

ORIGINAL NEW APPLICATION



BEFORE THE ARIZONA CORPORATION COMMISSION

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E-01749A-11-0235

IN THE MATTER OF THE APPLICATION OF)
GRAHAM COUNTY ELECTRIC COOPERATIVE,))
INC. FOR APPROVAL OF ITS ELECTRIC))
ENERGY EFFICIENCY IMPLEMENTATION))
PLAN FOR 2012 AND 2013.))
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))
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DOCKET NO. E-01749A-11-

**APPLICATION AND REQUEST
FOR PARTIAL WAIVER**

Graham County Electric Cooperative, Inc. ("GCEC" or the "Company") submits its Electric Energy Efficiency Implementation Plan for 2012 and 2013 ("2012-2013 EE Plan") for Arizona Corporation Commission ("Commission") approval. GCEC provides the following Plan information:

I. Background

GCEC is an Arizona nonprofit corporation that is certified to provide electricity as a public service corporation in the State of Arizona. GCEC serves approximately 8,823 customers – 86% of which are residential customers. Less than 0.2% of GCEC's customer base consists of large industrial customers. GCEC does not currently have a Demand Side Management ("DSM") portfolio and DSM adjustor rate mechanism in place. GCEC's 2012-2013 EE Plan contains all new programs that have never been offered by GCEC in its service territory.

The Commission approved the Electric Energy Efficiency Rules ("EE Rules") in Decision 71819 (August 10, 2010). On November 1, 2010, the Arizona Attorney General's Office approved the EE Rules, and the rules became effective January 1, 2011. While this meant that some electric public service corporations had to file their initial plans by the end of January,

1 electric distribution cooperatives had until June 1 to file their respective plans. GCEC is
2 submitting its 2012-2013 EE Plan in accordance with A.A.C. R14-2-2418. That Commission rule
3 specifically applies to Electric Distribution Cooperatives like GCEC.

4 GCEC has prepared a plan that it believes balances the varied interests of its members and
5 will be effective in its service area. GCEC estimates that the new programs will provide a total of
6 approximately 570,294 kWh savings in 2012; and 1,140,587 kWh cumulative savings in 2013.¹
7 These savings fall short of the standards required by A.A.C. R14-2-2418 (which is that
8 cooperatives obtain at least 75% of the savings goals specified in A.A.C. R14-2-2404). While the
9 savings goals in the Electric Energy Efficiency Rules for GCEC would be 2.25% in 2012 (of
10 projected 2011 kWh sales) and 3.75% in 2013 (of projected 2012 kWh sales), GCEC believes the
11 savings it will be able to achieve equate to 0.371% in 2012 (of 2011 projected kWh sales) and
12 0.731% in 2013 (of projected 2012 kWh sales). To the extent GCEC does fall short of the savings,
13 the Company seeks a partial waiver under A.A.C. R14-2-2419.

14 **II. Waiver Request**

15 GCEC proposes a portfolio of programs likely to be successful within its service territory
16 for its customer base. GCEC has not included any programs that would not likely succeed, are not
17 relevant to its customer base, or are not cost-beneficial. In other words, the Company proposed
18 what it believes in good faith are the most cost-effective programs towards the objective of
19 reducing energy use and reducing peak demand. GCEC believes its 2012-2013 EE Plan will
20 maximize the potential for energy efficiency savings in a cost-effective manner. Even at 75% of
21 the standards delineated in the EE Rules, the goals are very aggressive. Even so, GCEC's plan will
22 result in over 1,140 mega-watt-hours (MWh) in savings over two years, which is very significant.
23 Given GCEC's customer base and service territory, GCEC has explored and chosen programs that
24 will be the most attractive to its customers while not being unduly burdensome to the Company or
25 its customers. Because GCEC is proposing to implement any and all programs to maximize the
26

27 ¹ See Exhibit 1 of the 2012-2013 EE Plan that details these savings.

1 potential within its service territory for electric energy efficiency, the Company believes a partial
2 waiver is reasonable, appropriate and in the public interest.

3 **III. Summary of Specific Energy Efficiency Programs.**

4 GCEC's 2012-2013 EE Plan consists of several (mostly residential)
5 programs. Specifically, GCEC proposes a total of six residential programs and two
6 support programs. The support programs included are offered to provide education and
7 outreach to GCEC customers. These programs include: Refrigerator/Freezer Appliance
8 Recycling Program, Residential CFL Lighting Program, Residential Home Energy Audits,
9 Low Income Weatherization Program, Residential Customer Energy Efficiency Education
10 Program, and critical peak reduction through Residential Time of Use Rates. The Support
11 Programs include: the Advertising Budget and Administration/R&D Budget. Additional
12 detail regarding each of the programs is included in GCEC's 2012-2013 EE Plan.

