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BEFORE THE ARIZONA CORPORATION COMMISSION

SUSAN BITTER SMITH  
Chairman

BOB STUMP  
Commissioner

BOB BURNS  
Commissioner

DOUG LITTLE  
Commissioner

TOM FORESE  
Commissioner

Arizona Corporation Commission

DOCKETED

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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

DECISION NO. 75323

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).<sup>1</sup>

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<sup>1</sup> Decision No. 74406 also ordered that the 2013 DSM Plan apply to 2014.

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

6 **2015 DSM Plan**

7           4.       In its 2015 DSM Plan, APS proposes to continue its current Commission-approved  
8 DSM portfolio of programs and maintain the Commission-approved budget of \$68.9 million. In  
9 addition, APS is proposing to include the Residential Prepaid Energy Conservation Program as a fully  
10 implemented DSM program and add three new projects under the APS Systems Savings Initiative.

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

16 *A.   Residential Prepaid Energy Conservation Program*

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

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

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

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

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

14 Cost Effectiveness

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

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

21 Staff Recommendations

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

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

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

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

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

9     B.     *APS System Savings Initiative Program*

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

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

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

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

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

1 standard. In addition, APS will not count the net benefits of the projects when calculating the  
2 Performance Incentive ("PI").<sup>2</sup>

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

7 Cost Effectiveness

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

15 Staff Recommendations

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

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

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

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28 <sup>2</sup> 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.

Staff Recommendations

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.

<b>Residential Program</b>	<b>Benefit-Cost ratio</b>
MEEP-Direct Install	1.20
RHPES-Direct Install	1.18
RCP-Give Away	1.31
<b>Non-Residential Program</b>	<b>Benefit-Cost ratio</b>
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

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

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

8 41. BOP compliance is reached when the Home Energy Rating System ("HERS") rating  
9 meets or exceeds the minimum required HERS rating established for each BOP. The HERS is an  
10 index used to measure, test, and rate building performance. Projects must be tested by a certified  
11 HERS rater and assigned a HERS rating. The current and proposed minimum HERS index scores for  
12 each BOP is presented in the table below. APS is not proposing to change the incentive level at this  
13 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

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

22 Cost-Effectiveness

23 43. Below is a table showing the benefit-cost ratio of each of the proposed BOP levels.  
24 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



1 Staff Recommendations

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

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

4 45. Currently, non-residential programs offer incentives for retro-commissioning with a  
5 maximum of \$20,000 or 75% of the project cost, whichever is lower. APS states that this discourages  
6 larger retro-commissioning projects with significant potential energy savings because of the low  
7 \$20,000.

8 46. APS is proposing to increase the incentive for retro-commissioning from \$20,000 to  
9 \$100,000 or 75% of project cost, whichever is lower. The increased incentive maximum would  
10 encourage larger commissioning projects to be completed under non-residential programs.

11 Cost Effectiveness

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

14 Staff Recommendations

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

17 **Energy Savings**

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

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	2012	2013	2014	2015
Actual/Projected Sales (kWh)*	28,154,136,000	28,087,605,000	27,021,293,000	27,661,698,000
Required Savings (%)	3.00%	5.00%	7.25%	9.50%
Required Savings from Prior year Sales (kWh)	846,309,780	1,407,706,800	2,036,351,363	2,567,022,835
EE/DR Program Savings (kWh)**	551,027,000	537,786,000	496,606,000	539,000,000
Total Cumulative Savings (kWh)	992,361,000	1,530,147,000	2,026,753,000	2,565,753,000
Savings (%)	3.52%	5.43%	7.22%	9.50%
Difference Between Required Savings and Projected/Actual Total Cumulative Savings (kWh)	146,051,220	122,440,200	(9,598,362)	(1,269,835)

\*2012, 2013, and 2014 kWh sales represent actual sales from MER reports. 2015 kWh sales are estimated as provided in the 2015 DSM Plan.

\*\*Actual kWh savings based on MER 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 its 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.

