ORIGINAL

# OPEN MEETING

**MEMORANDUM**

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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

NOV 05 2015

DOCKETED BY

TO: THE COMMISSION

FROM: Utilities Division

DATE: November 5, 2015

RE: IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR APPROVAL OF, WITH MINOR MODIFICATIONS, CONTINUANCE OF THE COMPANY'S 2013 DEMAND SIDE MANAGEMENT IMPLEMENTATION PLAN THROUGH 2015. (DOCKET NO. E-01345A-15-0095)

## INTRODUCTION

On March 20, 2015, Arizona Public Service Company ("APS" or "Company") filed, with the Arizona Corporation Commission ("Commission"), for approval of continuance of its 2013 Demand-Side Management ("DSM") Implementation Plan through 2015 ("2015 DSM Plan") or until a subsequent plan is approved. The 2013 DSM Plan was approved in Decision No. 74406 (March 19, 2014).[1] The proposed APS 2015 DSM Plan proposes to maintain the spending level that was approved as part of the 2013 DSM Plan and keep the Demand-Side Management Adjustment Charge ("DSMAC") at its current Commission-approved level. In addition, APS requests approval of its proposed allocation of the existing DSM budget including the use of $5.1 million in unallocated existing funds that have been collected but unspent.

## 2015 DSM PLAN

In its 2015 DSM Plan, APS proposes to continue its current Commission-approved DSM portfolio of programs and maintain the Commission-approved budget of $68.9 million. In addition, APS is proposing to include the Residential Prepaid Energy Conservation Program as a fully implemented DSM program and add three new projects under the APS Systems Savings Initiative. Further, APS is proposing to expand the Light Emitting Diode ("LED") Lighting measure into other programs, modify the Multi-Family Energy Efficiency Program ("MEEP") Builder Option Packages ("BOPs") requirements, increase the Non-Residential Retro-Commissioning Incentive Cap, and suspend the Shade Tree Program. The application is intended as a continuance of the 2013 DSM Plan and not a comprehensive DSM Plan.

### *A. Residential Prepaid Energy Conservation Program*

In Decision No. 72214, (March 3, 2011) the Commission approved the Residential Prepaid Energy Conservation Program ("Prepaid Program") as part of APS's Home Energy Information Pilot Program ("HEI Pilot"). The Prepaid Program was deployed in July 2012 and was limited to

[1] Decision No. 74406 also ordered that the 2013 DSM Plan apply to 2014.

2,000 customers (minimum 600 customers). The Prepaid Program is a daily billing option where customers pay in advance for electricity service rather than paying monthly after using the energy. This billing option does not require customers to pay an upfront deposit with the Company. Customers have the ability to track their usage on a frequent basis which allows them to monitor the amount of energy used and the actual daily cost of that energy.

APS is proposing to include the Prepaid Program as a fully implemented DSM program. However, APS states that due to "...operational and scalability challenges with moving from a monthly to daily billing system..." it wishes to maintain the 2,000 customer maximum. In addition, APS is proposing to allow prepaid customers the option of AutoPrepay for customers who pay their bill on an automatic basis. Customers would receive a \$0.48/month credit for choosing this payment option (this credit is also given to Standard Offer and Direct Access Service customers who choose this option). Further, APS is proposing to modify the Customer Prepay Service Agreement to require customers to contact the Company if they intend to permanently close an account. APS states that for instances where customers intentionally allow a credit balance to run out in anticipation of closing an account, a final bill with an unexpected debit balance may be issued. A customer may incur a bill due to the timing between when a customer's balance reaches zero and when service is actually disconnected (APS does not disconnect service before 11 am). This change will prevent customers who close a prepaid account from receiving additional charges.

Further, APS states that the cost to maintain the current Prepaid Program is approximately \$83,500. In 2015, APS is proposing to recover the cost for the Prepaid Program through reallocation of existing DSM funds rather than proposing an increase to the budget.

Cost Effectiveness

Arizona Administrative Code ("A.A.C.") R14-2-2412.B requires that the Societal Test be used for determining the cost-effectiveness of a DSM program or measure. Under the Societal Test, in order to be cost-effective, the ratio of benefits to costs must be greater than one.

Staff found that the Prepaid Program has a benefit-cost ratio of 0.98. Although the benefit-cost ratio is below the 1.0 threshold, Staff recognizes that the Prepaid Program would reach a ratio of 1.0 if environmental benefits were monetized.

Staff Recommendations

Although Staff recommends approval of the Prepaid Program, Staff does not believe that a fully implemented DSM program with limited number of participants is appropriate. A fully implemented DSM program should be available to all eligible customers within APS's service territory. Therefore, Staff recommends that the Prepaid Program remain as a pilot program until the operational and scalability concerns expressed by APS have been addressed. Given these issues, Staff believes that a fully implemented Prepaid Program prior to this change would be premature.

In addition, Staff understands that APS is in the process of revising its billing system which would impact the structure of the Prepaid Program and may address the operation and scalability issues APS is currently experiencing with the Prepaid Program. However, should the Commission grant APS approval of the Prepaid Program as a fully implemented DSM program, Staff recommends that APS remove the restriction of the number of participants and make the program available to all eligible customers.

Staff does recommend approval of the changes to the AutoPrepay option and the Prepay Service Agreement.

B. *APS System Savings Initiative Program*

In Decision No. 74406, the Commission authorized APS to count cost-effective energy savings resulting from generation and delivery system improvements and facilities upgrades toward the Energy Efficiency ("EE") Standard. APS stated that in 2015 it was implementing three projects under the APS Systems Savings Initiative ("SSI") Program.

The Conservation Voltage Reduction ("CVR") project reduces load by reducing the voltage delivered to customers located on targeted feeders in its service territory. APS intends to implement CVR on 17 of its distribution feeders and expects to achieve approximately 10,600 MWh of savings. The Generation Plant Ancillary Load project intends to replace forced draft fan motors, water well pumps, and compressed air systems at various generation plants. According to APS, these equipment upgrades produce energy savings that are similar to the savings produced through the Non-Residential Large Existing Facilities Program offered to commercial and industrial customers. APS estimates savings of 1,600 MWh. Through the Streetlight and Facilities project APS will install LED lighting in APS-owned community streetlights and replace lighting equipment in APS office buildings. The installation of LEDs will produce similar energy savings to the savings achieved when customers install such lighting. APS estimates that 800 MWh of savings will be achieved.

