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MEMORANDUM
Arizona Corporation Commission
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TO: THE COMMISSION

APR 10 2013

FROM: Utilities Division

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DATE: April 10, 2013

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RE: SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. - APPLICATION FOR APPROVAL OF ITS 2012-2013 ELECTRIC ENERGY EFFICIENCY IMPLEMENTATION PLAN (DOCKET NO. E-01575A-11-0223)

INTRODUCTION

On May 31, 2011, Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or "Company") filed its 2012-2013 Electric Energy Efficiency Implementation Plan ("EE Plan"). On July 21, 2011, SSVEC filed an amendment to the application adding another program to the plan. On February 29, 2012, at the request of the Arizona Corporation Commission ("Commission") Staff, SSVEC updated its EE Plan and filed the revised plan in Docket No. E-01575A-11-0223. On August 2, 2012, SSVEC filed an amendment requesting a waiver from meeting the cumulative Electric Energy Efficiency Standards ("EEES"). Specifically, SSVEC requested a waiver similar to the provision that was granted to the Cooperatives by the Commission under the Renewable Energy Standard and Tariff ("REST") where SSVEC will agree to file a biannual EE Plan in compliance with the EEES that will contain energy efficiency goals, a budget, and a surcharge that is appropriate for its members and service area.

SSVEC is a member-owned Arizona non-profit cooperative with its principal business office in Willcox, Arizona. SSVEC is a public service corporation providing electric distribution service to approximately 51,000 customers in parts of Cochise, Santa Cruz, Pima and Graham counties. Of that total, approximately 41,400 are Residential customers. The remainder is a mix of Commercial, Industrial, Irrigation and Municipal customers. SSVEC's Board of Directors oversees all aspects of SSVEC's operations and approves the annual operating budget.

EE PLAN OVERVIEW

SSVEC has had in place a Demand Side Management ("DSM") Plan for over thirty years. Prior to SSVEC's most recent rate case (Decision No. 71274), SSVEC reported every six months the expenditures associated with the DSM activity and these expenditures were approved by the Commission for recovery through SSVEC's purchased power adjustor.

As indicated in Decision No. 71274, SSVEC's current DSM Plan was approved at a budget level of \$704,500. The current DSM surcharge was set at the time of the rate case at \$0.00088 per kWh with the stipulation that SSVEC could file to adjust this surcharge annually in June as needed. Actual DSM surcharge collections for 2010 totaled \$855,898 which included a carryover from 2009 and repayments on loans during 2010. Actual DSM surcharge collections for 2011 totaled \$1,086,314 which included a carryover from 2010 and repayments on loans



during 2011. Actual DSM surcharge collections for 2012 totaled \$1,420,900 which included a carryover from 2011 and repayments on loans during 2012. With the latest surcharge adjustor filing on March 1, 2012, SSVEC has requested the DSM surcharge remain at \$0.00088 per kWh.

SSVEC has also requested the proposed 2012-2013 EE Plan be rolled forward to reflect an energy efficiency plan proposed for 2013 and 2014 with the budget dollars proposed to be \$1,466,157 for 2013 and \$1,251,000 for 2014.

The SSVEC EE Plan includes a continuation of the current cost-effective energy efficiency programs already in place and a proposal to implement new programs. Included in the new programs are: Heat Pump Water Heaters, On-Demand Hot Water Circulating Pumps, Commercial and Industrial ("C&I") Lighting Incentive, Refrigerator Recycling Program, and the Low Income Weatherization Program. SSVEC has also filed to continue its C&I Energy Efficiency Improvement Loan program as part of its EE Plan and to implement a Meter Miser Guide program which will be a new page in the monthly customer bill. The SSVEC EE Plan includes a broad spectrum of programs targeted to the various customer segments as detailed below.

Residential Programs

- Energy Efficient Improvement Loan Program
- Touchstone Energy Efficient Home Program
- Energy Audits
- Meter Miser Guide
- Refrigerator Recycling Program
- Low Income Weatherization Program
- On-Demand Hot Water Circulating Pump Program

Non-Residential Programs

- Energy Efficient Improvement Loan Program
- Energy Audits
- Lighting Incentive Program

Both Residential & Non-Residential Programs

- Energy Efficient Water Heater Rebate Program
- Energy Efficient Heat Pump Program

The EE Plan includes new measures for existing programs in addition to adding new programs, detailed in the table below.

2012-2013 Proposed Energy Efficiency Program Modifications or Additions

Residential Energy Efficient Improvement Loan Program	
Residential Home Improvement Loans	<ul style="list-style-type: none"> Continue operating this program as it currently is but increase the budget to allow for 30-40 homes being able to take advantage of no interest loans.
Residential Touchstone Energy Efficient Home Program	
Home Efficiency	<ul style="list-style-type: none"> Decrease the budget while keeping the incentive level the same to take into consideration the downturn in new home construction.
Residential Energy Management Program	
Energy Audits	<ul style="list-style-type: none"> Continue performing home energy audits with funds provided by the DSM surcharge and the American Recovery and Reinvestment Act (ARRA).
Meter Miser Guide	<ul style="list-style-type: none"> Implement a new customer awareness program utilizing bill inserts which make comparisons of household usage to other households with similar age and size.
Residential Refrigerator Recycling Program	
Appliance Recycling	<ul style="list-style-type: none"> Add a program which encourages customers to recycle older, less efficient refrigerators currently being used as a backup refrigerator.
Residential Low Income Weatherization Program	
Home Weatherization	<ul style="list-style-type: none"> Add a program which works with the Housing Authority of Cochise County to weatherize low income households in the SSVEC service area.
Residential On-Demand Hot Water Circulating Pump Program	
Water Heating	<ul style="list-style-type: none"> Add a program offering rebates to customers who install an on-demand hot water circulating pump onto their existing water heater.
C&I Energy Efficient Improvement Loan Program	
C&I Improvement Loans	<ul style="list-style-type: none"> Implement this program as an energy efficiency program rather than a pilot program allowing for commercial and industrial customers to take advantage of no interest loans.
C&I Energy Management Program	
Energy Audits	<ul style="list-style-type: none"> Continue performing energy audits for the 50 largest customers promoting energy

	saving concepts and new technologies.
C&I Lighting Incentive Program	
Lighting	<ul style="list-style-type: none"> • Implement a new program offering a per watt incentive for retrofits made to existing commercial and industrial lighting fixtures.
Residential & Non-Residential Energy Efficient Water Heater Program	
Water Heating	<ul style="list-style-type: none"> • Modify the requirements per water heater to incorporate the size of the tank when considering the minimum rating needed to receive an incentive.
Residential & Non-Residential Energy Efficient Heat Pump Program	
HVAC	<ul style="list-style-type: none"> • Continue with the current program offering \$500 rebates for installing an energy efficient heat pump.
Water Heating	<ul style="list-style-type: none"> • Add a measure for a heat pump water heater with the incentive of \$500 paid to the customer after installation.

The Commission approved the EEES in Decision No. 71819 on August 10, 2010, in Docket No. RE-00000C-09-0427. The rules are designed to cause affected utilities to achieve energy savings through cost-effective energy efficiency programs, in order to ensure reliable electric service at reasonable rates and costs. As established in these rules, “energy efficiency” means the production or delivery of an equivalent level and quality of end-use electric service using less energy, or the conservation of energy by end-use customers. Energy efficiency is a type of DSM. The rules also identify as DSM any measure designed to result in reduced peak demand or shifting of electricity consumption to off peak periods and combined heat and power used to displace space heating, water heating, or another load.

The EEES became effective January 1, 2011. The EEES clarified that electric public service corporations had to file their initial energy efficiency plans by the end of January 2011 and electric distribution cooperatives had until June 1, 2011 to file their respective plans. In addition, A.A.C. R14-2-2418 requires that cooperatives obtain at least 75% of the savings goals specified in A.A.C. R14-2-2404 which means the savings goals in the EEES for SSVEC would be 0.94% in 2011, 2.25% in 2012, 3.75% in 2013, and 5.44% in 2014. In accordance with A.A.C. R14-2-2405(C), SSVEC notified customers of its 2012-2013 EE Plan filing in the October 2012 billing cycle.

SSVEC has had in place Commission-approved DSM programs for over thirty years including programs such as free residential and business energy audits, free rate analysis, rebates for the purchase of specified appliances whose Seasonal Energy Efficiency Ratio (SEER) exceeded the national standards. SSVEC has also developed an aggressive load shedding program for its irrigation members through approved irrigation rates. In the EE rules, SSVEC cannot include the savings from the programs in existence prior to the EE rules going into effect until 2016 and of the kWh savings from 2004-2010, up to 4% of 2005 retail sales can be counted

toward meeting the EE Standard. As can be seen on the table below with information based on SSVEC's most recently filed Annual DSM Progress Report filed on February 27, 2013, SSVEC has achieved a cumulative annual EE savings as a percent of previous year's retail sales of 0.047% as of the end of 2012.

SSVEC, INC. REQUIRED ENERGY EFFICIENCY STANDARDS					
	2010	2011	2012	2013	2014
Actual/Projected Sales (kWh)*	819,287,674	835,766,567	853,740,000	887,899,000	906,249,000
Required Savings (%)**		0.94%	2.25%	3.75%	5.44%
Required Savings From Prior Year Sales(kWh)		7,680,822	18,804,748	32,015,250	48,279,508
Existing Energy Efficiency Program Savings (kWh)***		243,162	150,536	150,536	150,536
Proposed New Program Energy Efficiency Savings (kWh)				3,199,296	1,456,479
Total Savings Per Year (kWh)		243,162	150,536	3,349,832	1,607,015
Total Cumulative Savings (kWh)		243,162	393,698	3,743,530	5,350,545
Savings (%)		0.030%	0.047%	0.438%	0.603%
Difference Between Required Savings and Projected/Actual Savings(kWh)		7,437,660	18,411,050	28,271,720	42,928,963

*2010 and 2011 sales represent actual sales collected from annual reports. 2012 sales represent actual sales provided by SSVEC. 2013-2014 sales are projections of kWh sales provided by SSVEC.

**Cooperatives are only required to meet 75% of the percentage savings goals.

***2011 and 2012 kWh savings are based on year end DSM report data.

PROPOSED PROGRAM CHANGES

SSVEC's EE Plan is comprised of several new programs falling in both the residential and non-residential categories. SSVEC has designed a portfolio of DSM programs designed to deliver electricity savings to meet, or come close to meeting, annual DSM energy savings goals as outlined in the EEES. Due to the delay in processing of the EE Plan, SSVEC has requested the previously filed 2012-2013 EE Plan be considered the 2013-2014 Energy Efficiency Plan.

A. Residential Programs: Energy Efficient Improvement Loan Program

SSVEC is requesting budget approval to continue this program.

Current Program

This loan program is designed to offer residential customers the opportunity to improve the thermal efficiency of their homes. The customer obtains a bid for upgrading attic insulation, replacing non-conforming windows, sealing cracks and penetrations, and adding insulation to

exterior walls. After work has been completed and the modifications certified by licensed contractors, SSVEC will issue a loan check to the customer. If the customer's loan amount is at or above \$2,000 on any of the aforementioned improvements, then the customer may also replace non-conforming HVAC systems with an \$8,000 maximum loan amount toward the HVAC equipment.

In 2010, 19 loan projects were completed with an average loan amount of \$13,635. In 2011, 15 loan projects were completed with an average loan amount of \$14,482. In 2012, 15 loan projects were completed with an average loan amount of \$11,087.

Proposed Changes

No new measures or changes were made to this program.

Proposed Budget

SSVEC has proposed increasing the budget to \$339,000 in 2013 and \$375,000 in 2014 to allow for SSVEC to offer loans to 30-40 homes each year.

Cost Effectiveness

Staff reviewed the 2010-2012 DSM Reports to verify the structure and effectiveness of the current program. SSVEC has issued either 36 month or 72 month loans that are interest free but carry a 1.5% per month late payment charge. SSVEC has not had any members default on their loans and protects the loans by placing a lien on the customer's property.

Recommendations

The last approved budget for this program was in Decision No. 71274 and was equal to \$200,000. The proposed budget for 2013 and 2014 as noted above is \$339,000 and \$375,000 respectively, which represents a 69.5% increase for 2013. The estimated kWh (including therm equivalents) for 2012 from the Residential Energy Efficient Loan Improvement Program is approximately 102,000 kWhs with improvements made that span 20+ years.

Given that the most recent DSM report data shows that SSVEC did exceed the prior budget in 2011 and was slightly less than budget in 2012 along with the fact that SSVEC intends to grow this program as they are still finding contractors who are unaware of the availability of loan funding, Staff recommends the continuation of the current program along with the increase in the budget to \$339,000 in 2013 and 2014.

B. Residential Programs: Touchstone Energy Efficient Home Program

SSVEC is requesting budget approval to continue this program.

Current Program

This program is designed to encourage builders to construct new homes in a manner that exceeds local building codes and to meet the requirements of the Touchstone Energy Efficient Home Program resulting in energy savings over the life of the home. SSVEC has established prescriptive thermal criteria or heat gain characteristics that builders are required to meet or exceed to qualify for the \$1,500 rebate.

