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MEMORANDUM

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Arizona Corporation Commission
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AZ CORP COMMISSION
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DOCKETED BY

TO: THE COMMISSION

FROM: Utilities Division

DATE: November 10, 2010

RE: ARIZONA PUBLIC SERVICE COMPANY APPLICATION FOR APPROVAL OF 2011 DEMAND SIDE MANAGEMENT IMPLEMENTATION PLAN – CONSUMER PRODUCTS, APPLIANCE RECYCLING, ENERGY WISE LOW-INCOME (DOCKET NO. E-01345A-10-0219)

On June 1, 2011, Arizona Public Service Company ("APS" or "the Company") filed an application for approval of the Company's 2011 Demand Side Management Implementation Plan (the "2011 Plan"). The 2011 Plan filing was in compliance with the provisions of the settlement agreement in the Company's most recent rate case, as approved by the Arizona Corporation Commission in Decision No. 71448.

The proposed 2011 Plan reflects changes to the existing APS DSM portfolio, and sets out the programs and measures by which APS plans to meet the energy savings goals agreed upon in the Settlement Agreement.

The APS DSM Implementation Plan Filings (June 1, June 30 and August 2, 2010)

The first Implementation Plan filing, dated June 1, 2010, was followed by two supplemental filings, on June 30, 2010[1] and on August 2, 2010. (The material filed on August 2nd included material originally planned for an August 16th filing.) With respect to changes and enhancements, the scope of each filing is as follows:

- June 1: Proposed Enhancements to Existing Residential and Non-Residential Programs and one new Residential program (Conservation Behavior Pilot Program); preliminary budget and preliminary Demand-Side Management Adjustor Charge ("DSMAC") estimate; [2]

- June 30: Proposed New Prescriptive and Direct Install Measures for Non-Residential Program and the Bid for Efficiency Pilot;

- August 2: Proposed New Residential Shade Tree Pilot Program and New Measures for the Existing Residential Homes Program; also, Proposed New

[1] The First Supplemental filing was originally scheduled for July 1 (see the Application, page 7) but actually filed on June 30th.

[2] In addition, Filing 1 requested that costs associated with the Home Energy Information ("HEI") Pilot Program, along marketing costs for certain rates, be recovered through the DSMAC.

Residential Multi-Family Homes Program (originally planned for the August 16 filing); final budget and DSMAC estimates.

The 2011 Plan will be addressed in multiple parts. The initial order, docketed in October, primarily addressed the Conservation Behavior Pilot Program; a new Residential behavior-based program designed to promote conservation and energy-efficiency. On November 1, 2010, the Conservation Behavior Pilot pilot program was approved by the Commission (Decision No.71950) The Company's initial estimates regarding the budget, revenue requirement and DSMAC were also discussed, but no recommendation or order was made regarding the DSMAC. The actual DSMAC will be addressed in the final order relating to the 2011 Plan, so that any Commission-ordered modifications or changes can be taken into account when the adjustor rate is reset.

Scope of Review for this Order. The focus of Staff's review and analysis will be proposed enhancements or changes to the following three existing Residential programs. Summarized descriptions will be provided for the existing programs, and the following topics will be addressed:

Existing Residential Programs

- **Consumer Products**; APS proposes to increase Compact Fluorescent Lamp ("CFL") giveaways from 30,000 to up to 150,000;

- **Appliance Recycling**; APS proposes to expand eligibility to Non-residential customers; and

- **Energy Wise Low-Income**; APS proposes to change the administration and distribution of Crisis Bill Assistance funding to allow the Arizona Community Action Agency to select additional community action agencies to participate in distribution crisis bill assistance funding.

Scope of Review: Cost-Effectiveness. Measures previously determined by Staff to be cost-effective will not be re-evaluated for cost-effectiveness at this time, unless new information indicates that re-evaluation is necessary.

Consumer Products

Consumer Products: Existing Program. The current program targets Residential customers with the following energy efficiency measures: (i) high efficiency Energy Star-approved lighting, which provides discount pricing for CFLs and distributes up to 30,000 CFLs free annually; (ii) variable speed pool pumps; (iii) dual speed pool pumps; and (iv) smart digital pool pump timers. The lighting measures have been in place since 2005, while the three pool measures were approved in January 2010. (APS has not proposed changes to the pool-related component of the Consumer Products program.)

Consumer Products: Proposed Enhancements. The Company has proposed to increase the annual limit on the number of giveaway (or "outreach") CFLs from 30,000 to as many as 150,000. These giveaway bulbs have been used by APS to enhance awareness of energy conservation, and promote customer participation in the Company's DSM and renewables programs.

Enhanced Distribution of Giveaway CFLs. APS distributes giveaway CFLs through events, such as home shows, community events, and trade shows. The Company has expanded the number of events from fewer than 10 in 2005 to approximately 150 events planned for 2011. APS estimates that 75,000 CFLs are needed to support community events in 2011.

In addition, the Company has piloted a program that distributes giveaway bulbs through local charitable organizations and community groups. APS requires that each participant group (i) document their mission; (ii) describe how they would use the giveaway bulbs to benefit APS customers; and (iii) describe how they would educate APS customers and promote APS energy efficiency programs. Organizations will also be required to submit a report to document their event or activity, and how the CFLs were distributed. The Company believes that this distribution channel assists charitable and non-profit community groups, and provides a new avenue for distributing CFLs and promoting energy efficiency. If the increase in giveaway CFLs is approved, APS projects that approximately 75,000 bulbs would be distributed to qualifying organizations.

Impact on Cost-Effectiveness of Increase. Staff expressed concern about the level of the proposed increase in giveaway CFLS from 30,000 to 150,000 and its possible impact on the cost-effectiveness of the Consumer Products program. APS responded that the impact would be very limited, as the Company buys standard twist CFLs in bulk for the giveaway portion of the program, making the "giveaway" class of bulbs less expensive. APS calculates the total program cost of a giveaway bulb at $2.50 per bulb, compared to $2.22 per bulb for CFLs sold on a retail basis. With the societal benefits calculated at $12.99 per bulb, the giveaway bulbs have a slightly lower benefit-cost ratio, but remain cost-effective.

CFL Market Share and the Current Efficiency Standard for Lighting. A major focus of DSM programs is to promote the adoption of measures *that exceed current standards* for energy efficiency. Because CFLs are more commonly purchased and used than in the past, and because increased federal standards for efficiency are being phased in beginning in 2012 (discussed further herein), this raises the question of whether CFLs have become the standard and, if so, whether program support for this measure remains necessary. In response to a data request, APS reported that it had no information specific to Arizona, but cited a 2009 national market share of approximately 20% for CFLs. The Company concluded that "there is still a significant share of the residential lighting market that can be gained by CFLs."