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
<b>Residential</b>				
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 <sup>3</sup>	N/A	\$83,500	\$83,500	\$83,500
Low/Limited Income Weatherization	\$2,476,000	\$2,476,000	\$0	\$1,215,000
<b>Total Residential</b>	<b>\$28,762,000</b>	<b>\$32,119,862</b>	<b>\$3,357,862</b>	<b>\$29,905,542</b>
<b>Non-Residential</b>				
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
<b>Total Non-Residential</b>	<b>\$27,887,169</b>	<b>\$26,557,927</b>	<b>(\$1,329,242)</b>	<b>\$25,886,000</b>
<b>Total Energy Efficiency (Res and Non-Res)</b>	<b>\$56,649,169</b>	<b>\$58,677,789</b>	<b>\$2,028,620</b>	<b>\$55,791,542</b>
<b>Demand Response/Load Management Programs</b>	<b>2013/2014 Approved DR/LM</b>	<b>2015 APS Proposed</b>	<b>Difference</b>	<b>Estimated 2015 Year-End Spending</b>
APS Peak Solutions	\$2,200,000	\$2,002,739	(\$197,261)	\$1,200,000
Home Energy Information Pilot Program <sup>4</sup>	\$2,816,685	\$800,000	(\$2,016,685)	\$800,000
Demand Response Marketing/MER of Rate Options <sup>5</sup>	\$200,000	\$80,000	(\$120,000)	\$0
<b>Total Demand Response/Load Management</b>	<b>\$5,216,685</b>	<b>\$2,882,739</b>	<b>(\$2,333,946)</b>	<b>\$2,000,000</b>
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 <sup>6</sup>	\$4,634,000	\$5,089,472	\$455,472	\$5,089,472
<b>Total C&amp;S/MER/PI</b>	<b>\$7,034,000</b>	<b>\$7,339,472</b>	<b>\$305,472</b>	<b>\$7,289,472</b>

<sup>3</sup> 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.

<sup>4</sup> Remaining capital carrying costs associated with the HEI Pilot previously approved by the Commission.

<sup>5</sup> 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.

<sup>6</sup> The proposed PI was calculated in accordance with the methodology approved in Decision No. 74406.

1				
2	Total EE, C&S/MER/PI, DR/Load Management	\$68,899,854	\$68,900,000	\$146
				\$65,081,014

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

#### 8 Recommendations

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

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

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

20        57. APS is proposing to maintain the current Commission approved DSMAC of  
 21 \$0.001845/kWh and \$0.696/kW for 2015.

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

25		APS Proposed	Staff Proposed
26	Total 2015 Budget	\$68,900,000	\$68,900,000
27	Amount Recovered in Base Rates	(\$10,000,000)	(\$10,000,000)
	Amount of Collected but Unallocated Funds	(5,100,000)	(32,656,860)
28	<b>Total Revenue Requirement</b>	<b>\$53,800,000</b>	<b>\$26,243,140</b>

...

*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.

- 1       •     Staff has recommended approval of the revised minimum requirements for the BOP  
2       levels.
- 3       •     Staff has recommended approval of the proposed increased Non-Residential Retro-  
4       Commission incentive cap from \$20,000 to \$100,000 with the 75% of project cost cap.
- 5       •     Staff has recommended that APS maintain the current Commission-approved total  
6       budget of \$68.9 million including the proposed reallocation of funds and the use of the  
7       \$36.5 million of existing unallocated funds that have been collected, but unspent, for  
8       2015.
- 9       •     Staff has recommended that APS reduce the current Commission-approved DSMAC  
10      amounts of \$0.000822/kWh and \$0.310/kW.
- 11      •     Staff has recommended that the APS 2015 DSM Plan as specified herein remain in  
12      effect until further Order of the Commission.

### 13   **Schools Energy Efficiency ("EE") Pilot Program**

14       In order to better serve schools that cannot raise the necessary capital to participate in the  
15   current APS Schools Program, APS shall develop and implement a Schools EE Pilot Program within  
16   90 days of the effective date of this order. This Pilot Program is meant to supplement the current  
17   Schools Program and not meant to replace it.

18       The Schools EE Pilot Program will have a total budget of \$2 million over the two calendar  
19   years 2016 and 2017. This budget will come from DSMAC funds already collected, but currently  
20   unallocated, in the DSMAC balancing account.

21       Schools eligible to participate in the Schools EE Pilot Program will be determined based on  
22   the following criteria: 1) School must be in APS service territory; 2) School must be either a public or  
23   charter school for grades K-12; 3) School must demonstrate an inability to raise capital to fund the  
24   cost of the projects themselves; 4) School must have a significant opportunity for energy savings from  
25   energy efficiency retrofits. Priority will be given to schools that have not done any recent energy  
26   efficiency retrofits and have not received rebates from the existing Schools Program during the past 3  
27   years; and 5) School must have the ability to ensure a conducive partnership with APS for data and  
28   information gathering concerning the energy efficiency project.

1 APS shall identify and contact potentially eligible schools and subsequently confirm interested  
2 eligible schools. If the number of interested and eligible schools exceeds the estimated budget, APS  
3 shall conduct a lottery to select participating schools. Within 60 days following school selection, APS  
4 shall file a summary of the schools identification, confirmation, lottery and selection process and  
5 results.

6 To address these schools' inability to fund a portion of the cost of the energy efficiency  
7 project, APS will pay a customer rebate to the eligible schools for cost-effective measures installed that  
8 will cover 100% of the cost of the project. Individual public school districts or charter school  
9 organizations will not be allowed to receive a rebate of more than \$500,000 from these pilot program  
10 funds.

