



Demand Side Management Adjustment Charge  
Plan of Administration

Table of Contents

1. General Description.....	1
2. Definitions.....	1
3. Rate Schedule Applicability.....	2
4. Performance Incentive (PI) .....	2
5. Determination of the Adjustor Charge.....	2
6. Review Process .....	4

1. General Description

This document describes the plan for administering the Demand Side Management Adjustment Charge (DSMAC) approved for Arizona Public Service Company (APS or Company) by the Arizona Corporation Commission (Commission) in Decision No. 67744, and later revised by the Commission in Decision Nos. 71448, 73183, 74406, 76295, 78317, and 79293. The DSMAC provides for the recovery of Demand Side Management (DSM) program costs, including energy efficiency (EE) and demand response (DR) programs, and DSM performance incentives. The DSMAC is applied to Standard Offer or Direct Access customer bills as a monthly kilowatt-hour charge (for Residential customers and General Service customers served in accordance with non-demand billed rate schedules), or kilowatt demand charge (for General Service customers served in accordance with demand billed rate schedules), unless the customer’s current rate has alternate provisions. The charges will be filed with the Commission annually when APS submits the DSM Implementation Plan (DSMIP) for approval which is scheduled to occur on June 1<sup>st</sup> of each year. If approved by the Commission, the charge will be effective each year beginning with billing cycle 1 of the March revenue month and will not be prorated.

Recovery of all applicable program costs and incentives will be allowed for all programs that have been approved by the Commission.

2. Definitions

**DSM Programs** – Any program approved in APS’s DSM Implementation Plan which can include EE, DR, load management and related programs.

**Performance Incentives (PI)** - Represents a percentage of the net economic customer benefits (benefits minus costs) from approved EE and DR programs based on a graduated scale that is capped at a maximum of \$/kWh of first-year savings achieved<sup>1</sup>.

<sup>1</sup>In Decision No. 79293 APS has been granted a waiver, under A.A.C R14-2-2419, of the language in A.A.C. R14-2-2404, A.A.C. R14-2-2405, and A.A.C. R14-2-2411 restricting performance incentive provisions to energy efficiency programs and providing a cap on the amount of demand response that can be counted toward achieving cumulative annual energy savings.



**Program Costs (PC)** - Allowable expenses include, but are not limited to: program development, implementation, promotion, administrative and general, training and technical assistance, marketing and communications, evaluation costs, monitoring and metering costs, advertising, educational expenditures, customer incentives, research and development, data collection (such as end-use), tracking systems, self-direction costs, measurement evaluation and research (MER), demonstration facilities and all other activities required to design and implement DSM programs that are approved by the Commission in the DSMIP. For those DSM programs that may generate revenue, the revenue, if any, will be credited back to the DSMAC. Unrecovered fixed costs will not be recoverable through the DSMAC.

**True-up (TU)** – A reconciling of authorized PC amounts from the previously approved DSMIP.

**3. Rate Schedule Applicability**

The DSMAC shall be applied monthly to every retail Standard Offer or Direct Access service, unless exempted by Commission order.

**4. Performance Incentive (PI)**

Calculated as percentage of net economic benefits from approved DSM programs based on a graduated scale and capped at a maximum \$/kWh of first-year savings achieved.

<b>Achievement Relative to Annual Goal Approved in APS’s DSM Implementation Plan</b>	<b>Performance Incentive as % of Energy Efficiency and Demand Response Net Benefits</b>	<b>Performance Incentive Cap*</b>
< 85%	0%	Performance Incentive Will Not Exceed \$0.0125/kWh Saved
85% to 95%	6%	
96% to 105%	7%	
> 105%	8%	

\*The PI cap is based on the annualized incremental first year EE savings generated plus the equivalent kWh of DR kW savings achieved

**5. Determination of the Adjustor Charge**

By June 1<sup>st</sup> of each year, APS will file a revised DSMAC with supporting documentation in the DSMIP. The DSMAC will be calculated by projecting PC and PI for the upcoming year, adjusted by the over or under collection of previous periods.



PLAN OF ADMINISTRATION  
DEMAND SIDE MANAGEMENT  
ADJUSTMENT CHARGE

---

The DSMAC calculation will be for purposes of recovering PC, and PI, under the DSM program and will be developed based on the following formula:

$$\text{DSMAC} = \frac{\text{PC} + \text{PI} + \text{TU} + \text{I}}{\text{Sales}}$$

Where:

- PC = Program Costs as defined in section 2 forecast for the plan year.
- PI = Performance Incentives as defined in section 2 forecast for the plan year.
- TU = Any “true-up” balance.
- I = Interest associated on any over recovery of DSMAC costs for the prior period. The interest rate is based on the one-year Nominal Treasury Maturities rate from the Federal Reserve H-15 or its successor publication. The interest rate shall be adjusted annually on the first business day of the calendar year.
- Sales = Forecast energy (kWh) sales under applicable electric rate schedules during the Adjustor Period in which this adjustor will be effective.
- Adjustor Period = The 12-month period beginning with the first billing cycle during March of the current year and ending with the last billing cycle of February of the next year.

The DSMAC for General Service customers that are billed on demand will be calculated as a per kW charge. The DSMAC for General Service customers that are not billed on demand will be calculated as a per kWh charge. To calculate the per kW charge, the recoverable costs shall first be allocated to the General Service class based upon the number of kWh consumed by that class. The remainder of the recoverable costs allocated to the General Service class shall then be divided by the kW billing determinants for the demand billed customers in that class to determine the per kW DSMAC.

For residential billing purposes, the DSMAC and the Renewable Energy Adjustment Charge (REAC) are combined and will appear on customer bills as the “Environmental Benefits Surcharge.” For general service and other non-residential customer billing, the Company may, but is not required to, provide for such combined billing of the REAC and DSMAC. In any event, each adjustor will be kept separate in the Company’s books, records, and reports to the Commission.

- a. In the event that PC are more or less than DSMAC revenues collected as of the last available period prior to filing, the over or under collection will be included in the TU balancing account. Any over collection will earn interest. Under collections will not accrue interest.



**6. Review Process**

The proposed DSMAC for use during a specific Adjustor Period will be calculated as shown in Section 5. APS will file an updated adjustor charge each year with its DSMIP. If approved by the Commission, changes in the DSMAC will go into effect on the first billing cycle of March in the Adjustor Period.