The *Energy Star CFL Market Profile*[3] ("*Market Profile*") cited a similar conclusion, also based on national data. The *Market Profile* states that CFLs represented 23% of the national market share for medium screw-based lamps by 2007, and that market share was growing an average of 3 percentage points per year, but also noted that CFL shipments fell in 2008. With respect to the Residential sector specifically, the *Market Profile* describes CFL use as more common than in the past, but added the following:

> ". . .CFL household saturation is still low throughout the United States, even in regions with successful and long-standing energy efficiency programs. While the commercial and industrial sectors were early adopters of CFLs, vast potential remains in the residential sector. It contains 90 percent of CFL-appropriate sockets, but has only 11 percent CFL saturation."

Analysis. Based on current information, although CFLs have now attained an increasing share of the lighting market, they have not yet become the standard, particularly in the Residential sector. Energy efficiency lighting programs including CFLs as a measure continue to have a significant potential for providing energy savings.

Impact of New Efficiency Standards on Cost-effectiveness. The Energy Independence and Security Act ("EISA") of 2007 created a standard requiring that light bulbs use 30% less energy than current standard bulbs. The standard increases for 100 watt bulbs in 2012, 75 watt bulbs in 2013, and 40 and 60 watt bulbs in 2014. By 2020, under EISA, all bulbs will have to be at least 70% more efficient.

Beginning in 2012, as the new standards begin to be phased in, the baseline for measuring the energy savings of lighting program must also begin to shift. This means that the cost-effectiveness of lighting programs will have to be re-evaluated, to measure savings against the new baseline (where applicable). The Company states that it will calculate cost-effectiveness based on the new, higher baseline, and that cost-effectiveness will be reduced, but that the CFLs offered under the program would still exceed the new baseline sufficiently to keep the program cost-effective. (The Energy Star site states that CFLs are 75% more efficient than current standard incandescent bulbs.)

The increased federal standards will not eliminate the need for CFL lighting programs in the near term, but higher standards will raise baselines for the more common wattage bulbs. Beginning with the Implementation Plan for 2012, Staff recommends that APS re-evaluate its energy efficiency lighting programs, taking into account new federal standards, in order to avoid overstating energy savings and cost-effectiveness.

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[3] U.S. Department of Energy publication, March 2009.

Assumptions Regarding CFL Lifespan. The Energy Star site assumes lifespans for CFLs ranging from 5 to 11 years, or from 6,000 to 12,000 hours (as compared to 750 to 1,000 hours for incandescents). An Energy Star response to a Staff inquiry cited higher limits, that of CFLs lasting up to 13 years, and up to 15,000 hours (depending on the rating), but noted that the lifespan of a CFL could be shortened if it is turned on and off frequently or used in an application it was not designed for, such as a dimmer, 3-way switch, or electrical timer.[4]

Staff research indicated that, while there are reports questioning the life expectancy of CFLs in practice,[5] there is currently "very little data on the actual lifespan of CFLs," since verification testing requires only that eight out of ten units operate for 40% of rated life.[6] It should be noted that performance of CFLs in practice may vary due to manufacturing issues, or if CFLs (as noted above) are used in applications for which they were not designed. The lifespan of a measure in practice is important to cost-effectiveness calculations, because the number of years a measure is in place has a significant impact on the energy savings actually created by the measure. Staff recommends that, for the 2012 Implementation Plan, APS re-evaluate its assumptions regarding the average life expectancy of CFLs in practice, and that any changes regarding the lifespan assumption be incorporated into the cost-effectiveness calculations for the CFL program.

Western Resource Advocates ("WRA") Comments and Recommendations. WRA filed comments recommending approval of the APS proposal, and recommending that the number of giveaway bulbs be increased from 30,000 to as many as 500,000 (rather than the 150,000 proposed by APS). WRA also recommended that there be no formal limit on the number of CFLs allocated to individual nonprofit or charity groups. WRA also advised that, in preparing its 2012 Implementation Plan, APS "consider providing technical assistance to community-based organizations requesting more than 5,000 CFLs to strengthen the organizations' programs and increase their roles in delivering energy savings." APS has indicated its agreement with WRA's recommendations.

Other State CFL Programs. Staff gathered information about the scope and delivery of CFL giveaway programs from a sampling of other states with programs that distribute CFLs without charge. Delivery methods include events, community organizations, the Internet and retailers, and some programs require, or have required, that incandescent bulbs be exchanged for CFLs. The size of CFL giveaway programs also varies considerably among the programs reviewed, as does the population served by the sponsoring utilities, but the 150,000 CFLs

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[4] The response also noted that "[e]ven under optimum conditions, the light output from a CFL will decrease over its lifetime."

[5] *New York Times*, 3/27/09, *Do New Bulbs Save Energy if They Don't Work?*" Leora Broydo Vestal; *New York Times*, 1/27/09, *"Why Efficient Light Bulbs Fail to Thrive,"* Leora Broydo Vestal interview with Michael Siminovitch of the California Lighting Technology Center, University of California, Davis; Popular Mechanics, *Will LED Light Bulbs Best Your CFLs and Incandescents?*, 8/4/2010, Amber Angelle.

[6] Email, Noah Horowitz, Senior Scientist, Natural Resources Defense Council, 10/27/2010. Notes that "almost all" CFLs met this requirement.

originally proposed by the Company was in the high-middle range for the programs reviewed for the number of CFL bulbs distributed.[7]

State	Utility	Approximate Customer Base	Estimated number of units	Delivery and Structure
Florida	JEA (formerly Jacksonville Electric Authority)	360,000	10,400	Working through DSM Neighborhood Energy Efficiency program. Distribution to low-income households.
Idaho	Idaho Falls Power	24,000	15,000	CFL giveaways at community events.
Washington and Idaho	Avista Corporation	325,000	15,000-20,000	Distributed through community organizations and at events, using word of mouth. New program planned to distribute box of eight CFLs through Avista's website.
New Mexico	Public Service Company of New Mexico	501,000	44,000	Distributed through volunteer organizations at events. Originally an exchange-based program, but collection of incandescents proved to be impractical. 40% targeted to low-income.
New Mexico	Xcel Energy	80,000	50,000-70,000 (planned)	25-35% of 200,000 CFLs distributed in Xcel's territory will be giveaways. Approximately 50,000 of the giveaways will be delivered through partnership with a pizza franchise.
North Carolina	Duke Energy Corporation	4 million customers in 5 states	220,000*	Up to 15 CFLs per household, ordered through the Duke website.
Washington	Puget Sound Energy	1,000,000	500,000-600,000	Up to ten CFLs exchanged for incandescents at local retailers. Also, local non-profit distributed CFLs from door to door.

*As of September 2010.