APS is not requesting that the SSI Program be funded through the DSMAC, only that any savings resulting from such upgrades and/or improvements be counted toward meeting the EE standard. In addition, APS will not count the net benefits of the projects when calculating the Performance Incentive ("PI").[2] However, APS is requesting that it be allowed to include the impact of the proposed SSI Program projects in the determination of its EE achievement tier level for the PI and that it be allowed to include only the energy savings from the CVR project in calculation of the Lost Fixed Cost Recovery ("LFCR") mechanism.

Cost Effectiveness

APS states that for the CVR project, there is no incremental cost. Because there are energy savings, the benefit-cost ratio is by definition greater than one. The measures included in the Generation Plant Ancillary Load project and the Streetlight and Facilities project are the same measures that are available to customers as part of Commission-approved Non-Residential programs. Staff has previously found those measures included in the Non-Residential programs to

[2] Per Decision No. 74406.

be cost-effective. Therefore, Staff believes that the measures will continue to be cost-effective as part of the SSI program.

Staff Recommendations

Staff recommends approval of the proposed projects included in APS's SSI Program. However, Staff does not believe that allowing the inclusion of the impact of SSI Program projects in determining the PI tier level is appropriate. Decision No. 74406 specifically states that "...improvements to Arizona Public Service Company facilities and generation systems shall not increase the LFCR, enable Arizona Public Service Company to qualify for a performance incentive, or otherwise increase the performance incentive amount." Staff believes that allowing APS to include the impact of the SSI Program projects in the determination of its EE achievement tier level for the PI could affect the tier level used to determine the PI amount potentially pushing APS into a higher tier level that would increase the PI amount. Therefore, Staff does not recommend approval of allowing APS to include the impact of SSI Program projects in the determination of its EE achievement tier level for the PI.

Further, Staff believes that approval of the energy savings from the CVR project in calculation of the LFCR mechanism is also inappropriate. Again as discussed above, Decision No. 74406 explicitly states that savings from SSI Program projects "...shall not increase the LFCR..." Therefore, Staff does not recommend approval of including the savings from the CVR project in the calculation of the LFCR mechanism.

*C. Shade Tree Program*

APS's shade tree was initially approved in Decision No. 72060 (January 6, 2011). The program provided free shade trees to APS's residential customers. Customers must have first attended an APS Shade Tree workshop or participated in online training. Customers could qualify for between two and four free trees. On March 5, 2015, pursuant to Decision No. 74406, APS filed a letter stating that the Shade Tree Program was no longer cost-effective. The benefit-cost ratio for the program fell below the 1.0 threshold with a ratio of 0.88.

Staff Recommendations

Decision No. 74406 granted APS authority to suspend/discontinue any program or measure that it found not to be cost-effective. Staff recommends, pursuant to Decision No. 74406, that the Shade Tree Program be suspended until further Order of the Commission.

*D. Light Emitting Diode ("LED")*

In Decision No. 74406, the Commission approved the APS LED lighting measure as part of the Residential Consumer Products Program. APS is proposing to include LEDs as part of the MEEP and Residential Home Performance with ENERGY STAR ("RHPES") Program, as a direct install measure. In addition, APS is proposing to offer a total of 50,000 LEDs in a limited give-away measure (similar to the CFL give-away) as part of the Residential Consumer Products ("RCP")

Program and Non-Residential programs. APS is proposing a reallocation of existing funding to accommodate the LED measure in the various programs.

Cost Effectiveness

Staff previously found the LED measure cost-effective as part of the Residential Consumer Products Program with a ratio of 1.08. However, because APS is proposing this measure in various programs with different program costs, Staff believes that it is appropriate to conduct a benefit-cost analysis for the measure as part of each of the additional programs.

The table below shows the benefit-cost ratio of the LED measure as part of the MEEP, RHPES Program, and, as a limited give-away measure as part of the RCP Program and Non-Residential programs. Staff found that the LED measure was cost-effective as part of the programs listed.

| **Residential Program** | **Benefit-Cost ratio** |
|---|---|
| MEEP-Direct Install | 1.20 |
| RHPES-Direct Install | 1.18 |
| RCP-Give Away | 1.31 |
| **Non-Residential Program** | **Benefit-Cost ratio** |
| Large Existing –Give Away | 1.38 |
| Small Business-Give Away | 1.38 |
| Schools-Give Away | 1.38 |

Staff Recommendations

Staff recommends approval of the expansion of the LED lighting measure.

E. *Multi-Family Energy Efficiency Program ("MEEP")-New Construction*

The MEEP targets multi-family properties and dormitories to promote energy efficiency. The MEEP takes a three-track approach to address the challenges of reaching the multi-family market. The first track is a direct install retrofit program that is required to be installed by the facility personnel. Track two works through the APS Solutions for Business to provide energy assessments to assist communities in identifying additional energy savings opportunities and available APS rebates within the multi-family facility but outside of the individual dwelling (i.e. common area buildings, swimming pools, laundries, and outdoor lighting).

Track three is a new construction/renovation program that offers a per dwelling rebate for projects that build or renovate to a higher level of energy efficiency. The rebate amount increases as a higher level of energy efficiency is achieved. The energy efficiency requirements are modeled after the ENERGY STAR® Qualified Homes National Attached Home Builder Option Package. Builders can achieve compliance by choosing from one of three Builder Option Packages ("BOPs").

BOP compliance is reached when the Home Energy Rating System ("HERS") rating meets or exceeds the minimum required HERS rating established for each BOP. The HERS is an index used to measure, test, and rate building performance. Projects must be tested by a certified HERS rater and assigned a HERS rating. The current and proposed minimum HERS index scores for each BOP is presented in the table below. APS is not proposing to change the incentive level at this time.

| Builder Option Package | Current HERS Score | Proposed HERS Score | Incentive |
|---|---|---|---|
| BOP 1 | 81 | 70 | $200 |
| BOP 2 | 78 | 65 | $300 |
| BOP 3 | 75 | 60 | $400 |

APS states that as the baseline efficiency level in multi-family new construction increases, the more stringent requirements will help the program incent builders to achieve increased efficiency levels.

Cost-Effectiveness

Below is a table showing the benefit-cost ratio of each of the proposed BOP levels. Staff found the revised BOP levels to be cost effective.

| Builder Option Package | Benefit-Cost Ratio |
|---|---|
| BOP 1 | 1.37 |
| BOP 2 | 1.55 |
| BOP 3 | 1.82 |

Staff Recommendations

Staff recommends approval of the revised minimum requirements for the BOP levels.

