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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

Arizona Corporation Commission
DOCKETED
JUN 27 2013
DOCKETED BY nr

IN THE MATTER OF THE APPLICATION OF TRICO ELECTRIC COOPERATIVE, INC. FOR APPROVAL OF ITS 2013-2014 ELECTRIC ENERGY EFFICIENCY IMPLEMENTATION PLAN.	DOCKET NO. E-01461A-11-0230 DECISION NO. 73929 ORDER

Open Meeting
June 11 and 12, 2013
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Trico Electric Cooperative, Inc. ("Trico", "Cooperative" or "Company") is certificated to provide electric service as public service corporation in the state of Arizona.

INTRODUCTION

2. On June 1, 2011, Trico filed its proposed 2012-2013 Electric Energy Efficiency Implementation Plan ("EE Plan"). On August 13, 2012, Trico filed an updated proposed 2013-2014 EE Plan. The 2013-2014 EE Plan included several changes from the original filling. These include changing the Compact Fluorescent Lamps ("CFL") program from a buy-down program to a give-away program and discontinuing the commercial and residential energy audits. In addition, Trico requests a waiver of the Electric Energy Efficiency Standards ("EE Standards") for the calendar years 2013 and 2014. Trico is also requesting a waiver from meeting the cumulative EE Standards through calendar year 2020. Trico notes that if it is granted a waiver from the

cumulative EE Standards, Trico will still file a biennial EE Plan in compliance with the EE Standards that will contain energy efficiency goals, a budget, and a surcharge that is appropriate for its members and service area.

3. Trico is a member-owned Arizona non-profit cooperative with its principal business office in Marana, Arizona. Trico is a public service corporation providing electric distribution service to approximately 40,500 customers in parts of Pima, Pinal and Santa Cruz counties. Of that total, approximately 38,400 are Residential customers. The remaining customers are a mix of Commercial, Industrial, Irrigation and Municipal.

EE PLAN OVERVIEW

4. Trico's current Demand Side Management ("DSM") Plan and its DSM adjustor rate mechanism were approved by the Commission in Decision No. 71230, dated August 6, 2009. As indicated in Decision No. 71230, Trico's current DSM Plan was approved at a budget level of $115,828. The current DSM surcharge was set at the time of the rate case at $0.000191356 per kWh.

5. The 2013-2014 EE Plan includes a continuation of the current energy efficiency programs already in place and a proposal to implement new programs. Included in the new programs are: Residential Lighting Program; Refrigerator/Freezer Recycling Program; Commercial Lighting Program, Commercial Retro-fit Rebate Program; Heat Pump/Residential Heat Pump/Residential Heating, Ventilation and Air Conditioning ("HVAC") Rebate Program; and Efficient Products Program. The 2013-2014 EE Plan includes a broad spectrum of programs targeted to the various customer segments as detailed below.

Residential Programs

- Residential Lighting Program
- Refrigerator/Freezer Recycling Program
- Heat Pump/ HVAC Rebate Program
- Efficient Products Program
- Pima County Weatherization
- Operation Cool Shade Program

- Conservation Workshops
- Classroom Connections
- Member Service Representative (MSR) Phone Energy Audit Program

Non-Residential Programs

- Commercial Lighting Program
- Commercial Lighting Retro-fit Rebate Program

6. The 2013-2014 EE Plan includes existing programs in addition to adding new programs, detailed in the table below.

2013-2014 Proposed Energy Efficiency Program Modifications or Additions

Residential Lighting Program	
CFL Rebate	• Add a program offering up to 4 CFLs to members who attend Trico-sponsored events
Refrigerator/Freezer Recycling Program	
Refrigerator/Freezer Recycling	• Add a program which encourages customers to recycle older, less efficient refrigerators currently being used as a backup refrigerator.
Residential Heat Pump/HVAC Program	
Heat Pump/HVAC Rebate	• Add a program offering $175 rebates for installing an energy efficient heat pump or HVAC.
Efficient Products Program	
Window Screens Rebate	• Add a measure for window shades with an incentive of up to $150 paid to the customer after installation.
Insulation Rebate	• Add a measure for attic insulation with an incentive of up to $150 paid to the customer after installation.
Duct Sealing Rebate	• Add a measure for duct sealing with an incentive of up to $150 paid to the customer after installation.

Pima County Weatherization Program	
Home Weatherization	• Continue a program which works with Pima County to weatherize low income households in the Trico service area.
Operation Cool Shade Program	
Tree Planting	• Continue with the current program which provides customers with an incentive to plant low water use shade trees
Energy Conservation Workshop Program	
Energy Workshop	• Continue with the current program which provides homeowners with information on how to conserve energy and be more energy efficient.
Classroom Connections Program	
Classroom Connections	• Continue with the current program which educates elementary school students on the value and importance of energy efficiency and teaches them ways they can save energy in their own home.
Member Service Representative (MSR) Phone Energy Audit Program	
MSR Phone Energy Audit	• Continue with the current program which provides customers recommendations on energy efficiency that will result in the customer using less energy on a day-to-day basis. These recommendations are made when a customer calls Trico with a high bill inquiry or when a customer requests information about energy saving bill reduction opportunities.
Commercial Lighting Program	
CFLs	• Add a program offering up to 4 CFLs to members who attend Trico-sponsored events
Commercial Lighting Retro-fit Rebate Program	
Lighting Retro-Fit	• Implement a new program offering an incentive for retrofits made to existing commercial and industrial lighting fixtures.