Analysis and Recommendation; WRA Proposals. Staff concurs with the WRA proposal regarding the absence of a formal limit on allocations to individual nonprofit and charity groups,

[7]Five of the programs distributed fewer giveaway CFLs, while two distributed more. However, the arithmetical average for all seven programs was approximately 146,000.

so long as the Company bases its allocations on reasonable estimations of what eligible groups can distribute and attempts to allocate the giveaway CFLs in an equitable fashion. (Staff also notes that the overall limit on CFL giveaways set by the Commission must be observed). Allowing APS to vary allocations based on factors like the size and resources of the nonprofit or charity group is likely to make allocations more efficient. Staff also agrees that APS, in preparing its 2012 Implementation Plan, should consider providing technical assistance to community-based organizations requesting giveaway CFLs, so long as this does not increase program costs to the point where cost-effectiveness is significantly affected. Staff also believes that APS should be allowed to provide assistance to organizations requesting fewer than 5,000 CFLs, if the Company concludes it can do so on an economically feasible basis.

Staff does not concur with WRA's recommendation that the CFL giveaway be increased from the current 30,000 per year to 500,000, rather than the 150,000 originally proposed by APS. Staff believes that a single-year ramp up from 30,000 to 500,000 CFL giveaways (approximately 16.7 times the current level) would be excessive, possibly diverting resources from the existing and very active CFL discount component of the Consumer Products program. (Staff notes that the existing discounted CFL program experiences high levels of participation, with approximately 2.7 million discounted CFLs sold during the twelve months from July 2009 through June 2010.) If the increase to 150,000 is effective in creating new energy savings in a cost-effective manner without such disruptions, and if participation rates would support a further ramp up, APS should address an additional increase in giveaway CFLs in its next Implementation Plan.

Proposed Budget for the Revised Consumer Products Program. The 2010 budget and the proposed 2011 budget for the Consumer Products program are listed below:

Program	Consumer Products 2010	Consumer Products 2011
Rebates and Incentives	$4,212,000	$4,401,000
Training and Technical Assistance	$12,000	$41,000
Consumer Education	$30,000	$145,000
Program Implementation	$1,968,000	$1,767,000
Program Marketing	$331,000	$975,000
Planning and Administration	$199,000	$218,000
Financing	$0	$0
Program Total Cost	$6,752,000	$7,547,000

Bill Impact. APS estimates that the per-unit cost of each giveaway CFL would be $2.00. An increase of 120,000 in giveaway CFLs would result in a budget increase of approximately $240,000. (The increased labor cost associated with more giveaways is likely to be minimal.) The bill impact of a 120,000-CFL increase would be one cent per month, or twelve cents per year.

Recommendations. Staff recommends that the increase from 30,000 to 150,000 giveaway CFLs be approved, and that the results of the increase and the value of additional increases be addressed in the next Implementation Plan. In order to maximize savings, Staff recommends that the giveaway program should target areas or customers where CFL adoption levels are lower. Staff also recommends that there be no formal limit on allocations to individual nonprofit and charity groups, and that, for its 2012 Implementation Plan, APS consider providing technical assistance to community-based organizations requesting CFLs, as long as this does not significantly impact cost-effectiveness.

Reporting. The status of the program should be reported in semi-annual reports, or in any succeeding form of report ordered by the Commission. Information reported should include, but not be limited to, the types of information and data currently covered in the current semi-annual reports.

Appliance Recycling

Appliance Recycling: Existing Program. The existing program provides a $30 rebate and free pickup service for older, less efficient refrigerators and freezers belonging to Residential customers. The program targets extra working appliances, rather than focusing on the replacement of a primary appliance by a more efficient model. The less efficient appliances are then recycled, permanently taking them off the grid.

Appliance Recycling: Proposed Enhancement. APS proposes to expand the existing program to Non-residential customers with extra working refrigerators or freezers. Most commercial units would be too large to be eligible under the current program's specifications for refrigerators and freezers, so this program enhancement would primarily appeal to small businesses with Residential-sized appliances (between 10 and 30 cubic feet). For 2011, the Company projects a maximum participation level of 200 non-residential units arising from this enhancement.

Staff inquired into the feasibility of including the larger appliances specifically intended for commercial establishment. APS expressed concern about the transportation and recycling of larger appliances, since the recycling center may not be designed to handle larger appliances, and it would be more difficult to remove and transport the larger and heavier commercial appliances. It is also less likely that larger commercial customers would maintain working redundant appliances on their premises, due to considerations of space and cost.

Proposed 2011 Budget for the Revised Appliance Program. The 2010 budget and the proposed 2011 budget for the Revised Appliance Program are set out below:

Program	Appliance Recycling 2011	Appliance Recycling 2011
Rebates and Incentives	$286,000	$315,000
Training and Technical Assistance	$0	$0
Consumer Education	$19,000	$21,000
Program Implementation	$911,000	$996,000
Program Marketing	$182,000	$314,000
Planning and Administration	$30,000	$15,000
Financing	$0	$0
Program Total Cost	$1,428,000	$1,661,000

Bill Impact. Only $31,600 of the total proposed budget arises from expanded eligibility. Based on average annual Residential usage, the bill impact for this increase would be two cents annually. For the Appliance Recycling program as a whole, the average cost per month would be seven cents per month, or $0.85 per year.

Recommendation. Expanding eligibility would provide small Non-residential customers, most of them small businesses, with an opportunity to participate in the Appliance Recycling program. Such expanded eligibility potentially enhances participation levels and could help to get more inefficient appliances permanently off the grid. Staff recommends that the Appliance Recycling program be expanded to include Non-residential customers with extra working refrigerators or freezers that are eligible for recycling.

Reporting. The status of the program should be reported in semi-annual reports, or in any succeeding form of report ordered by the Commission. Information reported should include, but not be limited to, the types of information and data currently covered in the current semi-annual reports.

Energy Wise Low-Income Weatherization

Energy Wise Low-Income Weatherization: Existing Program. The Energy Wise Low-Income Weatherization (or "Energy Wise") program was originally pre-approved in December 1998.[8] The weatherization component of the Energy Wise program helps to fund energy efficient home improvements, health and safety measures, and repair and replacement measures for existing homes belonging to low-income customers. (Eligible customers have incomes within 200% of the Federal Poverty Guidelines ("FPG").) No changes are contemplated to the weatherization component of the Energy Wise program.

[8] In Decision No. 59601, the Commission had delegated the authority to pre-approve the APS DSM programs to Staff.