In 2010, 50 homes were certified while in 2011, 25 homes were certified. In 2012, 24 homes were certified.

Proposed Changes

No new measures or changes were made to this program.

Proposed Budget

SSVEC has proposed decreasing the budget to \$50,000 in 2013 and 2014 to account for the reductions in new housing market projections.

Cost Effectiveness

Staff reviewed the 2010-2012 DSM Reports to verify the structure and effectiveness of the current program.

Recommendations

The last approved budget for this program was \$175,000. The proposed budget for 2013 and 2014 as noted above is \$50,000 which represents a 71% decrease. The estimated kWh savings for 2012 from the Residential Touchstone Energy Efficient Home Program is 44,609 kWhs with improvements made that span the life of the home. Staff agrees with SSVEC in its assessment that the new home building market has slowed in its service territory. Staff recommends the continuation of the current program along with the decrease in the budget to \$50,000 in 2013 and 2014.

C. Residential Programs: Residential Energy Management

SSVEC is requesting budget approval to continue this program and to add a new measure as part of this program.

Current Program

The existing piece of this program has two facets: the first aspect of the program is designed to respond to customer requests for usage information and to educate customers on ways to reduce or manage their energy bills. The second aspect of the program is the completion of home energy audits. The audits are funded in part by the American Recovery and Reinvestment Act of 2009's Smart Grid Grant money.

SSVEC began conducting residential audits in May of 2011. In 2011, 468 home audits were completed. In 2012, 1,363 home audits were completed.

Proposed Changes

SSVEC has proposed adding a new measure to this program referred to as the Meter Miser Guide ("MMG"). The MMG will compare each customer's bill and usage to those customers with a home of similar age and size. SSVEC believes that customer awareness programs provide customers with comparative usage information and energy saving tips which in turn lead to a reduction in energy consumption for residential customers. Building upon the existing energy saving communication program currently in place at SSVEC which uses bill inserts, consumer magazine, radio, and newspaper ads, SSVEC is proposing to incorporate the MMG into the customer's bill. The MMG would be a new page in the residential bill with the

frequency being one report during the winter heating season and one during the summer cooling season.

Prior to implementing the MMG in the customers' bills, SSVEC will publish an article in the Currents magazine announcing the new insert and explaining how to read and interpret the data on the insert.

Proposed Budget

SSVEC has proposed increasing the budget to \$80,000 in 2013 and 2014. The increase accounts for approximately \$10,000 of an increase for development of the MMG (which will occur in-house) and \$10,000 for increased mailing costs.

The budget dollars allocated to the existing program are combined with a 50/50 matching for the funds from the ARRA Smart Grid Grant.

Cost Effectiveness

Staff's review of the benefits and costs associated with the proposed new measure (MMG) in the Residential Energy Management program found that the measure is cost-effective. In the analysis, Staff considered a 2% annual energy savings based on changes to consumer behavior with the savings only valid for a period of one year. The long-term goal for this measure would be a roll-out of the MMG to all residential customers. Initial reports will be to a smaller population testing the readability and ease in use by customers. Realistically, not all residents who receive an MMG will implement any changes to behavior. SSVEC estimated 20% of its residential members would participate in some type of behavior modification. Based on the fact that SSVEC is planning two mailings each year to start the program, Staff lowered the estimate to 10% participation in the savings and the full costs reported below.

Program	# of Units	Present Value DSM Savings	Present Value DSM Cost	Benefit/Cost Ratio
Residential Meter Miser Guide	4,138	\$26,064.24	\$19,506.05	1.34

Recommendations

The last approved budget for this program was \$50,000. The proposed budget for 2013 and 2014 as noted above is \$80,000 which represents a 60% increase where the majority of the increase is attributable to the proposed new measure. Staff recognizes that quantifying energy savings from residential audits is difficult without a detailed follow-up with each customer on what improvements were actually implemented. SSVEC is working to estimate savings based on Department of Energy ("DOE") guidelines. Staff also recognizes the benefits in educating residential customers on ways to improve efficiency in the home and recommends the continuation of the current program along with implementing the new Meter Miser Guide and increasing the budget as proposed.

D. Residential Program: Refrigerator Recycling Program

SSVEC is proposing a new program offering incentives designed to decrease energy usage by incenting residential customers to recycle secondary old refrigerators. These

appliances will be recycled through a process that captures all hazardous materials and recycles as much material as possible (>95% will be recycled).

The marketing and advertising of this program will be incorporated into the current marketing activities completed by SSVEC. 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 JACO, a third party contractor. SSVEC has proposed to offer a \$30 rebate to its customers per unit recycled to incent participation in the program. SSVEC plans to offer these recycling rebates until such time as the budget for the program is exhausted.

Proposed Budget

SSVEC has proposed a budget of \$70,000 in 2013 and \$67,000 in 2014.

Cost Effectiveness

Staff's review of the benefits and costs associated with the proposed Refrigerator Recycling Program found that the program is cost-effective. In the analysis, based on information supplied by JACO, Staff utilized an annual per unit savings of 656 kWhs and 0.07 kW. With an estimate of 1% of total residential customers wanting to recycle older refrigerators, SSVEC estimates 408 refrigerators could be recycled each year.

Program	# of Units	Present Value DSM Savings	Present Value DSM Cost	Benefit/Cost Ratio
Refrigerator Recycling Program	408	\$61,657.32	\$52,598.56	1.17

Recommendations

Given the results of Staff's cost-benefit analysis, Staff recommends approval of the C&I Refrigerator Recycling Program with a few modifications. After discussions with other utilities, Staff has noted a trend of increased incentive dollars needed to incent customers to recycle secondary older refrigerators. Given this new information, Staff recommends an increase in the budgeted incentive dollars for this program to \$50 per refrigerator (an increase of \$20 per refrigerator) and proposes SSVEC adjust its proposed budget as follows: \$42,024 for Direct Implementation, \$8,160 for marketing, and \$20,400 for incentives for a total budget of \$70,584 each year. In addition, a portion of the energy efficiency administrative budget would be split among all of the cost-effective programs.

E. Residential Programs: Low Income Weatherization Program

SSVEC has proposed adding a new program offering funds to assist in the weatherization of homes for low income customers in the SSVEC service area. The program is designed to improve energy efficiency in homes in the SSVEC service area by assisting low income residents in reducing energy use and lowering their utility bills by implementing year-round weatherization measures. This program will be offered at no cost to eligible SSVEC customers.

Rather than operate this program on its own, SSVEC is proposing to utilize services already available by providing a lump sum of dollars each year to support existing weatherization programs offered in SSVEC's service territory by the non-profit organization

Housing Authority of Cochise County (“HACC”). The funding will allow for additional homes to receive weatherization assistance from HACC.

To qualify for this program, the applicant will complete an SSVEC Energy Efficiency Improvement Grant Program application. Applicants meeting all of the above criteria will be placed on a waiting list. HACC will work with the applicant to assess the needs and facilitate the contractors. HACC will market the program through a variety of methods: distribution of brochures, direct mailings, news releases, public presentations, and promotions to other organizations. HACC will track the work done and the cost associated with the work completed. Payments to contractors will happen once all of the work is completed and the SSVEC Project Close-Out form is completed.

Proposed Budget

SSVEC has proposed a budget of \$125,000 in 2013 and \$50,000 in 2014.

Cost Effectiveness

Staff’s review of the benefits and costs associated with the new Low Income Weatherization program found that the measure is cost-effective with a few modifications. In the analysis, Staff considered a dollar contribution per customer equal to \$1,500 rather than a lump sum amount paid to HACC. At the contribution level of \$1,500 per household, the benefit-cost ratio is 1.12.

Recommendations

The proposed budget is \$125,000 for 2013 and \$50,000 for 2014 as noted above. Given the modification to contribute funds per household equal to \$1,500 rather than a lump sum, Staff recommends the budget for 2013 be increased to \$150,000 for 2013 to allow for weatherization efforts on 100 houses. Staff also recommends the budget for 2014 be increased to \$75,000 to allow for weatherization efforts on 50 houses in year two of the program.

After speaking with HACC about the scope of weatherization HACC is able to complete and the service territory HACC currently serves, Staff is concerned that HACC will not be able to meet the requirements of the Low Income Weatherization program for SSVEC. HACC currently provides emergency repair to homes in unincorporated areas of southeastern Arizona. As some of SSVEC’s members reside within city limits, these customers would be outside the current scope of reach for HACC. In addition, HACC has limited staff/resources to be able to complete the number of households in the recommended budget each year for SSVEC’s Low Income Weatherization program.

Given these concerns, Staff contacted the non-profit organization Southeastern Arizona Community Action Program (“SEACAP”) to inquire about its ability to assist SSVEC with implementing a Low Income Weatherization program. SEACAP currently works with several regulated utilities within the state of Arizona to facilitate weatherization programs; thus Staff recommends that SSVEC utilize SEACAP to implement its Low Income Weatherization program.

Staff also recommends that this program be offered at no cost to eligible SSVEC customers (eligible customers will be households at or below 200% of Federal Poverty Guidelines). To qualify for this program, the applicant will need to contact SEACAP for an application. A SEACAP representative would then work with the customer to determine the weatherization measures necessary including: caulking, weather-stripping, attic/wall and duct insulation, and any other energy efficiency measures that may be needed.

F. Residential Programs: On-Demand Hot Water Circulating Pump

SSVEC is proposing a new program offering rebates to customers who install an on-demand hot water circulating pump on their existing water heaters. The intent behind installing an on-demand hot water circulating pump is to capture some of the energy loss and water loss experienced with a standard water heating system. In most standard systems, the timer pump on the water heater is operating 16 hours per day, 365 days per year pumping water at 1 gallon per minute (gpm) and each gallon losing 5°F during one circulation event.

The addition of an on-demand hot water circulating pump allows for the standing water from the hot-water pipes to be recirculated through the cold-water pipes and back to the tank, leaving a constantly clear line for the next hot-water usage. The time it takes to get hot water to a desired location will vary, but typically with an on-demand hot water circulating pump hot water will arrive in 15 to 30 seconds without wasting water and only using a small amount of electricity.

SSVEC is proposing that after installation of the on-demand hot water circulating pump, the customer would fill out a rebate request form and provide an invoice from the plumber/installer. The rebate would be paid directly to the customer at that point in time.

Proposed Budget

SSVEC has proposed a budget for rebates of \$25,000 in 2013 and \$15,000 in 2014.

Cost Effectiveness

Staff's review of the benefits and costs associated with the proposed new program found that the program is not cost effective at this point in time with a benefit-cost ratio of 0.70. While Staff recognizes there may be significant water conservation benefits with the addition of an on-demand hot water circulating pump, Staff believes the electric energy savings combined with the potential for water savings do not outweigh the cost of the product available to the general public.

Recommendations

Staff does not recommend approval of the on-demand hot water circulating pump as a new energy efficiency program in the current energy efficiency portfolio. The cost for the pump is estimated by SSVEC to be anywhere from \$250-\$300, based on the availability of a product currently at only one retail store in Sierra Vista, AZ. This product is a new product which Staff believes may still be undergoing testing. Staff's analysis utilized a cost estimate of around \$500 for a pump more commonly available at the larger home improvement stores. Staff is also concerned that the actual energy savings resulting from the installation of an on-demand hot water circulation pump cannot be validated at this point in time.

As originally submitted, SSVEC requested approval to offer varying rebates depending upon whether the customer was currently running a natural gas powered water heater versus an electric powered water heater. Staff believes that if at a future point in time this program is implemented, SSVEC should be limited to offering rebates to only SSVEC members currently running an electric powered water heater.

G. C&I Programs: Energy Efficient Improvement Loan Program

SSVEC is requesting budget approval to continue this program as part of its energy efficiency portfolio rather than continue as a pilot program.

Current Program

The purpose of this program is to help fund energy projects that demonstrate a reasonable return on investment from energy savings. This program was approved as a pilot program in 2009 in Decision No. 71274. The program was approved for a period of 16 months. Following the 12th month of the program, SSVEC was to make a filing detailing its experience with the program and a recommendation regarding continuation of the program.

In March of 2011, SSVEC filed an update to the program detailing the slow growth in this program due to the downturn in the economy and the reluctance of commercial and industrial customers to spend money on improvements—even with interest free funding. At that time, SSVEC requested to continue the program through the end of 2011 with no additional funding.

Proposed Changes

No new measures or changes were made to this program. However, SSVEC has requested this program be considered as part of its Energy Efficiency program portfolio rather than a pilot program.

Proposed Budget

SSVEC has proposed increasing the budget to \$250,000 in 2013 and \$220,000 in 2014.

Cost Effectiveness

Staff reviewed the 2010-2012 DSM Reports to verify the structure and effectiveness of the current program.

