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July 10, 2015

ORIGINAL

Arizona Corporation Commission
DOCKETED

JUL 10 2015

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

DOCKETED BY 

RE: Arizona Public Service Company 2016 DSM Implementation Plan Update
Docket No. E-01345A-15-0182

Arizona Public Service ("APS") filed its Demand Side Management Plan ("Plan") for 2016 on June 1, 2015 in accordance with A.A.C. R14-2-2405(A). While reviewing and preparing the backup documentation ("work papers"), APS discovered that the Non-Residential Western Cooling Control measure calculation used a \$10 rebate instead of the \$70 rebate described in the Plan. With this filing, APS has updated its calculations and Plan tables to reflect the requested rebate amount of \$70. APS also updated the costs and unit savings for the Non-Residential HVAC Diagnostic measure so the Plan now accurately reflects APS's intended calculation. The total budget, the total revenue requirement for the 2016 DSMAC and the total annual energy savings remain unchanged.

Tables 3, 5, 7, 8, 9 and 11 are updated and enclosed to reflect these changes.

If you have any questions regarding this information, please contact me at (602)250-3341.

Sincerely,

Kerri A. Carnes

KC/kr

cc: Terri Ford
Candrea Allen
Maureen Scott
Parties of Record

Copies of the foregoing delivered/mailed this 10th
day of July, 2015, to:

Janice Alward
Legal Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Dwight Nodes
Administrative Law Judge
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Steve Olea
Utilities Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Table 3
Estimated 2016 EE Impacts

Program Budget	Annual Savings MWh	Lifetime MWh Savings¹	Peak Demand Savings Megawatt ("MW")	Total Net Benefits²
\$68.9 Million	565,000	5,009,900	107.4	\$41.8 Million

¹Savings are estimated over the expected lifetime of all program measures installed in 2016.

²The Total Net Benefits estimate incorporates savings over the expected lifetime of all program measures installed in 2016 and program costs including the cost of Measurement, Evaluation & Research and the Performance Incentive. Total Net Benefits are the difference between the present value of the societal benefits and the present value of the societal costs.

**Table 5
APS Energy Efficiency Programs
2016 Estimated Budget**

Program	Rebates & Incentives	Training & Technical Assistance	Consumer Education	Program Implement	Program Marketing	Planning & Administration	Financing	Program Total Cost
Residential								
Consumer Products	\$5,289,000	\$32,000	\$77,000	\$2,260,000	\$650,000	\$550,000	\$0	\$8,858,000
Residential HVAC	\$4,097,000	\$150,000	\$100,000	\$1,533,000	\$210,000	\$366,000	\$0	\$6,456,000
Home Performance	\$2,892,000	\$15,000	\$0	\$905,000	\$200,000	\$100,000	\$0	\$4,112,000
New Construction	\$4,545,000	\$100,000	\$15,000	\$325,000	\$225,000	\$470,000	\$0	\$5,680,000
Appliance Recycling	\$240,000	\$0	\$29,000	\$765,000	\$319,000	\$173,000	\$0	\$1,526,000
Limited Inc. Weatherize	\$2,291,000	\$10,000	\$20,000	\$50,000	\$30,000	\$75,000	\$0	\$2,476,000
Conservation Behavior	\$0	\$0	\$0	\$1,577,000	\$0	\$90,000	\$0	\$1,667,000
Multi-Family	\$1,123,000	\$0	\$10,000	\$700,000	\$10,000	\$166,000	\$0	\$2,009,000
Pre-Paid Conservation	\$0	\$3000	\$0	\$7000	\$1000	\$62,000	\$0	\$73,000
Totals for Residential	\$20,476,000	\$310,000	\$251,000	\$8,122,000	\$1,646,000	\$2,052,000	\$0	\$32,856,000
Non-Residential								
Large Existing	\$14,356,000	\$566,000	\$53,000	\$4,565,000	\$1,000,000	\$656,000	\$20,000	\$21,217,000
New Construction	\$2,066,000	\$71,000	\$18,000	\$408,000	\$98,000	\$115,000	\$0	\$2,776,000
Small Business	\$945,000	\$95,000	\$13,000	\$630,000	\$75,000	\$95,000	\$5000	\$1,858,000
Schools	\$1,213,000	\$23,000	\$14,000	\$640,000	\$75,000	\$55,000	\$0	\$2,020,000
Energy Info. Services	\$55,000	\$10,000	\$2000	\$24,000	\$5000	\$3000	\$0	\$99,000
Totals for Non-Residential	\$18,635,000	\$765,000	\$100,000	\$6,267,000	\$1,253,000	\$924,000	\$25,000	\$27,969,000
Segment Totals	\$39,111,000	\$1,075,000	\$351,000	\$14,389,000	\$2,899,000	\$2,976,000	\$25,000	\$60,825,000
% of Cost By Category	57%	2%	1%	21%	4%	4%	0%	

Program Costs	\$60,825,000
Codes and Standards	\$150,000
Measurement, Evaluation & Research	\$2,100,000
Performance Incentive	\$2,923,000
TOTAL	\$65,998,000

Table 7
Estimated DSM Program Costs for 2016 DSMAC Charge

2016 DSM Budget	
Energy Efficiency Program Costs	\$60,825,000
Codes & Standards	\$150,000
Measurement Evaluation and Research	<u>\$2,100,000</u>
Total Energy Efficiency (before incentive)	\$63,075,000
Performance Incentive	<u>\$2,923,000</u>
Total Energy Efficiency (with incentive)	\$65,998,000
Demand Response	<u>\$2,902,000</u>
Total 2016 DSM Budget	\$68,900,000