Crisis Bill Assistance; Up to 150% of FPG (Ratepayer Funded). The Energy Wise program also includes a crisis bill assistance component. Crisis bill assistance provides up to $400 per year, per household, to APS customers experiencing (i) a loss of, or reduction in, income; (ii) unexpected or unplanned expenses resulting in a lack of resources; and (iii) a condition that endangers the health or safety of the household. Only APS customers with incomes up to 150% of FPG are eligible for crisis bill assistance funded by ratepayers. [9]

Selection of Community Action Agencies. Decision No. 68647 (April 12, 2006), listed the community action agencies that would participate in delivery of the Energy Wise program (including its bill assistance component) under a proposed expansion. APS has interpreted Decision No. 68647 to mean that other agencies may not participate in distributing ratepayer-funded crisis bill assistance funding. For this reason, the Company is proposing that its third party administrator's authority be expanded to allow it to "vet and monitor new agencies to participate in distribution of bill assistance funds," and determine "the allocation of funds."

Analysis and Recommendations. Staff does not believe that the requested change is necessary, as the authority being requested already exists. In the section headed "Delivery Strategy" the Decision describes, but does not limit, the participating agencies: "Under the proposed expansion, the Energy Wise program would be delivered through the eight Community Action Agencies ('CAAs') that serve APS areas and Tribal Governments." There is no language restricting participation to the listed agencies or prohibiting participation by other agencies. Similarly, a review of the ordering paragraphs indicates that, although the nature and intent of the Energy Wise program and its components may not be changed without Commission approval, there are no limitations or prohibitions with respect to the narrower issue of selecting participating agencies.

With respect to allocation, Decision No. 68647 lists the proposed allocations of Energy Wise funding for the first year of the expanded program, but specifically notes that "[t]he distribution would be reviewed and adjusted each year." Staff believes that this language allows APS or its third party administrator to determine allocations among the agencies participating in the distribution of bill assistance funding.

It is Staff's position that APS and/or its third party administrator already have the authority required to vet, monitor, and allocate to agencies that distribute bill assistance funding.

Proposed 2011 Budget for the Energy Wise Program. No administrative changes were proposed for the weatherization component of the Energy Wise program and there is no budget increase associated with the proposed changes to the administration of Crisis Bill Assistance funding. Below are the 2010 budget and proposed 2011 budget.

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[9] In the settlement agreement dated June 12, 2009, identical crisis bill assistance was extended to customers with incomes at 150-200% of FPG. The 150-200% of FPG bill assistance funding is provided by shareholders, is not part of the DSM budget, and is not funded through the DSMAC.

Program	Energy Wise 2010	Energy Wise 2011
Rebates and Incentives	$2,120,000	$2,594,000
Training and Technical Assistance	$10,000	$10,000
Consumer Education	$20,000	$20,000
Program Implementation	$50,000	$50,000
Program Marketing	$38,000	$30,000
Planning and Administration	$75,000	$75,000
Financing	$0	$0
Program Total Cost[10]	$2,313,000	$2,779,000

The crisis bill assistance funding component of the Energy Wise program is capped at $250,000. Ten percent of that funding amount can be retained by participating community action agencies. The third party administrator does not retain any of the bill assistance funding, but is paid a flat fee of $50,000 for administering both the weatherization and bill assistance components of the Energy Wise program.

Participation Levels. According to APS's semiannual reports for January through December, 2009, 789 households participated in the crisis bill assistance component of the weatherization program, 111 during the January though June period, and 678 in the July though December period.

Bill Impacts. There are no bill impacts associated with approving, or not approving, the proposed changes to the administration of Crisis Bill Assistance funding.

Recommendation. Staff recommends that the Commission not address the Company's proposal to expand the third party administrator's authority, because APS and/or its third party administrator already have the authority required to vet, monitor, and allocate to agencies that distribute bill assistance funding.

Reporting. The status of the program should be reported in semi-annual reports, or in any succeeding form of report ordered by the Commission. Information reported should include, but not be limited to, the types of information and data currently covered in the current semi-annual reports. Staff also recommends that APS and its third party administrator file a letter with the Commission describing the current formula used to allocate bill assistance funding for the up-to-150% of FPG pool. The letter should be filed in the current docket within 60 days of the effective date of this order.

[10] In addition to the ratepayer-funded portion of the bill assistance budget, under the Settlement Agreement, APS will fund $5,000,000 in bill assistance for the 150%-200% of FPG income segment.

Summary of Recommendations

Consumer Products

- Staff recommends that the increase from 30,000 to 150,000 giveaway CFLs be approved, and that the results of the increase and the value of additional increases be addressed in the next Implementation Plan.

- Staff recommends that the CFL giveaway program should target areas or customers with low adoption levels for CFLs.

- Staff recommends that there be no formal limit on allocations to individual nonprofit and charity groups, so long as the Company bases its allocations on reasonable estimations of what eligible groups can distribute and attempts to allocate the giveaway CFLs in an equitable fashion.

- Staff recommends that, for its 2012 Implementation Plan, APS consider providing technical assistance to community-based organizations requesting CFLs, as long as this does not increase program costs to the point where cost-effectiveness is significantly affected.

- Beginning with the Implementation Plan for 2012, Staff recommends that APS re-evaluate its energy efficiency lighting programs, taking into account new federal standards to avoid overstating energy savings and cost-effectiveness.

- Staff also recommends that, for the 2012 Implementation Plan, APS re-evaluate its assumptions regarding the average life expectancy of CFLs in practice, and that any changes regarding the lifespan assumption be incorporated into the cost-effectiveness calculations for the CFL program.

Appliance Recycling

- Staff recommends that the Appliance Recycling program be expanded to include Non-residential customers with extra working refrigerators or freezers that are eligible for recycling.

Energy Wise

- Staff recommends that APS and its third party administrator file a letter with the Commission describing the current formula used to allocate bill assistance funding for the up-to-150% of FPG pool. The letter should be filed in the current docket within 60 days of the effective date of this order.

Reporting: All Programs

- Staff recommends that the status of all programs be reported in semi-annual reports, or in any succeeding form of report ordered by the Commission. Information reported should include, but not be limited to, the types of information and data covered in the current semi-annual reports.

Steven M. Olea
Director
Utilities Division

SMO:JMK:lhm\WVC

ORIGINATOR: Julie McNeely-Kirwan

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR APPROVAL OF THE COMPANY'S 2011 DEMAND SIDE MANAGEMENT IMPLEMENTATION PLAN	DOCKET NO. E-01345A-10-0219 DECISION NO. _____ ORDER

Open Meeting
November 22 and 23, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Background

1. Arizona Public Service Company ("APS" or "the Company") provides electric service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission").

2. APS provides service in the counties of Apache, Cochise, Coconino, Gila, La Paz, Maricopa, Navajo, Pima, Pinal, Yavapai and Yuma. The Company services over 1.1 million customers in Arizona, including approximately 984,000 Residential and 120,000 Commercial customers.