7. The Commission approved the EE Standards 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.

8. The Commission's EE Standards became effective January 1, 2011. The EE Standards 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 Electric Energy Efficiency Rules for Trico 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), Trico notified customers of its 2012-2013 EE Plan filing in the February 2012 billing cycle.

Trico Electric Cooperative, Inc. Required Energy Efficiency Standards					
	2010	2011	2012	2013	2014
Projected Sales (kWh)[1]	619,315,472	646,763,965	665,473,000	729,492,000	747,831,000
Required Savings (%)		1.25%	3.00%	5.00%	7.25%
Cooperative Discount (%)		75%	75%	75%	75%
Required Cooperative Savings (%)		0.94%	2.25%	3.75%	5.44%
Required Cooperative Savings (Cumulative kWh)		5,806,083	14,552,189	24,955,238	39,666,128

Existing Programs (Cumulative kWh)[2]		489,169	788,096	1,108,754	1,377,718
New Programs (Cumulative kWh)				1,918,729	3,882,189
Total Savings (Cumulative kWh)		489,169	788,096	3,027,483	5,259,907
Savings (%)		0.08%	0.12%	0.46%	0.72%
Difference (kWh)		-5,316,914	-13,764,093	-21,927,754	-34,406,221

[1] 2010 and 2011 sales represent actual sales collected from annual reports, resale sales were not included. 2012-2014 sales are projections of kWh sales provided by Trico.
[2] 2011 kWh savings are based on 2011 year end DSM report data. 2012 kWh savings are based on January through June 2012 DSM report (doubled since the report is for the first half of 2012).

PROPOSED PROGRAM CHANGES

9. Trico's 2013-2014 EE Plan is comprised of several new programs falling in both the residential and non-residential categories. Trico 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 EE Standards.

A. Residential Programs: Residential Lighting Program

10. Trico is requesting to implement a Residential Lighting Program which offers Customers up to four CFLs when they attend Trico sponsored events. The program will be managed, marketed, and advertised by Trico. Trico plans to pool its purchases with other utilities, when possible, in an effort to lower light bulb cost and maximize promotion.

Proposed Budget

11. The 2013-2014 proposed budget for the Residential Lighting Program is $31,097 in 2013 and $31,508 in 2014, providing for 15,452 CFLs in 2013 and 15,656 CFLs in 2014. Program Development cost would be allocated across all of the cost-effective programs.

Cost Effectiveness

12. Staff's review of the benefits and costs associated with the proposed Residential Lighting Program found that the program is cost-effective, with a benefit-cost ratio of 3.89. In the analysis, Staff used an example provided by Trico which assumed the replacement of a 60 watt incandescent with a 13 watt CFL. The resulting watt savings from this sample customer was 47

watts. The cost of each CFL, including program and administrative cost, is $2.12. The number of CFLs which could be funded by the proposed budget is 15,452 for 2013.

Recommendations

13. Given the results of Staff's cost-benefit analysis, Staff has recommended approval of the Residential Lighting Program. Due to the similarities in the Residential and Commercial Lighting Programs, Staff has recommended that the programs be combined and renamed as the CFL Program. Staff believes that the current Residential Lighting Program budget is large enough to accommodate the demand of both the residential and commercial customers and should not be increased further.

B. Residential Programs: Refrigerator/Freezer Recycling

14. Trico is requesting budget approval to add this program to the Trico energy efficiency portfolio. Trico's Refrigerator/Freezer Recycling Program is designed to decrease energy usage by incenting the residential customers to recycle secondary old refrigerators and freezers. These appliances will be recycled through a process that captures all hazardous materials and recycles as much material as possible (>95% will be recycled).

15. The marketing and advertising of this program will be completed primarily by Trico, but 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 a third party implementation contractor. Trico will provide a $30 rebate to its customers per unit recycled to incent participation in the program.

Proposed Budget

16. The 2013-2014 proposed budget for the Refrigerator/Freezer Recycling Program is $55,200 in 2013 and 2014 providing for 400 rebates each year. Program Development cost would be allocated across all of the cost-effective programs.

Cost Effectiveness

17. Staff's review of the benefits and costs associated with the proposed Refrigerator/Freezer Recycling Program found that the program is cost-effective, with a benefit-cost ratio of 1.53. In the analysis, Staff used information provided by JACO, a third party

implementation contractor, which assumed a savings of 811 kWh per Refrigerator/Freezer, recycled. The cost of recycling each refrigerator/freezer, including program and administrative cost, is $115.11. There is also a $30 incentive paid to the customer for every refrigerator/freezer recycled.