13 **A. Program Development, Monitoring and Management.**

14 While GCEC will primarily market and advertise its programs, the Company will
15 likely hire third-party contractor(s) to administer many of its new programs, track
16 purchases and rebates, and provide GCEC with detailed reports regarding the programs
17 implementation. These contractors may also assist with other aspects of managing the
18 programs. Each of the programs within GCEC's 2012-2013 EE Plan (as well as time-of-
19 use participation) will be monitored and evaluated on at least a bi-annual basis. GCEC
20 will also submit reports in accordance with A.A.C. R14-2-2409 of the Commission's EE
21 Rules.

22 **IV. 2012-2013 EE Plan Budget and Tariff**

23 GCEC's total budget to fund the new programs in 2012 equals \$86,271 (from \$0.00 in
24 2011). To have the funds available for those programs, GCEC proposes to implement a DSM
25 surcharge energy rate of \$0.0007 per kWh with caps for each customer class similar to the existing
26 caps in place for its REST tariff that was approved in Decision 71449 (January 6, 2010) and 72181
27 (February 11, 2011). The proposed caps for the DSM surcharge energy rate would be \$2.00 per

1 month for Residential, \$24.70 per month for Government & Agricultural, and \$74.10 per month
2 for all other Non-Residential customers. The proposed caps will help mitigate the impact a DSM
3 surcharge will have on customer bills especially larger commercial customers as well as
4 government and agricultural customers that often have multiple accounts and that may not be able
5 to take advantage of the proposed EE programs that have more applicability to the residential
6 customer class. For 2013, GCEC proposes to continue the DSM surcharge energy rate of \$0.0007
7 per kWh with the same caps by customer class to fund the EE and DSM Programs. Although the
8 surcharge is proposed to remain the same in both years of the plan, the EE Plan Budget for 2013
9 would increase (decrease) slightly assuming an increase (decrease) in annual kWh sales. GCEC is
10 projecting a slight decrease based on its most recent 2010 load forecast study. A more detailed
11 budget, by program is included in the Company's 2012-2013 EE Plan.²

12 **V. Conclusion**

13 WHEREFORE, for the reasons set forth herein, GCEC respectfully requests that the
14 Commission issue an Order:

- 15 (1) Approving GCEC's 2012-2013 EE Plan, including all of its proposed EE programs;
- 16 (2) Approving a partial waiver of the requirements that would apply to GCEC under
17 A.A.C. R14-2-2418 as GCEC's plan maximizes the potential for energy efficiency
18 within its service territory;
- 19 (3) Approving GCEC's proposed budgets for its energy efficiency programs for 2012
20 to 2013 with the ability for GCEC to move funds between programs as deemed
21 necessary by program activity;
- 22 (4) Approving the proposed DSM surcharge energy rate of \$0.0007 per kWh with a
23 monthly cap per customer bill of \$2.00 for Residential, \$24.70 for Government &
24 Agricultural, and \$74.10 for all other Non-Residential customers in 2012 and 2013;
25 and

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² See Exhibit 2 of the 2012-2013 EE Plan.

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(5) Grant any other approvals regarding the Company's 2012-2013 EE Plan as may be necessary, just and reasonable.

RESPECTFULLY SUBMITTED this 6th day of June 2011.

GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.

By Than W. Ashby
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Office Manager
Graham County Electric Cooperative, Inc.
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1 Original and 13 copies of the foregoing
2 filed this 6th day of June, 2011 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 By John V. Wallace

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Graham County Electric Cooperative, Inc.

2012 -2013

Electric Energy Efficiency

Implementation Plan

A.A.C. R14-2-2405

June 3, 2011

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Exhibit 2 - 2012-2013 EE Plan Budget

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Appendix 1 - Demand Side Management Adjustment - Schedule A-DSM

A. Background

Graham County Electric Cooperative, Inc. (“GCEC”) has prepared this Electric Energy Efficiency Implementation Plan for calendar years 2012 and 2013 (the “2012-2013 EE Plan”), pursuant to the Arizona Administrative Code R14-2-2418 (“EE Standards”), which addresses compliance for electric distribution cooperatives.

GCEC does not currently have a Demand Side Management (“DSM”) portfolio or DSM adjustor rate mechanism. As further discussed below, the 2012-2013 EE Plan includes a new DSM adjustor rate mechanism and associated tariff.

