

OPEN MEETING AGENDA ITEM



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Tucson Electric Power Company

One South Church, P.O. Box 711
Tucson, AZ 85702

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ORIGINAL

April 1, 2010

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

APR -1 2010

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

DOCKETED BY	MM
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Re: **Demand-Side Management Surcharge Rider R-2.**
Docket Nos. E-01933A-07-0402, E-01933A-05-0650, Decision No. 70628

Pursuant to Decision No. 70628 (December 1, 2008) Tucson Electric Power Company ("TEP") hereby submits its Demand-Side Management Surcharge ("DSMS") Rider R-2, for filing and approval. A clean and redlined DSMS Pricing Plan is attached. The purpose of this filing is to seek Commission approval to revise the DSMS effective June 1, 2010. The requested DSMS is \$0.001369 per kWh and will replace the current rate of \$0.000831 per kWh, which was effective on customer bills beginning June 1, 2009.

The proposed DSMS of \$0.001369 consists of program-to-date expenditures and 2010 budgeted costs. The program-to-date expenditures and 2010 budgeted costs consist of costs for the following: Education and Outreach Program; Low-Income Weatherization Program; Guarantee Home Program; Efficient Home Cooling Program; Shade Tree Program; Energy Star Lighting (CFL) Program; Non-Residential Existing Facilities Program; Small Business Program; Efficient Commercial Building Design Program; CC&B Database Development and the TEP Baseline Study. The program-to-date expenditures also include costs for Measurement, Evaluation and Research.

The 2010 budgeted costs include expenses for the DSM Programs listed above in addition to a Residential and Small Commercial Direct Load Control ("DLC") Program, a Commercial and Industrial ("C&I") DLC Program and Performance Incentives for DSM Programs. TEP has filed application(s) for a C&I DLC Program and a pilot Residential and Small Commercial DLC Program. As part of the pilot Residential and Small Commercial DLC Program, TEP will be studying the use of In-home Displays as a means of affecting customer behavior. Moreover, TEP plans to utilize cutting edge energy efficiency research as generated by groups like OPOWER to influence customer behavior with the hopes of reducing energy use. TEP will continue to research other DSM programs and technologies in anticipation of increasing its existing DSM Portfolio, including a refrigerator/freezer recycling program, and a Zero-Net Energy component to the existing TEP Guarantee Home Program.

TEP is requesting recovery of its incremental Fixed Cost Recovery Deficiency due to expansion of its DSM programs in 2010 in anticipation of enactment of the Commission's proposed Energy Efficiency Rules. TEP's 2010 DSM expansion will result in an estimated additional sales reduction of 18,520,000 kWh compared to 2009, resulting in a Fixed Cost Recovery Deficiency of \$1,111,200. TEP also plans to request recovery of its incremental Fixed Cost Recovery Deficiency above the 2009 Energy Efficiency levels due to these programs in future DSM adjustor filings.

If you have any questions, please contact me at (520) 884-3680.

Respectfully Submitted,



Jessica Bryne
Regulatory Services

cc: Steve Olea, ACC
Barbara Keene, ACC
Compliance, ACC



**Rider R-2
Demand Side Management Surcharge (DSMS)**

A UniSource Energy Company

APPLICABILITY

The Demand Side Management Surcharge ("DSMS") applies to all customers, except those customers who take service under the Residential Lifeline Discount or Residential Lifeline/Medical Life-Support Discount pricing plans, in all territory served by the Company as mandated by the Arizona Corporation Commission, unless otherwise specified. Lifeline and Lifeline Medical customers are exempt from DSM Surcharges effective June 1, 2009.

RATE

The DSMS shall be applied to all monthly net bills at the following rate:

All kWhs \$0.001369 per kWh

REQUIREMENTS

The TEP DSMS will be calculated and filed with the Arizona Corporation Commission (ACC) for approval on or before April 1st. The ACC will approve the surcharge to be billed to all applicable pricing plans for twelve (12) months beginning each June 1.

TAX CLAUSE

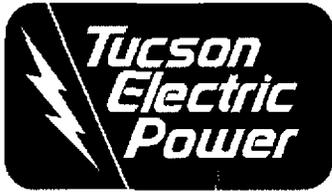
To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file from time to time with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire ElectricService Area

Tariff No.: Rider R-2 DSMS
Effective: June 1, 2010
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**Rider R-2
Demand Side Management Surcharge (DSMS)**

A UniSource Energy Company

APPLICABILITY

The Demand Side Management Surcharge ("DSMS") applies to all customers, except those customers who take service under the Residential Lifeline Discount or Residential Lifeline/Medical Life-Support Discount pricing plans, in all territory served by the Company as mandated by the Arizona Corporation Commission, unless otherwise specified. Lifeline and Lifeline Medical customers are exempt from DSM Surcharges effective June 1, 2009.

