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AZ CORP COMMISSION  
DOCKET CONTROL

April 15, 2008

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

RE: DEMAND SIDE MANAGEMENT SEMI-ANNUAL REPORT  
DOCKET NO. E-01345A-03-0437 & E-01345A-05-0526

Dear Sir or Madam:

On August 30, 2007 Arizona Public Service Company (APS) filed its DSM Semi-Annual Report covering the period of January 1, 2007 through June 30, 2007, pursuant to Arizona Corporation Commission (ACC) Decision No. 67744.

Subsequently, APS found some minor errors that are being corrected in this filing. Please find replacement pages 3, 4, and 7 for the January through June 2007 Semi-Annual report and a page summarizing the changes. This filing is to inform the ACC of revisions to the mid year figures. Please note that total expenditures reported in the year end semi-annual report were correct.

If you have any questions or concerns please contact Susan Casady at (602) 250-2709.

Sincerely,

*Barbara Klemstine / sc*

Barbara Klemstine

BK/tem

Attachments

CC: Jerry Anderson  
Brian Bozzo  
Terri Ford

Arizona Corporation Commission  
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SUMMARY OF REVISIONS TO  
DEMAND SIDE MANAGEMENT SEMI-ANNUAL REPORT  
JANUARY 1, 2007 THROUGH JUNE 30, 2007  
DOCKET NO. E-01345A-03-0437 & E-01345A-05-0526

- In the Low Income Program, on page 7, reported costs incurred were overstated by \$11,562. The Cost Incurred table has been corrected.
- The Low Income Program costs reflected on summary Tables 1 and 2 also now reflect the \$11,562 correction to program cost.
- The Low Income Program, on page 7, reported “kWh Savings” to be 401,466. It should have been labeled “Annual kWh Saved”. The corrected savings table on page 7 now includes both Annual kWh and Lifetime kWh saved.
- Table 2, on page 4, now correctly displays 8,029 lifetime MWh for the Low Income Program.
- The sub-total and total for both Societal Benefits and Societal Costs were corrected in Table 2. This correction was a summation error only and the Net Benefits were correctly reported in the initial filing.

# ARIZONA PUBLIC SERVICE COMPANY

## DSM SEMI-ANNUAL PROGRESS REPORT FOR THE PERIOD: JANUARY THROUGH JUNE 2007 (REVISED APRIL 2008)

**Table 1  
DSM Program Expenses: January – June 2007**

DSM Program	Rebates & Incentives	Training & Technical Assistance	Consumer Education	Program Implementation <sup>1</sup>	Program Marketing	Planning & Admin	Program Total Cost
<b>Residential</b>							
Low Income	\$673,072	\$1,168	\$3,696	\$23,565	\$1,162	\$27,167	\$729,830
Res Existing Homes HVAC	\$533,750	\$32,457	\$70,223	\$90,855	\$95,186	\$20,661	\$843,132
Res New Home Construction	\$140,000	\$818	\$2,699	\$85,516	\$137,340	\$36,232	\$402,605
Consumer Products	\$1,002,402	\$586	\$750	\$237,511	\$29,680	\$55,004	\$1,325,933
<b>Totals for Residential</b>	<b>\$2,349,224</b>	<b>\$35,029</b>	<b>\$77,368</b>	<b>\$437,447</b>	<b>\$263,368</b>	<b>\$139,064</b>	<b>\$3,301,500</b>
<b>Non-Residential</b>							
Large Existing Facilities	\$1,157,414	\$15,420	\$8,000	\$719,656	\$5,847	\$90,346	\$1,996,683
Large Non Res New Const	\$51,381	\$13,403	\$55	\$373,235	\$2,611	\$52,859	\$493,544
Small Business	\$19,670	\$390	\$5,447	\$240,257	\$1,859	\$31,958	\$299,581
Bldg Operator Training	\$0	\$12,688	\$0	\$6,758	\$7,162	\$0	\$26,608
Energy Information Svcs	\$0	\$0	\$583	\$23,100	\$0	\$2,266	\$25,949
Schools <sup>2</sup>	\$39,220	\$2,193	\$837	\$95,000	\$644	\$13,620	\$151,514
<b>Total for Non-Residential</b>	<b>\$1,267,685</b>	<b>\$44,094</b>	<b>\$14,922</b>	<b>\$1,458,006</b>	<b>\$18,123</b>	<b>\$191,049</b>	<b>\$2,993,879</b>
<b>Segment Totals</b>	<b>\$3,616,909</b>	<b>\$79,123</b>	<b>\$92,290</b>	<b>\$1,895,453</b>	<b>\$281,491</b>	<b>\$330,113</b>	<b>\$6,295,379</b>
							<b>Program Costs</b>
							<b>\$6,295,379</b>
							<b>Measurement, Evaluation, &amp; Research (MER)</b>
							<b>\$537,918</b>
							<b>Performance Incentive<sup>3</sup></b>
							<b>\$0 *</b>
							<b>\$6,833,297</b>

