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BEFORE THE ARIZONA CORPORATION COMMISSION

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Commissioner
KRISTIN K. MAYES
Commissioner
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Commissioner

Arizona Corporation Commission

DOCKETED

JUN 13 2008

DOCKETED BY [signature]

IN THE MATTER OF THE APPLICATION)
OF TUCSON ELECTRIC POWER)
COMPANY FOR APPROVAL OF ITS)
DEMAND-SIDE MANAGEMENT)
PROGRAMS FOR YEARS 2008 - 2012)
COMPACT FLUORESCENT LAMP)
BUYDOWN PROGRAM)

DOCKET NO. E-01933A-07-0401
DECISION NO. 70383
ORDER

Open Meeting
June 3 and 4, 2008
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company ("TEP" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On July 2, 2007, Tucson Electric Power Company filed its demand-side management ("DSM") Portfolio of programs for the years 2008 through 2012 ("Filing"). Ten Programs were included in the Filing, including the Compact Fluorescent Lamp ("CFL") Buy-Down Program ("Program") which is addressed here.

3. The Filing was made in Docket No. E-01933A-07-0401 and provides the Commission with information concerning TEP's existing and proposed DSM programs as required by Commission Decision No. 69568.

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1 Program Summary

2 4. TEP's CFL Buydown Program would promote high-efficiency lighting. The
3 Company, along with an outside implementation contractor, would negotiate discount pricing from
4 CFL manufacturers and retailers (up-stream buy-down) through incentives paid to the
5 manufacturer.¹ Customers would be referred to participating retailers to purchase qualifying
6 products. Qualifying CFL products would carry the ENERGY STAR® label. Discount pricing
7 would be passed on to consumers through a negotiated agreement with lighting manufacturers and
8 retailers. The Program would also provide consumer education, and sales training for participating
9 retailers, including in-store point-of-sale displays. The Program would be administered by an
10 outside implementation contractor.

11 5. Although the Program would be available to all TEP customers, the target market is
12 TEP's residential and small commercial customers. Compact fluorescent lamps are substantially
13 more expensive than traditional incandescent lamps, which is a barrier to their widespread use. By
14 providing this discount program, TEP could expect greater use of CFLs, and along with customers,
15 would see savings from reduced power and energy use.

16 Program Implementation

17 6. To execute the Program, TEP would work with key partners including:

- 18 - The implementation contractor;
19 - Lighting manufacturers;
20 - Lighting retailers; and
- Local organizations that could help promote the Program.

21 7. The Program would be implemented by a third party implementation contractor.
22 TEP would solicit participation of lighting manufacturers in the Program through an RFP process.

23 Implementation contractor responsibilities would include:

- 24 - Soliciting of discount pricing from manufacturers in conjunction with TEP;
25 - Identifying and coordinating with selected retail outlets;

26 ¹ It has been the experience of DSM programs in other areas that benefits are greater when the incentives are paid to
27 the manufacturer, who then provides greater savings to the retailer who in turn provides even greater savings to the
28 consumer. This is the same program structure as used by Arizona Public Service for its CFL program.

- Training retail outlet sales and management staff; and
- Tracking Program progress and reporting to TEP.

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3 8. The tracking of Program progress, or Evaluation, Measurement, and Verification
4 (“EM&V”), would include monitoring and reviewing to determine CFL shipments and sales and to
5 assess CFL costs represented in the agreements signed with manufacturers or retailers. Store
6 locations of retailers participating in the program will be used to assess leakage rate, or the number
7 of lamps sold through participating retailers that may be installed outside of the TEP service area.
8 Leakage can occur when a store is located near other utility service territories; lamps sold at these
9 retailers may be installed outside the TEP service area.

10 9. CFL cost data may be collected from both participating and non-participating
11 retailers through the use of on-site cost surveys. These on-site costs will be compared to costs
12 represented in the agreements to be signed with manufacturers or retailers to confirm that CFL
13 costs represented in program agreements are consistent with current CFL market costs. On-site
14 data collection at participating customer sites may be initiated to assess CFL operating hours and
15 service life.

16 10. The Company would consider the sale of 300,000 CFLs per year to represent
17 Program success.

18 11. TEP itself would provide overall Program management, marketing, quality control,
19 and evaluation, and would also provide Program marketing and customer awareness through
20 strategies such as:

- 21 - Promotions on the TEP website concerning the benefits of energy-efficient
22 lighting products and announcement of special pricing and promotional events;
- 23 - Advertising in major newspapers and other selected print media in the TEP
24 service region to raise awareness of the availability of the Program and attract
25 customers to participating retail outlets;
- 26 - Working with the implementation contractor to develop and coordinate point-
27 of-sale advertising at participating retail outlets; and
- 28 - General ongoing promotion of the ENERGY STAR® label and the value of
ENERGY STAR® lighting and appliances.

