



0000085490

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
MIKE GLEASON – CHAIRMAN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

RECEIVED

2008 MAY 29 P 3:42

AZ CORP COMMISSION
DOCKET CONTROL

47
Arizona Corporation Commission

DOCKETED

MAY 29 2008

DOCKETED BY [Signature]

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-01933A-07-0401
TUCSON ELECTRIC POWER COMPANY'S)
REQUEST FOR APPROVAL OF ITS DEMAND-) **TUCSON ELECTRIC POWER**
SIDE MANAGEMENT RESIDENTIAL HVAC) **COMPANY'S COMMENTS ON**
RETROFIT PROGRAM) **STAFF'S REPORT AND**
) **PROPOSED ORDER**

Tucson Electric Power Company ("TEP" or the "Company"), through undersigned counsel, hereby submits its comments to the Arizona Corporation Commission ("Commission") Staff's Report and Recommended Opinion and Order ("ROO") for the TEP Residential HVAC Program. TEP generally supports the conclusions reached by Commission Staff and appreciates Commission Staff's effort and diligence in analyzing the Residential HVAC Retrofit Program. TEP would like to raise a few minor exceptions and modifications, however, as follows:

I. EXCEPTIONS.

Finding of Fact No. 7 – Proper Sizing Calculation

TEP agrees that requiring contractors to complete a proper sizing calculation as a condition for participation in the rebate program provides for potentially greater efficiency savings. However, although proper sizing of HVAC equipment with an Air Conditioning Contractors of America ("ACCA") Manual J calculation is an established industry best practice, the reality is that it is not standard practice in TEP's service territory at this time for contractors to perform these calculations on existing homes when equipment is replaced. At the present time, the Company believes the majority of the HVAC contractors in its territory are not sufficiently trained to readily and reliably perform the sizing calculations. Incorporation of the sizing requirement into the program offering will require a significant program investment to train HVAC contractors and

1 perform ongoing quality control. It will be necessary to develop a working relationship with
2 HVAC contractors and encourage them to conduct proper sizing as a condition of program
3 participation, and then offer formal training classes to these contractors.

4 TEP requests that the Commission allow two years to launch the program based on an
5 equipment-only rebate requirement. Over the initial two-year launch period, the Company will
6 initiate contractor training and education for the proper sizing requirement, and will provide
7 advance notice to contractors that this will be a program requirement in two years. The training
8 and education component in TEP's original program design was not intended to train HVAC
9 contractors to conduct sizing calculations, thus the Company believes that it will need time to
10 develop the infrastructure and train the contractors to perform this type of analysis on a regular and
11 reliable basis. If the sizing requirement is added to the HVAC Retrofit Program at this time and
12 TEP is instructed to implement the sizing requirement without adequate time to educate
13 contractors, participation in the program may be much lower than anticipated. TEP believes this
14 will lower the cost effectiveness of the residential HVAC program. HVAC contractors who are
15 unable or unwilling to provide the sizing calculations may not promote the program benefits to
16 potential customers.

17 The sizing component was not a part of the original program design because the size of
18 equipment installed on existing homes may not change during a retro-fit.

19 **Findings of Fact No. 8 – Incentives for 15 SEER**

20 The ROO proposes that rebates for both 14 SEER and 15 SEER HVAC systems be capped
21 at \$250. TEP is concerned that this recommendation would limit installation of higher efficiency
22 equipment and therefore reduce the potential program energy savings available from 15 SEER
23 units.

24 The rebate recommended by TEP for a 14 SEER unit is \$50 per ton. If TEP were to limit
25 the rebate to \$250, a customer could still install up to a five ton unit before reaching the cap. The
26 rebate recommended by TEP for a 15 SEER unit is \$75 per ton. A customer choosing to install the
27 higher efficiency equipment would be limited to a 3 ½ ton unit before reaching the cap. If a home

1 requires the installation of a unit larger than 3 ½ tons to meet the cooling requirements (which is
2 fairly common in Tucson), TEP believes that a customer would select the 14 SEER unit over the
3 15 SEER unit. This is likely to occur since (i) the incremental cost of the lower efficiency
4 equipment would be less, and (ii) the rebate from the utility would be less. TEP recommends that
5 the 15 SEER rebate cap be set at the higher amount of \$375 to encourage installation of higher
6 efficiency equipment.

