



**ADJUSTMENT SCHEDULE DSMAC-1
DEMAND SIDE MANAGEMENT COST ADJUSTMENT**

APPLICATION

The Demand Side Management Adjustment Charge (“DSMAC”) shall be applied monthly to every metered and/or non-metered retail Standard Offer or Direct Access service with the exception of customers served on rate schedules E-3 and E-4, and Solar-2. All provisions of the customer’s currently applicable rate schedule will apply in addition to this adjustment charge. The DSMAC is applied to Standard Offer or Direct Access customer’s bills as monthly charge to recover the cost of Commission approved demand side management programs above those costs included in base rates. The DSMAC will be changed in billing cycle 1 of the March revenue month and will not be prorated. The DSMAC and the RES adjustors may be combined on the customer’s bill and appear on the "Environmental Benefits Surcharge" line. Details of how the DSMAC is derived and administered can be found in the Demand Side Management Adjustment Charge Plan for Administration.

RATE

The charge shall be calculated at the following rate:

For all residential customers and general service customers whose billing does not include demand charges:

All kWh \$0.002717 per kWh

For general service customers whose billing includes demand charges:

All metered kW \$0.9685 per kW

SELF DIRECTION

Self direction of DSM charges collected through base rates and Adjustment Schedule DSMAC-1 shall be available for customers who use more than 40 million kWh per year, based on an aggregation of the usage for all the customer’s accounts for the January through December billing months in the year the request for self direction is made.

Qualifying customers who elect to self direct their DSM charges must notify APS on or before December 1st in each year that they wish to self direct. Upon such notification, and verification of eligibility by APS, 85% of the customer’s DSM charges paid over the January through December billing months in the election year will be reserved for tracking purposes for the customer’s eligible energy efficiency project(s) to be completed within two years. The remaining 15% will be retained to cover the self direction program administration, management and verification, measurement and evaluation, and low-income program costs.

Customers who elect to self direct must continue to pay the DSM charges in base rates and Adjustment Schedule DSMAC-1.

Self direction shall be provided in accordance with the Self Direction Provisions approved in Arizona Corporation Commission (Commission) Decision No. 71448, Attachment C to the Settlement Agreement as modified from time to time with Commission approval.

Self direction amounts shall be the DSMAC-1 charges billed over the election year plus the DSM charges recovered in base rates. The latter shall be calculated by multiplying the kWh billed for the System Benefits Charge in the customer’s current applicable rate schedule multiplied by \$0.000359 per kWh.