*F. Non-Residential Retro-Commissioning Incentive Cap*

Currently, non-residential programs offer incentives for retro-commissioning with a maximum of $20,000 or 75% of the project cost, whichever is lower. APS states that this discourages larger retro-commissioning projects with significant potential energy savings because of the low $20,000. APS is proposing to increase the incentive for retro-commissioning from $20,000 to $100,000 or $75% of project cost, whichever is lower. The increased incentive maximum would encourage larger commissioning projects to be completed under non-residential programs.

Cost Effectiveness

Staff found the Non-Residential Retro-Commissioning measure to be cost-effective with a benefit-cost ratio of 1.28.

Staff Recommendations

Staff recommends approval of the proposed increased Non-Residential Retro-Commission incentive cap from $20,000 to $100,000 with the 75% of project cost cap.

## ENERGY SAVINGS

APS provided Staff with updated projected EE/Demand Response ("DR") savings. The savings estimate for 2015 is approximately 539,000,000 kWh. The table below shows the previous years' actual energy savings (2012, 2013, and 2014) compared to the estimated energy savings in 2015.

| | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|
| Actual/Projected Sales (kWh)* | 28,154,136,000 | 28,087,605,000 | 27,584,533,000 | 27,661,698,000 |
| | | | | |
| Required Savings (%) | 3.00% | 5.00% | 7.25% | 9.50% |
| Required Savings from Prior year Sales (kWh) | 846,309,780[3] | 1,624,853,130 | 2,036,351,363 | 2,620,530,635 |
| | | | | |
| EE/DR Program Savings (kWh)** | 551,639,000 | 538,841,000 | 495,410,000 | 539,000,000 |
| Total Cumulative Savings (kWh) | 992,973,000 | 1,487,681,000 | 1,983,091,000 | 2,522,091,000 |
| Savings (%) | 3.51% | 5.29% | 7.19% | 9.12% |
| | | | | |
| Difference Between Required Savings and Projected/Actual Total Cumulative Savings (kWh) | 146,663,220 | 83,300,750 | (53,260,323) | (98,439,635) |

*2012, 2013, and 2014 kWh sales represent actual sales from annual reports. 2015 kWh sales are estimated as provided in the 2015 DSM Plan.
**Actual kWh savings based on DSM reports except for 2015 which are estimated.

## BUDGET

According to APS, the Company has achieved the annual EE savings goals while spending less than the overall funds collected resulting in a balancing account containing approximately $36.5 million through September 2015.

APS proposes to maintain the current budget of approximately $68.9 million, approved by the Commission in Decision No. 74406, by reallocating funds in order to accommodate its proposed changes for 2015. APS anticipates collecting approximately $53.8 million from the DSMAC. With

[3] The required savings of 3.00% for 2012 is calculated using the 2011 actual kWh sales (excluding resale) of 27,709,463,000 from APS's annual report filed with the Commission on April 15, 2012.

the addition of $10 million collected through base rates, the total collected for 2015 would be a total of $63.8 million.

In addition, APS currently has a balancing account of approximately $36.5 million of unallocated funds which have been collected but unspent. APS is proposing to use $5.1 million of the $36.5 million balancing account. Therefore, the total budget proposed by APS comes to $68.9 million for 2015. In its 2016 DSM Plan filed June 1, 2015, APS is proposing to apply the remaining unallocated funds to the DSM budgets over a five-year period.

Further, APS is proposing to maintain the current Commission-approved DSMAC amounts ($0.001845/kWh and $0.696/kW). The table below compares the total budget that was approved for 2013/2014 and the proposed reallocated budget for 2015 and shows the estimated spending for 2015.

| Energy Efficiency Programs | 2013/2014 Approved EE | 2015 APS Proposed | Difference Between Approved and Proposed | Estimated 2015 Year-End Spending |
|---|---|---|---|---|
| **Residential** | | | | |
| Consumer Products | $7,524,000 | $9,026,468 | $1,502,468 | $9,391,468 |
| Residential HVAC | $5,900,000 | $6,521,000 | $621,000 | $7,310,000 |
| Home Performance w/ Energy Star | $5,108,000 | $4,223,720 | ($884,280) | $2,275,000 |
| New Construction | $3,151,000 | $4,765,000 | $1,614,000 | $5,121,400 |
| Appliance Recycling | $1,600,000 | $1,565,000 | ($35,000) | $1,200,000 |
| Conservation Behavior | $1,053,000 | $1,512,000 | $459,000 | $1,562,000 |
| Multi-Family | $1,653,000 | $1,947,174 | $294,174 | $1,747,174 |
| Prepaid[4] | N/A | $83,500 | $83,500 | $83,500 |
| Low/Limited Income Weatherization | $2,476,000 | $2,476,000 | $0 | $1,215,000 |
| **Total Residential** | **$28,762,000** | **$32,119,862** | **$3,357,862** | **$29,905,542** |
| **Non-Residential** | | | | |
| Large Existing Facilities | $17,834,000 | $18,617,552 | $783,552 | $18,325,000 |
| New Construction | $3,478,000 | $2,781,669 | ($696,331) | $2,637,000 |
| Small Business | $3,899,169 | $2,066,563 | ($1,832,606) | $2,009,000 |
| Schools | $2,599,000 | $2,991,023 | $392,023 | $2,846,000 |
| Energy Information Services | $77,000 | $101,120 | $24,120 | $69,000 |
| **Total Non-Residential** | **$27,887,169** | **$26,557,927** | **($1,329,242)** | **$25,886,000** |
| | | | | |
| **Total Energy Efficiency (Res and Non-Res)** | **$56,649,169** | **$58,677,789** | **$2,028,620** | **$55,791,542** |
| | | | | |
| **Demand Response/Load Management Programs** | **2013/2014 Approved DR/LM** | **2015 APS Proposed** | **Difference** | **Estimated 2015 Year-End Spending** |
| APS Peak Solutions | $2,200,000 | $2,002,739 | ($197,261) | $1,200,000 |
| Home Energy Information Pilot Program[5] | $2,816,685 | $800,000 | ($2,016,685) | $800,000 |

[4] Staff notes that the Prepaid Program was initially part of the HEI Pilot Program. As stated earlier in the document, APS terminated the remaining elements of the HEI Pilot in 2014.

