

OPEN MEETING



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ORIGINAL

MEMORANDUM

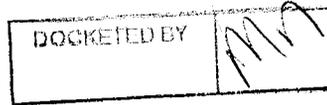
Arizona Corporation Commission

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MAY 12 2009



AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: May 12, 2009

RE: TUCSON ELECTRIC POWER - APPLICATION FOR APPROVAL OF A PROPOSED DEMAND-SIDE MANAGEMENT TARGETED BASELINE STUDY (DOCKET NO. E-01933A-09-0128)

On March 17, 2009, Tucson Electric Power Company ("TEP" or "the Company") filed an application for approval of its proposed demand-side management ("DSM") targeted baseline study ("Baseline Study"), and to recover the cost of the Baseline Study through the Company's DSM Surcharge, or adjustor rate.

The purpose of the Baseline Study is: (i) to evaluate existing energy efficiency, or DSM¹ programs; (ii) to identify new energy efficiency, or DSM, program opportunities; and (ii) to provide Arizona-based estimates on costs and savings, so that programs can be accurately screened for cost-effectiveness.

The Company has identified four primary areas of research: (i) Baseline Efficiency Characteristics, Market Availability and Customer Penetration Rates; (ii) DSM Measure Incremental Costs; (iii) Baseline Profiles of Key Customer Market Segments; and (iv) Market Assessment Review of Key DSM Sectors.

To limit costs and enhance efficiency, UniSource Energy Corporation, the parent company of TEP, UNS Gas and UNS Electric, requested an estimate from an existing DSM contractor² for a study encompassing all three companies. The resulting estimate was based on performing the Baseline Study for all three companies at once, to take advantage of combined travel, training and on-site analysis. Performing a study on only one or two companies would be less economically efficient and would result in increased per-company costs. UniSource has asked that the Baseline Study funding be approved for all three companies, so that the economic benefit of doing a combined study is preserved.

¹ DSM is the planning, implementation, and evaluation of programs to shift peak load to off-peak hours, to reduce peak demand ("kW") and/or to reduce energy consumption ("kWh" or "therms") in a cost-effective manner. DSM may include energy efficiency, load management, and demand response.

² The Company states that Summit Blue was selected to perform the Baseline Study because they are already performing Measurement, Analysis and Research on the UniSource DSM programs and are familiar with the existing DSM portfolios for TEP, UNS Gas and UNS Electric.

The total estimate for a Baseline Study covering TEP, UNS Gas and UNS Electric is \$590,550; \$293,324 of this amount is associated with the TEP component of the DSM Targeted Baseline Study. The \$293,324 estimate is based on the number of hours it would take to complete the baseline study in TEP's territory.

The increased cost, per kWh, of the Baseline Study for TEP would be \$0.000031, resulting in an approximately 3.5 cent per month increase on a typical summer bill and a two cent increase on a typical winter bill, if the entire cost of the Baseline Study were recovered in a single year.³

Staff recommends that the Commission approve cost recovery for the TEP component of the DSM Targeted Baseline Study. The proposed study will: (i) provide a basis for evaluating and enhancing the Company's energy efficiency programs; (ii) assist in identifying new efficiency programs or measures; and (iii) provide a standard against which to measure the progress of the Company's DSM programs in meeting energy efficiency goals.

To limit costs, Staff recommends that recovery for the TEP component of the Baseline Study be capped at \$294,000.

Staff recommends that the DSM Targeted Baseline Study (encompassing TEP, UNS Gas and UNS Electric) be filed with the Utilities Division once it is completed.

Summary of Staff Recommendations

- Staff recommends that the application for cost recovery for the TEP component of the Demand-Side Management Targeted Baseline Study be approved.
- Staff recommends that cost recovery for the TEP component of the Baseline Study be capped at \$294,000.

³However, the Company is initially proposing to recover only \$57,585 (20%) of the cost of the Baseline Study for TEP; this would result in increases of less than a cent on both typical summer and winter bills during the 2009-2010 program year, and an increase to approximately three cents in summer and two cents in winter in the following year.

