2005, Arizona Public Service Company ("APS") filed an application for approval of its High-Efficiency Consumer Products Program ("Consumer Products Program"). The Consumer Products Program would encourage residential and small business customers to purchase Energy Star® qualifying lighting and appliances. The Consumer Products Program is being filed in response to APS' demand-side management ("DSM") obligations provided for in Commission Decision No. 67744.

Background

3. Under Commission Decision No. 67744, APS is obligated to spend \$48 million on Commission-approved DSM programs from 2005 to 2007 and to implement and maintain a

1 collaborative DSM working group to facilitate stakeholder input on program development and  
2 implementation. The Consumer Products Program is one of several new DSM programs that was  
3 contemplated by the "Preliminary Energy Efficiency DSM Plan" approved in Commission  
4 Decision No. 67744. Drafts of the Consumer Products Program were discussed within the DSM  
5 collaborative group. APS has filed the Consumer Products Program in anticipation that the  
6 program will be in place prior to the implementation of the Energy Star® "Change a Light Change  
7 the World" national campaign. The "Change a Light Change the World" campaign will be  
8 promoted by Energy Star® this fall.

9  
10 General Program Description

11 4. The Consumer Products Program consists of a Lighting Program and an Appliance  
12 Program. The Lighting Program would provide for discounted retail pricing and the promotion of  
13 Energy Star® qualified compact fluorescent lamps (bulbs) ("CFLs"). The Appliance program  
14 would provide for the promotion of Energy Star® qualified consumer appliances. According to  
15 APS, lighting and consumer appliances represent a significant portion of APS customers' total  
16 energy consumption and as much as 15 percent of a typical household's annual energy cost. The  
17 program would be implemented at participating retail outlets including home improvement,  
18 lighting, and department stores within APS' service territory. APS has targeted the program to  
19 residential and small business customers. Because of APS' proximity to other utilities' service  
20 territories, it would be difficult for APS to limit participation to APS customers. However, APS  
21 has indicated that it is attempting to coordinate efforts with other local utilities and organizations.

22 5. Under the proposed program, APS would hire a contractor to implement the  
23 Consumer Products Program. Specifically, the contractor would solicit discounted pricing from  
24 lighting manufactures, identify and coordinate with selected retail outlets, train retail outlet sales  
25 staff and management, track program progress, and report on the progress of the program to APS.

26 6. The program would also provide customer education and promotion of Energy  
27 Star® approved lighting and appliances through APS promotions, vendor advertising, point-of-sale  
28

1 displays, bill stuffers, newsletters, and website content. APS will also provide customer referrals  
2 to participating retail stores.

#### 4 Lighting Program

5 7. Under the Lighting portion of the Consumer Products Program, APS would provide  
6 discounted retail pricing for Energy Star® approved CFLs by providing an incentive (rebate) to  
7 lighting manufacturers to reduce the price of CFL lamps at the retail level. A negotiated  
8 agreement between APS, manufacturers, and retailers will serve to ensure that savings will be  
9 passed onto retail customers. The average incentive paid to manufactures per lamp would vary  
10 based on the prevailing prices in the market. According to APS, the average incentive would be  
11 \$1.75 per lamp for CFLs ranging from 14-55 watts. In order to ensure that the incentive is not  
12 excessive, Staff recommends that the incentive provided to lighting manufactures never exceed  
13 fifty percent of the incremental cost<sup>1</sup> to the retail customer.

14 8. Under the Lighting Program APS will issue an RFP to lighting manufactures in  
15 order to solicit their participation in the program. APS will also limit purchases of qualifying  
16 lighting to no more than ten bulbs per customer per visit.

17 9. The total budget over the three-year life of the Lighting Program is \$5,135,000,  
18 which includes \$3,650,000 for the retail buy-down program, \$355,000 for retail point of sale  
19 education, \$340,000 for consumer education and awareness, \$520,000 for special events and CFL  
20 giveaways, and \$270,000 for joint advertising between APS and retailers. APS anticipates that  
21 approximately 600,000 CFLs per year will be installed by retail customers. Over the three year  
22 life of the program, the lighting program costs are expected to average \$1.02 per CFL.