3. On June 1, 2011, APS filed an application for approval of the Company's 2011 Demand Side Management Implementation Plan (the "2011 Plan"). The 2011 Plan filing was in compliance with the provisions of the settlement agreement in the Company's most recent rate case, as approved by the Arizona Corporation Commission in Decision No. 71448.

4. The proposed 2011 Plan reflects changes to the existing APS DSM portfolio, and sets out the programs and measures by which APS plans to meet the energy savings goals agreed upon in the Settlement Agreement.

The APS DSM Implementation Plan Filings (June 1, June 30 and August 2, 2010)

5. The first Implementation Plan filing, dated June 1, 2010, was followed by two supplemental filings, on June 30, 2010[1] and on August 2, 2010. (The material filed on August 2nd included material originally planned for an August 16th filing.) With respect to changes and enhancements, the scope of each filing is as follows:

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6. The 2011 Plan will be addressed in multiple parts. The initial order, docketed in October, primarily addressed the Conservation Behavior Pilot Program; a new Residential behavior-based program designed to promote conservation and energy-efficiency. On November 1, 2010, the Conservation Behavior Pilot pilot program was approved by the Commission (Decision No.71950). The Company's initial estimates regarding the budget, revenue requirement and DSMAC were also discussed, but no recommendation or order was made regarding the DSMAC. The actual DSMAC will be addressed in the final order relating to the 2011 Plan, so that any Commission-ordered modifications or changes can be taken into account when the adjustor rate is reset.

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[2] In addition, Filing 1 requested that costs associated with the Home Energy Information ("HEI") Pilot Program, along marketing costs for certain rates, be recovered through the DSMAC.

7. *Scope of Review for this Order*. The focus of Staff's review and analysis will be proposed enhancements or changes to the following three existing Residential programs. Summarized descriptions will be provided for the existing programs, and in the current order, the following topics will be addressed:

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8. *Scope of Review: Cost-Effectiveness*. Measures previously determined by Staff to be cost-effective will not be re-evaluated for cost-effectiveness at this time, unless new information indicates that re-evaluation is necessary.

Consumer Products

9. *Consumer Products: Existing Program*. The current program targets Residential customers with the following energy efficiency measures: (i) high efficiency Energy Star-approved lighting, which provides discount pricing for CFLs and distributes up to 30,000 CFLs free annually; (ii) variable speed pool pumps; (iii) dual speed pool pumps; and (iv) smart digital pool pump timers. The lighting measures have been in place since 2005, while the three pool measures were approved in January 2010. (APS has not proposed to changes to the pool-related component of the Consumer Products program.)

10. *Consumer Products: Proposed Enhancements*. The Company has proposed to increase the annual limit on the number of giveaway (or "outreach") CFLs from 30,000 to as many as 150,000. These giveaway bulbs have been used by APS to enhance awareness of energy conservation, and promote customer participation in the Company's DSM and renewables programs.

11. *Enhanced Distribution of Giveaway CFLs*. APS distributes giveaway CFLs through events, such as home shows, community events, and trade shows. The Company has expanded the number of events from fewer than 10 in 2005 to approximately 150 events planned for 2011. APS estimates that 75,000 CFLs are needed to support community events in 2011.

12. In addition, the Company has piloted a program that distributes giveaway bulbs through local charitable organizations and community groups. APS requires that each participant group (i) document their mission; (ii) describe how they would use the giveaway bulbs to benefit APS customers; and (iii) describe how they would educate APS customers and promote APS energy efficiency programs. Organizations will also be required to submit a report to document their event or activity, and how the CFLs were distributed. The Company believes that this distribution channel assists charitable and non-profit community groups, and provides a new avenue for distributing CFLs and promoting energy efficiency. If the increase in giveaway CFLs is approved, APS projects that approximately 75,000 bulbs would be distributed to qualifying organizations.

13. *Impact on Cost-Effectiveness of Increase*. Staff expressed concern about the level of the proposed increase in giveaway CFLS from 30,000 to 150,000 and its possible impact on the cost-effectiveness of the Consumer Products program. APS responded that the impact would be very limited, as the Company buys standard twist CFLs in bulk for the giveaway portion of the program, making the "giveaway" class of bulbs less expensive. APS calculates the total program cost of a giveaway bulb at $2.50 per bulb, compared to $2.22 per bulb for CFLs sold on a retail basis. With the societal benefits calculated at $12.99 per bulb, the giveaway bulbs have a slightly lower benefit-cost ratio, but remain cost-effective.

14. *CFL Market Share and the Current Efficiency Standard for Lighting*. A major focus of DSM programs is to promote the adoption of measures *that exceed current standards* for energy efficiency. Because CFLs are more commonly purchased and used than in the past, and because increased federal standards for efficiency are being phased in beginning in 2012 (discussed further herein), this raises the question of whether CFLs have become the standard and, if so, whether program support for this measure remains necessary. In response to a data request,

APS reported that it had no information specific to Arizona, but cited a 2009 national market share of approximately 20% for CFLs. The Company concluded that "there is still a significant share of the residential lighting market that can be gained by CFLs."

15. The *Energy Star CFL Market Profile*[3] ("*Market Profile*") cited a similar conclusion, also based on national data. The *Market Profile* states that CFLs represented 23% of the national market share for medium screw-based lamps by 2007, and that market share was growing an average of 3 percentage points per year, but also noted that CFL shipments fell in 2008. With respect to the Residential sector specifically, the *Market Profile* describes CFL use as more common than in the past, but added the following:

> ". . .CFL household saturation is still low throughout the United States, even in regions with successful and long-standing energy efficiency programs. While the commercial and industrial sectors were early adopters of CFLs, vast potential remains in the residential sector. It contains 90 percent of CFL-appropriate sockets, but has only 11 percent CFL saturation."

16. *Analysis*. Based on current information, although CFLs have now attained an increasing share of the lighting market, they have not yet become the standard, particularly in the Residential sector. Energy efficiency lighting programs including CFLs as a measure continue to have a significant potential for providing energy savings.

17. *Impact of New Efficiency Standards on Cost-effectiveness*. The Energy Independence and Security Act ("EISA") of 2007 created a standard requiring that light bulbs use 30% less energy than current standard bulbs. The standard increases for 100 watt bulbs in 2012, 75 watt bulbs in 2013, and 40 and 60 watt bulbs in 2014. By 2020, under EISA, all bulbs will have to be at least 70% more efficient.

18. Beginning in 2012, as the new standards begin to be phased in, the baseline for measuring the energy savings of lighting program must also begin to shift. This means that the cost-effectiveness of lighting programs will have to be re-evaluated, to measure savings against the

[3] U.S. Department of Energy publication, March 2009.

new baseline (where applicable). The Company states that it will calculate cost-effectiveness based on the new, higher baseline, and that cost-effectiveness will be reduced, but that the CFLs offered under the program would still exceed the new baseline sufficiently to keep the program cost-effective. (The Energy Star site states that CFLs are 75% more efficient than current standard incandescent bulbs.)

