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BEFORE THE ARIZONA CORPORATION COMMISSION

9 GARY PIERCE, Chairman
10 BOB STUMP
11 SANDRA D. KENNEDY
12 PAUL NEWMAN
13 BRENDA BURNS

14 IN THE MATTER OF THE APPLICATION OF)
15 TUCSON ELECTRIC POWER COMPANY FOR)
16 APPROVAL OF ITS 2011-2012 ENERGY)
17 EFFICIENCY IMPLEMENTATION PLAN)

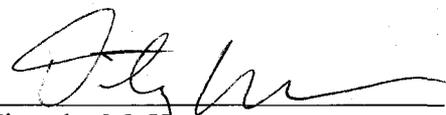
DOCKET NO. E-01933A-11-0055

NOTICE OF FILING
COMMENTS OF SOUTHWEST
ENERGY EFFICIENCY
PROJECT

18 Southwest Energy Efficiency Project ("SWEEP"), through its undersigned counsel,
19 hereby provides notice that it has this day filed the attached comments.

20 DATED this 9th day of April, 2012.

21 ARIZONA CENTER FOR LAW IN
22 THE PUBLIC INTEREST

23 By 
24 Timothy M. Hogan
25 202 E. McDowell Rd., Suite 153
Phoenix, Arizona 85004
Attorneys for Southwest Energy Efficiency
Project

Arizona Corporation Commission
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1 ORIGINAL and 13 COPIES of
2 the foregoing filed this 9th day
3 of April, 2012, with:

4 Docketing Supervisor
5 Docket Control
6 Arizona Corporation Commission
7 1200 W. Washington
8 Phoenix, AZ 85007

9 COPIES of the foregoing
10 Electronically mailed this
11 9th day of April, 2012 to:

12 All Parties of Record

13 
14 _____

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

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

DOCKET NO. E-01933A-11-0055

**SWEEP COMMENTS ON TEP
ENERGY EFFICIENCY ACTIVITY
FOR 2012**

SWEEP COMMENTS ON TEP ENERGY EFFICIENCY ACTIVITY FOR 2012

The Southwest Energy Efficiency Project (SWEEP) appreciates the opportunity to update the Commission on the status of Tucson Electric Power Company's (TEP or Company) energy efficiency programs following the Commission Open Meeting on Friday, March 16, 2012. SWEEP thought this information would be helpful for the Commission, especially because customers and contractors have voiced concerns about the postponement and curtailment of the Company's energy efficiency (EE) programs.

SWEEP has prepared a table as **Attachment A**, which compares TEP's historic EE investment with 2012 investment levels. Specifically, the table shows:

- 2011 EE program investment, as reported by the Company (i.e., actual EE expenditures).
- 2012 EE program investment, had the Commission approved TEP's original EE Plan filing;
- 2012 EE program investment, had the Commission approved the Modified EE Plan; and
- 2012 EE program investment as a result of the March 2012 Open Meeting (as best estimated by SWEEP).

The data show that in 2012, *existing* EE programs will be significantly downsized compared with actual 2011 levels. Overall, EE investment will be halved from \$11.3 million in 2011 to \$5.6 million in 2012. In addition, investment in almost every existing EE program will be slashed dramatically (with the exception of low income weatherization). EE program cuts will range between 12-72%, with the greatest changes to programs serving business and commercial customers. As a result, many programs are already closed or suspended. Furthermore, no new EE programs will be launched. For instance, the residential financing initiative that the Pima County Interfaith Council (PCIC) worked for over two years to develop will not be implemented. New EE programs including programs for schools, multi-family customers, appliance recycling, building energy codes, and businesses will also not be implemented.

The cuts to TEP's existing programs are a consequence of TEP's Demand Side Management Surcharge (DSMS), which insufficiently recovers the costs of the Company's Commission-approved EE programs. The DSMS was last reset on June 1, 2010. Since that time, TEP has received Commission approval to

launch new and to expand existing EE programs. For example, in 2010, subsequent to the June DSMS reset, the Commission approved the Residential Energy Assessment Program and the Home Energy Reports programs. The Commission also approved increases to the budgets of the Small Business Direct Install and Commercial and Industrial Comprehensive programs. However, the DSMS was not reset to recover the costs of these Commission-approved programs and budget increases. The lag in the resetting of the DSMS¹ has now resulted in the reduction of EE services to TEP customers.

SWEEP is extremely concerned about the deep cuts to TEP's EE programs because these programs deliver important and substantial customer, economic, environmental, and utility system benefits. They also provide an important pathway for customers to reduce their utility bills. To that end, SWEEP encourages the Commission to identify and implement a viable solution as soon as possible.

