ORIGINAL

REVISED PIERCE PROPOSED AMENDMENT NO. 1

TIME/DATE PREPARED: 4:00PM - June 06, 2013

0000145379

COMPANY: Tucson Electric Power Co. AGENDA ITEM NO. 1

DOCKET NO(S). E-01933A-12-0291 OPEN MEETING DATE: June 11&12, 2013

The purpose of Pierce Proposed Amendment #1 is for the Commission to decline to approve a method for recovery of EE/DSM program costs at this time, and instead keep the rate case open and set the matters concerning cost recovery and related issues for further proceedings before the Commission.

Arizona Corporation Commission
DOCKETED
JUN 06 2013
DOCKETED BY

Page 54, line 4 ½

After "$84.65." INSERT:

> "Under the Existing EE Rules Option, the DSMS of $0.002232 per kWh would result in a monthly charge of $1.71 for the average residential consumer. Under this option, the total bill would be $86.02, an increase of $3.66 or 4.4 percent."

Page 54, line 19 ½

After "we find that" INSERT:

> "except for the DSMS as calculated under the EERP as discussed below,"

Page 59, lines 11-13

DELETE: last sentence of paragraph that begins "We find...." through the end of the sentence

INSERT:

> "Regardless of the mechanism for recovering approved EE/DSM Program costs, we find that the proposed EE/DSM Programs and budgets adopted in the Settlement Agreement should be approved."

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AZ CORP COMMISSION
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2013 JUN -6 P 4: 55

THIS AMENDMENT:

_____ Passed _____ Passed as amended by _____

_____ Failed _____ Not Offered _____ Withdrawn

Page 61, lines 15-20

DELETE: "We agree..." through end of the paragraph

INSERT:

We do not believe the record is sufficient to allow us to make a determination that either the EERP or the Existing EE Rules Option is the best methodology for recovering the costs of approved EE/DSM programs. Adoption of the EERP as advocated by the settlement proponents would represent a fundamental shift in the way that we have addressed cost recovery of EE/DSM. While TEP's present EE/DSM recovery mechanism classifies EE/DSM costs as expenses, the proposed EERP would treat them as invested capital.

In balancing the public interest on the record, we are unable to conclude that EERP is a reasonable way to recover the costs of approved EE/DSM programs. In addition, the current method "the Existing EE Rules Option" for recovery of EE/DSM program costs is not ideal. We recognize and appreciate that the parties were working in a paradigm under the current EE Rules. However, as Commissioner Gary Pierce stated in a May 9, 2013 letter to Docket No. RE-00000C-09-0427, "it would make sense to look at more closely aligning energy efficiency with the IRP process." We find that assessment to be reasonable.

Although we are aware that EE/DSM programs can provide benefits to customers; nonetheless, the record before us shows that these programs come with substantial costs. When designing an EE/DSM recovery mechanism, we must balance our efforts to mitigate the substantial ratepayer burdens associated with funding these costs against the Company's interests in achieving timely and efficient cost recovery. We want to be clear that we support cost effective energy efficiency. However, we believe that the time has come for us to engage in a full consideration of the issues related to TEP's EE/DSM programs and their cost recovery, including whether EE/DSM should be considered as a resource in TEP's integrated resource plan.

Consequently, we will hold the record in this docket open and direct that the Hearing Division schedule an evidentiary hearing on these matters, which may include the EERP, the Existing EE Rules Option, EE/DSM as part of an integrated resource plan and alternative options proposed by any party. The Commission advises the parties that these additional proceedings should, at a minimum, address the following issues:

1) Does TEP's existing EE/DSM mechanism provide a means of cost recovery that is economically efficient, fair, and reasonable to both TEP and its ratepayers?

2) Should TEP's existing EE/DSM mechanism be modified to either eliminate or reduce recovery of performance incentives?

3) Should TEP's EE/DSM programs and their costs be considered as resources in TEP's integrated resource plan?

4) Do any factors warrant modification or suspension of TEP's compliance obligations under the EE Rules?