19. The increased federal standards will not eliminate the need for CFL lighting programs in the near term, but higher standards will raise baselines for the more common wattage bulbs. Beginning with the Implementation Plan for 2012, Staff has recommended that APS re-evaluate its energy efficiency lighting programs, taking into account new federal standards, in order to avoid overstating energy savings and cost-effectiveness.

20. *Assumptions Regarding CFL Lifespan*. The Energy Star site assumes lifespans for CFLs ranging from 5 to 11 years, or from 6,000 to 12,000 hours (as compared to 750 to 1,000 hours for incandescents). An Energy Star response to a Staff inquiry cited higher limits, that of CFLs lasting up to 13 years, and up to 15,000 hours (depending on the rating), but noted that the lifespan of a CFL could be shortened if it is turned on and off frequently or used in an application it was not designed for, such as a dimmer, 3-way switch, or electrical timer.[4]

21. Staff research indicated that, while there are reports questioning the life expectancy of CFLs in practice,[5] there is currently "very little data on the actual lifespan of CFLs," since verification testing requires only that eight out of ten units operate for 40% of rated life.[6] It should be noted that performance of CFLs in practice may vary due to manufacturing issues, or if CFLs (as noted above) are used in applications for which they were not designed. The lifespan of a measure in practice is important to cost-effectiveness calculations, because the number of years a measure is in place has a significant impact on the energy savings actually created by the measure.

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[4] The response also noted that "[e]ven under optimum conditions, the light output from a CFL will decrease over its lifetime."

[5] *New York Times*, 3/27/09, *Do New Bulbs Save Energy if They Don't Work?*" Leora Broydo Vestal; *New York Times*, 1/27/09, *"Why Efficient Light Bulbs Fail to Thrive,"* Leora Broydo Vestal interview with Michael Siminovitch of the California Lighting Technology Center, University of California, Davis; Popular Mechanics, *Will LED Light Bulbs Best Your CFLs and Incandescents?*, 8/4/2010, Amber Angelle.

[6] Email, Noah Horowitz, Senior Scientist, Natural Resources Defense Council, 10/27/2010. Notes that "almost all" CFLs met this requirement.

Staff has recommended that, for the 2012 Implementation Plan, APS re-evaluate its assumptions regarding the average life expectancy of CFLs in practice, and that any changes regarding the lifespan assumption be incorporated into the cost-effectiveness calculations for the CFL program.

22. *Western Resource Advocates ("WRA") Comments and Recommendations*. WRA filed comments recommending approval of the APS proposal, and recommending that the number of giveaway bulbs be increased from 30,000 to as many as 500,000 (rather than the 150,000 proposed by APS). WRA also recommended that there be no formal limit on the number of CFLs allocated to individual nonprofit or charity groups. WRA also advised that, in preparing its 2012 Implementation Plan, APS "consider providing technical assistance to community-based organizations requesting more than 5,000 CFLs to strengthen the organizations' programs and increase their roles in delivering energy savings." APS has indicated its agreement with WRA's recommendations.

23. *Other State CFL Programs*. Staff gathered information about the scope and delivery of CFL giveaway programs from a sampling of other states with programs that distribute CFLs without charge. Delivery methods include events, community organizations, the Internet and retailers, and some programs require, or have required, that incandescent bulbs be exchanged for CFLs. The size of CFL giveaway programs also varies considerably among the programs reviewed, as does the population served by the sponsoring utilities, but the 150,000 CFLs originally proposed by the Company was in the high-middle range for the programs reviewed for the number of CFL bulbs distributed.[7]

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[7]Five of the programs distributed fewer giveaway CFLs, while two distributed more. However, the arithmetical average for all seven programs was approximately 146,000.

State	Utility	Approximate Customer Base	Estimated number of units	Delivery and Structure
Florida	JEA (formerly Jacksonville Electric Authority)	360,000	10,400	Working through DSM Neighborhood Energy Efficiency program. Distribution to low-income households.
Idaho	Idaho Falls Power	24,000	15,000	CFL giveaways at community events.
Washington and Idaho	Avista Corporation	325,000	15,000-20,000	Distributed through community organizations and at events, using word of mouth. New program planned to distribute box of eight CFLs through Avista's website.
New Mexico	Public Service Company of New Mexico	501,000	44,000	Distributed through volunteer organizations at events. Originally an exchange-based program, but collection of incandescents proved to be impractical. 40% targeted to low-income.
New Mexico	Xcel Energy	80,000	50,000-70,000 (planned)	25-35% of 200,000 CFLs distributed in Xcel's territory will be giveaways. Approximately 50,000 of the giveaways will be delivered through partnership with a pizza franchise.
North Carolina	Duke Energy Corporation	4 million customers in 5 states	220,000*	Up to 15 CFLs per household, ordered through the Duke website.
Washington	Puget Sound Energy	1,000,000	500,000-600,000	Up to ten CFLs exchanged for incandescents at local retailers. Also, local non-profit distributed CFLs from door to door.

*As of September 2010.

24. *Analysis and Recommendation; WRA Proposals*. Staff concurred with the WRA proposal regarding the absence of a formal limit on allocations to individual nonprofit and charity groups, so long as the Company bases its allocations on reasonable estimations of what eligible groups can distribute and attempts to allocate the giveaway CFLs in an equitable fashion. (Staff also noted that the overall limit on CFL giveaways set by the Commission must be observed). Allowing APS to vary allocations based on factors like the size and resources of the nonprofit or charity group is likely to make allocations more efficient. Staff also agreed that APS, in preparing its 2012 Implementation Plan, should consider providing technical assistance to community-based

organizations requesting giveaway CFLs, so long as this does not increase program costs to the point where cost-effectiveness is significantly affected. Staff also believed that APS should be allowed to provide assistance to organizations requesting fewer than 5,000 CFLs, if the Company concludes it can do so on an economically feasible basis.

25. Staff did not concur with WRA's recommendation that the CFL giveaway be increased from the current 30,000 per year to 500,000, rather than the 150,000 originally proposed by APS. Staff believed that a single-year ramp up from 30,000 to 500,000 CFL giveaways (approximately 16.7 times the current level) would be excessive, possibly diverting resources from the existing and very active CFL discount component of the Consumer Products program. (Staff noted that the existing discounted CFL program experiences high levels of participation, with approximately 2.7 million discounted CFLs sold during the twelve months from July 2009 through June 2010.) If the increase to 150,000 is effective in creating new energy savings in a cost-effective manner without such disruptions, and if participation rates would support a further ramp up, APS should address an additional increase in giveaway CFLs in its next Implementation Plan.