[5] Remaining capital carrying costs associated with the HEI Pilot previously approved by the Commission.

| | | | | |
|---|---|---|---|---|
| Demand Response Marketing/MER of Rate Options[6] | $200,000 | $80,000 | ($120,000) | $0 |
| **Total Demand Response/Load Management** | **$5,216,685** | **$2,882,739** | **($2,333,946)** | **$2,000,000** |
| | | | | |
| Codes and Standards | $100,000 | $150,000 | $50,000 | $100,000 |
| Measurement Evaluation and Research | $2,300,000 | $2,100,000 | ($200,000) | $2,100,000 |
| Performance Incentive[7] | $4,634,000 | $5,089,472 | $455,472 | $5,089,472 |
| **Total C&S/MER/PI** | **$7,034,000** | **$7,339,472** | **$305,472** | **$7,289,472** |
| | | | | |
| **Total EE, C&S/MER/PI, DR/Load Management** | **$68,899,854** | **$68,900,000** | **$146** | **$65,081,014** |

Staff notes that APS has the flexibility to shift up to 50% of budgeted funds from one program to another within the same sector (Residential or Non-Residential) per calendar year with the exception that funds cannot be shifted from Low/Limited Income Weatherization or Schools programs. In addition, APS has the ability to exceed any DSM program annual budget by up to 5 percent without prior Commission approval.

*Recommendations*

Staff recommends that APS maintain the current Commission-approved budget. However, Staff recommends the existing unallocated funds of approximately $36 million that have been collected, but unspent, be applied to the budget for 2015.

## DEMAND SIDE MANAGEMENT ADJUSTMENT CHARGE ("DSMAC")

The DSMAC provides for the recovery of DSM program costs, including energy efficiency programs, demand response programs, and energy efficiency performance incentives. The DSMAC approved by the Commission collects funds to pay for the Commission approved energy efficiency programs prior to the program costs being incurred. The DSMAC is applied to Standard Offer and Direct Access service schedules as a monthly per kWh charge (Residential and General Service customers with non-demand billing service schedules) or kW demand charge (General Service customers with demand billing service schedules).

APS is proposing to maintain the current Commission approved DSMAC of $0.001845/kWh and $0.696/kW for 2015. The table below shows the revenue requirement for the calculation of the 2015 DSMAC based on APS's proposed budget compared to the revenue requirement based on APS's proposed budget:

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[6] The spending/budgets for the Demand Response Marketing/MER of Rate Options includes the Super Peak Rate, Critical Peak Pricing Rates, Interruptible Rate, Peak Time Rebate Programs, and the Time-of-Use Rates.
[7] The proposed PI was calculated in accordance with the methodology approved in Decision No. 74406.

| | APS Proposed | Staff Proposed |
|---|---|---|
| Total 2015 Budget | $68,900,000 | $68,900,000 |
| Amount Recovered in Base Rates | ($10,000,000) | ($10,000,000) |
| Amount of Collected but Unallocated Funds | (5,100,000) | (36,5,00,000) |
| **Total Revenue Requirement** | **$53,800,000** | **$22,400,000** |

*Recommendations*

Based on the Staff proposed budget using the unallocated funds and the revenue requirement for 2015, Staff recommends that the DSMAC should be reduced to $0.000822/kWh and $0.310/kW. This is a decrease from the current DSMAC of $0.001845/kWh and $0.696/kW. The amount of the DSMAC should be reviewed again in the 2016 DMS plan review.

## STAFF RECOMMENDATIONS

Below are Staff's recommendations regarding the proposed modifications, as discussed herein, to the APS 2015 DSM Plan.

- Staff recommends approval of the Prepaid Program.

- Staff recommends that the Prepaid Program remain as a pilot program until the operational and scalability concerns expressed by APS have been addressed. Given these issues, Staff believes that a fully implemented Prepaid Program prior to this change would be premature.

- Should the Commission grant APS approval of the Prepaid Program as a fully implemented DSM program, Staff recommends that APS remove the restriction of the number of participants and make the program available to all eligible customers.

- Staff recommends approval of the changes to the AutoPrepay option and the Prepay Service Agreement.

- Staff recommends approval of the proposed projects included in APS's SSI Program.

- Staff does not recommend approval of allowing APS to include the impact of SSI Program projects in the determination of its EE achievement tier level for the PI.

- Staff does not recommend approval of including the savings from the CVR project in the calculation of the LFCR mechanism.

- Staff recommends that the Shade Tree Program be suspended until further Order of the Commission.

- Staff recommends approval of the expansion of the LED lighting measure.

- Staff recommends approval of the revised minimum requirements for the BOP levels.

- Staff recommends approval of the proposed increased Non-Residential Retro-Commission incentive cap from \$20,000 to \$100,000 with the 75% of project cost cap.

- Staff recommends that APS maintain the current Commission-approved total budget of \$68.9 million including the proposed reallocation of funds and the use of the \$36.5 million of existing unallocated funds that have been collected, but unspent, for 2015.

- Staff recommends that APS reduce the current Commission-approved DSMAC amounts to \$0.000822/kWh and \$0.310/kW.

- Staff recommends that the APS 2015 DSM Plan as specified herein remain in effect until further Order of the Commission.

Thomas M. Broderick
Director
Utilities Division

TMB:CLA:red\WVC

ORIGINATOR: Candrea Allen

# BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
DOUG LITTLE
Commissioner
TOM FORESE
Commissioner

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|---|---|
| IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR APPROVAL OF, WITH MINOR MODIFICATIONS, CONTINUANCE OF THE COMPANY'S 2013 DEMAND SIDE MANAGEMENT IMPLEMENTATION PLAN THROUGH 2015. | DOCKET NO. E-01345A-15-0095<br>DECISION NO. __________<br>ORDER |

Open Meeting
November 17 and 18, 2015
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

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

**Introduction**

2. On March 20, 2015, APS filed, with the Commission, for approval of continuance of its 2013 Demand-Side Management ("DSM") Implementation Plan through 2015 ("2015 DSM Plan") or until a subsequent plan is approved. The 2013 DSM Plan was approved in Decision No. 74406 (March 19, 2014).[1]

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3. The proposed APS 2015 DSM Plan proposes to maintain the spending level that was approved as part of the 2013 DSM Plan and keep the Demand-Side Management Adjustment Charge ("DSMAC") at its current Commission-approved level. In addition, APS requests approval of its proposed allocation of the existing DSM budget including the use of $5.1 million in unallocated existing funds that have been collected but unspent.