Recommendations

18. Given the results of Staff's cost-benefit analysis, Staff has recommended approval of the Refrigerator/Freezer Recycling Program.

C. Residential Programs: Heat Pump/HVAC Rebate Program

19. Trico is requesting budget approval to add this program to the Trico energy efficiency portfolio. Trico's Heat Pump/HVAC Rebate Program is designed to decrease energy usage by incenting the residential customers to purchase more efficient heat pumps and HVAC systems. The rebates for such installations will be provided based on the increase in Seasonal Energy Efficiency Ratio ("SEER") above the federal minimum efficiency standard of 13 SEER. The rebates would range from $125 to $225 depending on the efficiency of the new heat pump or HVAC.

20. This program will be managed, marketed and advertised by Trico, as well as by Trico-approved contractors. This program will be available until such time as the budget for the program is exhausted.

Proposed Budget

21. The 2013-2014 proposed budget for the Heat Pump/HVAC Rebate Program is $21,131 in 2013 and $23,345 in 2014, providing for 105 rebates in 2013 and 116 rebates in 2014. Program Development Expenses would be allocated across all of the cost-effective programs.

Cost Effectiveness

22. Staff's review of the benefits and costs associated with the proposed Heat Pump/HVAC Rebate Program found that the program has benefit-cost ratio of 0.97. In the analysis, Staff used information sourced from Energy Star which assumed a savings of 1,264 kWh per HVAC installed. The incremental cost of an energy-efficient HVAC over a standard unit is approximately $525.

Recommendations

23. Staff recognizes that there are environmental benefits that can be achieved from the program that are not monetized by Staff. Due to this, Staff has recommended approval of the HVAC/Heat Pump Rebate Program.

D. Residential Programs: Efficient Products Program

24. Trico is requesting budget approval to add this program to the Trico energy efficiency portfolio. Trico's Efficient Products Program is designed to decrease energy usage by incenting the residential customers to install more efficient products in their homes. Trico is proposing to offer rebates for window shade screens, air sealing and attic insulation as well as duct sealing. The rebate is $0.632 per kWh of savings. Rebates will be capped at $150 per product, upgrade or repair with a maximum of $450 per customer.

25. This program will be managed, marketed and advertised by Trico, as well as by Trico-approved contractors and will be available until such time as the budget for the program is exhausted.

Proposed Budget

26. The 2013-2014 proposed budget for the Efficient Products Program is $19,148 in 2013 and $19,665 in 2014. The window shade screens measure has a budget of $10,005 in 2013 and $10,350 in 2014, providing for 58 rebates in 2013 and 60 rebates in 2014. The air sealing and attic insulation measure has a budget of $2,243 in 2013 and 2014, providing for 13 rebates in both years. The duct sealing measure has a budget of $6,900 in 2013 and $7,073 in 2014, providing for 40 rebates in 2013 and 41 rebates in 2014. Program Development Expenses would be allocated across all of the cost-effective programs.

Cost Effectiveness

27. Staff's review of the benefits and costs associated with the Efficient Products Program found that two of the new measures are not cost-effective at this point in time. Staff's benefit-cost analysis is presented in the table below. Based on multiple sources Staff retrieved, Staff estimates the incremental cost of the window shade screens at $500, the attic sealing and insulation at $900 and the duct sealing at $1000. Based on information provided by Trico, Staff

estimates the savings of the window shade screens at 1,060 kWh, the attic sealing and insulation at 1,075 kWh and the duct sealing at 608 kWh.

Measure	Units	Present Value DSM Savings	Present Value DSM Cost	Benefit/Cost Ratio
Window Shade Screens	58	$42,981.38	$28,803.98	1.49
Air Sealing and Attic Insulation	13	$10,152.47	$12,107.99	0.84
Duct Sealing	40	$32,320.57	$41,255.35	0.78

Recommendations

28. Given the results of Staff's cost-benefit analysis, Staff has recommended approval of the window shade screens measure only.

E. Residential Programs: Pima County Weatherization

29. Trico is requesting budget approval to continue this program.

Current Program

30. Pima County Weatherization Program is designed to improve energy efficiency in homes in the Trico service area by assisting low-income residents in reducing energy use and lowering their utility bills by implementing year-round weatherization measures. This program is provided at no cost to eligible customers.

31. To qualify for the program, the applicant must contact Pima County for an application. Eligible applicants must have a household income less than 150 percent of the federal poverty level. This program includes Pima County representatives determining the work needed and installing weatherization measures on approved homes and structures. Trico currently provides $2,000 contribution per household.

Proposed Changes

32. No new measures or changes were made to this program.

Proposed Budget

33. The 2013-2014 proposed budget for the Pima County Weatherization Program is $10,000 in 2013 and 2014.

Cost Effectiveness

34. Staff's review of the benefits and costs associated with the 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 $2,000 proposed contribution. At the contribution level of $1,500 per household, the benefit cost-ratio is 1.15.