26. *Proposed Budget for the Revised Consumer Products Program*. The 2010 budget and the proposed 2011 budget for the Consumer Products program are listed below:

Program	Consumer Products 2010	Consumer Products 2011
Rebates and Incentives	$4,212,000	$4,401,000
Training and Technical Assistance	$12,000	$41,000
Consumer Education	$30,000	$145,000
Program Implementation	$1,968,000	$1,767,000
Program Marketing	$331,000	$975,000
Planning and Administration	$199,000	$218,000
Financing	$0	$0
Program Total Cost	$6,752,000	$7,547,000

27. *Bill Impact*. APS estimates that the per-unit cost of each giveaway CFL would be $2.00. An increase of 120,000 in giveaway CFLs would result in a budget increase of approximately $240,000. (The increased labor cost associated with more giveaways is likely to be

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minimal.) The bill impact of a 120,000-CFL increase would be one cent per month, or twelve cents per year.

28. *Recommendations*. Staff has recommended that the increase from 30,000 to 150,000 giveaway CFLs be approved, and that the results of the increase and the value of additional increases be addressed in the next Implementation Plan. In order to maximize savings, Staff has recommended that the giveaway program should target areas or customers where CFL adoption levels are lower. Staff has also recommended that there be no formal limit on allocations to individual nonprofit and charity groups, and that, for its 2012 Implementation Plan, APS consider providing technical assistance to community-based organizations requesting CFLs, as long as this does not significantly impact cost-effectiveness.

29. *Reporting*. The status of the program should be reported in semi-annual reports, or in any succeeding form of report ordered by the Commission. Information reported should include, but not be limited to, the types of information and data currently covered in the current semi-annual reports.

Appliance Recycling

30. *Appliance Recycling: Existing Program*. The existing program provides a $30 rebate and free pickup service for older, less efficient refrigerators and freezers belonging to Residential customers. The program targets extra working appliances, rather than focusing on the replacement of a primary appliance by a more efficient model. The less efficient appliances are then recycled, permanently taking them off the grid.

31. *Appliance Recycling: Proposed Enhancement*. APS proposes to expand the existing program to Non-residential customers with extra working refrigerators or freezers. Most commercial units would be too large to be eligible under the current program's specifications for refrigerators and freezers, so this program enhancement would primarily appeal to small businesses with Residential-sized appliances (between 10 and 30 cubic feet). For 2011, the Company projects a maximum participation level of 200 non-residential units arising from this enhancement.

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32. Staff inquired into the feasibility of including the larger appliances specifically intended for commercial establishment. APS expressed concern about the transportation and recycling of larger appliances, since the recycling center may not be designed to handle larger appliances, and it would be more difficult to remove and transport the larger and heavier commercial appliances. It is also less likely that larger commercial customers would maintain working redundant appliances on their premises, due to considerations of space and cost.

33. *Proposed 2011 Budget for the Revised Appliance Program*. The 2010 budget and the proposed 2011 budget for the Revised Appliance Program are set out below:

Program	Appliance Recycling 2011	Appliance Recycling 2011
Rebates and Incentives	$286,000	$315,000
Training and Technical Assistance	$0	$0
Consumer Education	$19,000	$21,000
Program Implementation	$911,000	$996,000
Program Marketing	$182,000	$314,000
Planning and Administration	$30,000	$15,000
Financing	$0	$0
Program Total Cost	$1,428,000	$1,661,000

34. *Bill Impact*. Only $31,600 of the total proposed $2,800,000 budget arises from expanded eligibility. Based on average annual Residential usage, the bill impact for this increase would be two cents annually. For the Appliance Recycling program as a whole, the average cost per month would be seven cents per month, or $0.85 per year.

35. *Recommendation*. Expanding eligibility would provide small Non-residential customers, most of them small businesses, with an opportunity to participate in the Appliance Recycling program. Such expanded eligibility potentially enhances participation levels and could help to get more inefficient appliances permanently off the grid. Staff has recommended that the Appliance Recycling program be expanded to include Non-residential customers with extra working refrigerators or freezers that are eligible for recycling.

36. *Reporting*. The status of the program should be reported in semi-annual reports, or in any succeeding form of report ordered by the Commission. Information reported should

include, but not be limited to, the types of information and data currently covered in the current semi-annual reports.

Energy Wise Low-Income Weatherization

37. *Energy Wise Low-Income Weatherization: Existing Program*. The Energy Wise Low-Income Weatherization (or "Energy Wise") program was originally pre-approved in December 1998.[8] The weatherization component of the Energy Wise program helps to fund energy efficient home improvements, health and safety measures, and repair and replacement measures for existing homes belonging to low-income customers. (Eligible customers have incomes within 200% of the Federal Poverty Guidelines ("FPG").) No changes are contemplated to the weatherization component of the Energy Wise program.

38. *Crisis Bill Assistance; Up to 150% of FPG (Ratepayer Funded)*. The Energy Wise program also includes a crisis bill assistance component. Crisis bill assistance provides up to $400 per year, per household, to APS customers experiencing (i) a loss of, or reduction in, income; (ii) unexpected or unplanned expenses resulting in a lack of resources; and (iii) a condition that endangers the health or safety of the household. Only APS customers with incomes up to 150% of FPG are eligible for crisis bill assistance funded by ratepayers. [9]

39. *Selection of Community Action Agencies*. Decision No. 68647 (April 12, 2006), listed the community action agencies that would participate in delivery of the Energy Wise program (including its bill assistance component) under a proposed expansion. APS has interpreted Decision No. 68647 to mean that other agencies may not participate in distributing ratepayer-funded crisis bill assistance funding. For this reason, the Company is proposing that its third party administrator's authority be expanded to allow it to "vet and monitor new agencies to participate in distribution of bill assistance funds," and determine "the allocation of funds."

40. *Analysis and Recommendations*. Staff does not believe that the requested change is necessary, as the authority being requested already exists. In the section headed "Delivery

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[8] In Decision No. 59601, the Commission had delegated the authority to pre-approve the APS DSM programs to Staff.

[9] In the settlement agreement dated June 12, 2009, identical crisis bill assistance was extended to customers with incomes at 150-200% of FPG. The 150-200% of FPG bill assistance funding is provided by shareholders, is not part of the DSM budget, and is not funded through the DSMAC.

Strategy" the Decision describes, but does not limit, the participating agencies: "Under the proposed expansion, the Energy Wise program would be delivered through the eight Community Action Agencies ("CAAs'") that serve APS areas and Tribal Governments." There is no language restricting participation to the listed agencies or prohibiting participation by other agencies. Similarly, a review of the ordering paragraphs indicates that, although the nature and intent of the Energy Wise program and its components may not be changed without Commission approval, there are no limitations or prohibitions with respect to the narrower issue of selecting participating agencies.

