

# OPEN MEETING



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**ORIGINAL**

**MEMORANDUM**  
Arizona Corporation Commission  
**DOCKETED**

RECEIVED

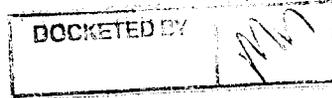
2010 MAY 11 P 4: 39

TO: THE COMMISSION

FROM: Utilities Division

DATE: May 11, 2010

MAY 11 2010



UTILITY COMMISSION  
DOCKET CONTROL

RE: UNS ELECTRIC, INC. - APPLICATION FOR APPROVAL TO REVISE ITS DSM SURCHARGE BEGINNING JUNE 1, 2010 (DOCKET NO. E-04204A-06-0783)

On April 1, 2009, UNS Electric, Inc. ("UNSE" or "the Company") filed an application for approval to reset its demand-side management ("DSM") adjustor rate, in accordance with Decision No. 70360. The UNSE DSM adjustor mechanism allows the Company to recover the cost of its DSM programs; the adjustor is based on projected spending for the Company's DSM<sup>1</sup> programs. Funding for these programs is collected based on the adjustor rate approved by the Commission. Under- or over-collections are then "trued-up" at the next adjustor rate reset, meaning that the negative or positive balances are taken into account when the new adjustor rate is set.

Decision No. 70360 established the DSM adjustor and set the adjustor rate to be applied to all kWh sales. Also, pursuant to Decision No. 70360, UNSE was to file an application by April 1st of each year for Commission approval to reset the adjustor rate, with the new rate to take effect on June 1st of each year. The Company is requesting an increase of \$0.000269 in the adjustor rate, from the current \$0.000768 per kWh to \$0.001037 per kWh. The increase is based on an under-collected balance from December 2009 and a projected 2010 budget for UNSE's DSM portfolio.

The current UNSE DSM portfolio includes the following Commission-approved programs: (1) the Education and Outreach Program; (2) the Low-Income Weatherization Program; (3) the Energy Smart Homes Program; (4) the Efficient Home Cooling Program; (5) the Shade Tree Program; (6) the Energy Star Lighting ("CFL") Program; and (7) the Commercial Facilities Efficiency Program.

UNSE's proposed DSM adjustor rate includes recovery of its incremental Fixed Cost Recovery Deficiency. However, recovery of Fixed Cost Recovery Deficiency was not included in the DSM adjustor mechanism as established by Decision No. 70360. Therefore, recovery of UNSE's claimed incremental Fixed Cost Recovery Deficiency should not be addressed through this application. In addition, UNSE currently has a rate case pending before the Commission where this issue has been raised.

<sup>1</sup> 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.

The table below details UNSE's 2009 actual expenditures and proposed costs for 2010 and:

Program	2010 Budget	2009 Expenditures
Education and Outreach	\$127,308	\$114,423
<b>Residential Programs</b>		
Low-Income Weatherization	\$111,395	\$92,447
Energy Smart Homes	\$222,789	\$175,707
Efficient Home Cooling	\$159,135	\$141,047
Shade Tree Program	\$65,000	\$28,749
Energy Star Lighting (CFL)	\$350,200	\$296,180
<b>Non-Residential Programs</b>		
Commercial Facilities Efficiency	\$424,360	\$431,947
<b>Programs Subtotal</b>	<b>\$1,460,187</b>	<b>\$1,280,500</b>
Measurement, Evaluation, & Research	\$0 <sup>2</sup>	\$106,640
Customer Care and Billing ("CC&B")	\$60,000	\$42,985
Database Development		
UNSE Baseline Study	\$135,367	\$6,653
Fixed Cost Recovery Deficiency	\$76,031	\$0
Amount under-collected for 2009	\$122,553	n/a
<b>Total</b>	<b>\$1,854,138</b>	<b>\$1,436,778</b>

Staff recommends that the DSM adjustor rate be reset to include the amount under-collected for 2009 and UNSE's proposed 2010 budget for programs. The Company has indicated that these projections are reasonable, given the level of program activity and participation. Staff's review of UNSE's semi-annual DSM progress report for July-December 2009, filed February 26, 2010, also indicates that the level of funding proposed by the Company for its existing programs is reasonable.

However, Staff recommends that the \$76,031 proposed for the Fixed Cost Recovery Deficiency not be included in the DSM adjustor rate for 2010. Subtracting \$76,031 for the Fixed Cost Recovery Deficiency from the proposed \$1,854,137 total results in a total of \$1,778,106 to be recovered at a DSM adjustor rate of \$0.000995 per kWh (an increase of \$0.000227 per kWh). UNSE's low income customers do not pay the DSM adjustor rate.

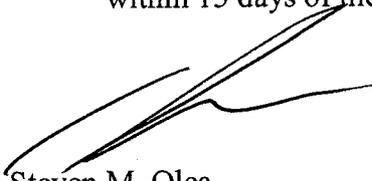
Typical monthly bill impacts for Residential customers are listed below:

Average monthly usage by Season	kWh	Current Total (\$0.000768)	Monthly increase from Company proposal (\$0.000269)	Monthly increase from Staff proposal (\$0.000227)	Monthly total based on Company proposal (\$0.001037)	Monthly total based on Staff proposal (\$0.000995)
Summer	1083	\$0.83	\$0.29	\$0.25	\$1.12	\$1.08
Winter	665	\$0.51	\$0.18	\$0.15	\$0.69	\$0.66

<sup>2</sup> Zero because measurement, evaluation, and research is already included in the individual program budgets.