THE COMMISSION

May 12, 2009

Page 3

- Staff recommends that the completed DSM Targeted Baseline Study (encompassing, TEP, UNS Gas and UNS Electric) be filed with the Utilities Division once it is completed.

for 

Ernest G. Johnson
Director
Utilities Division

EGJ:JMK:lhm\NS

ORIGINATOR: Julie McNeely-Kirwan

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BEFORE THE ARIZONA CORPORATION COMMISSION

- KRISTIN K. MAYES
Chairman
- GARY PIERCE
Commissioner
- PAUL NEWMAN
Commissioner
- SANDRA D. KENNEDY
Commissioner
- BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION
OF TUCSON ELECTRIC POWER
COMPANY FOR APPROVAL OF A
PROPOSED DEMAND-SIDE
MANAGEMENT TARGETED BASELINE
STUDY

DOCKET NO. E-01933A-09-0128
DECISION NO. _____
ORDER

Open Meeting
May 27 and 28, 2009
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company (“TEP” or “the Company”) is engaged in providing electric power within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.
2. On March 17, 2009, TEP filed an application for approval of its proposed demand-side management (“DSM”) targeted baseline study (“Baseline Study”), and to recover the cost of the Baseline Study through the Company’s DSM Surcharge, or adjustor rate.
3. The purpose of the Baseline Study is: (i) to evaluate existing energy efficiency, or DSM¹ programs; (ii) to identify new energy efficiency, or DSM, program opportunities; and (ii) to

¹ DSM is the planning, implementation, and evaluation of programs to shift peak load to off-peak hours, to reduce peak demand (“kW”) and/or to reduce energy consumption (“kWh” or “therms”) in a cost-effective manner. DSM may include energy efficiency, load management, and demand response.

1 provide Arizona-based estimates on costs and savings, so that programs can be accurately screened
2 for cost-effectiveness.

3 4. The Company has identified four primary areas of research: (i) Baseline Efficiency
4 Characteristics, Market Availability and Customer Penetration Rates; (ii) DSM Measure
5 Incremental Costs; (iii) Baseline Profiles of Key Customer Market Segments; and (iv) Market
6 Assessment Review of Key DSM Sectors.

7 5. To limit costs and enhance efficiency, UniSource Energy Corporation, the parent
8 company of TEP, UNS Gas and UNS Electric, requested an estimate from an existing DSM
9 contractor² for a study encompassing all three companies. The resulting estimate was based on
10 performing the Baseline Study for all three companies at once, to take advantage of combined
11 travel, training and on-site analysis. Performing a study on only one or two companies would be
12 less economically efficient and would result in increased per-company costs. UniSource has asked
13 that the Baseline Study funding be approved for all three companies, so that the economic benefit
14 of doing a combined study is preserved.

15 6. The total estimate for a Baseline Study covering TEP, UNS Gas and UNS Electric
16 is \$590,550; \$293,324 of this amount is associated with the TEP component of the DSM Targeted
17 Baseline Study. The \$293,324 estimate is based on the number of hours it would take to complete
18 the baseline study in TEP's territory.

19 7. The increased cost, per kWh, of the Baseline Study for TEP would be \$0.000031,
20 resulting in an approximately 3.5 cent per month increase on a typical summer bill and a two cent
21 increase on a typical winter bill, if the entire cost of the Baseline Study were recovered in a single
22 year.³

23 ...

24 _____

25 ² The Company states that Summit Blue was selected to perform the Baseline Study because they are already
26 performing Measurement, Analysis and Research on the UniSource DSM programs and are familiar with the existing
DSM portfolios for TEP, UNS Gas and UNS Electric.

27 ³ However, the Company is initially proposing to recover only \$57,585 (20%) of the cost of the Baseline Study for
28 TEP; this would result in increases of less than a cent on both typical summer and winter bills during the 2009-2010
program year, and an increase to approximately three cents in summer and two cents in winter in the following year.

1 IT IS FURTHER ORDERED that the completed DSM Targeted Baseline Study
2 (encompassing, Tucson Electric Power Company, UNS Gas, Inc. and UNS Electric, Inc.) be filed
3 with the Utilities Division once it is completed.

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

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6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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8 CHAIRMAN

COMMISSIONER

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11 COMMISSIONER

COMMISSIONER

COMMISSIONER

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IN WITNESS WHEREOF, I, Michael Kearns, Interim
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 _____ day of _____, 2009.

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MICHAEL KEARNS
INTERIM EXECUTIVE DIRECTOR

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DISSENT: _____

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DISSENT: _____

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EGJ:JMK:lhmnNS

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1 SERVICE LIST FOR: Tucson Electric Power Company
2 DOCKET NO. E-01933A-09-0128

3 Mr. Philip Dion
4 UniSource Energy Corporation
5 One South Church Avenue, Suite 200
6 Tucson, Arizona 85701-1623

7 Mr. Ernest G. Johnson
8 Director, Utilities Division
9 Arizona Corporation Commission
10 1200 West Washington Street
11 Phoenix, Arizona 85007

12 Ms. Janice M. Alward
13 Chief Counsel, Legal Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007

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