Specifically, SWEEP encourages the Commission to focus the immediate scope of the evidentiary hearings on identifying and implementing a resolution of the EE program activity and funding issues in a timely manner. The evidentiary hearings should be scheduled as soon as possible. This immediate focus is in the public interest and is essential for delivering the energy cost savings to TEP customers.

SWEEP further recommends the Commission resolve this issue as soon as possible *in this docket* and *not* in the upcoming TEP rate case proceeding. Addressing the issue of 2012 EE activities and funding through the rate case proceeding, in which an order is not expected until sometime in 2013, would further disadvantage TEP customers for an even longer time period.

Thank you for the opportunity to submit these comments.

¹ TEP proposed to reset the DSMS in its January 2011 filing.

SWEEP COMMENTS – ATTACHMENT A
Tucson Electric Power Company
2011-2012 Energy Efficiency Implementation Plan
Docket No. E-01933A-11-0055

Comparison of TEP's Historic Energy Efficiency Investment with 2012 Energy Efficiency Investment Levels

Sector	Program	2011 Actual Spending	2012 Spending Original TEP Proposal	2012 Spending Modified Plan	2012 Revised Budget (SWEET Best Estimate)	% Change: 2011 Actual v 2012 Revised Budget
Residential	Appliance Recycling	--	\$859,533	\$755,095	<i>Postponed</i>	
Residential	Efficient Products	\$1,911,540	\$2,431,495	\$2,453,253	\$1,362,986	-29%
Residential	Existing Homes and Audit Direct Install	\$1,958,421	\$3,514,886	\$2,304,525	\$929,922	-53%
Residential	Low Income Weatherization	\$313,517	\$616,451	\$526,464	\$414,675	32%
Residential	Multi-Family	--	\$169,738	\$181,565	<i>Postponed</i>	
Residential	Residential Energy Financing	--	\$442,645	\$315,405	<i>Postponed</i>	
Residential	Residential New Construction	\$956,018	\$1,766,846	\$1,011,945	\$649,813	-32%
Residential	Shade Trees	\$155,844	\$325,582	\$250,681	\$137,275	-12%
	Residential TOTAL	\$5,295,340	\$10,127,176	\$7,798,933	\$3,494,671	-34%
Commercial	Bid for Efficiency	--	\$503,092	\$388,846	<i>Postponed</i>	
Commercial	C&I Comprehensive	\$2,897,741	\$4,285,856	\$3,728,462	\$797,719	-72%
Commercial	CHP Joint Program	--	\$22,000	\$22,000	<i>Postponed</i>	
Commercial	Commercial New Construction	\$598,661	\$406,319	\$515,702	\$253,399	-58%
Commercial	Retro-commissioning	--	\$175,520	\$336,493	<i>Postponed</i>	
Commercial	Schools Facilities	--	\$157,941	\$170,049	<i>Postponed</i>	
Commercial	Small Business	\$1,758,322	\$2,921,085	\$2,044,806	\$700,449	-60%
	Commercial TOTAL	\$5,254,724	\$8,471,813	\$7,206,358	\$1,751,567	-67%
Behavioral	Behavioral Comprehensive	--	\$1,420,279	\$724,151	<i>Postponed</i>	

Sector	Program	2011 Actual Spending	2012 Spending Original TEP Proposal	2012 Spending Modified Plan	2012 Revised Budget (SWEEP Best Estimate)	% Change: 2011 Actual v 2012 Revised Budget
Behavioral	Home Energy Reports	\$254,285	\$673,790	\$699,197	\$150,271	-41%
Behavioral TOTAL		\$254,285	\$2,094,069	\$1,423,348	\$150,271	-41%
Support	Codes Support	--	\$75,490	\$73,288	<i>Postponed</i>	
Support	Education and Outreach	\$471,576	\$384,724	\$155,250	\$209,668	-56%
Support TOTAL		\$471,576	\$460,214	\$228,538	\$209,668	-56%
Demand Response	Residential and Small Commercial Direct Load Control	\$695,856	\$184,816	\$167,864	\$44,667	-94%
Demand Response	Commercial Direct Load Control	\$747,900	\$2,751,959	\$1,431,445	\$1,507,066	102%
Demand Response TOTAL		\$1,443,756	\$2,936,775	\$1,599,309	\$1,551,733	7%
EE TOTAL		\$11,275,925	\$21,153,272	\$16,657,177	\$5,606,177	-50%
DSM TOTAL (includes demand response)		\$12,719,681	\$24,090,047	\$18,256,486	\$7,157,910	-44%