RATE

The DSMS shall be applied to all monthly net bills at the following rate:

All kWhs	\$0.0013690834 per kWh
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REQUIREMENTS

The TEP DSMS will be calculated and filed with the Arizona Corporation Commission (ACC) for approval on or before April 1st. The ACC will approve the surcharge to be billed to all applicable pricing plans for twelve (12) months beginning each June 1.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

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Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire ElectricService Area

Tariff No.: Rider R-2 DSMS
Effective: June 1, 201009
Page No.: 1 of 1

**TUCSON ELECTRIC POWER
COMPUTATION OF DSM SURCHARGE
EFFECTIVE JUNE 1, 2010 to MAY 31, 2011**

<u>Rate Calculation</u>	<u>TEP</u>	
(a) Program Budget To-date:	\$7,994,045	Source: TEP
(b) Program Collection To-date:	\$7,202,392	Source: DSM Revenue (GL)
(c) Under (Over) Collected	<u>\$791,653</u>	(a) - (b)
(d) Program Expenditures (2010)	\$11,894,168	
(e) Under (Over) Collected (above)	\$791,653	(c)
(f) Total Budget to be Collected:	<u><u>\$12,685,821</u></u>	(d) + (e)
(g) Forecast Retail Sales Twelve Month End May 31, 2011	9,263,626,812	Source: Sales
(h) DSM SURCHARGE EFFECTIVE JUNE 1, 2010	<u><u>\$0.001369</u></u>	(f) / (g)
(i) Current rate through May 31, 2010	\$0.000831	
(j) Change in rate	\$0.000538	(h) - (i)

TEP 2010 Budgets for Adjustor

Program	2010 Budget	2009 Expansion
Education and Outreach	\$ 510,880	\$ 528,993
Residential Efficiency Programs		
Low-Income Weatherization	\$ 396,392	\$ 216,759
Guarantee Home	\$ 1,465,530	\$ 1,179,848
Efficient Home Cooling	\$ 530,450	\$ 772,195
Shade Tree Program	\$ 160,000	\$ 161,725
Energy Star lighting (CFL)	\$ 1,535,444	\$ 1,147,121
Residential Subtotal	\$ 4,087,816	\$ 3,477,648
Non-Residential Efficiency Programs		
Non-Residential Existing Facilities ⁽¹⁾	\$ 1,693,388	\$ 1,084,401
Small Business ⁽¹⁾	\$ 1,693,388	\$ 1,455,980
Efficient Commercial Building Design	\$ 212,180	\$ 153,507
Non-Residential Subtotal	\$ 3,598,956	\$ 2,693,888
Demand Response Programs		
Residential & Small Commercial DLC ⁽²⁾	\$ 818,213	\$ -
C & I DLC ⁽²⁾	\$ 606,525	\$ -
Demand Response Subtotal	\$ 1,424,738	\$ -
Program Totals	\$ 9,622,390	\$ 6,700,529
Measurement, Evaluation & Research ⁽³⁾	\$ -	\$ 458,417
CC&B Database Development	\$ 260,000	\$ 208,440
TEP Baseline Study	\$ 236,415	\$ 19,997
Performance Incentive	\$ 664,163	\$ -
Sub-total	\$ 10,782,968	\$ 7,387,383

Fixed Cost Recovery Shortfall⁴ \$ 1,111,200

Total \$ 11,894,168

(1) 80% of Program budget increase filed January 2010

(2) 75% of Program budget filed for Commission approval January 2010

(3) Measurement, Evaluation and Research costs include costs for program design, evaluation, and technical assistance. The projected costs for 2010 are included in the individual program budgets.

(4) Fixed Cost Recovery Shortfall: Projected lost fixed costs due to ramp up of DSM Activities in 2010. Ramp up is required to prepare for enactment of EE rules in 2011. 18,520,000 kWh @ \$.06

TEP Forecast Sales June 2009 - May 2010

Sales (MWh)

Year	Residential	Commercial	Industrial	Mining	Other	Total Sales (MWh)
Jun-10	414,564	197,101	204,859	95,440	29,325	941,290
Jul-10	487,876	205,494	218,851	88,480	22,022	1,022,723
Aug-10	463,094	207,576	221,058	90,590	23,223	1,005,540
Sep-10	410,666	190,030	203,820	91,750	21,499	917,765
Oct-10	273,818	160,974	194,277	89,590	20,278	738,938
Nov-10	224,958	144,423	162,723	97,470	15,869	645,443
Dec-10	271,773	144,922	163,231	90,510	21,437	691,873
Jan-11	287,905	138,780	174,341	82,244	13,742	697,011
Feb-11	241,889	130,690	156,645	84,805	17,301	631,330
Mar-11	231,813	148,299	178,050	91,212	18,410	667,784
Apr-11	232,036	148,414	174,428	90,609	24,945	670,432
May-11	328,279	189,503	189,871	89,135	16,853	813,641
						<u>9,443,770</u> A

2009 Lifeline Sales (MWh) 178,750 **B**
 Total 2009 TEP Sales (MWh) 9,370,743 **C**
 Percent of Lifeline to Total 2009 Sales 2% **D=B/C**

Total Sales to Remove for Lifeline Exclusion (MWh) 180,143 **E=A * D**

Total Sales (MWh) 9,263,627 **F=(A - E)**