Recommendations

The last approved budget for this program was \$150,000. The proposed budget for 2013 as noted above is \$250,000 which represents a 67% increase. Staff recognizes that the state of the economy may have affected the implementation of this pilot program. Staff also recognizes that if the proposed C&I Lighting Incentive program is approved, commercial and industrial customers would be able to get assistance in paying for the commercial retrofit so the popularity of the program may increase over the next couple of years. However, Staff also realizes that the actual dollars spent on this program for 2012 are estimated to be one-third of the approved budget. While Staff understands the value in the Energy Efficient Improvement Loan Program and that there may be increased interest in this program with the implementation of the C&I

Lighting Incentive program, Staff recommends that the growth be evident prior to the substantial increase in the budget.

Given all of the considerations, Staff recommends that SSVEC implement the C&I Energy Efficient Loan Improvement Program as a program in its Energy Efficiency portfolio but the budget remain at the current approved level of \$150,000. If customer interest begins to exceed budget for this program, SSVEC can file to increase the budget for this program in a future energy efficiency implementation plan filing.

H. C&I Programs: C&I Energy Management

SSVEC is requesting budget approval to continue this program.

Current Program

This program has been in place for the past eleven years and was previously referred to as the Key Account Program. The program is designed to provide detailed energy reports to approximately fifty of the largest customers and monitor over 350 individual accounts for these large customers. The reports are designed to help the customer identify problems and validate energy saving measures. The reports are emailed to the customers each month. In addition, an email newsletter is provided fourteen times per year to promote new energy saving technologies. Energy audits, bill analysis, and rate analysis may also be performed as part of this program.

Proposed Changes

No new measures or changes were made to this program.

Proposed Budget

SSVEC has proposed increasing the budget to \$12,000 in 2013 and 2014.

Cost Effectiveness

Staff reviewed the sample reports and newsletter included in the EE Plan filing to verify the structure and effectiveness of the current program.

Recommendations

The last approved budget for this program was \$4,500. The proposed budget for 2013 as noted above is \$12,000 which represents a 167% increase. Staff recognizes the value in maintaining a positive working relationship with the larger usage customers and helping those customers to reduce energy consumption. Staff recommends continuation of the current program along with approval of the increase in the budget dollars to \$12,000 per year.

I. C&I Programs: Commercial & Industrial Lighting Incentive

SSVEC is proposing a new program offering incentives to small commercial customers who are interested in a lighting retrofit where most or all of the permanent fixtures in the building are replaced with more efficient technology. At a minimum, a commercial lighting retrofit would involve a lamp and ballast being replaced for each fixture. The commercial lighting retrofit would save energy usage for a small commercial facility through the introduction of more efficient lamps which may be used close to 55 hours per week.

SSVEC is proposing a \$0.20 per watt incentive. The customer would be able to choose the lighting technology which makes the most sense for its business (CFL or LED). A lighting project for an office would be different than lighting options for a warehouse. Given the range in options, the proposed incentive is based on total watts saved from the retrofit. The contractor involved in the retrofit will detail the number of existing fixtures, the watts per fixture, and the total watts of the existing lighting load. The contractor will also provide a complete listing of the new fixtures including the watts per fixture and the new total watts of the lighting load. The difference in watts between the existing lighting load and the replacement lighting load will be used to determine the incentive payout. Incentives are paid to the customer rather than the contractor.

Proposed Budget

SSVEC has proposed a budget of \$125,000 in 2013 and \$70,000 in 2014.

Cost Effectiveness

Staff's review of the benefits and costs associated with the proposed C&I Lighting Incentive program found that the program is cost-effective. In the analysis, Staff used a sample small commercial retrofit involving the replacement of 75 fixtures with 4-34 watt T12 lamps and magnetic ballast with 75 fixtures with 2-32 watt T8 lamps and electronic ballast. The resulting watt savings from this sample customer was 6,150 watts (6.15 kW). The customer incentive in this example would be \$1,230 on a retrofit with an estimated cost of \$2,700 for the replacement of the lamps and ballasts. The number of retrofits which could be funded by the proposed budget will vary depending upon the size and extensiveness of the replacements. Staff's results below are based on an estimate of 100 incentive payouts in 2013.

Program	# of Units	Present Value DSM Savings	Present Value DSM Cost	Benefit/Cost Ratio
C&I Lighting Incentive Program	100	\$425,635.48	\$288,707.90	1.47

Recommendations

Given the results of Staff's cost-benefit analysis, Staff recommends approval of the C&I Lighting Incentive Program.

J. Residential & Non-Residential Programs: Energy Efficient Water Heater Rebate Program

SSVEC is requesting budget approval to continue this program with a slight modification.

Current Program

This program was approved by the Commission in Decision No. 71274 dated September 8, 2009. The program offers \$100 rebates for customers purchasing and installing a 0.90+ efficient electric water heater.

Proposed Changes

As part of the decision in SSVEC's last rate case, the Commission ordered, that, with the next DSM Implementation Plan, SSVEC revise the requirements for customers qualifying for a rebate on their electric water heater to match the table below. The change was to incorporate the

size of water heater into the consideration for the minimum efficiency rating needed to receive the rebate. No other changes are being proposed for this program at this point in time.

Rated Storage Volume (gallons)	Minimum Standard	Minimum Rating to Receive Incentive
30	0.93	0.94
40	0.92	0.93
50	0.90	0.92
80	0.86	0.88

Proposed Budget

The 2013-2014 proposed budget for the Residential Water Heater Rebate Program is \$40,000 in 2013 and \$32,000 in 2014 providing for 400 rebates in 2013 and 320 rebates in 2014. Program Development, Administration and DSM Advertising Expenses would be allocated across all of the cost-effective programs.

Cost Effectiveness

Staff reviewed the 2010-2012 DSM Reports to verify the structure and effectiveness of the current program.

Recommendations

The last approved budget for this program was in Decision No. 71274 and was equal to \$25,000 for 2010. The proposed budget for this program for 2013 is \$40,000 which represents an increase of 60%. Based on the fact that there may be an increase in interest in commercial products with the marketing of the commercial loan program, Staff recommends increasing the budget as proposed.

K. Residential & Non-Residential Programs: Energy Efficient Heat Pump Program

SSVEC is requesting budget approval to continue this program as part of its energy efficiency portfolio and add a new measure to the program.

Current Program

The existing program is geared toward those members considering the purchase of a new heating/cooling system. The current program offers a \$500 rebate on the installation of an energy efficient heat pump system in place of an existing electric heating/cooling system. To receive the rebate, the customer fills out a rebate request (available on the SSVEC website) and provides the request along with a copy of the receipt or installation invoice to SSVEC. The rebate is paid to the customer after the installation is complete.

Proposed Changes

SSVEC has proposed adding a new measure to this program to incorporate a rebate for the installation of an energy efficient heat pump water heater when replacing an existing electric water heater. SSVEC is proposing a \$500 rebate and would handle the payment of the rebate in the same manner as currently paying rebates on heat pump installations.

Proposed Budget

SSVEC has proposed increasing the budget to \$150,000 in 2013 and \$125,000 in 2014.

Cost Effectiveness

Staff's review of the benefits and costs associated with the proposed new measure for a heat pump water heater in the energy efficient heat pump program found that the measure is cost-effective. In the analysis, Staff considered a standard replacement for an electric water heater would cost the customer approximately \$400. The cost of the heat pump water heater is estimated to be \$1,399. The incremental cost to the customer is \$999. With a proposed rebate of \$500, the customer would be spending out of pocket close to \$500.

Heat Pump Water Heaters use roughly 50% less energy than standard resistive electric water heaters. According to available information on the Energy Star website, the Heat Pump Water Heaters save an estimated 2,000 kWh per year but will vary depending upon the size of family and the amount of hot water being used.

Program	# of Units	Present Value DSM Savings	Present Value DSM Cost	Benefit/Cost Ratio
Heat Pump Water Heater	10	\$16,427.61	\$10,665.32	1.54

Recommendations

The last approved budget of \$20,000 for the heat pump program was approved in Decision No. 71274. Actual rebate expenses for 2011 according to the DSM Annual Report filed March 2012 were \$34,900 and actual rebate expenses for 2012 were \$23,600. Budget dollars from the Touchstone Energy Home inspections program were reallocated to the Heat Pump Program to allow for the increase in demand for the heat pump rebates. The increase in the proposed budgets accounts for an increase in the number of heat pump installations and also allows for 10 heat pump water heater installations. The proposed budget for 2013 is \$150,000 and \$125,000 for 2014 as noted which represents a significant increase from prior years' budget. Only \$5,000 of that increase is budgeted for the heat pump water heater. Staff recognizes there is a large amount of interest in this program especially with the addition of a new measure; however, Staff is concerned that the level of increase to the budget may be unattainable. Staff recommends continuation of the current program along with implementing the new Heat Pump Water Heater rebate at a budget level of \$75,000 in 2013 and 2014.

SMART GRID SUPPLY & DSM PROJECTS

On August 6, 2009, SSVEC submitted an application to the DOE for a \$64.5 million Smart Grid Investment Grant under a joint effort entitled Arizona's Cooperative Grid Modernization Project with Southwest Transmission Cooperative ("SWTC") and Mohave Electric Cooperative ("MEC"). SWTC is considered the lead on the project. MEC and SSVEC are sub-recipients of the grant.

The agreement is a grant and provides reimbursement of 50% of the funds expended in DOE-approved projects. SSVEC anticipates \$22,143,819 in reimbursement provided the approved projects are completed within the three-year period of performance timeframe established by the DOE. SSVEC does not include these funds in its DSM budget but rather

utilizes the funds to multiply the DSM budget funds where the grant programs overlap with the approved DSM programs. Current projects within the Smart Grid Supply & DSM Projects area include: kilowatt-hour monitors available for check-out from the local libraries, direct load control devices, irrigation pump efficiency improvements, web portal access for billing, payments, and usage information, and mercury vapor change-outs.

BUDGET

SSVEC, INC.					
2012-2014 EE BUDGET					
	SSVEC Actuals	SSVEC Proposed	SSVEC Proposed	Staff Proposed	Staff Proposed
	2012	2013	2014	2013	2014
Residential Programs					
Improvement Loan Program	\$161,186	\$339,000	\$375,000	\$339,000	\$339,000
Touchstone Home Program	\$4,378	\$50,000	\$50,000	\$50,000	\$50,000
Energy Audits	\$128,761	\$70,000	\$70,000	\$70,000	\$70,000
Meter Miser Guide	\$0	\$10,000	\$10,000	\$10,000	\$10,000
Refrigerator Recycling Program	\$0	\$70,000	\$67,000	\$70,584	\$70,584
LIW Program	\$0	\$125,000	\$50,000	\$150,000	\$75,000
On-Demand Hot Water Circulating Pump	\$0	\$25,000	\$15,000	\$0	\$0
Non-Residential Programs					
Improvement Loan Program	\$24,909	\$250,000	\$220,000	\$150,000	\$150,000
Energy Audits	\$3,313	\$12,000	\$12,000	\$12,000	\$12,000
Lighting Incentive	\$0	\$125,000	\$70,000	\$125,000	\$70,000
Both Residential & Non-Residential Programs					
Water Heater Rebate Program	\$1,800	\$40,000	\$32,000	\$40,000	\$32,000
Heat Pump Program	\$23,600	\$150,000	\$125,000	\$75,000	\$75,000
DSM Expenses					
Advertising Budget	\$32,492	\$75,000	\$75,000	\$75,000	\$75,000
Miscellaneous Budget	\$5,791	\$20,157	\$10,000	\$20,157	\$10,000
Administration	\$27,638	\$75,000	\$60,000	\$75,000	\$60,000
Program Development	\$16,866	\$30,000	\$10,000	\$30,000	\$10,000
Total Program Cost/Yr (Budget)	\$430,734	\$1,466,157	\$1,251,000	\$1,291,741	\$1,108,584
Accumulated Cost 2013-2014 (Budget)		\$1,466,157	\$2,717,157	\$1,291,741	\$2,400,325

The above table details SSVEC's proposed energy efficiency budget for 2013 and 2014 and Staff's recommended budget which removes funding for those programs not cost-effective. Staff's proposed budget for 2013 represents an increase of approximately \$860,000 or

approximately a 200% increase over 2012 actuals. Staff's proposed budget for 2014 represents an increase of approximately \$680,000 which is approximately one and one-half times higher than the actuals for 2012. Given the number of new measures SSVEC is proposing that have a benefit-cost ratio greater than one; Staff recommends approval of the Staff-proposed budget as stated above.

Given that the On-Demand Hot Water Circulating Pump proposed by SSVEC was not considered cost-effective at this point in time, Staff has adjusted the projected savings SSVEC may reach in 2013 and 2014 below.

PROJECTED ENERGY EFFICIENCY SAVINGS (with recommended measures)					
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Actual/Projected Sales (kWh)	819,287,674	835,766,567	853,740,000	887,899,000	906,249,000
Required Savings* (%)		0.94%	2.25%	3.75%	5.44%
Required Savings From Prior Year Sales (kWh)		7,680,822	18,804,748	32,015,250	48,279,508
Existing Energy Efficiency Programs Savings (kWh)		243,162	150,536	150,536	150,536
Proposed New Program Energy Efficiency Savings (kWh)**		0	0	3,064,296	1,375,479
Total Savings Per Year (kWh)		243,162	150,536	3,214,832	1,526,015
Total Cumulative Savings (kWh)		243,162	393,698	3,608,530	5,134,545
Savings (%)		0.030%	0.047%	0.423%	0.578%
Difference Between Required Savings and Projected/Actual Savings (kWh)		7,437,660	18,411,050	28,406,720	43,144,963

*Cooperatives are only required to meet 75% of the percentage savings goals.