1 12. The implementation contractor would provide general program marketing in
2 conjunction with TEP marketing efforts including:

- 3 - Development of point-of-sale marketing displays with participating retailers to
4 promote the benefits of qualifying products and announce special pricing and
5 promotional events;
- 6 - Scheduling and coordination of special pricing and promotional events with
7 participating retailers;
- 8 - Assistance with responding to customer inquiries about the Program and where
9 to purchase qualifying products;
- 10 - Training participating retailers on communicating the availability and benefits
11 of qualifying products to their customers; and
- 12 - Providing information concerning proper disposal of CFLs. TEP would
13 publish proper disposal information as required by Arizona law and proper
14 practice. Recycling would be encouraged. A list of recycling centers in the
15 Tucson area would be included. The proper way to seal and dispose of old
16 CFLs in domestic trash would also be included.

17 13. The Program advertising campaign would communicate that energy-efficient
18 lighting products help reduce customer energy bills, provide equal or better lighting quality, last up
19 to 10 times longer requiring fewer replacements, and benefit the environment by reducing energy
20 use.

21 Budget And Energy Savings

22 14. TEP proposes a budget for year 2008 for the Program of \$700,000. The major
23 portion of the budget is the incentive payments themselves, making up 67.6 percent of the total.
24 TEP expects to expand the Program by 3 percent per year.

25 15. Of the \$700,000 first-year budget, the non-incentive portion is \$226,500. Of that
26 amount, \$160,000, or 70 percent, is budgeted for the implementation contractor.
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Table 1
Compact Fluorescent Lamp Buydown Program
Year 2008 Budget

Managerial & Clerical	\$17,448	Incentives	\$473,480
Travel & Direct Expenses	914	Hardware & Materials	5,320
Overhead	37,638	Rebate Processing and Inspection	53,200
Total Administrative Cost	56,000	Total Direct Costs	532,000
Internal Marketing	42,000	Evaluation, Measurement, and Verification ("EM&V")	15,684
Subcontract Marketing	42,000	EM&V Overhead	12,316
Total Marketing	84,000	Total EM&V	28,000
		Total 2008 Budget	\$700,000

16. Analyses show that the Program would provide demand savings of .004 kW and energy savings of 35 kWh annually, on average, per lamp. Table 2 shows TEP's projected sales of new CFLs under the Program, along with the total annual demand and energy savings resulting.

Table 2
CFL Buydown Program
Projected CFL Sales, Demand and Energy Reductions

Year	2008	2009	2010	2011	2012
Projected CFL Sales	305,471	314,635	324,074	333,796	343,810
Demand Reduction Coincident with TEP Peak (kW)	1,147	1,181	1,217	1,253	1,291
Energy Use Reduction (kWh)	9,796,898	10,090,805	10,393,530	10,705,335	11,026,495

17. Demand and energy savings from replacement of an incandescent lamp with a CFL are shown in Table 3. The lamps are the typical CFL replacement for a given incandescent lamp to provide the same level of lighting. The reduction in energy use shown is TEP's estimated annual kWh saved due to the replacement of an incandescent lamp with a CFL assuming typical hours use.

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Table 3
Demand and Energy Savings from CFL replacement

Watts per Lamp		Annual kWh Reduction
Incandescent	CFL	
40W	16W	20 kWh
60W	22W	32 kWh
75W	27.5W	41 kWh
100W	43.5W	48 kWh

18. Table 3 data exclude line losses, so represent savings that customers will experience. Weighted averages of these data indicate annual energy savings of 35 kWh including line losses, or 32 kWh to the customer.

Benefit/Cost Analysis

19. The Commission's 1991 Resource Planning Decision established the Societal Test as the methodology to be used for determining the cost-effectiveness of a DSM program. Under the Societal Test, in order to be cost-effective, the ratio of benefits to costs must be greater than one. That is, the incremental benefits to society of a program must exceed the incremental cost of having the program in place. Societal costs for a DSM Program include the cost of the measure and the cost of implementing the program, excluding rebates. The societal benefits of the program include deferred or avoided generation capacity and energy costs. Other benefits of a program may include reduced water consumption and emissions although they may not be monetized.

20. Staff's benefit/cost analysis has concluded that the Program is cost-effective and would result in approximately \$5.6 million in net benefits to society over the life of the measure, with a benefit/cost ratio of 1.6.

21. TEP has projected environmental benefits as shown in Table 4.

Table 4
Projected Environmental Benefits

Water	26,006,532 Gallons
SO _x	124,311 lbs
NO _x	206,492 lbs
CO ₂	108,603,278 lbs

ORDER

IT IS THEREFORE ORDERED that Tucson Electric Power Company's Compact Fluorescent Lamp Buydown Program be and hereby is approved, as discussed herein.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, 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 13th day of June, 2008.

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT: Lawrence V. Gleason

DISSENT: _____

EGJ:JJP:lhm/JFW

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