B. Program Portfolio Overview

The 2012-2013 EE Plan includes all new programs that have never been offered by GCEC in its service territory. GCEC has explored and chosen programs that it believes will be the most cost effective and relevant to its customer base. The company believes that these programs will be attractive to its customers while not being unduly burdensome to the Company or its customers.

Existing Programs: Residential Time of Use (TOU) rate tariff to help with critical peak reduction. This tariff was approved in Decision 71701 (May 17, 2010).

Proposed New Programs: GCEC’s proposed new programs include: (1) Refrigerator/Freezer Appliance Recycling Program; (2) Residential Compact Florescent Light (CFL) Lighting Program; (3) Residential Customer Home Energy Audits; (4) Low Income Weatherization Program; and (5) Residential Customer Energy Efficiency Education Program.

Goals and Objectives: GCEC’s 2012-2013 EE Plan goals and objectives are as follows:

- Implement EE and DSM programs that are cost-effective and maintainable given GCEC's limited resources and budget.
- Expand GCEC's EE and DSM Program Portfolio to ensure maximum participation by customers while balancing GCEC's desire to minimize any rate increases and still meet its EE Standard goals. Exhibit 1 entitled "Projected DSM/EE Program Energy Savings" includes a summary of the projected kWh savings resulting from the EE programs.
- Look for ways to coordinate current and future EE and DSM program opportunities with other electric distribution cooperatives.
- Find ways to better educate its customers on how to conserve energy usage through behavior modifications and other energy conservation measures.

C. Energy Efficiency/Demand Side Management Programs

GCEC has proposed the following programs as part of its 2012-2013 EE Plan:

I. Refrigerator/Freezer Appliance Recycling Program:

The purpose of this program is to remove secondary old refrigerators and freezers from GCEC customer homes. Further, these refrigerators and freezers will be recycled responsibly through a process that captures all the hazardous materials (including CFC-11 and CFC-12, oils, PCBs, mercury) and recycles as much material as possible (>95%).

This program will be marketed and advertised primarily by GCEC, but the appliance pickup and recycling services as well as the tracking of the appliances recycled and the savings associated with such recycling will be managed by a

third party implementation contractor. GCEC plans to pool its efforts with other utilities to allow GCEC to maximize promotion and minimize cost in addition to offering the service. GCEC will provide a rebate to its customers per unit recycled to incentivize participation in the program. Such rebates will be provided until such time as the budget for the program is exhausted.

II. Residential CFL Lighting Program:

The purpose of this program is to promote the installation of high-efficiency Compact Fluorescent Light bulbs (CFLs) in homes within the GCEC service territory. The program will provide discount pricing from CFL manufactures and retailers (up-stream buy-down), and provide for distribution of CFLs through local retailers. Customers will be referred to participating retailers to purchase qualifying CFLs, and the discount pricing will be passed on to GCEC's customers through a negotiated agreement with retailers.

This program will be marketed and advertised primarily by GCEC, but the overall administration of the program, which includes working with local retailers to track the purchases of the CFLs by GCEC customers and providing GCEC with detailed reports of purchased CFLs, may be managed by a third party implementation contractor. This program will be available until such time as the budget for the program is exhausted.

III. Residential Customer Home Energy Audit Program:

The purpose of this program is to provide additional information relating to a customer's energy usage to enable the customer to make educated decisions relating to how he/she can conserve energy. GCEC representatives schedule a visit to a customer's home and at a minimum:

- Conduct an analysis of the home's thermal envelope
- Survey the electric appliances
- Review the living habits of all occupants
- Provide appropriate recommendations based on the results of the audit
- Distribute energy efficiency-related materials for the customer to review

This program will continue to be advertised primarily by GCEC. The company plans to use the expertise of BPI certified third party implementation contractors to perform the home energy audits. This program will be available until such time as the budget for the program is exhausted.

IV. Low Income Weatherization Program:

For GCEC's 2012-2013 EE Plan, it plans to provide \$20,000 each year to support existing weatherization programs offered in GCEC's service territory by non-profit organizations such as Southeastern Arizona Community Unique Services (SEACUS) and Southeastern Arizona Community Action Programs (SEACAP). The goal of this program is to improve energy efficiency in homes in the GCEC service area by assisting low-income residents in reducing energy use and lowering their utility bills by implementing year-round weatherization measures. This program is provided at no cost to eligible customers.

