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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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ARIZONA CORPORATION COMMISSION
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IN THE MATTER OF THE APPLICATION)
OF TUCSON ELECTRIC POWER)
COMPANY'S REQUEST FOR APPROVAL)
OF ITS DEMAND-SIDE MANAGEMENT)
RESIDENTIAL HVAC RETROFIT)
PROGRAM)

DOCKET NO. E-01933A-07-0401

**NOTICE OF FILING DATA IN
COMPLIANCE WITH DECISION
NO. 70376**

Tucson Electric Power Company. ("TEP" or the "Company"), through undersigned counsel, hereby files its data demonstrating the cost effectiveness of the 16 SEER and above units in compliance with Decision No. 70376 (June 13, 2008).

I. INTRODUCTION.

In Decision No. 70376 approved TEP's Residential HVAC Retrofit Program as part of the Company's Demand-Side Management ("DSM") Portfolio for 2008 through 2012 ("DSM Portfolio"). Decision No. 70376 stated:

IT IS FURTHER ORDERED that by September 30, 2009 Tucson Electric Power Company shall submit data to Docket Control demonstrating the cost-effectiveness of the 16 SEER and above units and Staff shall review and report on this data by November 15, 2009.

The data for the new 16 SEER and above cost-effectiveness calculation is in electronic format and is being filed directly with Arizona Corporation Commission ("Commission") Staff.

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II. HISTORY.

In the original program filing, TEP requested higher incentive offerings for 16 SEER and above HVAC equipment than the incentives offered for 14 or 15 SEER air conditioners (“AC”) and heat pumps. Commission Staff’s analysis during this time indicated a cost-benefit ratio of 1.1 for 14 or 15 SEER equipment, but due to comparatively high incremental costs, Commission Staff concluded that the AC and heat pump measures were not cost-effective for 16 SEER and above units. Therefore, Commission Staff recommended that incentives be provided only for 14 and 15 SEER ACs and heat pumps.

During the open meeting, the Commission debated whether offering incentives for lower-efficiency equipment and not for higher efficiency equipment would send the wrong message to customers. As a result, the Decision ordered that incentives be capped at a maximum of \$250 for 14 SEER and above measures and requested updated cost-effectiveness information for 16 SEER and above equipment.

III. NEW 16 SEER COST EFFECTIVENESS STUDY.

The cost data for the TEP study was provided by four (4) Tucson area contractors. Two (2) of the four (4) contractors were participants in the TEP residential AC rebate program, while two (2) were non-participating contractors. Contractors were asked to provide information on the most common types of units being sold, including manufacturers, sizes, and SEER ratings.

When the contractors responded, they stated the following:

- In most cases they sell Tier 3 manufacturers such as Day & Night and Goodman.
- The industry is in the process of phasing out R-22 refrigerant to be replaced with R-410A units.

All of the pricing information provided was for R-410a, but it was stated that on average to upgrade from an R-22 system to R-410a is roughly an additional \$100. All pricing reflects single-phase units. The cost information was reported as ranges that include both heat pumps

1 and gas/electric split AC systems. All of the cost estimates from the contractors were reported in
2 ranges by SEER and tonnage and labor was included in the cost estimates. Further, variables
3 that may affect pricing, and for which data was not collected include: the number of
4 compressors; and accessories and add-ons.

5 The new cost data for 16 SEER, 18 SEER and 20 SEER ACs show that incremental costs
6 are even higher than costs used in TEP's original program filing. Using the updated cost and
7 efficiency data in addition to the updated 2009 avoided cost information; TEP calculated the
8 cost-effectiveness of the 16 to 20 SEER equipment. The significant increase in incremental costs
9 of the high efficiency equipment is detrimental to the cost-effectiveness calculation. As shown
10 in the data filed with Commission Staff, none of the units met the TRC Test.

11 However, in the near future, TEP will file an application for an expanded Residential
12 Efficiency Program that will evaluate the benefits of duct sealing, early retirement of HVAC
13 equipment, quality installation, as well as air-sealing and insulation. If approved, it will
14 supersede program requirements in the current Residential HVAC Retrofit Program.

15
16 **IV. CONCLUSION.**

17 In compliance with Decision No. 70376, TEP hereby files data demonstrating the cost
18 effectiveness of the 16 SEER and above units.

19
20 RESPECTFULLY SUBMITTED this 30th day of September 2009.

21
22 Tucson Electric Power Company

23 By 

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Attorney for Tucson Electric Power Company

1 Original and 13 copies of the foregoing
2 filed this 30th day of September 2009 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
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7 Copy of the foregoing hand-delivered/mailed
8 this 30th day of September 2009 to:

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