

ORIGINAL

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMM

Arizona Corporation Commission

DOCKETED

MAR 12 2012

COMMISSIONERS

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DOCKET NO. E-01933A-11-0055

IN THE MATTER OF THE APPLICATION  
OF TUCSON ELECTRIC POWER  
COMPANY FOR APPROVAL OF ITS  
2011-2012 ENERGY EFFICIENCY  
IMPLEMENTATION PLAN

**SWEEP COMMENTS ON THE STAFF  
UPDATE ON THE TUCSON ELECTRIC  
POWER COMPANY'S 2012 MODIFIED  
ENERGY EFFICIENCY  
IMPLEMENTATION PLAN**

**COMMENTS OF THE SOUTHWEST ENERGY EFFICIENCY PROJECT**

1 The Southwest Energy Efficiency Project ("SWEEP") appreciates the opportunity to submit  
2 comments in response to the Staff Update filed on February 29, 2011, regarding Tucson Electric  
3 Power Company's ("TEP" or "Company") 2012 Modified Energy Efficiency Implementation  
4 Plan ("Modified Plan").  
5

6 **SWEEP Supports the Modified Plan as a Framework that Enables Delivery of Existing and**  
7 **New Cost-Effective Opportunities that Help Customers Save Money and Energy.**  
8

9 SWEEP supports the Modified Plan's programs and budgets. The Modified Plan will:  
10

11 1. Continue existing cost-effective programs that help ratepayers save money and energy.  
12 Existing programs reduce customer bills, lower total customer costs, create local jobs,  
13 and deliver significant consumer and economic benefits.  
14

15 2. Launch new cost-effective programs and offerings that deliver customer savings.  
16 New opportunities will serve more customers (including small business owners; renters;  
17 and schools) and provide new ways for customers to save money and energy.  
18 Additionally, new offerings were developed after years of work by TEP ratepayers  
19 (including the forty religious institutions that comprise the Pima County Interfaith  
20 Council); have the strong support of TEP ratepayers (as evidenced by the hundreds of  
21 handwritten and email communications the Commission has received in this docket and  
22 the public comments made at the open meeting on January 10-11, 2012); and have been  
23 successful in other Arizona electric service territories.  
24

25 New cost-effective energy efficiency programs and offerings made possible by the Plan include:  
26

- 27 • The Schools Facilities Program, which will help schools upgrade their facilities, enabling  
28 them to direct monetary savings toward other improvements that enhance learning.  
29

- 1 • The Multi-Family Housing Efficiency Program, which will provide renters, who are  
2 notoriously hard-to-engage due to an array of market failures, with opportunities to save.  
3
- 4 • The Residential Energy Financing Program, which will employ local lender Vantage  
5 West Credit Union to leverage private capital with ratepayer money to help residents  
6 implement additional efficiency measures.  
7
- 8 • The Retro-Commissioning Program, which will help commercial and industrial  
9 customers improve existing building performance.  
10
- 11 • New energy efficiency measures for small businesses through the Small Business Direct  
12 Install Program.  
13
- 14 • The Bid for Efficiency Pilot Program, which will spur market competition by engaging  
15 third parties to propose energy-saving projects and bid competitively for incentives.  
16
- 17 • The Appliance Recycling Program, modeled after programs currently offered by the Salt  
18 River Project (SRP) and the Arizona Public Service Company. And,  
19
- 20 • The Energy Codes Enhancement Program, mirrored after a successful SRP program that  
21 is projected to achieve nearly half a million MWh savings by 2020.<sup>1</sup>  
22

23 **In the Spirit of Compromise, SWEEP is Willing to Agree to a Lower Level of Program**  
24 **Funding and an Equal Percent Allocation of the Demand Side Management Surcharge.**  
25 **SWEEP's Position is Completely Unique to this Case and is in No Way Precedent Setting.**  
26

27 The Modified Plan contemplates mutual concessions. It represents a product developed through  
28 hours of conversations between the Company; Staff; the Residential Utilities Consumer Office;  
29 Freeport McMoRan Copper & Gold, Inc. ("Freeport"); Arizonans for Electric Choice and  
30 Competition; and SWEEP.  
31

32 In the spirit of compromise, SWEEP is willing to agree to and support a lower level of program  
33 funding than was originally proposed by the Company and Staff.<sup>2</sup> In addition, SWEEP is willing  
34 to agree to and support an equal percent allocation of the Demand Side Management Surcharge.  
35 As a matter of principal, SWEEP would not normally compromise on either of these two points;  
36 and we stress that our position is completely unique to this case and is in no way precedent  
37 setting. SWEEP's position in this case simply reflects a desire on SWEEP's part to forge a  
38 compromise that balances the various interests, while also working vigorously to ensure that  
39 consumers have adequate opportunities to reduce their utility bills.  
40

41 SWEEP also appreciates the efforts of the Company and the stakeholders to negotiate a  
42 compromise that continues existing cost-effective programs, launches new cost-effective  
43 programs and offerings, and provides for an overall portfolio that should achieve the energy  
44 savings requirements set forth by the Electric Energy Efficiency Standard for 2012.

