

DOCKETED

MAR 16 2012

ORIGINAL

NEWMAN PROPOSED AMENDMENT NO. 3



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DOCKETED BY [Signature]

TIME/DATE PREPARED: March 16, 2012

COMPANY: Tucson Electric Power Company

AGENDA ITEM NO. 6

DOCKET NO(S). E-01933A-11-0055

OPEN MEETING DATE: March 16, 2012

**Proposed SWEEP Amendment #1**

**(To Company's Proposed Modified Implementation Plan, filed January 31, 2012)**

**Note: This Proposed SWEEP Amendment #1 begins with Proposed Staff Amendment No. 4, which was attached to the Staff Update filed on February 29, 2012, and incorporates proposed language changes and additions recommended by SWEEP.**

**Page 63, Line 23, After "Plan" INSERT " , as modified by the Commission,"**

**Page 65, Line 6, After "implemented." INSERT:**

"This Interim Performance Incentive is a one-time performance incentive that is not precedent setting. It will remain in effect no later than the effective date of the rates approved in the final order of the Commission in the Company's next general rate case."

**Page 65, Line 7, DELETE "7% of net benefits" and REPLACE WITH:**

"a performance incentive for achieving annual energy savings"

**Page 65, Line 9, After "will" DELETE "be banded at 80% to 120% of the target performance incentive of \$7,246,379." and REPLACE WITH:**

"have a target performance incentive of \$7,246,379, with a hard dollar cap at 120% of the target, equal to \$8,695,654. With the exception of the hard dollar cap, the Company's Interim Performance Incentive should track its actual achievements with respect to both Annual Energy Savings and Other Performance Metrics. In addition, if the actual and verifiable Annual Energy Savings achieved and actual performance on Other Performance Metrics are less than 80% of Goal, TEP should be reimbursed for its prudently incurred costs associated with the portfolio, but should receive no Interim Performance Incentive. "

**Page 65, Line 10, INSERT NEW SENTENCE (at beginning of Line 10):**

"The target performance incentive for the annual energy savings portion of the total performance incentive shall be set at 100% of the energy savings set forth in the Modified Plan, with an overall target performance incentive amount of \$7,246,379. If TEP achieves 100% of the annual energy savings set forth in the Modified Plan, plus 100% of the planned performance under the Other Performance Metrics, TEP would earn a performance incentive at 100% of the target incentive, equal to \$7,246,379."

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**Page 65, Lines 10-11, DELETE** “another mechanism approved by the Commission” and **REPLACE WITH:**

“a Commission-approved new performance incentive that shall be in place no later than the effective date of new rates ordered by the Commission during the Company’s next general rate case.”

**On Pages 65-66, DELETE TEP 2012 Interim Performance Incentive Structure Table and REPLACE WITH:**

<b>TEP 2012 Interim Performance Incentive Structure</b>			
<b>DSM Program Year 2012</b>			
<b>Part I – Base Performance Incentive</b>			
(1)	Target Incentive for Energy Savings at 100% of Goal	\$4,846,379	
<b>Part II – Other Performance Metrics</b>		<b>Target Number</b>	
		<b>Dollars</b>	
(a)	Net benefit per customer dollar spent (net benefits/actual spending)	\$3.74	\$1,500,000
(b)	Community workshops – 80 community weatherization workshops	80	\$150,000
(c)	Community outreach – monthly outreach to Seniors on EE	12	\$150,000
(d)	Loan program – train 25 contractors on TEP’s new loan program	25	\$150,000
(e)	Multi-family units – energy measures installed in 625 units	625	\$150,000
(f)	Low Income Weatherization – 15% increase in participation over 2011	178	\$150,000
(g)	Small Business – 15% increase in energy saving over 2011 (MWh)	TBD by evaluation	\$150,000
<b>Other Performance Metrics at 100% of Goal</b>			<b>\$2,400,000</b>
<b>Total New Performance Incentive for 2012</b>			
	At 80% of Goal (threshold)		\$5,797,103
	At 100% of Goal (target)		\$7,246,379
	At 120% of Goal (cap)		\$8,695,654

<b>THIS AMENDMENT:</b>		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____

**Page 67, Line 5, AFTER “Implementation Plan.” INSERT:**

“However, TEP will file for a reset of the DSM adjustor mechanism in April of 2013, and include a true-up of the Interim Performance Incentive based on actual performance achieved, as well as a true-up of any over- or under-collection. Included with the reset filing must be information supporting the actual performance claimed for purposes of calculating the true-up.”

**Page 68, Line 1, After “Plan” INSERT “, as modified above,”**

**Page 73, Line 19, INSERT New Section and New Ordering Paragraphs:**

“2013 Implementation Plan

IT IS FURTHER ORDERED that instead of filing a waiver TEP shall propose and file for Commission consideration a modification of this Modified Implementation Plan for 2013, for the purposes of adding or modifying programs and related program specific budgets to achieve the cumulative annual energy savings requirements set forth by the Energy Efficiency Standard for 2013.

IT IS FURTHER ORDERED that the Company shall propose and file for Commission consideration a new performance incentive that shall be in place no later than the effective date of new rates ordered by the Commission during the Company’s next general rate case.”

**Page 73, Line 22, After “Modified Implementation Plan” INSERT “, as modified herein”**

**Page 74, Line 27, INSERT New Ordering Paragraphs:**

IT IS FURTHER ORDERED that the independent third-party consultant retained by Staff shall work with Staff, Tucson Electric Power Company, and interested stakeholders to resolve any outstanding issues surrounding the calculation of net benefits before TEP files for a reset of the DSM adjustor mechanism in April of 2013.

**Make All Conforming Changes.**

<b>THIS AMENDMENT:</b>		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____