7 **Findings of Fact No. 9 – Tax Rebates**

8 TEP agrees to a percentage cap on the incremental cost of the energy efficiency measure so
9 the customer is taking an ownership interest in the measure. However, administration of the
10 proposed cap that accounts for federal tax credits will be difficult on a per-customer basis. Many
11 items will need to be tracked before this process can be implemented. This includes the
12 availability of tax credits, an assumption of baseline equipment cost, income status, business status
13 (such as governmental or non-profit), the timing of filing for tax rebates versus the payment of
14 incentives, and whether the customer has already exceeded the tax credit limit on other energy
15 efficiency measures. TEP would be unable to commit to an exact incentive payment for each
16 customer until it knows whether the customer would file for the tax credit. TEP is willing to
17 develop a process that addresses Staff’s desire to take tax credits into account over time; however,
18 for the initial program launch, TEP requests that this requirement be put on hold for the time
19 being.

20 **II. CLARIFICATIONS.**

21 **Findings of Fact No. 8 – Incentives for 16 SEER and above**

22 TEP requests clarification related to the following:

- 23 1. The ROO proposes on page 2 that incentives be capped “at \$400 for 16 SEER
24 measures and above (should these become cost effective).”
- 25 2. On page 6 of the ROO “Staff recommends that, at this time, incentives be provided
26 for only 14 and 15 SEER level equipment.”

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

3. On page 3, item 8 of the Findings of Fact “Staff has also recommended that incentives be capped at a maximum of and at \$400 per unit for 16 SEER measures and above.”

If Staff intended for incentives to be provided for only 14 and 15 SEER equipment, TEP requests that if the customers choose to pay the incremental costs on their own, TEP will pay the same level of rebates allowed for 15 SEER units to customers choosing even higher efficiency ratings. TEP does not wish to penalize those customers who will still choose the higher cost equipment to help reduce operating cost.

Findings of Fact No. 23 – Projected Environmental Savings

TEP requests that the Projected Environmental Savings in the Finding of Fact No. 23 be changed as listed below to reflect the correct total lifetime estimated savings amounts.

Projected Lifetime Environmental Savings		
Type of Savings	Estimated Savings	Measured In:
CO2	164,566,134	lbs
Sox	188,368	lbs
NOx	312,896	lbs
Water	39,407,599	gallons

Findings of Fact No. 5 – Incentives

The incremental costs shown in the table for AC units are not the same incremental costs used by TEP in its calculations. Costs used by TEP and Staff are shown below:

Measure/Qualifying Criteria	Incremental Cost per ton (AC units) (Staff)	Incremental Cost per ton (AC units) (TEP)
14 SEER	\$66	\$61
15 SEER	\$189	\$121
16 SEER	\$322	\$182
17 SEER	\$370	\$242
18 SEER	\$463	\$303

The higher incremental costs used by Staff lead to a lower benefit-cost analysis and cause the higher efficiency equipment to fail the Societal Cost Test. In the Staff Report, the incremental costs for 17 and 18 SEER came from the DEER database. TEP would like to verify where the

1 incremental costs for 14, 15 and 16 SEER came from.

2 **II. CONCLUSION.**

3 WHEREFORE, for all of the foregoing reasons, TEP submits these comments for the
4 Commission's consideration.

5 RESPECTFULLY SUBMITTED this 29th day of May 2008.

6

7

TUCSON ELECTRIC POWER COMPANY.

8

9

By  _____

10

Michelle Livengood
One South Church Avenue, Suite 200
Tucson, Arizona 85701

11

12

and

13

14

Michael W. Patten
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

15

16

17

Attorneys for Tucson Electric Power Company

18

19

Original and 13 copies of the foregoing
filed this 29th day of May 2008 with:

20

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

21

22

23

Copy of the foregoing hand-delivered/mailed
this 29th day of May 2008 to:

24

C. Webb Crockett
Patrick J. Black
FENNEMORE CRAIG, PC
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012-2913

25

26

27

1 Scott Wakefield, Esq.
2 RUCO
3 1110 West Washington, Suite 220
4 Phoenix, Arizona 85007

5 Timothy M. Hogan
6 Arizona Center for
7 Law in the Public Interest
8 202 E. McDowell Road, Suite 153
9 Phoenix, Arizona 85004

10 Jeff Schlegel
11 SWEEP Arizona Representative
12 1167 W. Samalayuca Drive
13 Tucson, Arizona 85704

14 David Berry
15 Western Resource Advocates
16 P. O. Box 1064
17 Scottsdale, Arizona 85252

18 Lyn Farmer, Esq.
19 Chief Administrative Law Judge
20 Hearing Division
21 Arizona Corporation Commission
22 1200 West Washington
23 Phoenix, Arizona 85007

24 Janice M. Alward
25 Chief Counsel, Legal Division
26 Arizona Corporation Commission
27 1200 West Washington
Phoenix, Arizona 85007

Ernest G. Johnson, Esq.
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

21

22

23

24

25

26

27

By 