44

<sup>1</sup> See "In Support of Clean & Efficient Energy: SRP Position on Model Energy Codes":  
<http://www.srpnet.com/environment/earthwise/pdfx/spp/ModelEnergyCodes2011.pdf>

<sup>2</sup> In its original filing, the Company proposed \$27.5 million in spending for 2012. In its original Recommended Order, Staff recommended \$24.7 million in spending. The Modified Plan proposes 2012 program fund at \$18.5 million.

1  
2 **From the Filings in the Docket, It is Clear that Several Issues Must be Addressed.**  
3 **SWEEP's Provides the Following Comments and Recommendations on These Issues:**  
4

5 *SWEEP Believes that a Threshold Level of Performance Must be Demonstrated in Order for*  
6 *TEP to Earn an Incentive*

7 SWEEP emphasizes that performance incentives should be performance-based, meaning that the  
8 Company must perform and achieve specified objectives in order to earn an incentive. We  
9 therefore agree with Staff: A threshold-level of performance must be demonstrated in order for  
10 TEP to earn an incentive. SWEEP proposes an 80% performance level threshold, whereby TEP  
11 is eligible to earn an incentive for any one performance metric once 80% achievement of that  
12 metric has been achieved. Thereafter, the Company should be able to achieve a higher level of  
13 incentive in tandem with its performance, up to the established cap (see next section).  
14

15 *SWEEP Supports A Hard-Dollar Cap on the Interim Performance Incentive at 120% of Net*  
16 *Benefits (as the Modified Plan Proposes) and a Cap on Each Performance Metric at 120%*

17 SWEEP supports a hard-dollar cap on the interim performance incentive at 120% of net benefits  
18 (as the Modified Plan proposes) and a cap on each performance metric at 120%. This cap  
19 addresses the concerns that Commissioners have raised from the bench about a cap encouraging  
20 increased spending.  
21

22 *SWEEP Supports Retention of an Independent, Third-Party Consultant to Set the Target Level*  
23 *for the Interim Performance Incentive's Net Benefits Metric*

24 SWEEP understands that Staff and the Company differ in their calculation of net benefits and  
25 have been unable to resolve some differences with respect to methodology and inputs. SWEEP  
26 notes that in January 2012 the Commission ordered Staff to seek to retain an independent, third-  
27 party consultant to assist Staff and other interested stakeholders in exploring effective options for  
28 cost-effectiveness analysis models and resolving any differences in key input values used in the  
29 cost-effectiveness analysis. SWEEP recommends that this same independent third-party  
30 consultant be used to resolve any outstanding issues surrounding the net benefits calculation in  
31 order to set the target level for the net benefits performance metric. Before year's end the  
32 Company should file with the Commission a compliance filing to address this piece. The  
33 Company should also file for a DSMS reset in April 2013 that will include a true up of the  
34 performance incentive and any under- or over-collection in the DSM bank balance.  
35

36 *SWEEP Maintains that the Timeframe for the Interim Performance Incentive Must be Defined,*  
37 *and that the Savings Requirements Set Forth by the Electric Energy Efficiency Standard for 2013*  
38 *Must be Achieved*

39 SWEEP supports the performance incentive as an interim incentive only and one that is not  
40 precedent setting. To that end, the timeframe of the interim performance incentive must be  
41 defined: It should only remain in effect until the effective date of the final order in the  
42 Company's next general rate case. Therefore, the Company should propose in a 2013 Energy  
43 Efficiency Implementation Plan filing a new performance incentive that will be in place no later  
44 than the effective date of new rates set during the next rate case. This filing should also propose  
45 new energy efficiency programs or program enhancements needed for achievement of the energy  
46 savings requirements set for by the Electric Energy Efficiency Standard for 2013.  
47

1 *SWEEP Strongly Opposes Freeport's Proposal to Exempt Itself from the Electric Energy*  
2 *Efficiency Standard*

3 SWEEP strongly opposes Freeport's proposal to exempt itself from doing its fair share to  
4 contribute to a lower cost, more reliable electric utility system for all customers. SWEEP notes  
5 that a reasonable option for the mines to "self-direct" their energy efficiency investments already  
6 exists and has been in place and working effectively for several years. In fact, Freeport itself  
7 proposed this "self-direct" option and worked with SWEEP and others to develop it. Freeport  
8 and SWEEP jointly supported this option before the Corporation Commission and the  
9 Commission adopted it. This self-direction system also uses independent verification, so that we  
10 know that reported savings are accurate. To plan for an energy system that meets customers  
11 needs at lowest cost, we must understand how much energy our state uses and saves. This  
12 includes understanding how much Freeport uses and saves.

13  
14 **SWEEP intends to file recommended language for addressing these issues on Tuesday,**  
15 **March 13, 2012.**

16  
17  
18 Thank you for the opportunity to submit these comments.

19  
20  
21 Respectfully submitted this 12<sup>th</sup> day of March 2012 by:

22  
23  
24 \_\_\_\_\_  
25 Jeff Schlegel & Ellen Zuckerman  
26 Southwest Energy Efficiency Project

27  
28 ORIGINAL and thirteen (13) copies filed this 12<sup>th</sup> day of March 2012 with:

29  
30 Docket Control  
31 ARIZONA CORPORATION COMMISSION  
32 1200 West Washington Street  
33 Phoenix, Arizona 85007

34 COPIES of the foregoing sent via email and/or mail on or before this 12<sup>th</sup> day of March 2012, to:

35 All Parties of Record