**New program savings do not include any kWh savings for the On-Demand Hot Water Circulating Pump and only counts savings for the Meter Miser Guide for the first year with no new customers making behavioral changes in year two as the life span of behavioral changes is estimated to be one year.

BUDGET SHIFTING

SSVEC has requested the ability to shift approved funds between cost-effective programs based on program activity and where this would not result in an increase in the approved total annual budget. Staff understands that allowing funding shifts among programs or measures allows the utility more flexibility in reaching the established energy efficiency savings standards. Staff recommends that SSVEC be allowed to shift up to 25% of the program's budgeted funds between approved energy efficiency programs with the exception that the dollars allocated to the Low Income Weatherization program should not be allocated to any other program.

MEASUREMENT, EVALUATION, AND RESEARCH (“MER”)

In its application, SSVEC requested that the reporting requirements outlined in A.A.C. R14-2-2409 supersede the reporting requirements detailed in Decision No. 71274 dated September 8, 2009 and Decision No. 58358 dated July 23, 1993. The reporting requirements outlined in Decision No. 71274 state that SSVEC is required to file its DSM surcharge filing on March 1st each year (with the surcharge taking effect June 1st of each year) and its semi-annual DSM reports on March 1st and September 1st of each year.

SSVEC also requested the reporting requirements outlined in A.A.C. R14-2-2418 supersede the reporting requirements detailed in Decision Nos. 71274 and 58358. Specifically, SSVEC is requesting to file its energy efficiency plans, along with the above mentioned DSM surcharge filing, in each odd year to cover a two year program period. A.A.C. R14-2-2418 allows for a cooperative to file on June 1st of each odd year or annually at the cooperative's choice its energy efficiency plan applicable to the next one or two years.

Staff agrees that, in order to avoid confusion and duplicative filings, the reporting requirements detailed in A.A.C. R14-2-2409 supersede those reporting requirements outlined in Decision Nos. 71274 and 58358 so that SSVEC would be required to file annual DSM reports on March 1st and mid-year update reports on September 1st of each year. In addition, Staff recognizes that A.A.C. R14-2-2418 allows for a cooperative to file a new energy efficiency plan on June 1st of each odd year, and Staff recommends that A.A.C. R17-2-2418 supersede those energy efficiency plan filings detailed in Decision Nos. 71274 and 58358. In addition, the Company should suspend or discontinue a program or measure upon determining it to be no longer cost-effective. The Company should notify Staff in advance of suspending or discontinuing a program or measure. Once a program or measure is suspended or discontinued, the Company must file acknowledgement in this docket.

Staff further agrees that allowing SSVEC to incorporate into its energy efficiency plan filings its new proposed DSM adjustor rate would not be detrimental to ratepayers. At a minimum, SSVEC is required by A.A.C. R14-2-2418 to file a new energy efficiency plan on June 1st of each odd year. SSVEC can opt to file a new energy efficiency plan every year. By incorporating the DSM adjustor rate filing into the energy efficiency plan filing, SSVEC is required to monitor the balance in its DSM account to file for a change to the adjustor every other year. Staff recommends that SSVEC's DSM adjustor rate be incorporated into its energy efficiency plan filings in accordance with A.A.C. R14-2-2418 and that these filing requirements supersede the annual DSM surcharge filing outlined in Decision No. 71274.

DSM SURCHARGE

On March 22, 2012, in compliance with Decision No. 71274, SSVEC filed to maintain the DSM adjustor surcharge at the rate approved in Decision No. 71274 (\$0.00088 per kWh). With the filing of the updated SSVEC EE Plan on February 29, 2012, SSVEC is not requesting to change the DSM adjustor surcharge at this point in time. Based on the estimated carry over balance in the DSM account, the estimated collection of DSM surcharge dollars, and the estimated loan repayment dollars, SSVEC believes the current DSM surcharge rate of \$0.00088 per kWh will cover the increase in budget for 2013 and 2014 with the addition of new energy efficiency programs.

Staff has reviewed the calculation SSVEC has made in establishing no change to the current surcharge. Staff is in agreement that a rate of \$0.00088 per kWh will be sufficient to cover the Staff proposed budget for 2013 and 2014 based on the sales estimates provided by SSVEC.

WAIVER REQUEST

In its updated plan filed on February 29, 2012, SSVEC requested a waiver under the provisions of A.A.C. R14-2-2419 from the savings percentage mandates set for cooperatives in A.A.C. R14-2-2418. SSVEC indicated that it has had an ongoing DSM plan for over thirty years. The savings attributed to energy efficiency prior to the inception of the energy efficiency rules cannot be counted toward meeting the energy efficiency goals until 2016 and is capped at that point at 4% of 2005 retail energy sales. In addition, SSVEC stated that its incremental cost to increase the percentage of energy saved would be contrary to the cost effectiveness standards set forth in A.A.C. R14-2-2412 because it has been actively promoting energy conservation for numerous years. SSVEC further requested a permanent waiver under the provisions of A.A.C. R14-2-2419 subject to the Commission approving subsequent conservation goals in its future energy efficiency plan proposals as a substitute to the provisions of R14-2-2418.

In the amendment filed by SSVEC on August 2, 2012, SSVEC requested a waiver from the cumulative EE rule requirements. SSVEC stated that with the DSM programs that have been in place since 1993 at SSVEC, the Company has already implemented programs which have the least cost but yield the greatest energy savings and, as mentioned above, those savings cannot be included toward meeting the energy efficiency goals until 2016 and there is a cap as to the percentage which can be included. SSVEC also indicated in its amendment that it has an average monthly kWh consumption lower than the national average for residential customers. Also in the amendment, as a condition of receiving a waiver from the cumulative EE requirement, SSVEC agreed to file a biennial EE plan in compliance with the EE rules that will contain EE goals, a budget and a surcharge that is appropriate for its members and service area.

Staff calculated that actual 2011 savings were 0.030% of prior year retail energy sales. Actual 2012 savings are 0.047% of prior year retail energy sales. Even with the implementation of new programs in 2013 and 2014, Staff's analysis estimates that SSVEC will only reach 0.578% of prior year retail energy sales by the end of year 2014. Staff recognizes SSVEC's ongoing efforts in implementing cost-effective energy efficiency programs that are beneficial to all customer classes. Staff also realizes that there is a break-even point at which more budget dollars will not result in reaching the cooperative energy efficiency standard of 5.44% of prior year retail energy sales. Staff recommends a waiver be granted to SSVEC of the EEE Standards established in A.A.C. R14-2-2418 for the calendar years 2012, 2013, and 2014. Waivers of future years' requirements can be evaluated during future years' implementation plan reviews.

Staff recommends that SSVEC implement its plan as modified by Staff above for the remainder of 2013 and all of 2014 and be required to file its next energy efficiency plan no later than June 1, 2015, pursuant to A.A.C. R14-2-2418. Also, as indicated above, Staff recommends that A.A.C. R14-2-2418 supersede those reporting requirements outlined in Decision Nos. 71274 and 58358 so that SSVEC would be required to file DSM reports on March 1st and September 1st

THE COMMISSION

April 10, 2013

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of each year, and the proposed changes to the DSM adjustor rate should be incorporated into the energy efficiency plan filings rather than SSVEC having to file its new proposed DSM adjustor rate with Docket Control by March 1st of each year.

In addition, Staff recommends that the SSVEC EE Plan filed in compliance with A.A.C. R14-2-2418 be considered sufficient in meeting the requirements of R14-2-213.



Steven M. Olea
Director
Utilities Division

SMO:RSP:sms/WVC

Originator: Ranelle Paladino

BEFORE THE ARIZONA CORPORATION COMMISSION

1 BOB STUMP
Chairman
2 GARY PIERCE
Commissioner
3 BRENDA BURNS
Commissioner
4 BOB BURNS
Commissioner
5 SUSAN BITTER SMITH
Commissioner
6

7 IN THE MATTER OF SULPHUR SPRINGS }
8 VALLEY ELECTRIC COOPERATIVE, }
9 INC.'S APPLICATION FOR APPROVAL OF }
10 ITS 2012-2013 ELECTRIC ENERGY }
EFFICIENCY IMPLEMENTATION PLAN }

DOCKET NO. E-01575A-11-0223

DECISION NO. _____

ORDER

11 _____
12 Open Meeting
May 1 and 2, 2013
13 Phoenix, Arizona

14 BY THE COMMISSION:

15 FINDINGS OF FACT

16 INTRODUCTION

17 1. Sulphur Springs Valley Electric Cooperative, Inc. ("SSVEC" or the "Company") is
18 certificated to provide electric service within portions of Arizona, pursuant to authority granted by
19 the Arizona Corporation Commission ("Commission").

20 2. On May 31, 2011, SSVEC filed its 2012-2013 Electric Energy Efficiency
21 Implementation Plan ("EE Plan"). On July 21, 2011, SSVEC filed an amendment to the
22 application adding another program to the plan. On February 29, 2012, at the request of the
23 Commission Staff, SSVEC updated its EE Plan and filed the revised plan in Docket No. E-
24 01575A-11-0223. On August 2, 2012, SSVEC filed an amendment requesting a waiver from
25 meeting the cumulative Electric Energy Efficiency Standards ("EEES"). Specifically, SSVEC
26 requested a waiver similar to the provision that was granted to the Cooperatives by the
27 Commission under the Renewable Energy Standard and Tariff ("REST") where SSVEC will agree
28

1 to file a biannual EE Plan in compliance with the EEES that will contain energy efficiency goals, a
2 budget, and a surcharge that is appropriate for its members and service area.

3 3. SSVEC is a member-owned Arizona non-profit cooperative with its principal
4 business office in Willcox, Arizona. SSVEC is a public service corporation providing electric
5 distribution service to approximately 51,000 customers in parts of Cochise, Santa Cruz, Pima and
6 Graham counties. Of that total, approximately 41,400 are Residential customers. The remainder is
7 a mix of Commercial, Industrial, Irrigation and Municipal customers. SSVEC's Board of
8 Directors oversees all aspects of SSVEC's operations and approves the annual operating budget.

9 EE PLAN OVERVIEW

10 4. SSVEC has had in place a Demand Side Management ("DSM") Plan for over thirty
11 years. Prior to SSVEC's most recent rate case (Decision No. 71274), SSVEC reported every six
12 months the expenditures associated with the DSM activity and these expenditures were approved
13 by the Commission for recovery through SSVEC's purchased power adjustor.

14 5. As indicated in Decision No. 71274, SSVEC's current DSM Plan was approved at a
15 budget level of \$704,500. The current DSM surcharge was set at the time of the rate case at
16 \$0.00088 per kWh with the stipulation that SSVEC could file to adjust this surcharge annually in
17 June as needed. Actual DSM surcharge collections for 2010 totaled \$855,898 which included a
18 carryover from 2009 and repayments on loans during 2010. Actual DSM surcharge collections for
19 2011 totaled \$1,086,314 which included a carryover from 2010 and repayments on loans during
20 2011. Actual DSM surcharge collections for 2012 totaled \$1,420,900 which included a carryover
21 from 2011 and repayments on loans during 2012. With the latest surcharge adjustor filing on
22 March 1, 2012, SSVEC has requested the DSM surcharge remain at \$0.00088 per kWh.

23 6. SSVEC has also requested the proposed 2012-2013 EE Plan be rolled forward to
24 reflect an energy efficiency plan proposed for 2013 and 2014 with the budget dollars proposed to
25 be \$1,466,157 for 2013 and \$1,251,000 for 2014.

26 7. The SSVEC EE Plan includes a continuation of the current cost-effective energy
27 efficiency programs already in place and a proposal to implement new programs. Included in the
28 new programs are: Heat Pump Water Heaters, On-Demand Hot Water Circulating Pumps,

1 Commercial and Industrial (“C&I”) Lighting Incentive, Refrigerator Recycling Program, and the
 2 Low Income Weatherization Program. SSVEC has also filed to continue its C&I Energy
 3 Efficiency Improvement Loan program as part of its EE Plan and to implement a Meter Miser
 4 Guide program which will be a new page in the monthly customer bill. The SSVEC EE Plan
 5 includes a broad spectrum of programs targeted to the various customer segments as detailed
 6 below.

7 Residential Programs

- 8 • Energy Efficient Improvement Loan Program
- 9 • Touchstone Energy Efficient Home Program
- 10 • Energy Audits
- 11 • Meter Miser Guide
- 12 • Refrigerator Recycling Program
- 13 • Low Income Weatherization Program
- 14 • On-Demand Hot Water Circulating Pump Program

15 Non-Residential Programs

- 16 • Energy Efficient Improvement Loan Program
- 17 • Energy Audits
- 18 • Lighting Incentive Program

19 Both Residential & Non-Residential Programs

- 20 • Energy Efficient Water Heater Rebate Program
- 21 • Energy Efficient Heat Pump Program

22 The EE Plan includes new measures for existing programs in addition to adding new
 23 programs, detailed in the table below.