In addition, the parties are reminded that the Commissioners may provide letters to the docket to identify other issues that should be addressed in this proceeding.

In the interim until the recommendations resulting from such hearing can be considered by the Commission, in order to collect the Program costs that we approve herein (approximately $12.5 million for 2013) we adopt a DSMS as calculated under the Existing EE Rules Option as described in Mr. Hutchen's revised Exhibit TEP-11. That DSMS includes a performance incentive to be calculated by taking 8 percent of the net benefits (as reported in TEP's March 1 DSM progress report) but capped at $0.0125/kWh saved, which is similar to the performance incentive proposed by APS in Docket No. E-01345A-12-0224. The DSMS is set at $0.002232 per kWh for residential customers and 2.5479 percent of the total bill (before RES, LFCR, assessments and taxes) for non-residential customers. The DSMS we set at this time shall remain in effect until further order of the Commission.

The Hearing Division should attempt to schedule the evidentiary hearing ordered herein such that the Commission can consider TEP's 2014 Implementation Plan and options for recovery of EE/DSM Program costs by December 2013 such that the Programs and budget and new DSMS can go into effect January 1, 2014. However, in the event the Commission is unable to approve new programs and DSMS mechanism to go into effect January 1, 2014, the DSMS and program funding we approve herein shall continue at the levels approved herein (i.e at an annual level of approximately $24.6 million).

Page 62, line 22-26

DELETE: and REPLACE with the following,

"We find that an LFCR, proposed in this case, is sufficient to allow TEP to recover the lost fixed costs associated with Commission approved EE/DSM programs and the opportunity to earn its authorized revenue requirement but we would like to see it reflected in a different manner. Recent developments, arising out of another rate case, revealed to us that many ratepayers are confused and frustrated by the implementation of an LFCR. We believe that the LFCR should be split it into two halves; an Energy Efficiency LFCR and a Distributed Generation LFCR. Each of these separate LFCR provisions should be indicated on the ratepayer's monthly bill.

Page 62, line 27

DELETE: "as a whole"

INSERT: "as modified herein"

Page 63, line 1

After "the issues presented" INSERT:

"except with respect to the DSMS, the EERP and Exiting EE Rules Option as discussed herein"

After "Settlement Agreement" INSERT:

"as modified herein"

Page 66, Line 21

INSERT: "Except for the EERP" at the beginning of Findings of Fact No.34

Page 67, line 16

INSERT: New Findings of Facts after Findings of Fact 43

"The record is not sufficient to permit us to make a determination that either the EERP or the Existing EE Rules Option is the best methodology for recovering the costs of approved EE/DSM programs, and it is in the public interest to hold the record open in this docket in order to conduct an evidentiary hearing on various methodologies for the recovery of approved EE/DSM program costs. Until the Commission can deliberate and adopt a recovery methodology, it is in the public interest to recover the costs of the EE/DSM programs approved herein pursuant to the Existing EE Rules Option discussed in TEP Exhibit 11."

New Finding of Fact

"The DSMS rate until further Order of the Commission is $0.002232 per kWh for residential customers and 2.5479 percent of the total bill (before RES, LFCR, assessments and taxes) for non-residential customers. "

Page 67, line 25

After "Settlement Agreement as" INSERT: "modified and"

Page 67, line 26

After "reasonable" INSERT:

"except that until further Order of the Commission the DSMS shall be $0.002232 per kWh for residential customers and 2.5479 percent of the total bill (before RES, LFCR, assessments and taxes) for non-residential customers."

Page 68, line 1

After "approved as" INSERT: "modified and"

Page 68, line 5

After "Exhibit A" INSERT: "as modified"

Page 68, line 9

After "allow for" INSERT:

> "the evidentiary hearing and Commission Decision on the methodology for recovering approved EE/DSM approved program costs and the DSMS mechanism and"

Page 68, line 17

After "Settlement Agreement" INSERT: "as modified herein"

****Please make all other conforming changes**