Southwest Energy Efficiency Project
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Impact of Various Performance Incentive Designs

Assuming 100% Achievement of the Energy Efficiency Standard in 2012

Performance Incentive Model	Model Description	2012 Incentive
APS Performance Incentive	Tiered performance incentive as a percentage of net benefits, capped at a tiered percentage of program costs. (100% achievement of the Electric Energy Efficiency Standard results in a performance incentive equal to **7%** of net benefits capped at 14% of DSM program spending.)	$3,463,487
TEP Performance Incentive (current)	**10%** of net benefits capped at 10% of DSM spending (excluding Low Income Weatherization, Education and Outreach, and Direct Load Control programs).	$2,098,606
TEP Performance Incentive (as proposed by the Company in its 2011-2012 Energy Efficiency Implementation Plan)	Tiered performance incentive as a percentage of net benefits, capped at 10% of lifetime net benefits. (100% achievement of the Electric Energy Efficiency Standard results in a performance incentive equal to **7%** of net benefits). Ratepayers pay taxes (**grossed up for taxes**).	$8,578,309
APS Performance Incentive (incorporating new performance tiers proposed in the APS Rate Case Settlement Agreement pending before the Commission)	Tiered performance incentive as a percentage of net benefits, capped at a tiered percentage of program costs. (100% achievement of the Electric Energy Efficiency Standard results in a performance incentive equal to **7%** of net benefits capped at 14% of DSM program spending.) Settlement Agreement proposes to eliminate tiers above 105% achievement of the Electric Energy Efficiency Standard.	$3,463,487
SWEEP Proposed Performance Incentive for TEP, given TEP's unique circumstances (sunsets in next general rate case, involves Commission Staff-led process)	Two-part performance incentive. Base incentive focused on energy savings and net benefits, with the eligible incentive equal to **7%** of net benefits. Additional incentive (**$1.5 million** annually) for additional components and metrics including increased comprehensiveness, cost-efficiency of ratepayer funds, and specific performance targets (e.g., low income units, residential loans or total loan amount, etc.)	$6,667,656

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