Recommendations

35. The proposed budget is $10,000 for 2013 and 2014 as noted above. Given the modification to the change in contribution level from $1,500 to $2,000, Staff has recommended the budget for 2and 2014 budget be increased to $30,000 to allow for weatherization efforts on 20 households. This money would be combined with other funds that Pima County has to complete weatherization efforts on Trico qualified members.

F. Residential Programs: Operation Cool Shade Program

36. Trico is requesting budget approval to continue this program.

Current Program

37. Trico's Operation Cool Shade program is an existing program, which promotes energy conservation through the planting of low-water use shade trees. Trico offers the Operation Cool Shade Program in conjunction with Tucson Clean and Beautiful or "Trees for Tucson" who conducts the program management items associated with the program. Trico has responsibility for administering the purchase of the trees by the customers and ensuring eligibility to purchase trees. Tucson Clean and Beautiful has responsibility for the delivery of the trees to the customers, educating the customers about the appropriate locations to plant the trees and how to care for the trees. Tucson Clean and Beautiful also has responsibility for providing Trico with detailed reports tracking the amount of trees delivered to the customers and the energy savings to be expected for each tree sold detailed by the type of tree delivered.

Proposed Changes

38. No new measures or changes were made to this program.

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Proposed Budget

39. The 2013-2014 proposed budget for the Operation Cool Shade Program is $37,500, including program development costs, which is an increase from the authorized 2009 rate case. Program Development Expenses would be allocated across all of the cost-effective programs.

Cost Effectiveness

40. Staff did not complete a new cost-benefit analysis for this program as Trico did not propose any changes to the existing approved program. Staff did review the 2011 and 2012 DSM Reports to verify the effectiveness of the current program.

Recommendations

41. The last approved budget for this program was $22,075. The proposed budget for 2013 as noted above is $37,500 which represents a 70% increase. Given the results of Staff's prior cost-benefit analysis, Staff has recommended continuation of the current program along with approval of the increase in the budget dollars to $37,500 per year.

G. Residential Programs: Energy Conservation Workshop Program

42. Trico is requesting budget approval to continue this program

Current Program

43. The Energy Conservation Workshop Program is an outreach program that provides homeowners ways to conserve energy and be more energy efficient. Trico conducts energy efficiency presentations at meetings of homeowners associations, community groups and at Trico's headquarters. Trico actively seeks meetings and events where they can address Trico customers. The presentation includes information on: 1) Energy savings associated with installing CFLs, 2) Energy savings associated with installing programmable thermostats, 3) Benefits of weatherization and insulation, 4) Basic home maintenance and its effects on energy efficiency, 5) Benefits of purchasing Energy Star-rated appliances, and 6) Distribution of home energy savings guides to further help customers reduce their energy usage.

Proposed Changes

44. No new measures or changes were made to this program.

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Proposed Budget

45. The 2013-2014 proposed budget for the Energy Conservation Workshop Program is $2,824. Program Development Expenses would be allocated across all of the cost-effective programs.

Cost Effectiveness

46. Staff's review of this program did not include completing a cost-benefit analysis since this is an education program, there is not a calculation for energy savings.

Recommendations

47. Staff has recommended continuation of the current program along with approval of the increase in the budget dollars to $2,824 per year.

H. Residential Programs: Classroom Connections Program

48. Trico is requesting budget approval to continue this program.

Current Program

49. The Classroom Connection Program educates elementary school students on the value and importance of energy efficiency and teaches them ways they can save energy in their own home. Trico conducts an age-appropriate learning session during classroom time to teach the students ways to conserve energy and how to choose energy-efficient appliances. Students are shown basic energy savings measures as well as the benefits of saving energy. An Energy Savings Information Sheet and an Energy Savings Checklist are distributed to all students. The students are also provided with an energy savings survey to fill out with their parents. All students that fill out and return the survey receive a "prize" that promotes energy efficiency as a reminder to continue to conserve.

Proposed Changes

50. No new measures or changes were made to this program.

Proposed Budget

51. The 2013-2014 proposed budget for the Classroom Connection Program is $7,214. Program Development Expenses would be allocated across all of the cost-effective programs.

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Cost Effectiveness

52. Staff's review of this program did not include completing a cost-benefit analysis since this is an education program, there is not a calculation for energy savings.

Recommendations

53. Staff believes that measuring results of educational conservation programs is difficult because the goal of these programs is to change behavior. Staff believes that while standard economic analysis may not be appropriate, its effectiveness must still be determined. Staff has recommended that Trico establish thorough monitoring and evaluation measures on top of the surveys that are currently in use, including bill comparisons from year to year adjusted for weather. Staff has recommended continuation of the current program along with approval of the increase in the budget dollars to $7,214 per year.