24 ...
 25 ...
 26 ...
 27 ...
 28 ...

2012-2013 Proposed Energy Efficiency Program Modifications or Additions

Residential Energy Efficient Improvement Loan Program	
Residential Home Improvement Loans	<ul style="list-style-type: none"> Continue operating this program as it currently is but increase the budget to allow for 30-40 homes being able to take advantage of no interest loans.
Residential Touchstone Energy Efficient Home Program	
Home Efficiency	<ul style="list-style-type: none"> Decrease the budget while keeping the incentive level the same to take into consideration the downturn in new home construction.
Residential Energy Management Program	
Energy Audits	<ul style="list-style-type: none"> Continue performing home energy audits with funds provided by the DSM surcharge and the American Recovery and Reinvestment Act ("ARRA").
Meter Miser Guide	<ul style="list-style-type: none"> Implement a new customer awareness program utilizing bill inserts which make comparisons of household usage to other households with similar age and size.
Residential Refrigerator Recycling Program	
Appliance Recycling	<ul style="list-style-type: none"> Add a program which encourages customers to recycle older, less efficient refrigerators currently being used as a backup refrigerator.
Residential Low Income Weatherization Program	
Home Weatherization	<ul style="list-style-type: none"> Add a program which works with the Housing Authority of Cochise County to weatherize low income households in the SSVEC service area.
Residential On-Demand Hot Water Circulating Pump Program	
Water Heating	<ul style="list-style-type: none"> Add a program offering rebates to customers who install an on-demand hot water circulating pump onto their existing water heater.
C&I Energy Efficient Improvement Loan Program	
C&I Improvement Loans	<ul style="list-style-type: none"> Implement this program as an energy efficiency program rather than a pilot program allowing for commercial and industrial customers to take advantage of no interest loans.
C&I Energy Management Program	
Energy Audits	<ul style="list-style-type: none"> Continue performing energy audits for the 50 largest customers promoting energy saving concepts and new technologies.
C&I Lighting Incentive Program	
Lighting	<ul style="list-style-type: none"> Implement a new program offering a per watt incentive for retrofits made to existing commercial and industrial lighting fixtures.
Residential & Non-Residential Energy Efficient Water Heater Program	
Water Heating	<ul style="list-style-type: none"> Modify the requirements per water heater to incorporate the size of the tank when considering the minimum rating needed to receive an incentive.
Residential & Non-Residential Energy Efficient Heat Pump Program	
HVAC	<ul style="list-style-type: none"> Continue with the current program offering \$500 rebates for installing an energy efficient heat pump.
Water Heating	<ul style="list-style-type: none"> Add a measure for a heat pump water heater with the incentive of \$500 paid to the customer after installation.

1 8. The Commission approved the EEES in Decision No. 71819 on August 10, 2010, in
2 Docket No. RE-00000C-09-0427. The rules are designed to cause affected utilities to achieve
3 energy savings through cost-effective energy efficiency programs, in order to ensure reliable
4 electric service at reasonable rates and costs. As established in these rules, “energy efficiency”
5 means the production or delivery of an equivalent level and quality of end-use electric service
6 using less energy, or the conservation of energy by end-use customers. Energy efficiency is a type
7 of DSM. The rules also identify as DSM any measure designed to result in reduced peak demand
8 or shifting of electricity consumption to off peak periods and combined heat and power used to
9 displace space heating, water heating, or another load.

10 9. The EEES became effective January 1, 2011. The EEES clarified that electric
11 public service corporations had to file their initial energy efficiency plans by the end of January
12 2011 and electric distribution cooperatives had until June 1, 2011 to file their respective plans. In
13 addition, A.A.C. R14-2-2418 requires that cooperatives obtain at least 75% of the savings goals
14 specified in A.A.C. R14-2-2404 which means the savings goals in the EEES for SSVEC would be
15 0.94% in 2011, 2.25% in 2012, 3.75% in 2013, and 5.44% in 2014. In accordance with A.A.C.
16 R14-2-2405(C), SSVEC notified customers of its 2012-2013 EE Plan filing in the October 2012
17 billing cycle.

18 10. SSVEC has had in place Commission-approved DSM programs for over thirty
19 years including programs such as free residential and business energy audits, free rate analysis,
20 rebates for the purchase of specified appliances whose Seasonal Energy Efficiency Ratio
21 (“SEER”) exceeded the national standards. SSVEC has also developed an aggressive load
22 shedding program for its irrigation members through approved irrigation rates. In the EE rules,
23 SSVEC cannot include the savings from the programs in existence prior to the EE rules going into
24 effect until 2016 and of the kWh savings from 2004-2010, up to 4% of 2005 retail sales can be
25 counted toward meeting the EE Standard. As can be seen on the table below with information
26 based on SSVEC’s most recently filed Annual DSM Progress Report filed on February 27, 2013,
27 SSVEC has achieved a cumulative annual EE savings as a percent of previous year’s retail sales of
28 0.047% as of the end of 2012.

SSVEC, INC. REQUIRED ENERGY EFFICIENCY STANDARDS					
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Actual/Projected Sales (kWh)*	819,287,674	835,766,567	853,740,000	887,899,000	906,249,000
Required Savings (%)**		0.94%	2.25%	3.75%	5.44%
Required Savings From Prior Year Sales (kWh)		7,680,822	18,804,748	32,015,250	48,279,508
Existing Energy Efficiency Program Savings (kWh)***		243,162	150,536	150,536	150,536
Proposed New Program Energy Efficiency Savings (kWh)				3,199,296	1,456,479
Total Savings Per Year (kWh)		243,162	150,536	3,349,832	1,607,015
Total Cumulative Savings (kWh)		243,162	393,698	3,743,530	5,350,545
Savings (%)		0.030%	0.047%	0.438%	0.603%
Difference Between Required Savings and Projected/Actual Savings(kWh)		7,437,660	18,411,050	28,271,720	42,928,963

*2010 and 2011 sales represent actual sales collected from annual reports. 2012 sales represent actual sales provided by SSVEC. 2013-2014 sales are projections of kWh sales provided by SSVEC.

**Cooperatives are only required to meet 75% of the percentage savings goals.

***2011 and 2012 kWh savings are based on year end DSM report data.

PROPOSED PROGRAM CHANGES

11. SSVEC's EE Plan is comprised of several new programs falling in both the residential and non-residential categories. SSVEC has designed a portfolio of DSM programs designed to deliver electricity savings to meet, or come close to meeting, annual DSM energy savings goals as outlined in the EEES. Due to the delay in processing of the EE Plan, SSVEC has requested the previously filed 2012-2013 EE Plan be considered the 2013-2014 Energy Efficiency Plan.

A. Residential Programs: Energy Efficient Improvement Loan Program

12. SSVEC is requesting budget approval to continue this program.

Current Program

13. This loan program is designed to offer residential customers the opportunity to improve the thermal efficiency of their homes. The customer obtains a bid for upgrading attic insulation, replacing non-conforming windows, sealing cracks and penetrations, and adding

1 insulation to exterior walls. After work has been completed and the modifications certified by
2 licensed contractors, SSVEC will issue a loan check to the customer. If the customer's loan
3 amount is at or above \$2,000 on any of the aforementioned improvements, then the customer may
4 also replace non-conforming HVAC systems with an \$8,000 maximum loan amount toward the
5 HVAC equipment.

6 14. In 2010, 19 loan projects were completed with an average loan amount of \$13,635.
7 In 2011, 15 loan projects were completed with an average loan amount of \$14,482. In 2012, 15
8 loan projects were completed with an average loan amount of \$11,087.

9 *Proposed Changes*

10 15. No new measures or changes were made to this program.

11 *Proposed Budget*

12 16. SSVEC has proposed increasing the budget to \$339,000 in 2013 and \$375,000 in
13 2014 to allow for SSVEC to offer loans to 30-40 homes each year.

14 *Cost Effectiveness*

15 17. Staff reviewed the 2010-2012 DSM Reports to verify the structure and
16 effectiveness of the current program. SSVEC has issued either 36 month or 72 month loans that
17 are interest free but carry a 1.5% per month late payment charge. SSVEC has not had any
18 members default on their loans and protects the loans by placing a lien on the customer's property.

19 *Recommendations*

20 18. The last approved budget for this program was in Decision No. 71274 and was
21 equal to \$200,000. The proposed budget for 2013 and 2014 as noted above is \$339,000 and
22 \$375,000 respectively, which represents a 69.5% increase for 2013. The estimated kWh
23 (including therm equivalents) for 2012 from the Residential Energy Efficient Loan Improvement
24 Program is approximately 102,000 kWhs with improvements made that span 20+ years.

25 19. Given that the most recent DSM report data shows that SSVEC did exceed the prior
26 budget in 2011 and was slightly less than budget in 2012 along with the fact that SSVEC intends to
27 grow this program as they are still finding contractors who are unaware of the availability of loan

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1 funding, Staff has recommended the continuation of the current program along with the increase in
2 the budget to \$339,000 in 2013 and 2014.

3 B. Residential Programs: Touchstone Energy Efficient Home Program

4 20. SSVEC is requesting budget approval to continue this program.

5 *Current Program*

6 21. This program is designed to encourage builders to construct new homes in a manner
7 that exceeds local building codes and to meet the requirements of the Touchstone Energy Efficient
8 Home Program resulting in energy savings over the life of the home. SSVEC has established
9 prescriptive thermal criteria or heat gain characteristics that builders are required to meet or exceed
10 to qualify for the \$1,500 rebate.

11 22. In 2010, 50 homes were certified while in 2011, 25 homes were certified. In 2012,
12 24 homes were certified.

13 *Proposed Changes*

14 23. No new measures or changes were made to this program.

15 *Proposed Budget*

16 24. SSVEC has proposed decreasing the budget to \$50,000 in 2013 and 2014 to account
17 for the reductions in new housing market projections.

18 *Cost Effectiveness*

19 25. Staff reviewed the 2010-2012 DSM Reports to verify the structure and
20 effectiveness of the current program.

21 *Recommendations*

22 26. The last approved budget for this program was \$175,000. The proposed budget for
23 2013 and 2014 as noted above is \$50,000 which represents a 71% decrease. The estimated kWh
24 savings for 2012 from the Residential Touchstone Energy Efficient Home Program is 44,609
25 kWhs with improvements made that span the life of the home. Staff agrees with SSVEC in its
26 assessment that the new home building market has slowed in its service territory. Staff has
27 recommended the continuation of the current program along with the decrease in the budget to
28 \$50,000 in 2013 and 2014.

1 C. Residential Programs: Residential Energy Management

2 27. SSVEC is requesting budget approval to continue this program and to add a new
3 measure as part of this program.

4 *Current Program*

5 28. The existing piece of this program has two facets: the first aspect of the program is
6 designed to respond to customer requests for usage information and to educate customers on ways
7 to reduce or manage their energy bills. The second aspect of the program is the completion of
8 home energy audits. The audits are funded in part by ARRA Smart Grid Grant money.

9 29. SSVEC began conducting residential audits in May of 2011. In 2011, 468 home
10 audits were completed. In 2012, 1,363 home audits were completed.

11 *Proposed Changes*

12 30. SSVEC has proposed adding a new measure to this program referred to as the
13 Meter Miser Guide ("MMG"). The MMG will compare each customer's bill and usage to those
14 customers with a home of similar age and size. SSVEC believes that customer awareness
15 programs provide customers with comparative usage information and energy saving tips which in
16 turn lead to a reduction in energy consumption for residential customers. Building upon the
17 existing energy saving communication program currently in place at SSVEC which uses bill
18 inserts, consumer magazine, radio, and newspaper ads, SSVEC is proposing to incorporate the
19 MMG into the customer's bill. The MMG would be a new page in the residential bill with the
20 frequency being one report during the winter heating season and one during the summer cooling
21 season.

22 31. Prior to implementing the MMG in the customers' bills, SSVEC will publish an
23 article in the Currents magazine announcing the new insert and explaining how to read and
24 interpret the data on the insert.

25 *Proposed Budget*

26 32. SSVEC has proposed increasing the budget to \$80,000 in 2013 and 2014. The
27 increase accounts for approximately \$10,000 of an increase for development of the MMG (which
28 will occur in-house) and \$10,000 for increased mailing costs.

1 33. The budget dollars allocated to the existing program are combined with a 50/50
2 matching for the funds from the ARRA Smart Grid Grant.

3 *Cost Effectiveness*

4 34. Staff's review of the benefits and costs associated with the proposed new measure
5 (MMG) in the Residential Energy Management program found that the measure is cost-effective.
6 In the analysis, Staff considered a 2% annual energy savings based on changes to consumer
7 behavior with the savings only valid for a period of one year. The long-term goal for this measure
8 would be a roll-out of the MMG to all residential customers. Initial reports will be to a smaller
9 population testing the readability and ease in use by customers. Realistically, not all residents who
10 receive an MMG will implement any changes to behavior. SSVEC estimated 20% of its
11 residential members would participate in some type of behavior modification. Based on the fact
12 that SSVEC is planning two mailings each year to start the program, Staff lowered the estimate to
13 10% participation in the savings and the full costs reported below.