41. With respect to allocation, Decision No. 68647 lists the proposed allocations of Energy Wise funding for the first year of the expanded program, but specifically notes that "[t]he distribution would be reviewed and adjusted each year." Staff believes that this language allows APS or its third party administrator to determine allocations among the agencies participating in the distribution of bill assistance funding.

42. It is Staff's position that APS and/or its third party administrator already have the authority required to vet, monitor, and allocate to agencies that distribute bill assistance funding.

43. *Proposed 2011 Budget for the Energy Wise Program*. No administrative changes were proposed for the weatherization component of the Energy Wise program and there is no budget increase associated with the proposed changes to the administration of Crisis Bill Assistance funding. Below are the 2010 budget and proposed 2011 budget.

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Program	Energy Wise 2010	Energy Wise 2011
Rebates and Incentives	$2,120,000	$2,594,000
Training and Technical Assistance	$10,000	$10,000
Consumer Education	$20,000	$20,000
Program Implementation	$50,000	$50,000
Program Marketing	$38,000	$30,000
Planning and Administration	$75,000	$75,000
Financing	$0	$0
Program Total Cost[10]	$2,313,000	$2,779,000

44. The crisis bill assistance funding component of the Energy Wise program is capped at $250,000. Ten percent of that funding amount can be retained by participating community action agencies. The third party administrator does not retain any of the bill assistance funding, but is paid a flat fee of $50,000 for administering both the weatherization and bill assistance components of the Energy Wise program.

45. *Participation Levels*. According to APS' semiannual reports for January through December, 2009, 789 households participated in the crisis bill assistance component of the weatherization program, 111 during the January though June period, and 678 in the July though December period.

46. *Bill Impacts*. There are no bill impacts associated with approving, or not approving, the proposed changes to the administration of Crisis Bill Assistance funding.

47. *Recommendation*. Staff has recommended that the Commission not address the Company's proposal to expand the third party administrator's authority, because APS and/or its third party administrator already have the authority required to vet, monitor, and allocate to agencies that distribute bill assistance funding.

48. *Reporting*. The status of the program should be reported in semi-annual reports, or in any succeeding form of report ordered by the Commission. Information reported should include, but not be limited to, the types of information and data currently covered in the current semi-annual reports. Staff has also recommended that APS and its third party administrator file a

[10] In addition to the ratepayer-funded portion of the bill assistance budget, under the Settlement Agreement, APS will fund $5,000,000 in bill assistance for the 150%-200% of FPG income segment.

letter with the Commission describing the current formula used to allocate bill assistance funding for the up-to-150% of FPG pool. The letter should be filed in the current docket within 60 days of the effective date of this order.

49. *Summary of Recommendations*

Consumer Products

- Staff has recommended that the increase from 30,000 to 150,000 giveaway CFLs be approved, and that the results of the increase and the value of additional increases be addressed in the next Implementation Plan.
- Staff has recommended that the CFL giveaway program should target areas or customers with low adoption levels for CFLs.
- Staff has also recommended that there be no formal limit on allocations to individual nonprofit and charity groups, so long as the Company bases its allocations on reasonable estimations of what eligible groups can distribute and attempts to allocate the giveaway CFLs in an equitable fashion.
- Staff has recommended that, for its 2012 Implementation Plan, APS consider providing technical assistance to community-based organizations requesting CFLs, as long as this does not increase program costs to the point where cost-effectiveness is significantly affected.
- Beginning with the Implementation Plan for 2012, Staff has recommended that APS re-evaluate its energy efficiency lighting programs, taking into account new federal standards to avoid overstating energy savings and cost-effectiveness.
- Staff has also recommended that, for the 2012 Implementation Plan, APS re-evaluate its assumptions regarding the average life expectancy of CFLs in practice, and that any changes regarding the lifespan assumption be incorporated into the cost-effectiveness calculations for the CFL program.

Appliance Recycling

- Staff has recommended that the Appliance Recycling program be expanded to include Non-residential customers with extra working refrigerators or freezers that are eligible for recycling.

Energy Wise

- Staff has recommended that APS and its third party administrator file a letter with the Commission describing the current formula used to allocate bill assistance funding for the up-to-150% of FPG pool. The letter should be filed in the current docket within 60 days of the effective date of this order.

Reporting: All Programs

- The status of all programs should be reported in semi-annual reports, or in any succeeding form of report ordered by the Commission. Information reported should include, but not be limited to, the types of information and data covered in the current semi-annual reports.

CONCLUSIONS OF LAW

1. APS is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over APS and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated November 10, 2010, concludes that it is in the public interest to approve the APS 2010 Energy Efficiency Implementation Plan elements discussed here, with the modifications proposed by Staff.

ORDER

IT IS THEREFORE ORDERED that the increase from 30,000 to 150,000 giveaway CFLs be approved, and that the results of the increase and the value of additional increases be addressed in the next Implementation Plan.

IT IS FURTHER ORDERED that the CFL giveaway program shall target areas or customers with low adoption levels for CFLs.

IT IS FURTHER ORDERED that there be no formal limit on allocations to individual nonprofit and charity groups, so long as Arizona Public Service Company bases its allocations on reasonable estimations of what eligible groups can distribute, and attempts to allocate the giveaway CFLs in an equitable fashion.

IT IS FURTHER ORDERED that, for its 2012 Implementation Plan, Arizona Public Service Company consider providing technical assistance to community-based organizations requesting CFLs, as long as this does not increase program costs to the point where cost-effectiveness is significantly affected.

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IT IS FURTHER ORDERED beginning with the Implementation Plan for 2012, that Arizona Public Service Company re-evaluate its energy efficiency lighting programs, taking into account new federal standards to avoid overstating energy savings and cost-effectiveness.

IT IS FURTHER ORDERED that, for the 2012 Implementation Plan, Arizona Public Service Company re-evaluate its assumptions regarding the average life expectancy of CFLs in practice, and that any changes regarding the lifespan assumption be incorporated into the cost-effectiveness calculations for the CFL program.

IT IS FURTHER ORDERED that the Appliance Recycling program be expanded to include Non-residential customers with extra working refrigerators or freezers that are eligible for recycling.

IT IS FURTHER ORDERED that Arizona Public Service Company and its third party administrator file a letter with the Commission describing the current formula used to allocate bill assistance funding for the up-to-150% of FPG pool. The letter should be filed in current docket within 60 days of the date of this order.

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IT IS FURTHER ORDERED that the status of all programs shall be reported in semi-annual reports, or in any succeeding form of report ordered by the Commission. Information reported shall include, but not be limited to, the types of information and data currently covered in the current semi-annual reports.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____day of _____, 2010.

_____
ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:JMK:lhm\WVC

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