I. Residential Programs: MSR Phone Energy Audit Program

54. Trico is requesting budget approval to continue this program.

Current Program

55. This is an existing program that consists of a seven-hour workshop/training program that continues educating Trico's MSRs about on-going advances in energy-savings techniques, thus enabling the MSRs to better assist Trico members in using energy more efficiently. The workshop teaches MSRs to conduct detailed telephone surveys of a customer's electricity usage, including the size of the home, the number and size of appliances in the home, as well as the size and type of heating, ventilation and cooling used in the home. The MSR also learns how to review the customer's daily habits and appliance operation. The MSR is then taught how to take this information and use it to make recommendations that will result in the customer using less energy on a day-to-day basis. Such recommendations are made when a customer calls Trico with a high bill inquiry or when a customer requests information about energy saving/bill reduction opportunities. Written documentation is saved into Trico's customer database and can be provided to the customer upon request.

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56. This program will continue to be managed, marketed and advertised by Trico, with the possibility of some program management assistance to be provided by a third party implementation contractor, should the interest in this program grow to levels that exceed the capabilities of internal Trico employees. This program will be available until such time as the budget for the program is exhausted.

Proposed Changes

57. No new measures or changes were made to this program.

Proposed Budget

58. The 2013-2014 proposed budget for the MSR Phone Energy Audit Program is $59,669. Program Development Expenses would be allocated across all of the cost-effective programs.

Cost Effectiveness

59. At this time Staff does not believe that the savings are sufficient from this program to justify Trico's proposed budget. In its January through June 2012 DSM Report, Trico reported that it had spent $11,410 while generating only 5,605 kWh of savings from 33 customers.

Recommendations

60. The MSR Phone Energy Audit was originally approved as a supplemental program for Trico's Home Energy Audits in Decision No. 71230; Trico has proposed to discontinue the Home Energy Audits in its 2013-2014 budget due to low participation. Due to the discontinuation of the Home Energy Audit program, low levels of savings, and lack of participation, Staff has recommended that Trico not continue the MSR Phone Energy Audit Program in its current energy efficiency portfolio.

J. Commercial Programs: Commercial Lighting Program

61. Trico is requesting to implement a Commercial Lighting Program which offers Customers up to four CFLs when they attend Trico-sponsored events. The program will be managed, marketed, and advertised by Trico. Trico plans to pool its purchases with other utilities, when possible, in an effort to lower light bulb cost and maximize promotion.

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Proposed Budget

62. The 2013-2014 proposed budget for the Commercial Lighting Program is $1,365 in 2013 and $1,379 in 2014, providing for 780 CFLs in 2013 and 788 CFLs in 2014. Program Development would be allocated across all of the cost-effective programs.

Cost Effectiveness

63. Staff's review of the benefits and costs associated with the proposed Commercial Lighting Program found that the program is cost-effective, with a benefit-cost ratio of 3.89. In the analysis, Staff used an example by Trico which assumed the replacement of a 60 watt incandescent with a 13 watt CFL. The resulting watt savings from this sample customer was 47 watts. The cost of each CFL, including program and administrative cost, is $2.12. The number of CFLs which could be funded by the proposed budget is 780 for 2013.

Recommendations

64. Due to the similarities Staff has recommended that the Commercial Lighting Program be combined with the Residential Lighting Program and renamed the CFL Program.

K. Commercial Programs: Commercial Lighting Retro-Fit Rebate Program

65. Trico is requesting budget approval to add this program to the Trico energy efficiency portfolio.

Current Program

66. This is a new program and does not replace or modify any current program.

Proposed Changes

67. Trico 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 also save on the energy usage for a small commercial facility through the introduction of more efficient lamps which may be used close to 55 hours per week.

68. Trico is proposing a $0.04 per watt incentive. 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

69. Trico has proposed a budget of $4,469 in 2013 and $4,626 in 2014.

Cost Effectiveness

70. Staff's review of the benefits and costs associated with the proposed C&I Lighting Retro-Fit Rebate Program found that the program is cost-effective, with a benefit-cost ratio of 1.63. In the analysis, Staff used a sample small commercial retrofit involving the replacement of 20 fixtures with 4-34 watt T-12 lamps and magnetic ballast with 20 fixtures with 2-32 watt T8 lamps and electronic ballast. The resulting watt savings from this sample customer was 1,810 watts (1.81 kW). The Company has proposed a 4 cent per watt incentive. The customer incentive in this example would be approximately $75 on a retrofit with an estimated cost of $1,008 for the replacement of the lamps and ballasts. Staff does not believe that an incentive of 4 cents is high enough to cause significant customer participation in the program, Staff recommends that the incentive be increased to 10 cents per watt. This would increase the incentive paid in the example to $180. The number of retrofits which could be funded by the proposed budget will vary depending upon the size and extensiveness of the replacements.

Recommendations

71. The proposed budget is $4,469 in 2013 and $4,626 in 2014 as noted above. Given the modification to increase the incentive to 10 cents, Staff has recommended the budget be increased to $18,103 for 2013 and 2014. Given the results of Staff's cost-benefit analysis, Staff has recommended approval of the Lighting Retro-Fit Rebate Program.