Program	# of Units	Present Value DSM Savings	Present Value DSM Cost	Benefit/Cost Ratio
Residential Meter Miser Guide	4,138	\$26,064.24	\$19,506.05	1.34

16 *Recommendations*

17 35. The last approved budget for this program was \$50,000. The proposed budget for
18 2013 and 2014 as noted above is \$80,000 which represents a 60% increase where the majority of
19 the increase is attributable to the proposed new measure. Staff recognizes that quantifying energy
20 savings from residential audits is difficult without a detailed follow-up with each customer on what
21 improvements were actually implemented. SSVEC is working to estimate savings based on
22 Department of Energy ("DOE") guidelines. Staff also recognizes the benefits in educating
23 residential customers on ways to improve efficiency in the home and has recommended the
24 continuation of the current program along with implementing the new Meter Miser Guide and
25 increasing the budget as proposed.

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1 D. Residential Program: Refrigerator Recycling Program

2 36. SSVEC is proposing a new program offering incentives designed to decrease
3 energy usage by incenting residential customers to recycle secondary old refrigerators. These
4 appliances will be recycled through a process that captures all hazardous materials and recycles as
5 much material as possible (>95% will be recycled).

6 37. The marketing and advertising of this program will be incorporated into the current
7 marketing activities completed by SSVEC. The appliance pickup and recycling services as well as
8 the tracking of the appliances recycled and the savings associated with such recycling will be
9 managed by JACO, a third party contractor. SSVEC has proposed to offer a \$30 rebate to its
10 customers per unit recycled to incent participation in the program. SSVEC plans to offer these
11 recycling rebates until such time as the budget for the program is exhausted.

12 *Proposed Budget*

13 38. SSVEC has proposed a budget of \$70,000 in 2013 and \$67,000 in 2014.

14 *Cost Effectiveness*

15 39. Staff's review of the benefits and costs associated with the proposed Refrigerator
16 Recycling Program found that the program is cost-effective. In the analysis, based on information
17 supplied by JACO, Staff utilized an annual per unit savings of 656 kWhs and 0.07 kW. With an
18 estimate of 1% of total residential customers wanting to recycle older refrigerators, SSVEC
19 estimates 408 refrigerators could be recycled each year.

Program	# of Units	Present Value DSM Savings	Present Value DSM Cost	Benefit/Cost Ratio
Refrigerator Recycling Program	408	\$61,657.32	\$52,598.56	1.17

22
23 *Recommendations*

24 40. Given the results of Staff's cost-benefit analysis, Staff has recommended approval
25 of the C&I Refrigerator Recycling Program with a few modifications. After discussions with other
26 utilities, Staff has noted a trend of increased incentive dollars needed to incent customers to
27 recycle secondary older refrigerators. Given this new information, Staff has recommended an
28 increase in the budgeted incentive dollars for this program to \$50 per refrigerator (an increase of

1 \$20 per refrigerator) and proposes SSVEC adjust its proposed budget as follows: \$42,024 for
2 Direct Implementation, \$8,160 for marketing, and \$20,400 for incentives for a total budget of
3 \$70,584 each year. In addition, a portion of the energy efficiency administrative budget would be
4 split among all of the cost-effective programs.

5 E. Residential Programs: Low Income Weatherization Program

6 41. SSVEC has proposed adding a new program offering funds to assist in the
7 weatherization of homes for low income customers in the SSVEC service area. The program is
8 designed to improve energy efficiency in homes in the SSVEC service area by assisting low
9 income residents in reducing energy use and lowering their utility bills by implementing year-
10 round weatherization measures. This program will be offered at no cost to eligible SSVEC
11 customers.

12 42. Rather than operate this program on its own, SSVEC is proposing to utilize services
13 already available by providing a lump sum of dollars each year to support existing weatherization
14 programs offered in SSVEC's service territory by the non-profit organization Housing Authority
15 of Cochise County ("HACC"). The funding will allow for additional homes to receive
16 weatherization assistance from HACC.

17 43. To qualify for this program, the applicant will complete an SSVEC Energy
18 Efficiency Improvement Grant Program application. Applicants meeting all of the above criteria
19 will be placed on a waiting list. HACC will work with the applicant to assess the needs and
20 facilitate the contractors. HACC will market the program through a variety of methods:
21 distribution of brochures, direct mailings, news releases, public presentations, and promotions to
22 other organizations. HACC will track the work done and the cost associated with the work
23 completed. Payments to contractors will happen once all of the work is completed and the SSVEC
24 Project Close-Out form is completed.

25 *Proposed Budget*

26 44. SSVEC has proposed a budget of \$125,000 in 2013 and \$50,000 in 2014.

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1 *Cost Effectiveness*

2 45. Staff's review of the benefits and costs associated with the new Low Income
3 Weatherization program found that the measure is cost-effective with a few modifications. In the
4 analysis, Staff considered a dollar contribution per customer equal to \$1,500 rather than a lump
5 sum amount paid to HACC. At the contribution level of \$1,500 per household, the benefit-cost
6 ratio is 1.12.

7 *Recommendations*

8 46. The proposed budget is \$125,000 for 2013 and \$50,000 for 2014 as noted above.
9 Given the modification to contribute funds per household equal to \$1,500 rather than a lump sum,
10 Staff has recommended the budget for 2013 be increased to \$150,000 for 2013 to allow for
11 weatherization efforts on 100 houses. Staff has also recommended the budget for 2014 be
12 increased to \$75,000 to allow for weatherization efforts on 50 houses in year two of the program.

13 47. After speaking with HACC about the scope of weatherization HACC is able to
14 complete and the service territory HACC currently serves, Staff is concerned that HACC will not
15 be able to meet the requirements of the Low Income Weatherization program for SSVEC. HACC
16 currently provides emergency repair to homes in unincorporated areas of southeastern Arizona. As
17 some of SSVEC's members reside within city limits, these customers would be outside the current
18 scope of reach for HACC. In addition, HACC has limited staff/resources to be able to complete
19 the number of households in the recommended budget each year for SSVEC's Low Income
20 Weatherization program.

21 48. Given these concerns, Staff contacted the non-profit organization Southeastern
22 Arizona Community Action Program ("SEACAP") to inquire about its ability to assist SSVEC
23 with implementing a Low Income Weatherization program. SEACAP currently works with
24 several regulated utilities within the state of Arizona to facilitate weatherization programs; thus
25 Staff has recommended that SSVEC utilize SEACAP to implement its Low Income
26 Weatherization program.

27 49. Staff has also recommended that this program be offered at no cost to eligible
28 SSVEC customers (eligible customers will be households at or below 200% of Federal Poverty

1 Guidelines). To qualify for this program, the applicant will need to contact SEACAP for an
2 application. A SEACAP representative would then work with the customer to determine the
3 weatherization measures necessary including: caulking, weather-stripping, attic/wall and duct
4 insulation, and any other energy efficiency measures that may be needed.

5 F. Residential Programs: On-Demand Hot Water Circulating Pump

6 50. SSVEC is proposing a new program offering rebates to customers who install an
7 on-demand hot water circulating pump on their existing water heaters. The intent behind installing
8 an on-demand hot water circulating pump is to capture some of the energy loss and water loss
9 experienced with a standard water heating system. In most standard systems, the timer pump on
10 the water heater is operating 16 hours per day, 365 days per year pumping water at 1 gallon per
11 minute (gpm) and each gallon losing 5°F during one circulation event.

12 51. The addition of an on-demand hot water circulating pump allows for the standing
13 water from the hot-water pipes to be recirculated through the cold-water pipes and back to the
14 tank, leaving a constantly clear line for the next hot-water usage. The time it takes to get hot water
15 to a desired location will vary, but typically with an on-demand hot water circulating pump hot
16 water will arrive in 15 to 30 seconds without wasting water and only using a small amount of
17 electricity.

18 52. SSVEC is proposing that after installation of the on-demand hot water circulating
19 pump, the customer would fill out a rebate request form and provide an invoice from the
20 plumber/installer if one was used. The rebate would be paid directly to the customer at that point
21 in time.

22 *Proposed Budget*

23 53. SSVEC has proposed a budget for rebates of \$25,000 in 2013 and \$15,000 in 2014.

24 *Cost Effectiveness*

25 54. Staff's review of the benefits and costs associated with the proposed new program
26 found that the program is not cost effective at this point in time with a benefit-cost ratio of 0.70.
27 While Staff recognizes there may be significant water conservation benefits with the addition of an
28 on-demand hot water circulating pump, Staff believes the electric energy savings combined with

1 the potential for water savings do not outweigh the cost of the product available to the general
2 public.

3 *Recommendations*

4 55. Staff has not recommended approval of the on-demand hot water circulating pump
5 as a new energy efficiency program in the current energy efficiency portfolio. The cost for the
6 pump is estimated by SSVEC to be anywhere from \$250-\$300, based on the availability of a
7 product currently at only one retail store in Sierra Vista, AZ. This product is a new product which
8 Staff believes may still be undergoing testing. Staff's analysis utilized a cost estimate of around
9 \$500 for a pump more commonly available at the larger home improvement stores. Staff is also
10 concerned that the actual energy savings resulting from the installation of an on-demand hot water
11 circulation pump cannot be validated at this point in time.

12 56. As originally submitted, SSVEC requested approval to offer varying rebates
13 depending upon whether the customer was currently running a natural gas powered water heater
14 versus an electric powered water heater. Staff believes that if at a future point in time this program
15 is implemented, SSVEC should be limited to offering rebates to only SSVEC members currently
16 running an electric powered water heater.

17 G. C&I Programs: Energy Efficient Improvement Loan Program

18 57. SSVEC is requesting budget approval to continue this program as part of its energy
19 efficiency portfolio rather than continue as a pilot program.

20 *Current Program*

21 58. The purpose of this program is to help fund energy projects that demonstrate a
22 reasonable return on investment from energy savings. This program was approved as a pilot
23 program in 2009 in Decision No. 71274. The program was approved for a period of 16 months.
24 Following the 12th month of the program, SSVEC was to make a filing detailing its experience
25 with the program and a recommendation regarding continuation of the program.

26 59. In March of 2011, SSVEC filed an update to the program detailing the slow growth
27 in this program due to the downturn in the economy and the reluctance of commercial and
28 industrial customers to spend money on improvements—even with interest free funding. At that

1 time, SSVEC requested to continue the program through the end of 2011 with no additional
2 funding.

3 *Proposed Changes*

4 60. No new measures or changes were made to this program. However, SSVEC has
5 requested this program be considered as part of its Energy Efficiency program portfolio rather than
6 a pilot program.

7 *Proposed Budget*

8 61. SSVEC has proposed increasing the budget to \$250,000 in 2013 and \$220,000 in
9 2014.

10 *Cost Effectiveness*

11 62. Staff reviewed the 2010-2012 DSM Reports to verify the structure and
12 effectiveness of the current program.

13 *Recommendations*

14 63. The last approved budget for this program was \$150,000. The proposed budget for
15 2013 as noted above is \$250,000 which represents a 67% increase. Staff recognizes that the state
16 of the economy may have affected the implementation of this pilot program. Staff also recognizes
17 that if the proposed C&I Lighting Incentive program is approved, commercial and industrial
18 customers would be able to get assistance in paying for the commercial retrofit so the popularity of
19 the program may increase over the next couple of years. However, Staff also realizes that the
20 actual dollars spent on this program for 2012 are estimated to be one-third of the approved budget.
21 While Staff understands the value in the Energy Efficient Improvement Loan Program and that
22 there may be increased interest in this program with the implementation of the C&I Lighting
23 Incentive program, Staff has recommended that the growth be evident prior to the substantial
24 increase in the budget.

25 64. Given all of the considerations, Staff has recommended that SSVEC implement the
26 C&I Energy Efficient Loan Improvement Program in its Energy Efficiency portfolio but the
27 budget remain at the current approved level of \$150,000. If customer interest begins to exceed
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1 budget for this program, SSVEC can file to increase the budget for this program in a future energy
2 efficiency implementation plan filing.

3 H. C&I Programs: C&I Energy Management

4 65. SSVEC is requesting budget approval to continue this program.

5 *Current Program*

6 66. This program has been in place for the past eleven years and was previously
7 referred to as the Key Account Program. The program is designed to provide detailed energy
8 reports to approximately fifty of the largest customers and monitor over 350 individual accounts
9 for these large customers. The reports are designed to help the customer identify problems and
10 validate energy saving measures. The reports are emailed to the customers each month. In
11 addition, an email newsletter is provided fourteen times per year to promote new energy saving
12 technologies. Energy audits, bill analysis, and rate analysis may also be performed as part of this
13 program.

14 *Proposed Changes*

15 67. No new measures or changes were made to this program.

16 *Proposed Budget*

17 68. SSVEC has proposed increasing the budget to \$12,000 in 2013 and 2014.