2016 Revenue Requirements for DSMAC	
Total 2016 DSM Budget	\$68,900,000
Amount Recovered in Base Rates	<u>(\$10,000,000)</u>
Subtotal	\$58,900,000
Less Credit from True-up Balance	(\$0)
Less Collected But Unallocated DSMAC Funds	(\$13,800,000)
Less Gain on Sale of Assets Balance	<u>(\$63,000)</u>
Total Revenue Requirement for 2016 DSMAC	\$45,037,000

Table 8
2016 Estimated Performance Incentive¹

Achievement Relative to DSM Goal	Performance Incentive (% of Net Benefits)	Performance Incentive Cap (\$0.0125 per kWh saved)
96% to 105%	7%	565,000,000 kWh x \$0.0125
Net Benefits (Prior to PI, Codes & Standards, System Savings)	\$41,750,000	
Performance Incentive	\$2,923,000	\$7,063,000

¹The Performance Incentive methodology/calculation was approved in Decision No. 69663 and was modified in Decision No. 71448 and Decision No. 74406.

VI. DSM Energy Savings and Benefits

A. ENERGY EFFICIENCY PROGRAMS

Table 9 provides details of the expected annual and lifetime energy savings and peak demand savings from each EE program and a summary of the net benefits generated for 2016. These are in addition to energy savings, costs and net benefits associated with APS DSM activities undertaken during the 2005 through 2015 timeframe, which are reported each year in APS's Semi-Annual DSM Report filings. The lifetime energy savings are the estimated savings that will result over the expected lifetime of all program measures installed in 2016. It is anticipated that, over the expected lifetime of all 2016 measures, the portfolio will produce net benefits of \$41.8 million, with a total societal benefit/cost ratio of 1.39 (societal benefits of \$149.0 million divided by societal costs of \$107.2 million.)

Table 9
Energy Efficiency
Electric Savings Benefits¹
2016 Programs

E-01345A-15-0182

	Capacity Savings MW	Annual MWh Savings	Lifetime ² MWh Savings	Societal Benefits	Societal Costs ⁴	Net Benefits
Residential						
Consumer Products	13.5	100,100	899,700	\$34,880,000	\$18,803,000	\$16,077,000
Residential HVAC	10.2	14,200	173,400	\$9,086,000	\$7,990,000	\$1,096,000
Home Performance	5.1	7700	124,000	\$7,079,000	\$6,795,000	\$284,000
New Construction	5.5	10,500	211,000	\$9,302,000	\$8,254,000	\$1,048,000
Appliance Recycling	1.4	9700	58,200	\$1,533,000	\$1,233,000	\$299,000
Limited Income Weatherization ³	0.2	1,400	25,900	\$595,000	\$595,000	\$ 0
Conservation Behavior	6.5	61,400	61,400	\$1,603,000	\$1,560,000	\$43,000
Multi-Family	1.4	9400	131,200	\$5,649,000	\$2,692,000	\$2,956,000
Pre-Paid Energy Conservation	0.5	2600	2600	\$69,000	\$68,000	\$1000
Totals for Residential	44.4	217,000	1,687,400	\$69,796,000	\$47,992,000	\$21,804,000
Non-Residential						
Large Existing Facilities	26.7	167,000	2,353,300	\$59,785,000	\$44,064,000	\$15,721,000
New Construction	5.6	23,800	327,700	\$9,346,000	\$6,483,000	\$2,863,000
Small Business	2.4	12,400	157,900	\$4,361,000	\$3,572,000	\$789,000
Schools	2.7	14,100	195,000	\$5,274,000	\$4,977,000	\$297,000
Energy Information System	5.8	100	400	\$477,000	\$202,000	\$275,000
Totals for Non-Residential	43.2	217,400	3,034,200	\$79,243,000	\$59,298,000	\$19,945,000
Subtotal	87.5	434,400	4,721,600	\$149,037,000	\$107,287,000	\$41,750,000
System Savings	12.9	39,200	39,200	N/A	N/A	N/A
Codes and Standards	7.0	34,900	249,100	N/A	N/A	N/A
Total	107.4	508,500	5,009,900	\$149,037,000	\$107,287,000	\$41,750,000

1. All savings values are net of free riders and include system line losses and reflect ACC staff cost/benefit methodology (Decision No. 73089).
2. Refers to savings over the expected lifetime of all program measures.
3. Program costs include weatherization and bill assistance. Societal Costs do not include Bill Assistance because it does not contribute to electric savings. Consistent with Commission Staff's analysis in Decision No. 68647, the societal benefits of the Low Income program are equal to the societal costs.
4. MER and Performance Incentive is accounted for within the Societal Cost for each program and each measure.

Table 11
Energy Efficiency Environmental Benefits
2016 Programs

	Water Mil Gal	SOx Lbs	NOx Lbs	CO2 Mil Lbs	PM10 Lbs
Residential					
Consumer Products	285	4004	76,067	809	22,222
Residential HVAC	55	772	14,660	156	4,283
Home Performance with Energy Star	39	552	10,486	111	3063
New Construction	67	939	17,838	190	5211
Appliance Recycling	18	259	4922	52	1438
Low Income Weatherization	8	115	2192	23	640
Conservation Behavioral	19	273	5190	55	1516
Multi-Family	42	584	11,091	118	3240
Pre-Pay	1	12	223	2	65
Total for Residential	534	7510	142,669	1516	41,678
Non-Residential					
Large Existing Facilities	746	10,472	198,971	2116	58,126
New Construction	104	1458	27,702	295	8093
Small Business	50	703	13,349	142	3900
Schools	62	868	16,488	175	4817
Energy Information System	0	2	36	0	10
Totals for Non-Residential	962	13,502	256,544	2728	74,946
Total	1,587	22,295	423,590	4504	123,745

The environmental benefits listed above occur over the expected lifetime of EE measures installed in 2016.