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BUDGET

Trico Electric Cooperative, Inc.				
2013-2014 EE BUDGET				
	Trico Proposed	Trico Proposed	Staff Proposed	Staff Proposed
	2013	2014	2013	2014
Residential Programs				
CFL Program (Residential Lighting Program)	$31,097	$31,508	$31,097	$31,508
Refrigerator/Freezer Recycling Program	$55,200	$55,200	$55,200	$55,200
Heat Pump/ HVAC Rebate Program	$21,131	$23,345	$21,121	$23,345
Efficient Products Program	$19,148	$19,665	$10,300	$10,300
Pima County Weatherization	$10,000	$10,000	$30,000	$30,000
Operation Cool Shade Program	$37,500	$37,500	$37,500	$37,500
Conservation Workshops	$2,824	$2,824	$2,824	$2,824
Classroom Connections	$7,214	$7,214	$7,214	$7,214
Member Service Representative (MSR) Phone Energy Audit Program	$59,669	$59,669	$0	$0
Non-Residential Programs				
Commercial Lighting Program	$1,570	$1,586	$0	$0
Commercial Lighting Retro-Fit Program	$4,469	$4,626	$18,103	$18,103
DSM Expenses				
Program Development	$12,866	$13,037	$12,866	$13,037
Totals				
Total Program Cost Per Year (Budget)	$262,688	$266,174	$227,035	$229,031
Accumulated Cost 2013-2014 (Budget)	$262,688	$528,862	$227,035	$456,066

72. The above table details Trico'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 a decrease of approximately $35,000 or a 13.6% decrease over Trico's proposal. Staff's proposed budget for 2014 represents a decrease of approximately $37,000 or a 14% decrease over Trico's proposal. Given the number of new measures Trico is proposing that have a benefit-cost ratio greater than one; Staff recommends approval of the Staff-proposed budget as stated above.

73. Given that some of the programs proposed by Trico were not considered cost-effective at this point in time, Staff has adjusted the projected savings Trico may reach in 2013 and 2014 below.

Projected Energy Efficiency Savings (with recommended measures)					
	2010	2011	2012	2013	2014
Actual/Projected Sales (kWh)[1]	619,315,472	646,763,965	665,473,000	729,492,000	747,831,000
Required Savings (%)		1.25%	3.00%	5.00%	7.25%
Cooperative Discount (%)		75%	75%	75%	75%
Required Cooperative Savings (%)		0.94%	2.25%	3.75%	5.44%
Required Cooperative Savings (Cumulative kWh)		5,806,083	14,552,189	24,955,238	39,666,128
Existing Programs (Cumulative kWh)[2]		489,169	788,096	1,041,264	1,310,228
New Programs (Cumulative kWh)				1,853,748	3,746,410
Total Savings (Cumulative kWh)		489,169	788,096	2,895,012	5,056,638
Savings (%)		0.08%	0.12%	0.44%	0.69%
Difference (kWh)		-5,316,914	-13,764,093	-22,026,936	-34,576,200

[1] 2010 and 2011 sales represent actual sales collected from annual reports, resale sales were not included. 2012-2014 sales are projections of kWh sales provided by Trico.
[2] 2011 kWh savings are based on 2011 year end DSM report data. 2012 kWh savings are based on January through June 2012 DSM report (doubled since the report is for the first half of 2012).

BUDGET SHIFTING

74. Trico 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 has recommended that Trico be allowed to shift 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")

75. In order to ensure that the programs included in its 2012-2013 EE Plan are meeting the projected goals and objectives, Trico should continue to monitor and evaluate each of the above mentioned programs on at least a bi-annual basis. 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. This monitoring would include, but is not limited to:

- A review of customer accounts comparing past energy usage with current energy usage.
- Follow-up surveys with customers regarding any changes that they may/may not have made to their energy usage using information provided by Trico and/or third party contractors.
- Review and analysis of information provided by third party implementation contractors who have assisted with the management of programs.

76. As required by A.A.C. R14-2-2405, Trico should continue to file on or before June 1 of each odd year an implementation plan for the next two calendar years. Trico will also file by March 1 and September 1 of each year the reports required pursuant to A.A.C. R14-2-2409.

DSM Surcharge

77. In its application, Trico proposes a DSM surcharge in order to recover the costs associated with its proposed 2013-2014 EE Plan. Trico has proposed a DSM surcharge of $0.000356 per kWh, an increase from the current DSM surcharge rate of $0.000191356 per kWh. Although the surcharge is proposed to remain the same in both years of the plan, the EE Plan Budget for 2014 would increase slightly, assuming an increase in annual kWh sales, which Trico currently projects. The chart below details Trico's DSM surcharge collections and expenses since September of 2009.