11 Energy savings from this pilot program will be subject to the same measurement, evaluation,  
12 and research ("MER") requirements that are being applied to the current Schools Program. All MER  
13 verified energy savings from this pilot program will be allowed to be counted toward the Arizona  
14 Energy Efficiency Standard currently in effect for APS.

15 Verified energy savings from this pilot program shall receive LFCR treatment consistent with  
16 the Plan of Administration and the Performance Incentive shall be calculated consistent with currently  
17 approved APS energy efficiency implementation plans.

18 Energy and demand savings, spending, program cost per kWh saved, and customer  
19 participation for this pilot program shall be reported by APS in the Annual Progress Report filed by  
20 March 1 of each year containing program results for the previous year.

#### 21 CONCLUSIONS OF LAW

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

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

26 3. The Commission, having reviewed the application and Staff's Memorandum dated  
27 November 3, 2015, concludes that it is in the public interest to approve the Arizona Public Service  
28 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 will continue as a pilot program.

IT IS FURTHER ORDERED that Arizona Public Service Company shall discontinue its Residential Prepaid Energy Conservation Pilot Program by December 31, 2016.

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 Arizona Public Service Company shall work with stakeholders to collaborate on ways to enhance the education and communication offerings for potential future prepaid programs in order to increase program effectiveness to ensure that customers fully understand the program and their options for how to reduce their energy bills and also to ensure the energy savings due to the education and communication offerings are documented in a reliable manner.

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.



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

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

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

7 IT IS FURTHER ORDERED that Arizona Public Service Company has the flexibility to  
8 offer cost-effective energy efficiency measures approved by the Commission for one specific Arizona  
9 Public Service Company program in any of its other Commission-approved programs so long as the  
10 measures would remain cost-effective when offered in those other programs, and its overall Demand  
11 Side Management budget would not be increased. Arizona Public Service Company should file  
12 documentation with the Commission demonstrating that the measure would remain cost-effective and  
13 its overall Demand Side Management budget would not be increased. The Arizona Public Service  
14 Company proposal would be effective in 45 days unless Staff or other stakeholders act to oppose the  
15 proposal and seek further Commission review.

16 IT IS FURTHER ORDERED that the current Commission-approved total budget of \$68.9  
17 million which includes the reallocation of current funds and the use of the \$5.1 million of existing  
18 unallocated funds that have been collected but unspent, for 2015 is approved.

19 IT IS FURTHER ORDERED that Arizona Public Service Company maintain the current  
20 Commission-approved Demand-Side Management Adjustment Charge amounts of \$0.001845/kWh  
21 and \$0.696/kW.

22 IT IS FURTHER ORDERED that Arizona Public Service Company shall implement the  
23 Schools EE Pilot Program, as described herein, within 90 days of the approval of this order.

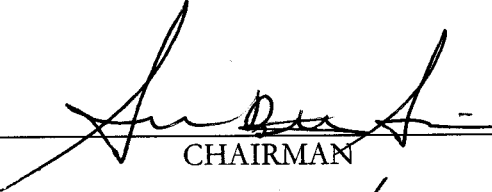
24 IT IS FURTHER ORDERED that the issue of the unallocated DSM funding that has been  
25 collected but unspent shall be considered during the Commission's review of the Arizona Public  
26 Service Company 2016 DSM Implementation Plan in 2016, and that the DSM funding allocation  
27 approach Arizona Public Service Company proposed in the 2016 Implementation Plan shall be  
28 considered as one option.

1 IT IS FURTHER ORDERED that within ten days, Arizona Public Service Company will file  
2 update kWh and kW charges consistent with the forgoing order.

3 IT IS FURTHER ORDERED that the Arizona Public Service Company continuance of its  
4 2013 Demand-Side Management Implementation Plan through 2015 remain in effect until further  
5 Order of the Commission.

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

7  
8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

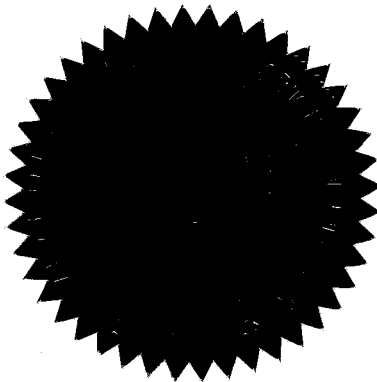
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11   
CHAIRMAN

  
COMMISSIONER

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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 25th day of November, 2015.

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JODI JERICH  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

TMB:CLA:red\WVC

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14 Ms. Janice M. Alward  
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16 Arizona Corporation Commission  
17 1200 West Washington Street

18 Mr. Dwight Nodes  
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