Summary of Staff Recommendations

- Staff recommends that the UNSE DSM adjustor rate be set at a level of \$0.000995 per kWh, beginning June 1, 2010.
- Staff recommends that recovery for the Fixed Cost Recovery Deficiency not be included in the proposed DSM adjustor rate.
- Staff recommends that UNSE file, as a compliance item in this docket, an updated Rider R-2 Demand Side Management Surcharge tariff consistent with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea  
Director  
Utilities Division

SMO:CLA:lhM\MAS

ORIGINATOR: Candrea Allen

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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 UNS ELECTRIC, INC. FOR APPROVAL )  
TO REVISE ITS DSM SURCHARGE )  
BEGINNING JUNE 1, 2010 )

DOCKET NO. E-04204A-06-0783  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
May 26 and 27, 2010  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Electric, Inc. ("UNSE" or "the Company") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. On April 1, 2009, UNSE filed an application for approval to reset its demand-side management ("DSM") adjustor rate, in accordance with Decision No. 70360. The UNSE DSM adjustor mechanism allows the Company to recover the cost of its DSM programs; the adjustor is based on projected spending for the Company's DSM<sup>1</sup> programs. Funding for these programs is collected based on the adjustor rate approved by the Commission. Under- or over-collections are then "trued-up" at the next adjustor rate reset, meaning that the negative or positive balances are taken into account when the new adjustor rate is set.

<sup>1</sup> 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.

3. Decision No. 70360 established the DSM adjustor and set the adjustor rate to be applied to all kWh sales. Also, pursuant to Decision No. 70360, UNSE was to file an application by April 1st of each year for Commission approval to reset the adjustor rate, with the new rate to take effect on June 1st of each year. The Company is requesting an increase of \$0.000269 in the adjustor rate, from the current \$0.000768 per kWh to \$0.001037 per kWh. The increase is based on an under-collected balance from December 2009 and a projected 2010 budget for UNSE's DSM portfolio.

4. The current UNSE DSM portfolio includes the following Commission-approved programs: (1) the Education and Outreach Program; (2) the Low-Income Weatherization Program; (3) the Energy Smart Homes Program; (4) the Efficient Home Cooling Program; (5) the Shade Tree Program; (6) the Energy Star Lighting ("CFL") Program; and (7) the Commercial Facilities Efficiency Program.

5. UNSE's proposed DSM adjustor rate includes recovery of its incremental Fixed Cost Recovery Deficiency. However, recovery of Fixed Cost Recovery Deficiency was not included in the DSM adjustor mechanism as established by Decision No. 70360. Therefore, recovery of UNSE's claimed incremental Fixed Cost Recovery Deficiency should not be addressed through this application. In addition, UNSE currently has a rate case pending before the Commission where this issue has been raised.

6. The table below details UNSE's 2009 actual expenditures and proposed costs for 2010:

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Amount under-collected for 2009	\$122,553	n/a
<b>Total</b>	<b>\$1,854,138</b>	<b>\$1,436,778</b>

7. Staff has recommended that the DSM adjustor rate be reset to include the amount under-collected for 2009 costs and UNSE's proposed 2010 budget for programs. The Company has indicated that these projections are reasonable, given the level of program activity and participation. Staff's review of UNSE's semi-annual DSM progress report for July-December 2009, filed February 26, 2010, also indicates that the level of funding proposed by the Company for its existing programs is reasonable.

8. However, Staff has recommended that the \$76,031 proposed for the Fixed Cost Recovery Deficiency not be included in the DSM adjustor rate for 2010. Subtracting \$76,031 for the Fixed Cost Recovery Deficiency from the proposed \$1,854,137 total results in a total of \$1,778,106 to be recovered at a DSM adjustor rate of \$0.000995 per kWh (an increase of \$0.000227 per kWh). UNSE's low income customers do not pay the DSM adjustor rate.

9. Typical monthly bill impacts for Residential customers are listed below:

Average monthly usage by Season	kWh	Current Total (\$0.000768)	Monthly increase from Company proposal (\$0.000269)	Monthly increase from Staff proposal (\$0.000227)	Monthly total based on Company proposal (\$0.001037)	Monthly total based on Staff proposal (\$0.000995)
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#### Summary of Staff Recommendations

- Staff has recommended that the UNSE DSM adjustor rate be set at a level of \$0.000995 per kWh, beginning June 1, 2010.

<sup>2</sup> Zero because measurement, evaluation, and research is already included in the individual program budgets.

- 1 • Staff has recommended that recovery for the Fixed Cost Recovery Deficiency not be
- 2 included in the proposed DSM adjustor rate.
  
- 3 • Staff recommends that UNSE file, as a compliance item in this docket, an updated Rider R-
- 4 2 Demand Side Management Surcharge tariff consistent with the Decision in this case
- 5 within 15 days of the effective date of the Decision.

6 CONCLUSIONS OF LAW

7 1. UNS Electric, Inc. is an Arizona public service corporation within the meaning of

8 Article XV, Section 2, of the Arizona Constitution.

9 2. The Commission has jurisdiction over UNS Electric, Inc. and over the subject

10 matter of the Application.

11 3. The Commission, having reviewed the application and Staff's Memorandum dated

12 May 11, 2010, concludes that it is in the public interest to approve the UNS Electric, Inc. Demand-

13 Side Management Surcharge beginning June 1, 2010, as discussed herein.

14 ORDER

15 IT IS THEREFORE ORDERED that the UNS Electric, Inc. DSM adjustor rate be

16 and is, set at \$0.000995 per kWh, beginning June 1, 2010.

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IT IS FURTHER ORDERED that UNS Electric, Inc. file, as a compliance item in this docket, an updated Rider R-2 Demand Side Management Surcharge tariff consistent with the Decision in this case within 15 days of the effective date of the Decision.

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, ERNEST G. JOHNSON, 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 \_\_\_\_\_, 2010.

\_\_\_\_\_  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

SMO:CLA:lhm\MAS

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