### Definitions

**Rebates & Incentives** - Includes dollars for customer rebates and incentives, installation of low income weatherization and low income bill assistance.

**Training & Technical Assistance** - Includes all dollars that are used for energy efficiency training and technical assistance.

**Consumer Education** - Includes dollars that are used to support general consumer education about energy-efficient improvements.

**Program Implementation** - Program delivery costs associated with implementing the program - includes implementation contractor labor and overhead costs, as well as other direct program delivery costs.

**Program Marketing** - Includes all expenses related to marketing the program and increasing DSM consumer awareness (direct program marketing costs as opposed to general consumer education).

**Planning and Administration** - APS costs to plan, develop and administer programs-includes management of program budgets, oversight of the RFP process and implementation contractor, program development, program coordination and general overhead expenses.

**Measurement, Evaluation, & Research (MER)** -These activities will identify current baseline efficiency levels and the market potential of DSM measures, perform process evaluations, verify that energy-efficient measures are installed, track savings, and identify additional energy efficiency research.

**Performance Incentive** – Share (%) of DSM net economic benefits (benefits minus cost), capped at 10% of total DSM expenditures, inclusive of the Performance Incentive.

1. Includes costs for Implementation Contractor (IC) for the Small Non-Residential, Non-Residential Existing Facilities, New Construction & Major Renovation and Schools Programs.

2. Schools are allowed to receive funding from other non-residential programs as well. Refer to the subsection on the Schools Program for additional information on total funds allocated to school districts to date.

3. The Performance Incentive is calculated in Table 3.

\* Maximum Performance Incentive allowed is 10% of the spending level as ordered in Decision No. 67744. DSM spending to date is \$20,586,385, therefore the maximum Performance Incentive is \$2,058,639.

# ARIZONA PUBLIC SERVICE COMPANY

DSM SEMI-ANNUAL PROGRESS REPORT FOR THE PERIOD:  
JANUARY THROUGH JUNE 2007 (REVISED APRIL 2008)

**Table 2**  
**DSM Electric Savings Benefits**

DSM Program	Capacity Savings MW	Lifetime <sup>1</sup> MWh Savings	Program Cost	Societal Benefits	Societal Costs	Net Benefits
<b>Residential</b>						
Low Income <sup>2</sup>	0.06	8,029	\$729,830	\$560,703	\$560,703	\$0 <sup>4</sup>
Res Existing Homes HVAC <sup>3</sup>	2.16	78,948	\$843,131	\$3,119,223	\$1,950,841	\$1,168,382
Res New Home Construction <sup>3</sup>	0.52	24,426	\$402,605	\$914,239	\$472,605	\$441,634
Consumer Products	11.40	405,686	\$1,325,934	\$25,106,875	\$5,405,772	\$19,701,103
<b>Totals for Residential</b>	<b>14.14</b>	<b>517,089</b>	<b>\$3,301,500</b>	<b>\$29,701,040</b>	<b>\$8,389,921</b>	<b>\$21,311,119</b>
<b>Non-Residential</b>						
Large Existing Facilities	2.59	279,878	\$1,996,683	\$6,952,518	\$3,074,915	\$3,877,603
Large Non Res New Const	0.35	20,612	\$493,544	\$486,981	\$599,267	(\$112,286)
Small Business	0.14	10,712	\$299,582	\$208,344	\$326,225	(\$117,881)
Bldg Operator Training	0.02	2,545	\$26,607	\$86,864	\$38,069	\$48,795
Energy Information Svcs	0.00	0	\$25,949	\$0	\$25,949	(\$25,949)
Schools	0.11	9,604	\$151,514	\$215,115	\$190,524	\$24,591
<b>Total for Non-Residential</b>	<b>3.21</b>	<b>323,351</b>	<b>\$2,993,879</b>	<b>\$7,949,822</b>	<b>\$4,254,949</b>	<b>\$3,694,873</b>
<b>Subtotal</b>	<b>17.35</b>	<b>840,440</b>	<b>\$6,295,379</b>	<b>\$37,650,862</b>	<b>\$12,644,870</b>	<b>\$25,005,992</b>
Measurement, Evaluation & Research	-	-	\$537,918	-	-	(\$537,918)
Performance Incentive <sup>5</sup>			\$0 *			\$0 *
<b>TOTAL</b>	<b>17.35</b>	<b>840,440</b>	<b>\$6,833,297</b>	<b>\$37,650,862</b>	<b>\$12,644,870</b>	<b>\$24,468,074</b>