**2015 DSM Plan**

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5. Further, APS is proposing to expand the Light Emitting Diode ("LED") Lighting measure into other programs, modify the Multi-Family Energy Efficiency Program ("MEEP") Builder Option Packages ("BOPs") requirements, increase the Non-Residential Retro-Commissioning Incentive Cap, and suspend the Shade Tree Program. The application is intended as a continuance of the 2013 DSM Plan and not a comprehensive DSM Plan.

*A. Residential Prepaid Energy Conservation Program*

6. In Decision No. 72214, (March 3, 2011) the Commission approved the Residential Prepaid Energy Conservation Program ("Prepaid Program") as part of APS's Home Energy Information Pilot Program ("HEI Pilot"). The Prepaid Program was deployed in July 2012 and was limited to 2,000 customers (minimum 600 customers). The Prepaid Program is a daily billing option where customers pay in advance for electricity service rather than paying monthly after using the energy. This billing option does not require customers to pay an upfront deposit with the Company. Customers have the ability to track their usage on a frequent basis which allows them to monitor the amount of energy used and the actual daily cost of that energy.

7. APS is proposing to include the Prepaid Program as a fully implemented DSM program. However, APS states that due to "...operational and scalability challenges with moving from a monthly to daily billing system..." it wishes to maintain the 2,000 customer maximum. In addition, APS is proposing to allow prepaid customers the option of AutoPrepay for customers who

pay their bill on an automatic basis. Customers would receive a $0.48/month credit for choosing this payment option (this credit is also given to Standard Offer and Direct Access Service customers who choose this option).

8. Further, APS is proposing to modify the Customer Prepay Service Agreement to require customers to contact the Company if they intend to permanently close an account. APS states that for instances where customers intentionally allow a credit balance to run out in anticipation of closing an account, a final bill with an unexpected debit balance may be issued. A customer may incur a bill due to the timing between when a customer's balance reaches zero and when service is actually disconnected (APS does not disconnect service before 11 am). This change will prevent customers who close a prepaid account from receiving additional charges.

9. Further, APS states that the cost to maintain the current Prepaid Program is approximately $83,500. In 2015, APS is proposing to recover the cost for the Prepaid Program through reallocation of existing DSM funds rather than proposing an increase to the budget.

Cost Effectiveness

10. Arizona Administrative Code ("A.A.C.") R14-2-2412.B requires that the Societal Test be used for determining the cost-effectiveness of a DSM program or measure. Under the Societal Test, in order to be cost-effective, the ratio of benefits to costs must be greater than one.

11. Staff found that the Prepaid Program has a benefit-cost ratio of 0.98. Although the benefit-cost ratio is below the 1.0 threshold, Staff recognizes that the Prepaid Program would reach a ratio of 1.0 if environmental benefits were monetized.

Staff Recommendations

12. Although Staff recommends approval of the Prepaid Program, Staff does not believe that a fully implemented DSM program with limited number of participants is appropriate. A fully implemented DSM program should be available to all eligible customers within APS's service territory.

13. Therefore, Staff recommends that the Prepaid Program remain as a pilot program until the operational and scalability concerns expressed by APS have been addressed. Given these issues, Staff believes that a fully implemented Prepaid Program prior to this change would be premature.

. . .

14. In addition, Staff understands that APS is in the process of revising its billing system which would impact the structure of the Prepaid Program and may address the operation and scalability issues APS is currently experiencing with the Prepaid Program.

15. However, should the Commission grant APS approval of the Prepaid Program as a fully implemented DSM program, Staff recommends that APS remove the restriction of the number of participants and make the program available to all eligible customers.

16. Staff does recommend approval of the changes to the AutoPrepay option and the Prepay Service Agreement.

*B. APS System Savings Initiative Program*

17. In Decision No. 74406, the Commission authorized APS to count cost-effective energy savings resulting from generation and delivery system improvements and facilities upgrades toward the Energy Efficiency ("EE") Standard. APS stated that in 2015 it was implementing three projects under the APS Systems Savings Initiative ("SSI") Program.

18. The Conservation Voltage Reduction ("CVR") project reduces load by reducing the voltage delivered to customers located on targeted feeders in its service territory. APS intends to implement CVR on 17 of its distribution feeders and expects to achieve approximately 10,600 MWh of savings.

19. The Generation Plant Ancillary Load project intends to replace forced draft fan motors, water well pumps, and compressed air systems at various generation plants. According to APS, these equipment upgrades produce energy savings that are similar to the savings produced through the Non-Residential Large Existing Facilities Program offered to commercial and industrial customers. APS estimates savings of 1,600 MWh.

20. Through the Streetlight and Facilities project APS will install LED lighting in APS-owned community streetlights and replace lighting equipment in APS office buildings. The installation of LEDs will produce similar energy savings to the savings achieved when customers install such lighting. APS estimates that 800 MWh of savings will be achieved.

21. APS is not requesting that the SSI Program be funded through the DSMAC, only that any savings resulting from such upgrades and/or improvements be counted toward meeting the EE

standard. In addition, APS will not count the net benefits of the projects when calculating the Performance Incentive ("PI").[2]

22. However, APS is requesting that it be allowed to include the impact of the proposed SSI Program projects in the determination of its EE achievement tier level for the PI and that it be allowed to include only the energy savings from the CVR project in calculation of the Lost Fixed Cost Recovery ("LFCR") mechanism.

Cost Effectiveness

23. APS states that for the CVR project, there is no incremental cost. Because there are energy savings, the benefit-cost ratio is by definition greater than one. The measures included in the Generation Plant Ancillary Load project and the Streetlight and Facilities project are the same measures that are available to customers as part of Commission-approved Non-Residential programs. Staff has previously found those measures included in the Non-Residential programs to be cost-effective. Therefore, Staff believes that the measures will continue to be cost-effective as part of the SSI program.

Staff Recommendations

24. Staff recommends approval of the proposed projects included in APS's SSI Program.

25. However, Staff does not believe that allowing the inclusion of the impact of SSI Program projects in determining the PI tier level is appropriate. Decision No. 74406 specifically states that "...improvements to Arizona Public Service Company facilities and generation systems shall not increase the LFCR, enable Arizona Public Service Company to qualify for a performance incentive, or otherwise increase the performance incentive amount."

26. Staff believes that allowing APS to include the impact of the SSI Program projects in the determination of its EE achievement tier level for the PI could affect the tier level used to determine the PI amount potentially pushing APS into a higher tier level that would increase the PI amount.

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[2] Per Decision No. 74406.