18 *Cost Effectiveness*

19 69. Staff reviewed the sample reports and newsletter included in the EE Plan filing to
20 verify the structure and effectiveness of the current program.

21 *Recommendations*

22 70. The last approved budget for this program was \$4,500. The proposed budget for
23 2013 as noted above is \$12,000 which represents a 167% increase. Staff recognizes the value in
24 maintaining a positive working relationship with the larger usage customers and helping those
25 customers to reduce energy consumption. Staff has recommended continuation of the current
26 program along with approval of the increase in the budget dollars to \$12,000 per year.

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1 I. C&I Programs: Commercial & Industrial Lighting Incentive

2 71. SSVEC is proposing a new program offering incentives to small commercial
3 customers who are interested in a lighting retrofit where most or all of the permanent fixtures in
4 the building are replaced with more efficient technology. At a minimum, a commercial lighting
5 retrofit would involve a lamp and ballast being replaced for each fixture. The commercial lighting
6 retrofit would save energy usage for a small commercial facility through the introduction of more
7 efficient lamps which may be used close to 55 hours per week.

8 72. SSVEC is proposing a \$0.20 per watt incentive. The customer would be able to
9 choose the lighting technology which makes the most sense for its business (CFL or LED). A
10 lighting project for an office would be different than lighting options for a warehouse. Given the
11 range in options, the proposed incentive is based on total watts saved from the retrofit. The
12 contractor involved in the retrofit will detail the number of existing fixtures, the watts per fixture,
13 and the total watts of the existing lighting load. The contractor will also provide a complete listing
14 of the new fixtures including the watts per fixture and the new total watts of the lighting load. The
15 difference in watts between the existing lighting load and the replacement lighting load will be
16 used to determine the incentive payout. Incentives are paid to the customer rather than the
17 contractor.

18 *Proposed Budget*

19 73. SSVEC has proposed a budget of \$125,000 in 2013 and \$70,000 in 2014.

20 *Cost Effectiveness*

21 74. Staff's review of the benefits and costs associated with the proposed C&I Lighting
22 Incentive program found that the program is cost-effective. In the analysis, Staff used a sample
23 small commercial retrofit involving the replacement of 75 fixtures with 4-34 watt T12 lamps and
24 magnetic ballast with 75 fixtures with 2-32 watt T8 lamps and electronic ballast. The resulting
25 watt savings from this sample customer was 6,150 watts (6.15 kW). The customer incentive in
26 this example would be \$1,230 on a retrofit with an estimated cost of \$2,700 for the replacement of
27 the lamps and ballasts. The number of retrofits which could be funded by the proposed budget will

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1 vary depending upon the size and extensiveness of the replacements. Staff's results below are
 2 based on an estimate of 100 incentive payouts in 2013.

Program	# of Units	Present Value DSM Savings	Present Value DSM Cost	Benefit/Cost Ratio
C&I Lighting Incentive Program	100	\$425,635.48	\$288,707.90	1.47

6 *Recommendations*

7 75. Given the results of Staff's cost-benefit analysis, Staff has recommended approval
 8 of the C&I Lighting Incentive Program.

9 J. Residential & Non-Residential Programs: Energy Efficient Water Heater Rebate Program

10 76. SSVEC is requesting budget approval to continue this program with a slight
 11 modification.

12 *Current Program*

13 77. This program was approved by the Commission in Decision No. 71274 dated
 14 September 8, 2009. The program offers \$100 rebates for customers purchasing and installing a
 15 0.90+ efficient electric water heater.

16 *Proposed Changes*

17 78. As part of the decision in SSVEC's last rate case, the Commission ordered, that,
 18 with the next DSM Implementation Plan, SSVEC revise the requirements for customers qualifying
 19 for a rebate on their electric water heater to match the table below. The change was to incorporate
 20 the size of water heater into the consideration for the minimum efficiency rating needed to receive
 21 the rebate. No other changes are being proposed for this program at this point in time.

Rated Storage Volume (gallons)	Minimum Standard	Minimum Rating to Receive Incentive
30	0.93	0.94
40	0.92	0.93
50	0.90	0.92
80	0.86	0.88

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1 *Proposed Budget*

2 79. The 2013-2014 proposed budget for the Residential Water Heater Rebate Program
3 is \$40,000 in 2013 and \$32,000 in 2014 providing for 400 rebates in 2013 and 320 rebates in 2014.
4 Program Development, Administration and DSM Advertising Expenses would be allocated across
5 all of the cost-effective programs.

6 *Cost Effectiveness*

7 80. Staff reviewed the 2010-2012 DSM Reports to verify the structure and
8 effectiveness of the current program.

9 *Recommendations*

10 81. The last approved budget for this program was in Decision No. 71274 and was
11 equal to \$25,000 for 2010. The proposed budget for this program for 2013 is \$40,000 which
12 represents an increase of 60%. Based on the fact that there may be an increase in interest in
13 commercial products with the marketing of the commercial loan program, Staff has recommended
14 increasing the budget as proposed.

15 K. Residential & Non-Residential Programs: Energy Efficient Heat Pump Program

16 82. SSVEC is requesting budget approval to continue this program as part of its energy
17 efficiency portfolio and add a new measure to the program.

18 *Current Program*

19 83. The existing program is geared toward those members considering the purchase of a
20 new heating/cooling system. The current program offers a \$500 rebate on the installation of an
21 energy efficient heat pump system in place of an existing electric heating/cooling system. To
22 receive the rebate, the customer fills out a rebate request (available on the SSVEC website) and
23 provides the request along with a copy of the receipt or installation invoice to SSVEC. The rebate
24 is paid to the customer after the installation is complete.

25 *Proposed Changes*

26 84. SSVEC has proposed adding a new measure to this program to incorporate a rebate
27 for the installation of an energy efficient heat pump water heater when replacing an existing

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1 electric water heater. SSVEC is proposing a \$500 rebate and would handle the payment of the
2 rebate in the same manner as currently paying rebates on heat pump installations.

3 *Proposed Budget*

4 85. SSVEC has proposed increasing the budget to \$150,000 in 2013 and \$125,000 in
5 2014.

6 *Cost Effectiveness*

7 86. Staff's review of the benefits and costs associated with the proposed new measure
8 for a heat pump water heater in the energy efficient heat pump program found that the measure is
9 cost-effective. In the analysis, Staff considered a standard replacement for an electric water heater
10 would cost the customer approximately \$400. The cost of the heat pump water heater is estimated
11 to be \$1,399. The incremental cost to the customer is \$999. With a proposed rebate of \$500, the
12 customer would be spending out of pocket close to \$500.

13 87. Heat Pump Water Heaters use roughly 50% less energy than standard resistive
14 electric water heaters. According to available information on the Energy Star website, the Heat
15 Pump Water Heaters save an estimated 2,000 kWh per year but will vary depending upon the size
16 of family and the amount of hot water being used.

Program	# of Units	Present Value DSM Savings	Present Value DSM Cost	Benefit/Cost Ratio
Heat Pump Water Heater	10	\$16,427.61	\$10,665.32	1.54

20 *Recommendations*

21 88. The last approved budget of \$20,000 for the heat pump program was approved in
22 Decision No. 71274. Actual rebate expenses for 2011 according to the DSM Annual Report filed
23 March 2012 were \$34,900 and actual rebate expenses for 2012 were \$23,600. Budget dollars from
24 the Touchstone Energy Home inspections program were reallocated to the Heat Pump Program to
25 allow for the increase in demand for the heat pump rebates. The increase in the proposed budgets
26 accounts for an increase in the number of heat pump installations and also allows for 10 heat pump
27 water heater installations. The proposed budget for 2013 is \$150,000 and \$125,000 for 2014 as
28 noted which represents a significant increase from prior years' budget. Only \$5,000 of that

1 increase is budgeted for the heat pump water heater. Staff recognizes there is a large amount of
2 interest in this program especially with the addition of a new measure; however, Staff is concerned
3 that the level of increase to the budget may be unattainable. Staff has recommended continuation
4 of the current program along with implementing the new Heat Pump Water Heater rebate at a
5 budget level of \$75,000 in 2013 and 2014.

6 SMART GRID SUPPLY & DSM PROJECTS

7 89. On August 6, 2009, SSVEC submitted an application to the DOE for a \$64.5
8 million Smart Grid Investment Grant under a joint effort entitled Arizona’s Cooperative Grid
9 Modernization Project with Southwest Transmission Cooperative (“SWTC”) and Mohave Electric
10 Cooperative (“MEC”). SWTC is considered the lead on the project. MEC and SSVEC are sub-
11 recipients of the grant.

12 90. The agreement is a grant and provides reimbursement of 50% of the funds
13 expended in DOE-approved projects. SSVEC anticipates \$22,143,819 in reimbursement provided
14 the approved projects are completed within the three-year period of performance timeframe
15 established by the DOE. SSVEC does not include these funds in its DSM budget but rather
16 utilizes the funds to multiply the DSM budget funds where the grant programs overlap with the
17 approved DSM programs. Current projects within the Smart Grid Supply & DSM Projects area
18 include: kilowatt-hour monitors available for check-out from the local libraries, direct load control
19 devices; irrigation pump efficiency improvements; web portal access for billing, payments, and
20 usage information, and mercury vapor change-outs.

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1 **BUDGET**

2 SSVEC, INC.					
3 2012-2014 EE BUDGET					
	4 SSVEC Actuals	5 SSVEC Proposed	6 SSVEC Proposed	7 Staff Proposed	8 Staff Proposed
	2012	2013	2014	2013	2014
9 Residential Programs					
10 Improvement Loan Program	\$161,186	\$339,000	\$375,000	\$339,000	\$339,000
11 Touchstone Home Program	\$4,378	\$50,000	\$50,000	\$50,000	\$50,000
12 Energy Audits	\$128,761	\$70,000	\$70,000	\$70,000	\$70,000
13 Meter Miser Guide	\$0	\$10,000	\$10,000	\$10,000	\$10,000
14 Refrigerator Recycling Program	\$0	\$70,000	\$67,000	\$70,584	\$70,584
15 LIW Program	\$0	\$125,000	\$50,000	\$150,000	\$75,000
16 On-Demand Hot Water Circulating Pump	\$0	\$25,000	\$15,000	\$0	\$0
17 Non-Residential Programs					
18 Improvement Loan Program	\$24,909	\$250,000	\$220,000	\$150,000	\$150,000
19 Energy Audits	\$3,313	\$12,000	\$12,000	\$12,000	\$12,000
20 Lighting Incentive	\$0	\$125,000	\$70,000	\$125,000	\$70,000
21 Both Residential & Non-Residential Programs					
22 Water Heater Rebate Program	\$1,800	\$40,000	\$32,000	\$40,000	\$32,000
23 Heat Pump Program	\$23,600	\$150,000	\$125,000	\$75,000	\$75,000
24 DSM Expenses					
25 Advertising Budget	\$32,492	\$75,000	\$75,000	\$75,000	\$75,000
26 Miscellaneous Budget	\$5,791	\$20,157	\$10,000	\$20,157	\$10,000
27 Administration	\$27,638	\$75,000	\$60,000	\$75,000	\$60,000
28 Program Development	\$16,866	\$30,000	\$10,000	\$30,000	\$10,000
Total Program Cost/Yr (Budget)	\$430,734	\$1,466,157	\$1,251,000	\$1,291,741	\$1,108,584
Accumulated Cost 2013-2014 (Budget)		\$1,466,157	\$2,717,157	\$1,291,741	\$2,400,325

91. The above table details SSVEC's proposed energy efficiency budget for 2013 and 2014 and Staff's recommended budget which removes funding for those programs not cost-effective. Staff's proposed budget for 2013 represents an increase of approximately \$860,000 or approximately a 200% increase over 2012 actuals. Staff's proposed budget for 2014 represents an increase of approximately \$680,000 which is approximately one and one-half times higher than the actuals for 2012. Given the number of new measures SSVEC is proposing that have a benefit-cost ratio greater than one; Staff has recommended approval of the Staff-proposed budget as stated above.

...

1 92. Given that the On-Demand Hot Water Circulating Pump proposed by SSVEC was
2 not considered cost-effective at this point in time, Staff has adjusted the projected savings SSVEC
3 may reach in 2013 and 2014 below.

PROJECTED ENERGY EFFICIENCY SAVINGS (with recommended measures)					
	2010	2011	2012	2013	2014
Actual/Projected Sales (kWh)	819,287,674	835,766,567	853,740,000	887,899,000	906,249,000
Required Savings* (%)		0.94%	2.25%	3.75%	5.44%
Required Savings From Prior Year Sales (kWh)		7,680,822	18,804,748	32,015,250	48,279,508
Existing Energy Efficiency Programs Savings (kWh)		243,162	150,536	150,536	150,536
Proposed New Program Energy Efficiency Savings (kWh)**		0	0	3,064,296	1,375,479
Total Savings Per Year (kWh)		243,162	150,536	3,214,832	1,526,015
Total Cumulative Savings (kWh)		243,162	393,698	3,608,530	5,134,545
Savings (%)		0.030%	0.047%	0.423%	0.578%
Difference Between Required Savings and Projected/Actual Savings (kWh)		7,437,660	18,411,050	28,406,720	43,144,963

18 *Cooperatives are only required to meet 75% of the percentage savings goals.