To qualify for the program, the applicant must contact SEACUS or SEACAP for an application. Program participation is subject to funding availability. This program includes SEACUS and/or SEACAP representatives determining the work needed and installing weatherization measures on approved homes and structures, including:

- Caulking & weather-stripping
- Insulation (attic, wall, & duct)
- Other energy efficiency measures as needed

V. Residential Customer Energy Efficiency Education Program

The purpose of this program is to find ways to better educate its customers on how to conserve energy usage through behavior modifications and other energy conservation measures. GCEC will work with a third party implementation contractor that will help the company provide innovative ways to educate its residential customers on how to become more energy efficient.

The third party contractor will be responsible for analyzing GCEC's residential customer base usage habits and provide detailed reports, comparisons, and energy savings tips to participating customers either as a bill insert or directly on the customer bill. The contractor will also track usage data of participating customers and provide reports to GCEC on how much the customers are saving as a result of the program.

VI. Residential Time of Use (TOU) Program

The purpose of this program is to help with critical peak reduction. This tariff was approved in Decision 71701 (May 17, 2010). While this program has been in existence for only a short time, currently there are no residential customers on the TOU program despite efforts to promote it over the past year. GCEC is not seeking any changes or additional funding for the TOU program at this time. GCEC anticipates that more customers will become interested in the TOU program as GCEC

begins to market TOU along with all of the new EE programs proposed in this plan filing.

D. Support Programs

The Support Programs listed below provide overarching assistance and outreach to GCEC customers as well as provide funding for the marketing and administration of the programs.

I. Advertising Budget

GCEC proposes an advertising budget of \$6,265 or approximately 7.26% of the total budget to support its EE program marketing activities. GCEC will use the funds to promote its programs in a variety of ways including bill stuffers, direct mailers, EE/DSM information on GCEC's website, stories in the Co-op newsletters or "Currents" magazine, local radio and newspaper advertisements, and promotional material available at GCEC's main office, Cooperative annual member meetings, and the Graham County fair.

By using cost effective methods of advertising, GCEC hopes to maximize the participation level in the EE programs.

II. Administration/R&D Budget

GCEC proposes a budget of \$8,627 or approximately 10% of the total budget for administration and research & development costs. The purpose of this budget is to provide the necessary funding for GCEC's internal administrative and/or R&D expenditures in managing, coordinating, researching, developing, and reporting costs associated with the EE programs. GCEC has purposely

selected programs that will minimize the amount of internal administrative costs, which will allow for more funds to be used in the actual EE programs.

E. Program Development, Monitoring and Management

Program Development: GCEC's 2012-2013 EE Plan includes several new programs that it plans to implement over the next two years. GCEC believes the programs will be well received by its customers however, continuous improvement is essential to maintain and grow the programs. GCEC plans to continue its research and development of additional cost-effective, energy saving programs.

Program Monitoring: Each of the aforementioned EE and DSM Programs will be monitored and evaluated on at least a bi-annual basis. Such program monitoring will include, but is not limited to:

- Review of customer accounts comparing past energy usage with current energy usage.
- Follow-up surveys with customers regarding any changes that they may/may not have made to their energy usage using information provided by GCEC and/or third party contractors.
- Review and analysis of information provided by third party implementation contractors who have assisted with the management of programs.

Program Reporting and Plan Filing: On or before June 1 of each odd year, GCEC will file an implementation plan for the next two calendar years, as required pursuant to

R14-2-2405. By March 1 and September 1 of each year, GCEC will file the required reports pursuant to R14-2-2409.

F. EE Plan Budget, Projected Energy Savings and Tariff

The 2012-2013 EE Plan proposes to utilize the surcharge dollars collected from a new DSM adjustor rate mechanism Tariff to fund its 2012-2013 EE Plan programs. Funds will also be used to pay for the development of future programs as well as a portion of the administration and advertising of the 2012-2013 EE and DSM Programs.

EE Plan Budget: GCEC's 2012-2013 EE Plan includes a DSM surcharge energy rate of \$0.0007 per kWh with caps for each customer class similar to the existing caps in place for its REST tariff that was approved in Decision 71449 (January 6, 2010) and 72181 (February 11, 2011). The proposed caps for the DSM surcharge energy rate would be \$2.00 per month for Residential, \$24.70 per month for Government & Agricultural, and \$74.10 per month for all other Non-Residential customers. The proposed caps will help mitigate the impact a DSM surcharge will have on customer bills especially larger commercial customers as well as government and agricultural customers that often have multiple accounts and that may not be able to take advantage of the proposed programs that have more applicability to the residential customer class.