27. Therefore, Staff does not recommend approval of allowing APS to include the impact of SSI Program projects in the determination of its EE achievement tier level for the PI.

28. Further, Staff believes that approval of the energy savings from the CVR project in calculation of the LFCR mechanism is also inappropriate. Again as discussed above, Decision No. 74406 explicitly states that savings from SSI Program projects "...shall not increase the LFCR..." Therefore, Staff does not recommend approval of including the savings from the CVR project in the calculation of the LFCR mechanism.

*C. Shade Tree Program*

29. APS's shade tree was initially approved in Decision No. 72060 (January 6, 2011). The program provided free shade trees to APS's residential customers. Customers must have first attended an APS Shade Tree workshop or participated in online training. Customers could qualify for between two and four free trees.

30. On March 5, 2015, pursuant to Decision No. 74406, APS filed a letter stating that the Shade Tree Program was no longer cost-effective. The benefit-cost ratio for the program fell below the 1.0 threshold with a ratio of 0.88.

<u>Staff Recommendations</u>

31. Decision No. 74406 granted APS authority to suspend/discontinue any program or measure that it found not to be cost-effective. Staff recommends, pursuant to Decision No. 74406, that the Shade Tree Program be suspended until further Order of the Commission.

*D. Light Emitting Diode ("LED")*

32. In Decision No. 74406, the Commission approved the APS LED lighting measure as part of the Residential Consumer Products Program. APS is proposing to include LEDs as part of the MEEP and Residential Home Performance with ENERGY STAR ("RHPES") Program, as a direct install measure.

33. In addition, APS is proposing to offer a total of 50,000 LEDs in a limited give-away measure (similar to the CFL give-away) as part of the Residential Consumer Products ("RCP") Program and Non-Residential programs. APS is proposing a reallocation of existing funding to accommodate the LED measure in the various programs.

Cost Effectiveness

34. Staff previously found the LED measure cost-effective as part of the Residential Consumer Products Program with a ratio of 1.08. However, because APS is proposing this measure in various programs with different program costs, Staff believes that it is appropriate to conduct a benefit-cost analysis for the measure as part of each of the additional programs.

35. The table below shows the benefit-cost ratio of the LED measure as part of the MEEP, RHPES Program, and, as a limited give-away measure as part of the RCP Program and Non-Residential programs. Staff found that the LED measure was cost-effective as part of the programs listed.

| Residential Program | Benefit-Cost ratio |
|---|---|
| MEEP-Direct Install | 1.20 |
| RHPES-Direct Install | 1.18 |
| RCP-Give Away | 1.31 |
| **Non-Residential Program** | **Benefit-Cost ratio** |
| Large Existing –Give Away | 1.38 |
| Small Business-Give Away | 1.38 |
| Schools-Give Away | 1.38 |

Staff Recommendations

36. Staff recommends approval of the expansion of the LED lighting measure.

*E. Multi-Family Energy Efficiency Program ("MEEP")-New Construction*

37. The MEEP targets multi-family properties and dormitories to promote energy efficiency. The MEEP takes a three-track approach to address the challenges of reaching the multi-family market.

38. The first track is a direct install retrofit program that is required to be installed by the facility personnel.

39. Track two works through the APS Solutions for Business to provide energy assessments to assist communities in identifying additional energy savings opportunities and available

APS rebates within the multi-family facility but outside of the individual dwelling (i.e. common area buildings, swimming pools, laundries, and outdoor lighting).

40. Track three is a new construction/renovation program that offers a per dwelling rebate for projects that build or renovate to a higher level of energy efficiency. The rebate amount increases as a higher level of energy efficiency is achieved. The energy efficiency requirements are modeled after the ENERGY STAR® Qualified Homes National Attached Home Builder Option Package. Builders can achieve compliance by choosing from one of three Builder Option Packages ("BOPs").

41. BOP compliance is reached when the Home Energy Rating System ("HERS") rating meets or exceeds the minimum required HERS rating established for each BOP. The HERS is an index used to measure, test, and rate building performance. Projects must be tested by a certified HERS rater and assigned a HERS rating. The current and proposed minimum HERS index scores for each BOP is presented in the table below. APS is not proposing to change the incentive level at this time.

| Builder Option Package | Current HERS Score | Proposed HERS Score | Incentive |
|---|---|---|---|
| BOP 1 | 81 | 70 | $200 |
| BOP 2 | 78 | 65 | $300 |
| BOP 3 | 75 | 60 | $400 |

42. APS states that as the baseline efficiency level in multi-family new construction increases, the more stringent requirements will help the program incent builders to achieve increased efficiency levels.

Cost-Effectiveness

43. Below is a table showing the benefit-cost ratio of each of the proposed BOP levels. Staff found the revised BOP levels to be cost effective.

| Builder Option Package | Benefit-Cost Ratio |
|---|---|
| BOP 1 | 1.37 |
| BOP 2 | 1.55 |
| BOP 3 | 1.82 |

Staff Recommendations

44. Staff recommends approval of the revised minimum requirements for the BOP levels.

*F. Non-Residential Retro-Commissioning Incentive Cap*

45. Currently, non-residential programs offer incentives for retro-commissioning with a maximum of $20,000 or 75% of the project cost, whichever is lower. APS states that this discourages larger retro-commissioning projects with significant potential energy savings because of the low $20,000.

46. APS is proposing to increase the incentive for retro-commissioning from $20,000 to $100,000 or $75% of project cost, whichever is lower. The increased incentive maximum would encourage larger commissioning projects to be completed under non-residential programs.

Cost Effectiveness

47. Staff found the Non-Residential Retro-Commissioning measure to be cost-effective with a benefit-cost ratio of 1.28.

Staff Recommendations

48. Staff recommends approval of the proposed increased Non-Residential Retro-Commission incentive cap from $20,000 to $100,000 with the 75% of project cost cap.

**Energy Savings**

49. APS provided Staff with updated projected EE/Demand Response ("DR") savings. The savings estimate for 2015 is approximately 539,000,000 kWh. The table below shows the previous years' actual energy savings (2012, 2013, and 2014) compared to the estimated energy savings in 2015.