19 **New program savings do not include any kWh savings for the On-Demand Hot Water Circulating Pump and only counts savings for the Meter Miser Guide for the first year with no new customers making behavioral changes in year two as the life span of behavioral changes is estimated to be one year.

20 BUDGET SHIFTING

21 93. SSVEC has requested the ability to shift approved funds between cost-effective
22 programs based on program activity and where this would not result in an increase in the approved
23 total annual budget. Staff understands that allowing funding shifts among programs or measures
24 allows the utility more flexibility in reaching the established energy efficiency savings standards.
25 Staff has recommended that SSVEC be allowed to shift up to 25% of the program's budgeted
26 funds between approved energy efficiency programs with the exception that the dollars allocated
27 to the Low Income Weatherization program should not be allocated to any other program.

28 ...

1 MEASUREMENT, EVALUATION, AND RESEARCH ("MER")

2 94. In its application, SSVEC requested that the reporting requirements outlined in
3 A.A.C. R14-2-2409 supersede the reporting requirements detailed in Decision No. 71274 dated
4 September 8, 2009 and Decision No. 58358 dated July 23, 1993. The reporting requirements
5 outlined in Decision No. 71274 state that SSVEC is required to file its DSM surcharge filing on
6 March 1st each year (with the surcharge taking effect June 1st of each year) and its semi-annual
7 DSM reports on March 1st and September 1st of each year.

8 95. SSVEC also requested the reporting requirements outlined in A.A.C. R14-2-2418
9 supersede the reporting requirements detailed in Decision Nos. 71274 and 58358. Specifically,
10 SSVEC is requesting to file its energy efficiency plans, along with the above mentioned DSM
11 surcharge filing, in each odd year to cover a two year program period. A.A.C. R14-2-2418 allows
12 for a cooperative to file on June 1st of each odd year or annually at the cooperative's choice its
13 energy efficiency plan applicable to the next one or two years.

14 96. Staff agrees that, in order to avoid confusion and duplicative filings, the reporting
15 requirements detailed in A.A.C. R14-2-2409 supersede those reporting requirements outlined in
16 Decision Nos. 71274 and 58358 so that SSVEC would be required to file annual DSM reports on
17 March 1st and mid-year update reports on September 1st of each year. In addition, Staff
18 recognizes that A.A.C. R14-2-2418 allows for a cooperative to file a new energy efficiency plan
19 on June 1st of each odd year, and Staff has recommended A.A.C. R17-2-2418 supersede those
20 energy efficiency plan filings detailed in Decision Nos. 71274 and 58358. In addition, Staff has
21 recommended the Company should suspend or discontinue a program or measure upon
22 determining it to be no longer cost-effective. The Company should notify Staff in advance of
23 suspending or discontinuing a program or measure. Once a program or measure is suspended or
24 discontinued, the Company must file acknowledgement in the docket.

25 97. Staff further agrees that allowing SSVEC to incorporate into its energy efficiency
26 plan filings its new proposed DSM adjustor rate would not be detrimental to ratepayers. At a
27 minimum, SSVEC is required by A.A.C. R14-2-2418 to file a new energy efficiency plan on June
28 1st of each odd year. SSVEC can opt to file a new energy efficiency plan every year. By

1 incorporating the DSM adjustor rate filing into the energy efficiency plan filing, SSVEC is
2 required to monitor the balance in its DSM account to file for a change to the adjustor every other
3 year. Staff has recommended that SSVEC's DSM adjustor rate be incorporated into its energy
4 efficiency plan filings in accordance with A.A.C. R14-2-2418 and that these filing requirements
5 supersede the annual DSM surcharge filing outlined in Decision No. 71274.

6 DSM SURCHARGE

7 98. On March 22, 2012, in compliance with Decision No. 71274, SSVEC filed to
8 maintain the DSM adjustor surcharge at the rate approved in Decision No. 71274 (\$0.00088 per
9 kWh). With the filing of the updated SSVEC EE Plan on February 29, 2012, SSVEC is not
10 requesting to change the DSM adjustor surcharge at this point in time. Based on the estimated
11 carry over balance in the DSM account, the estimated collection of DSM surcharge dollars, and the
12 estimated loan repayment dollars, SSVEC believes the current DSM surcharge rate of \$0.00088
13 per kWh will cover the increase in budget for 2013 and 2014 with the addition of new energy
14 efficiency programs.

15 99. Staff has reviewed the calculation SSVEC has made in establishing no change to
16 the current surcharge. Staff is in agreement that a rate of \$0.00088 per kWh will be sufficient to
17 cover the Staff proposed budget for 2013 and 2014 based on the sales estimates provided by
18 SSVEC.

19 WAIVER REQUEST

20 100. In its updated plan filed on February 29, 2012, SSVEC requested a waiver under the
21 provisions of A.A.C. R14-2-2419 from the savings percentage mandates set for cooperatives in
22 A.A.C. R14-2-2418. SSVEC indicated that it has had an ongoing DSM plan for over thirty years.
23 The savings attributed to energy efficiency prior to the inception of the energy efficiency rules
24 cannot be counted toward meeting the energy efficiency goals until 2016 and is capped at that
25 point at 4% of 2005 retail energy sales. In addition, SSVEC stated that its incremental cost to
26 increase the percentage of energy saved would be contrary to the cost effectiveness standards set
27 forth in A.A.C. R14-2-2412 because it has been actively promoting energy conservation for
28 numerous years. SSVEC further requested a permanent waiver under the provisions of A.A.C.

1 R14-2-2419 subject to the Commission approving subsequent conservation goals in its future
2 energy efficiency plan proposals as a substitute to the provisions of R14-2-2418.

3 101. In the amendment filed by SSVEC on August 2, 2012, SSVEC requested a waiver
4 from the cumulative EE rule requirements. SSVEC stated that with the DSM programs that have
5 been in place since 1993 at SSVEC, the Company has already implemented programs which have
6 the least cost but yield the greatest energy savings and, as mentioned above, those savings cannot
7 be included toward meeting the energy efficiency goals until 2016 and there is a cap as to the
8 percentage which can be included. SSVEC also indicated in its amendment that it has an average
9 monthly kWh consumption lower than the national average for residential customers. Also in the
10 amendment, as a condition of receiving a waiver from the cumulative EE requirement, SSVEC
11 agreed to file a biennial EE plan in compliance with the EE rules that will contain EE goals, a
12 budget and a surcharge that is appropriate for its members and service area.

13 102. Staff calculated that actual 2011 savings were 0.030% of prior year retail energy
14 sales. Actual 2012 savings are 0.047% of prior year retail energy sales. Even with the
15 implementation of new programs in 2013 and 2014, Staff's analysis estimates that SSVEC will
16 only reach 0.578% of prior year retail energy sales by the end of year 2014. Staff recognizes
17 SSVEC's ongoing efforts in implementing cost-effective energy efficiency programs that are
18 beneficial to all customer classes. Staff also realizes that there is a break-even point at which more
19 budget dollars will not result in reaching the cooperative energy efficiency standard of 5.44% of
20 prior year retail energy sales. Staff has recommended a waiver be granted to SSVEC of the EEE
21 Standards established in A.A.C. R14-2-2418 for the calendar years 2012, 2013, and 2014.
22 Waivers of future years' requirements can be evaluated during future years' implementation plan
23 reviews.

24 103. Staff has recommended that SSVEC implement its plan as modified by Staff above
25 for the remainder of 2013 and all of 2014 calendar years and be required to file its next energy
26 efficiency plan no later than June 1, 2015 pursuant to A.A.C. R14-2-2418. Also, as indicated
27 above, Staff has recommended that A.A.C. R14-2-2418 supersede those reporting requirements
28 outlined in Decision Nos. 71274 and 58358 so that SSVEC would be required to file DSM reports

1 on March 1st and September 1st of each year, and the proposed changes to the DSM adjustor rate
2 should be incorporated into the energy efficiency plan filings rather than SSVEC having to file its
3 new proposed DSM adjustor rate with Docket Control by March 1st of each year.

4 104. In addition, Staff has recommended that the SSVEC EE Plan filed in compliance
5 with A.A.C. R14-2-2418 be considered sufficient in meeting the requirements of R14-2-213.

6 CONCLUSIONS OF LAW

7 1. Sulphur Springs Valley Electric Cooperative, Inc. is an Arizona public service
8 corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

9 2. The Commission has jurisdiction over Sulphur Springs Valley Electric Cooperative,
10 Inc. and over the subject matter of the application.

11 3. The Commission, having reviewed the application and Staff's Memorandum dated
12 April 9, 2013, concludes that it is in the public interest to approve Sulphur Springs Valley Electric
13 Cooperative Inc.'s proposed 2012-2013 Energy Efficiency Implementation Plan with the
14 modifications described herein.

15 ORDER

16 IT IS THEREFORE ORDERED that Sulphur Springs Valley Electric Cooperative Inc.'s
17 proposed 2012-2013 Energy Efficiency Implementation Plan be adopted as modified by this
18 Decision for 2013 and 2014.

19 IT IS FURTHER ORDERED that Staff's proposed budget increase of \$339,000, in 2013
20 and 2014, to the Residential Energy Efficient Improvement Loan is approved.

21 IT IS FURTHER ORDERED that the proposed budget decrease to the Residential
22 Touchstone Energy Efficient Home Program is approved.

23 IT IS FURTHER ORDERED that the proposed budget increase to the Residential Energy
24 Management Program and the incorporation of the Meter Miser Guide as a new measure is
25 approved.

26 IT IS FURTHER ORDERED that the Residential Refrigerator Recycling Program with the
27 budget modifications recommended by Staff in Finding of Fact 40 is approved.

28

1 IT IS FURTHER ORDERED that the Residential Low Income Weatherization Program
2 with the modifications recommended by Staff in Findings of Fact 46, 47, 48, and 49 is approved.

3 IT IS FURTHER ORDERED that the Residential On-Demand Hot Water Circulating
4 Pump Program is not approved.

5 IT IS FURTHER ORDERED that the Commercial & Industrial Energy Efficient
6 Improvement Loan Program with a budget of \$150,000, as recommended by Staff, is approved.

7 IT IS FURTHER ORDERED that the proposed budget increase to the Commercial &
8 Industrial Energy Management Program is approved.

9 IT IS FURTHER ORDERED that the Commercial & Industrial Lighting Incentive
10 Program is approved.

11 IT IS FURTHER ORDERED that the Residential & Non-Residential Energy Efficient
12 Water Heater Rebate Program is approved.

13 IT IS FURTHER ORDERED that the Residential & Non-Residential Energy Efficient Heat
14 Pump Program with a budget level of \$75,000 in 2013 and 2014 is approved.

15 IT IS FURTHER ORDERED that the total budget be reduced to \$1,391,741 for 2013 and
16 reduced to \$1,214,584 for 2014.

17 IT IS FURTHER ORDERED that the DSM surcharge remain at the current level of
18 \$0.00088 per kWh.

19 ~~IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative Inc.'s~~
20 request for waiver of the Energy Efficiency Standard is granted for calendar years 2012, 2013 and
21 2014.

22 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. follow
23 reporting requirements as outlined in A.A.C. R14-2-2418 and those reporting requirements
24 supersede any reporting requirements outlined in Decision Nos. 71274 and 58358 with the
25 exception of the reporting requirement in Decision No. 71274 requiring Sulphur Springs Valley
26 Electric Cooperative, Inc. to file its new proposed DSM adjustor rate with Docket Control by
27 March 1st of each year.

28

1 IT IS FURTHER ORDERED that should Sulphur Springs Valley Electric Cooperative, Inc.
2 suspend or discontinue a program or measure upon determining it to be no longer cost-effective,
3 the Company should notify Staff in advance of suspending or discontinuing a program or measure.
4 Once a program or measure is suspended or discontinued, the Company must file
5 acknowledgement in this docket.

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1 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc. file its
 2 next energy efficiency implementation plan no later than June 1, 2015, pursuant to A.A.C. R14-2-
 3 2405 with any changes it is requesting to the 2014 energy efficiency plan approved with this
 4 Decision.

5 IT IS FURTHER ORDERED that Sulphur Springs Valley Electric Cooperative, Inc.'s
 6 2012-2013 Energy Efficiency Implementation Plan as modified by this Decision filed in
 7 compliance with A.A.C. R14-2-2418 is hereby deemed sufficient in meeting the filing
 8 requirements of A.A.C. R14-2-213.

9 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

10
 11

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN	COMMISSIONER
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COMMISSIONER	COMMISSIONER	COMMISSIONER
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IN WITNESS WHEREOF, I, JODI JERICH, 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 _____, 2013.

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 JODI JERICH
 EXECUTIVE DIRECTOR

23
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DISSENT: _____

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DISSENT: _____

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SMO:RSP:sms/WVC

1 SERVICE LIST FOR: SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
2 DOCKET NO. E-01575A-11-0223

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