#### 24 Appliance Program

25 10. Under the appliance portion of the Consumer Products Program, APS would also  
26 provide customer education and the promotion of Energy Star® qualifying appliances through  
27 \_\_\_\_\_

28 <sup>1</sup> Incremental costs represent the difference between the cost of a conventional product and the cost of an energy-efficient product.

1 vendor advertising, point-of-sale displays, and APS promotions. APS has included clothes  
2 washers, dishwashers, refrigerators, and freezers in its program.

3 11. The total budget over the three-year life of the Appliance Program is \$390,000,  
4 which includes \$205,000 for retail point-of-sale education and \$185,000 for consumer education  
5 and awareness.

6  
7 Cost Effectiveness

8 12. Staff has completed an analysis of the cost and benefits of the program based on a  
9 Societal Cost Test. The Commission's 1991 Resource Planning Decision<sup>2</sup> established that the  
10 Societal Cost Test should be used for the purposes of establishing whether a DSM program can be  
11 considered cost-effective. Under the Societal Cost Test, the incremental benefits of a program to  
12 society must exceed the incremental cost of having the program in place in order to be cost  
13 effective. Societal costs for the Consumer Products Program include the cost of implementing the  
14 program, excluding rebates<sup>3</sup>. The societal benefits of the program include APS' deferred  
15 generation capacity cost and avoided energy costs, and, for certain appliances, Southwest Gas'  
16 avoided gas cost. Other benefits of the program include reduced water consumption and air  
17 pollution.

18 13. In regard to the Lighting program, Staff's independent analysis has concluded that  
19 the Lighting program is cost-effective and would result in about \$20,800,000 net benefits to  
20 society.

21 14. In regard to the Appliance program, both Staff's and APS' analyses have indicated  
22 that it is not cost-effective. Staff will continue to work with APS and the DSM collaborative  
23 working group to evaluate options that may improve the cost effectiveness of the Appliance  
24 program. Therefore, Staff recommends not approving the Appliance portion of the Consumer  
25 Products Program at this time.

26 15. Staff recommends approval of the Lighting portion of the Consumer Products  
27 Program.

28 <sup>2</sup> Decision No. 57589

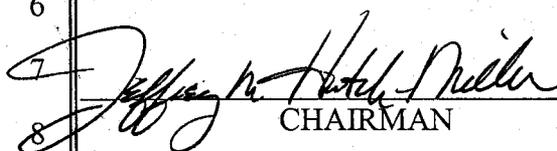
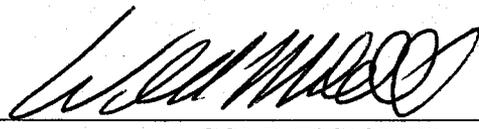
<sup>3</sup> Rebates are not included in the calculation of societal costs because they are considered a transfer payment.

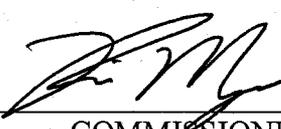


1 IT IS FURTHER ORDERED that the incentive provided to lighting manufactures never  
2 exceed fifty percent of the incremental cost to the retail customer.

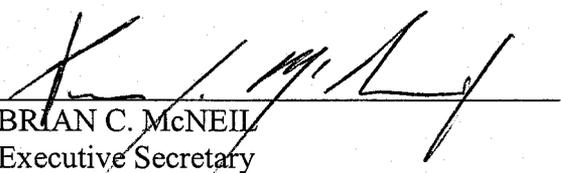
3 IT IS FURTHER ORDERED that this decision should become effective immediately.

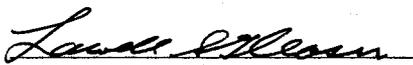
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5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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7  CHAIRMAN  COMMISSIONER  
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9  
10  COMMISSIONER  COMMISSIONER  COMMISSIONER  
11

12 IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive  
13 Secretary of the Arizona Corporation Commission, have  
14 hereunto, set my hand and caused the official seal of this  
15 Commission to be affixed at the Capitol, in the City of  
16 Phoenix, this 17<sup>th</sup> day of August, 2005.

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19 BRIAN C. McNEIL  
Executive Secretary

20 DISSENT: 

21 DISSENT: \_\_\_\_\_

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1 SERVICE LIST FOR: Arizona Public Service Company  
2 DOCKET NO. E-01345A-05-0429

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