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| | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|
| Actual/Projected Sales (kWh)* | 28,154,136,000 | 28,087,605,000 | 27,584,533,000 | 27,661,698,000 |
| | | | | |
| Required Savings (%) | 3.00% | 5.00% | 7.25% | 9.50% |
| Required Savings from Prior year Sales (kWh) | 846,309,780[3] | 1,624,853,130 | 2,036,351,363 | 2,620,530,635 |
| | | | | |
| EE/DR Program Savings (kWh)** | 551,639,000 | 538,841,000 | 495,410,000 | 539,000,000 |
| Total Cumulative Savings (kWh) | 992,973,000 | 1,487,681,000 | 1,983,091,000 | 2,522,091,000 |
| Savings (%) | 3.51% | 5.29% | 7.19% | 9.12% |
| | | | | |
| Difference Between Required Savings and Projected/Actual Total Cumulative Savings (kWh) | 146,663,220 | 83,300,750 | (53,260,323) | (98,439,635) |

*2012, 2013, and 2014 kWh sales represent actual sales from annual reports. 2015 kWh sales are estimated as provided in the 2016 DSM Plan.
**Actual kWh savings based on DSM reports except for 2015 which are estimated.

**Budget**

50. According to APS, the Company has achieved the annual EE savings goals while spending less than the overall funds collected resulting in a balancing account containing approximately $36.5 million through September 2015.

51. APS proposes to maintain the current budget of approximately $68.9 million, approved by the Commission in Decision No. 74406, by reallocating funds in order to accommodate it proposed changes for 2015. APS anticipates collecting approximately $53.8 million from the DSMAC. With the addition of $10 million collected through base rates, the total collected for 2015 would be a total of $63.8 million.

52. In addition, APS currently has a balancing account of approximately $36.5 million of unallocated funds which have been collected but unspent. APS is proposing to use $5.1 million of the $36.5 million balancing account. Therefore, the total budget proposed by APS comes to $68.9 million for 2015. In its 2016 DSM Plan filed June 1, 2015, APS is proposing to apply the remaining unallocated funds to the DSM budgets over a five-year period.

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[3] The required savings of 3.00% for 2012 is calculated using the 2011 actual kWh sales (excluding resale) of 27,709,463,000 from APS's annual report filed with the Commission on April 15, 2012.

53. Further, APS is proposing to maintain the current Commission-approved DSMAC amounts ($0.001845/kWh and $0.696/kW). The table below compares the total budget that was approved for 2013/2014 and the proposed reallocated budget for 2015 and shows the estimated spending for 2015.

| **Energy Efficiency Programs** | **2013/2014 Approved EE** | **2015 APS Proposed** | **Difference Between Approved and Proposed** | **Estimated 2015 Year-End Spending** |
|---|---|---|---|---|
| **Residential** | | | | |
| Consumer Products | $7,524,000 | $9,026,468 | $1,502,468 | $9,391,468 |
| Residential HVAC | $5,900,000 | $6,521,000 | $621,000 | $7,310,000 |
| Home Performance w/ Energy Star | $5,108,000 | $4,223,720 | ($884,280) | $2,275,000 |
| New Construction | $3,151,000 | $4,765,000 | $1,614,000 | $5,121,400 |
| Appliance Recycling | $1,600,000 | $1,565,000 | ($35,000) | $1,200,000 |
| Conservation Behavior | $1,053,000 | $1,512,000 | $459,000 | $1,562,000 |
| Multi-Family | $1,653,000 | $1,947,174 | $294,174 | $1,747,174 |
| Prepaid[4] | N/A | $83,500 | $83,500 | $83,500 |
| Low/Limited Income Weatherization | $2,476,000 | $2,476,000 | $0 | $1,215,000 |
| **Total Residential** | **$28,762,000** | **$32,119,862** | **$3,357,862** | **$29,905,542** |
| **Non-Residential** | | | | |
| Large Existing Facilities | $17,834,000 | $18,617,552 | $783,552 | $18,325,000 |
| New Construction | $3,478,000 | $2,781,669 | ($696,331) | $2,637,000 |
| Small Business | $3,899,169 | $2,066,563 | ($1,832,606) | $2,009,000 |
| Schools | $2,599,000 | $2,991,023 | $392,023 | $2,846,000 |
| Energy Information Services | $77,000 | $101,120 | $24,120 | $69,000 |
| **Total Non-Residential** | **$27,887,169** | **$26,557,927** | **($1,329,242)** | **$25,886,000** |
| | | | | |
| **Total Energy Efficiency (Res and Non-Res)** | **$56,649,169** | **$58,677,789** | **$2,028,620** | **$55,791,542** |
| | | | | |
| **Demand Response/Load Management Programs** | **2013/2014 Approved DR/LM** | **2015 APS Proposed** | **Difference** | **Estimated 2015 Year-End Spending** |
| APS Peak Solutions | $2,200,000 | $2,002,739 | ($197,261) | $1,200,000 |
| Home Energy Information Pilot Program[5] | $2,816,685 | $800,000 | ($2,016,685) | $800,000 |
| Demand Response Marketing/MER of Rate Options[6] | $200,000 | $80,000 | ($120,000) | $0 |
| **Total Demand Response/Load Management** | **$5,216,685** | **$2,882,739** | **($2,333,946)** | **$2,000,000** |
| | | | | |
| Codes and Standards | $100,000 | $150,000 | $50,000 | $100,000 |
| Measurement Evaluation and Research | $2,300,000 | $2,100,000 | ($200,000) | $2,100,000 |
| Performance Incentive[7] | $4,634,000 | $5,089,472 | $455,472 | $5,089,472 |

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[4] Staff notes that the Prepaid Program was initially part of the HEI Pilot Program. As stated earlier in the document, APS terminated the remaining elements of the HEI Pilot in 2014.
[5] Remaining capital carrying costs associated with the HEI Pilot previously approved by the Commission.
[6] The spending/budgets for the Demand Response Marketing/MER of Rate Options includes the Super Peak Rate, Critical Peak Pricing Rates, Interruptible Rate, Peak Time Rebate Programs, and the Time-of-Use Rates.
[7] The proposed PI was calculated in accordance with the methodology approved in Decision No. 74406.

| | | | | |
|---|---|---|---|---|
| **Total C&S/MER/PI** | **$7,034,000** | **$7,339,472** | **$305,472** | **$7,289,472** |
| **Total EE, C&S/MER/PI, DR/Load Management** | **$68,899,854** | **$68,900,000** | **$146** | **$65,081,014** |

54. Staff notes that APS has the flexibility to shift up to 50% of budgeted funds from one program to another within the same sector (Residential or Non-Residential) per calendar year with the exception that funds cannot be shifted from Low/Limited Income Weatherization or Schools programs. In addition, APS has the ability to exceed any DSM program annual budget by up to 5 percent without prior Commission approval.