	DSM SURCHARGE COLLECTIONS	DSM PROGRAM EXPENSES	TOTAL BALANCE
2009	$ 40,200.00	$ 37,468.14	$ 2,731.86
2010	$ 118,281.84	$ 99,507.97	$ 18,773.87
2011	$ 123,218.13	$ 108,699.60	$ 14,518.53
2012	$ 126,233.63	$ 128,871.45	$ (2,637.82)
Total	$ 407,933.60	$ 374,547.16	$ 33,386.44

78. Due to Trico's over-collected balance of $33,386 and Staff's proposed revisions to the budget, Staff has recommended that the new DSM Surcharge be $0.00030 per kWh. This would result in a monthly increase of $0.10 for the average residential customer using 916 kWh.

WAIVER REQUEST

79. In its original application filed on June 1, 2011, Trico 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. Trico maintains that it is proposing a portfolio of programs likely to be successful within its service territory for its customer base. Trico has proposed cost-effective programs towards the objective of reducing energy use and reducing peak demand. Trico believes its 2013-2014 EE Plan will maximize the potential for energy efficiency savings in a cost-effective manner. Given the particulars of Trico's customer base and service territory, Trico has explored and chosen programs that will be the most attractive to its customers while not being unduly burdensome to the Company or its customers. Because Trico is proposing to implement any and all programs to maximize the potential within its service territory for electric energy efficiency savings, the Company still believes a partial waiver is reasonable, appropriate and in the public interest.

80. In the amended application filed on August 13, 2012, Trico additionally requests a waiver from the cumulative EE rule requirements. Trico states that substantial increases to the proposed budget and surcharge would be necessary to achieve further EE savings and simply increasing the amount of the surcharge to increase the Cooperative's budget will also not in itself ensure compliance with the EE Standards due to the fact that all EE programs are voluntary. Trico also states that with a waiver of just the 2013 and 2014 requirements, the Cooperative may not be

able to catch-up with the EE requirements, and would be placed in a position where it will need to file for waivers each time it files an EE plan. Trico noted that the Commission approved - in Decision No. 73257 (July 30, 2012) - a waiver for Graham County Electric Cooperative from meeting the cumulative EE Standards requirement of 16.50%. The Commission stated in that decision that a one-size-fits-all approach is not the best way to meet energy efficiency goals. Trico has a different customer profile than other electric utilities in the state - including only 5% of its customer base that are commercial and industrial customers. It is unlikely that Trico will be able to meet the cumulative standard of 16.50% given the unique facts and circumstances of its customer profile and service territory. Also in the amendment, as a condition of receiving a waiver from the cumulative EE requirement, Trico 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.

81. Staff calculated actual 2011 savings were 0.079% of prior year retail energy sales. Estimated savings for 2012 are 0.122% of prior year retail energy sales. Even with the implementation of Staff's recommended programs in 2013 and 2014, Staff's analysis estimates that Trico will only reach 0.693% of prior year retail energy sales by the end of year 2014. Staff recognizes Trico'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 therefore recommends that a waiver be granted to Trico of the EE Standards established in R14-2-2418 for the calendar years 2012, 2013, and 2014. Staff believes that any waivers of future years' EE Standard requirements can be evaluated during future years' implementation plan reviews. As a result, Staff further recommends that a waiver of the cumulative EE Standards through calendar year 2020 be denied.

STAFF RECOMMENDATIONS

82. Staff recommends that the Residential Lighting Program be approved with a budget of $31,097 in 2013 and $31,508 in 2014.

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83. Staff further recommends that the Refrigerator/Freezer Recycling Program be approved with a budget of $55,200 for 2013 and 2014.

84. Staff further recommends that the HVAC/Heat Pump Rebate Program be approved with a budget of $21,131 in 2013 and $23,345 in 2014.

85. Staff further recommends that the Efficient Products Program be approved (except for the Air Sealing and Attic Insulation and the Duct Sealing measures) with a budget of $10,300 in 2013 and 2014

86. Staff further recommends that the Pima County Weatherization Program be approved with a budget of $30,000 for 2013 and 2014.

87. Staff further recommends that the incentive on the Pima County Weatherization be lowered from $2,000 to $1,500

88. Staff further recommends that the Operation Cool Shade Program be approved with a budget of $37,500 for 2013 and 2014.

89. Staff further recommends that the Energy Conservation Workshop Program be approved with a budget of $2,824 for 2013 and 2014.

90. Staff further recommends that the Classroom Connection Program be approved with a budget of $7,214 for 2013 and 2014.

91. Staff further recommends that the MSR Phone Energy Audit be discontinued.

92. Staff further recommends that the Commercial Lighting Program be combined with the Residential Lighting Program and renamed the CFL Program.

93. Staff further recommends that the Commercial Lighting Retro-Fit Rebate Program be approved with a budget of $18,103 for 2013 and 2014.

94. Staff further recommends that the budget be increased to $227,035 in 2013 and $229,031 in 2014.

95. Staff further recommends that the DSM surcharge be $0.00030 per kWh.

96. Staff further recommends that Trico be required to file its next Energy Efficiency Implementation Plan no later than June 1, 2015 pursuant to R14-2-2418.