The proposed surcharge with caps would result in approximately \$86,271 collected from GCEC customers based on historical customer usage from April 1, 2010 to March 31, 2011. GCEC proposes to keep the same DSM surcharge with caps in both 2012 and 2013. Although the surcharge is proposed to remain the same in both years of the plan, the EE Plan Budget for 2013 would increase (decrease) slightly assuming an

increase (decrease) in annual kWh sales. GCEC is projecting a slight decrease based on its most recent 2010 load forecast study. A summary of the budget, by program, is attached as Exhibit 2 entitled "2012-2013 EE Plan Budget".

Projected Energy Savings: Based on the programs proposed under GCEC's 2012-2013 EE Plan, GCEC anticipates that its EE and DSM programs will provide a total of 570,294 kWh savings in 2012 or 0.371% of GCEC's 2011 projected kWh sales and a total of 1,140,587 kWh cumulative savings in 2013 or 0.731% of GCEC's 2012 projected kWh sales. The savings by EE and DSM Program is attached as Exhibit 1 entitled "Projected DSM/EE Program Energy Savings".

EE Plan Tariff: GCEC has included with this filing the proposed tariff for the DSM Surcharge, attached as Appendix 1 entitled "Demand Side Management Adjustment – Schedule A-DSM".

G. Other Administrative

In an effort to maintain and grow participation in its DSM/EE Programs, GCEC requests Commission approval to shift approved funds between programs, and to modify the program budgets in the 2012-2013 EE Plan when cost-effective to do so. This flexibility is essential to GCEC's ability to grow its programs as GCEC does not know the response from its customers when implementing many new programs. This flexibility will also help GCEC to maintain and maximize the most successful programs without oversubscription.

Exhibit 1

Projected DSM/EE Program Energy Savings

GRAHAM COUNTY ELECTRIC COOPERATIVE PROJECTED SAVINGS			
	2011	2012	2013
Projected Sales (kWh)	153,785,000	156,012,000	152,484,000
Projected Savings (kWh)	-	570,294	1,140,587
Projected Sales less Savings (kWh)	153,785,000	155,441,706	151,343,413
<u>Required Savings from Prior Year Sales</u>			
Required Savings (%)	1.25%	3.00%	5.00%
Cooperative Discount (%)	75%	75%	75%
Required Cooperative Savings (%)	0.94%	2.25%	3.75%
Required Cooperative Savings (kWh)	1,375,654	3,460,163	5,850,450
<u>Accumulated Program Savings</u>			
Existing Programs (kWh)	-	-	-
New Programs (kWh)	-	570,294	1,140,587
Total Savings (kWh)	-	570,294	1,140,587
Savings (%)	0.000%	0.371%	0.731%
Difference (kWh)	(1,375,654)	(2,889,869)	(4,709,863)
Projected % of Achievement	0%	16%	19%

Exhibit 2

2012-2013 EE Plan Budget

GRAHAM COUNTY ELECTRIC COOPERATIVE 2012-2013 EE PLAN BUDGET		
	<u>2012</u>	<u>2013</u>
New EE/DSM Programs	\$ 71,379	\$ 71,379
Refrigerator/Freezer Appliance Recycling Program	\$ 8,379	\$ 8,379
Residential CFL Lighting Program	\$ 3,000	\$ 3,000
Residential Customer Home Energy Audit Program	\$ 20,000	\$ 20,000
Low Income Weatherization Program	\$ 20,000	\$ 20,000
Residential Customer Energy Efficiency Education Program	\$ 20,000	\$ 20,000
Support Programs	\$ 14,892	\$ 14,892
Advertising Budget	\$ 6,265	\$ 6,265
Administration/R&D Budget	\$ 8,627	\$ 8,627
Total Operating Cost	\$ 86,271	\$ 86,271
Accumulated Cost	\$ 86,271	\$ 172,543

Appendix 1

Demand Side Management Adjustment - Schedule A-DSM

ELECTRIC RATES

GRAHAM COUNTY ELECTRIC COOPERATIVE, INC.

9 West Center St.

Pima, Arizona 85543

Filed By: Than Ashby

Title: Office Manager

Effective Date: January 1, 2012

STANDARD OFFER TARIFF

**DEMAND SIDE MANAGEMENT ADJUSTMENT
SCHEDULE A-DSM**

Applicability

The Cooperative shall recover its costs for Commission pre-approved DSM programs through a separate DSM mechanism which shall provide for a separate and specific Commission accounting for pre-approved DSM costs. The Schedule A-DSM shall be applicable to all customers receiving standard service.

Rate

For 2012: the charge shall be \$0.0007 per kWh

For 2013: the charge shall be \$0.0007 per kWh

Caps

The following caps by customer class shall apply to each customer bill per month.

- Residential: \$2.00 per month
- Government & Agricultural: \$24.70 per month
- Non-Residential: \$74.10 per month