<u>Recommendations</u>

55. Staff recommends that APS maintain the current Commission-approved budget. However, Staff recommends the existing unallocated funds of approximately $36 million that have been collected, but unspent, be applied to the budget for 2015.

**Demand Side Management Adjustment Charge ("DSMAC")**

56. The DSMAC provides for the recovery of DSM program costs, including energy efficiency programs, demand response programs, and energy efficiency performance incentives. The DSMAC approved by the Commission collects funds to pay for the Commission approved energy efficiency programs prior to the program costs being incurred. The DSMAC is applied to Standard Offer and Direct Access service schedules as a monthly per kWh charge (Residential and General Service customers with non-demand billing service schedules) or kW demand charge (General Service customers with demand billing service schedules).

57. APS is proposing to maintain the current Commission approved DSMAC of $0.001845/kWh and $0.696/kW for 2015.

58. The table below shows the revenue requirement for the calculation of the 2015 DSMAC based on APS's proposed budget compared to the revenue requirement based on APS's revised proposed budget:

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| | APS Proposed | Staff Proposed |
|---|---|---|
| Total 2015 Budget | $68,900,000 | $68,900,000 |
| Amount Recovered in Base Rates | ($10,000,000) | ($10,000,000) |
| Amount of Collected but Unallocated Funds | (5,100,000) | (36,5,00,000) |
| **Total Revenue Requirement** | **$53,800,000** | **$22,400,000** |

*Recommendations*

59. Based on the Staff proposed budget using the unallocated funds and the revenue requirement for 2015, Staff recommends that the DSMAC should be reduced to $0.000822/kWh and $0.310/kW. This is a decrease from the current DSMAC of $0.001845/kWh and $0.696/kW. The amount of the DSMAC should be reviewed again in the 2016 DMS plan review.

**Staff Recommendations**

60. Below are Staff's recommendations regarding the proposed modifications, as discussed herein, to the APS 2015 DSM Plan.

- Staff has recommended approval of the Prepaid Program.
- Staff has recommended that the Prepaid Program remain as a pilot program until the operational and scalability concerns expressed by APS have been addressed. Given these issues, Staff believes that a fully implemented Prepaid Program prior to this change would be premature.
- Should the Commission grant APS approval of the Prepaid Program as a fully implemented DSM program, Staff has recommended that APS remove the restriction of the number of participants and make the program available to all eligible customers.
- Staff has recommended approval of the changes to the AutoPrepay option and the Prepay Service Agreement.
- Staff has recommended approval of the proposed projects included in APS's SSI Program.
- Staff has not recommended approval of allowing APS to include the impact of SSI Program projects in the determination of its EE achievement tier level for the PI.
- Staff has not recommended approval of including the savings from the CVR project in the calculation of the LFCR mechanism.

- Staff has recommended that the Shade Tree Program be suspended until further Order of the Commission.
- Staff has recommended approval of the expansion of the LED lighting measure.
- Staff has recommended approval of the revised minimum requirements for the BOP levels.
- Staff has recommended approval of the proposed increased Non-Residential Retro-Commission incentive cap from $20,000 to $100,000 with the 75% of project cost cap.
- Staff has recommended that APS maintain the current Commission-approved total budget of $68.9 million including the proposed reallocation of funds and the use of the $36.5 million of existing unallocated funds that have been collected, but unspent, for 2015.
- Staff has recommended that APS reduce the current Commission-approved DSMAC amounts of $0.000822/kWh and $0.310/kW.
- Staff has recommended that the APS 2015 DSM Plan as specified herein remain in effect until further Order of the Commission.

CONCLUSIONS OF LAW

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

2. The Commission has jurisdiction over Arizona Public Service Company and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated November 3, 2015, concludes that it is in the public interest to approve the Arizona Public Service Company 2013 Demand-Side Management Implementation Plan, as discussed herein.

ORDER

IT IS THEREFORE ORDERED that the Arizona Public Service Company continuance of its 2013 Demand-Side Management Implementation Plan through 2015 be and hereby is approved, as discussed herein.

IT IS FURTHER ORDERED that the Residential Prepaid Energy Conservation Program is approved.

IT IS FURTHER ORDERED that the Residential Prepaid Energy Conservation Program shall remain as a pilot program until the operational and scalability concerns expressed by APS have been addressed.

IT IS FURTHER ORDERED that should the Commission grant Arizona Public Service Company approval of the Residential Prepaid Energy Conservation Program as a fully implemented Demand-Side Management program, that Arizona Public Service Company shall remove the restriction of the number of participants and make the program available to all eligible customers.

IT IS FURTHER ORDERED the changes to the Residential Prepaid Energy Conservation Program AutoPrepay option and the Prepay Service Agreement are approved.

IT IS FURTHER ORDERED that the Systems Savings initiative Program is approved.

IT IS FURTHER ORDERED that Arizona Public Service Company shall not include the impact of Systems Savings initiative Program projects in the determination of its Energy Efficiency achievement tier level for the Performance Incentive.

IT IS FURTHER ORDERED that Arizona Public Service Company shall not include the savings from the Conservation Voltage Reduction project in the calculation of the Lost Fixed Cost Recovery mechanism.

IT IS FURTHER ORDERED that the Shade Tree Program shall be suspended until further Order of the Commission.

IT IS FURTHER ORDERED that the expansion of the Light Emitting Diode lighting measure is approved.

IT IS FURTHER ORDERED that the revised minimum requirements for the Builder Option Packages are approved.

IT IS FURTHER ORDERED that the increased Non-Residential Retro-Commission incentive cap of $100,000 with the 75% of project cost cap is approved.

IT IS FURTHER ORDERED that the current Commission-approved total budget of $68.9 million which includes the reallocation of current funds and the use of the $36.5 million of existing unallocated funds that have been collected but unspent, for 2015 is approved.

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IT IS FURTHER ORDERED that Arizona Public Service Company maintain the current Commission-approved Demand-Side Management Adjustment Charge amounts of $0.000822/kWh and $0.310/kW.

IT IS FURTHER ORDERED that the Arizona Public Service Company continuance of its 2013 Demand-Side Management Implementation Plan through 2015remain in effect until further Order of the Commission.

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

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

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, JODI A. JERICH, 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 ___________________, 2015.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: ___________________________

DISSENT: ______________________________

TMB:CLA:red\WVC

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