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97. Staff further recommends that the Company 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

98. Staff further recommends that Trico's request for a waiver of the EE Standard be granted to the extent necessary to recognize the 2013-2014 EE Plan, as modified by Staff, as being in compliance with the Energy Efficiency Standard requirement in A.A.C. R14-2-2418 for the calendar years 2012, 2013, and 2014.

99. Staff further recommends that Trico's request for a waiver of the cumulative Energy Efficiency Standard requirements through calendar year 2020 be denied.

100. Staff further recommends that the DSM Surcharge become effective in May of 2013.

101. Staff further recommends that Trico file with Docket Control, as a compliance matter in this case, a tariff consistent with the terms of the Commission's Decision within 15 days of the effective date of the Commission's Decision in this matter.

102. We support energy efficiency but we think the process could and should be improved. We are not convinced that the current method of cost-effective analysis is the best way to ensure that ratepayer money is being invested in a prudent manner. We think there should be further discussion, outside of this implementation plan, to more fully explore the various options that could better analyze cost efficiency. We look forward to the opportunity to make sure that energy efficiency programs are truly cost effective.

103. As stated earlier, Staff's analysis estimates that Trico will only reach 0.693% of prior year retail energy sales by the end of 2014, if all proposed programs are approved, even though the Energy efficiency standard calls for 5.44%. In fact, Trico has not been able to achieve the EE Standard targets, each year, which led Staff to propose a waiver from the EEES Standards. Even the most ambitious implementation plans cannot reach the EE Standards. We feel that this is one of many reasons why the entire EE process needs to be reviewed and possibly reformed.

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104. We decline to approve the Residential Lighting Program and Commercial Lighting Program (the combined CFL Program). We decline to approve the Refrigerator/Freezer Recycling Program. We decline to approve the Heat Pump/ HVAC Rebate Program. We decline to approve the window shade screens measure for the Efficient Products Program. We approve a $10,000 budget for the Pima County Weatherization Program, for 2013 and each year thereafter until further order of the Commission. We approve a $22,075 budget for the Cool Shade Program, for 2013 and each year thereafter until further order of the Commission. We decline to approve the Commercial Lighting Retro-Fit Rebate Program.

CONCLUSIONS OF LAW

1. Trico Electric Cooperative, Inc. is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Trico Electric Cooperative, Inc. and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's memorandum dated March 26, 2013, concludes that it is in the public interest to approve Trico Electric Cooperative, Inc.'s 2013-2014 Energy Efficiency Implementation Plan as modified and discussed herein.

ORDER

IT IS THEREFORE ORDERED that the Residential Lighting Program is not approved.

IT IS FURTHER ORDERED that the Refrigerator/Freezer Recycling Program is not approved.

IT IS FURTHER ORDERED that the HVAC/Heat Pump Rebate Program is not approved.

IT IS FURTHER ORDERED that the Efficient Products Program is not approved.

IT IS FURTHER ORDERED that the Pima County Weatherization Program be approved with a budget of $10,000 for 2013 and each year thereafter until further order of the Commission.

IT IS FURTHER ORDERED that the incentive on the Pima County Weatherization be lowered from $2,000 to $1,500

IT IS FURTHER ORDERED that the Operation Cool Shade Program be approved with a budget of $22,075 for 2013 and each year thereafter until further order of the Commission.

IT IS FURTHER ORDERED that the Energy Conservation Workshop Program be approved with a budget of $2,824 for 2013 and 2014.

IT IS FURTHER ORDERED that the Classroom Connection Program be approved with a budget of $7,214 for 2013 and 2014.

IT IS FURTHER ORDERED that the MSR Phone Energy Audit be discontinued.

IT IS FURTHER ORDERED that the Commercial Lighting Retro-Fit Rebate Program is not approved.

IT IS FURTHER ORDERED that the budget be increased to $54,979 in 2013 and each year thereafter until further order of the Commission.

IT IS FURTHER ORDERED that the DSM surcharge be $0.000058 per kWh.

IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc.'s proposed 2013-2014 Energy Efficiency Implementation Plan, as modified by this Decision, be implemented for the 2013 calendar year, and each year thereafter until further order of the Commission, commensurate with the effective date of this Decision.

IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc. not file its next Energy Efficiency Implementation Plan until further order of the Commission.

IT IS FURTHER ORDERED that the Company 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

IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc.'s request for a waiver of the Energy Efficiency Standard is granted to the extent necessary to recognize the 2013-2014 Energy Efficiency Implementation Plan, as modified by this Decision, as being in compliance with the Energy Efficiency Standard requirement in A.A.C. R14-2-2418 for the calendar years 2012, 2013, and 2014 .

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IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc.'s request for a waiver of the cumulative Energy Efficiency Standard requirements through calendar year 2020 is denied.

IT IS FURTHER ORDERED that the DSM Surcharge shall become effective in May of 2013.

IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc. shall file with Docket Control, as a compliance matter in this case, a tariff consistent with the terms of this Decision within 15 days of the effective date of this Decision.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN COMMISSIONER

COMMISSIONER COMMISSIONER COMMISSIONER

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 27th day of June, 2013.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:PML:sms/SH

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