1. Refers to savings over the expected lifetime of all program measures.

2. Program Costs include weatherization and bill assistance. Societal Costs do not include bill assistance because it does not contribute to electric savings.

3. kW and kWh savings are not quantified for residential market transformation programs that were in place prior to April 2006.

4. Consistent with the ACC Staffs' analysis in Decision No. 68647, the societal benefits is equal to the societal costs, resulting in a benefit to cost ratio of 1.00.

5. As calculated in Table 3.

\* Maximum Performance Incentive allowed is 10% of the spending level as ordered in Decision No. 67744. DSM spending to date is \$20,586,385, therefore the maximum Performance Incentive is \$2,058,639.

# ARIZONA PUBLIC SERVICE COMPANY

## DSM SEMI-ANNUAL PROGRESS REPORT FOR THE PERIOD: JANUARY THROUGH JUNE 2007 (REVISED APRIL 2008)

The Department of Commerce Energy Office with information from APS, is analyzing the electric energy used in weatherized homes before and after the weatherization measures are implemented. It takes a year of data before the weatherization and another year of data after the weatherization to get an accurate gauge of the impact of the measures. As the data base grows over time a more accurate picture of the impact of the weatherization activities will emerge.

### **kW and kWh Savings**

Of the 839 households participating in the program, a total of 183 homes received weatherization and/or repair & replace services that contributed to the energy savings.

No. of Homes	kW Savings	Annual kWh Savings	Life-time kWh Savings
183	60.00	401,466	8,029,323

The final savings are adjusted for line losses (9.8%).

The kW and kWh factors used to calculate the savings are based on data from the Department of Commerce Energy Office study of 150 weatherized homes. The study normalized electric and gas savings into dollars with gas savings being about 10% of the total. The present value of the dollar savings was converted to "equivalent kWh" at 8 cents per kWh. The annual energy and demand savings per home in this study are estimated to be 1,998 "equivalent kWh" and 0.3 kW.

### **Benefits and Net Benefits/Performance Incentive Calculation**

The benefits and net benefits are provided in Table 2. The Performance Incentive calculation does not include the Energy Wise Program because, as indicated in Decision No. 68647, this program has a zero net benefit. APS has performed well on this program and should not be penalized for the program. Consequently, the net benefits for the Energy Wise Program for this reporting period as shown in Table 2 are \$0.

### **Problems Encountered and Proposed Solutions**

No problems were encountered during this reporting period.

### **Costs Incurred**

Costs incurred for this program during the current reporting period are listed below:

Activity	Rebates & Incentives	Training & Technical Assistance	Consumer Education	Program Implement	Program Marketing	Planning & Admin	Program Total Cost
Bill Assistance	\$ 169,127	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,127
Health & Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repair and Replace	\$ 4,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,680
Weatherization	\$ 499,265	\$ -	\$ 390	\$ -	\$ -	\$ -	\$ 499,655
3rd Party Manager Arizona Community Action Association	\$ -	\$ -	\$ -	\$ 20,830	\$ -	\$ -	\$ 20,830
APS Program Support	\$ -	\$ 1,168	\$ 3,306	\$ 2,735	\$ 1,162	\$ 27,167	\$ 35,538
<b>Total</b>	<b>\$ 673,072</b>	<b>\$ 1,168</b>	<b>\$ 3,696</b>	<b>\$ 23,565</b>	<b>\$ 1,162</b>	<b>\$ 27,167</b>	<b>\$ 729,830</b>