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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
JAN - 7 2014
DOCKETED BY nr

IN THE MATTER OF THE APPLICATION)
OF UNS ELECTRIC, INC. FOR
APPROVAL OF ITS 2013 ELECTRIC
ENERGY EFFICIENCY
IMPLEMENTATION PLAN.

DOCKET NO. E-04204A-12-0219
DECISION NO. 74262
ORDER

Open Meeting
December 17 and 18, 2013
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

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

INTRODUCTION

2. On June 1, 2012, UNS Electric filed an application with the Arizona Corporation Commission ("Commission") requesting approval of its 2013 Energy Efficiency Implementation Plan ("EE Plan") and a change to its Demand-Side Management ("DSM") Surcharge ("DSMS").

EE PLAN OVERVIEW

3. UNS Electric's current EE Plan and its DSM adjustor rate were approved by the Commission in Decision No. 72747, dated January 20, 2012. UNS Electric's current DSM Plan was approved at a budget level of \$6,270,657. The current DSM surcharge was set at \$0.004382 per kWh.

4. Appendix A to this Order is a list of all previously Commission approved measures.

5. The Company's proposed EE Plan would modify existing programs by adding new measures and terminating others, as detailed in the table below.

2013-2014 Proposed Energy Efficiency Program Modifications, Additions, or Terminations

Residential	
Efficient Products Program	
Residential 2x Incandescent	<ul style="list-style-type: none"> Add a measure providing a rebate for 2x Incandescent light bulbs
ENERGY STAR [®] Central Air Conditioner/Heat Pump	<ul style="list-style-type: none"> Add a measure offering a \$300 rebate for installing a central air conditioner/ heat pump.
ENERGY STAR [®] Clothes Washer	<ul style="list-style-type: none"> Add a measure providing a \$150 rebate for purchasing an energy efficient clothes washer
ENERGY STAR [®] Dishwasher	<ul style="list-style-type: none"> Add a measure providing a \$10 rebate for purchasing an energy efficient dishwasher.
ENERGY STAR [®] Refrigerator	<ul style="list-style-type: none"> Add a measure providing a \$25 rebate for purchasing an energy efficient refrigerator.
ENERGY STAR [®] Room Air Conditioner	<ul style="list-style-type: none"> Add a measure providing a \$30 rebate for purchasing an energy efficient room air conditioner.
Heat Pump Water Heater	<ul style="list-style-type: none"> Add a measure offering a \$300 rebate for installing a heat pump water heater.
Existing Home Program	
Home Energy Audit	<ul style="list-style-type: none"> Discontinue measure
Duct Sealing (Prescriptive)	<ul style="list-style-type: none"> Discontinue measure
Air Sealing (Prescriptive)	<ul style="list-style-type: none"> Discontinue measure
ER HVAC w/QI & Duct Sealing (Prescriptive)	<ul style="list-style-type: none"> Discontinue measure
ROB HVAC w/QI & Duct Sealing (Prescriptive)	<ul style="list-style-type: none"> Discontinue measure
ROB HVAC w/QI & Duct Sealing (Performance)	<ul style="list-style-type: none"> Discontinue measure
Residential New Construction	
Energy Star Smart Homes – Tier 3	<ul style="list-style-type: none"> Discontinue measure
Commercial & Industrial	
C&I Facilities/Schools	
Canopy LED	<ul style="list-style-type: none"> Add a measure offering an incentive for installing a canopy LED.
Refrigerated Case LED	<ul style="list-style-type: none"> Add a measure offering an incentive for installing a refrigerated case LED.

1	Computer Power Monitoring System	<ul style="list-style-type: none"> • Add a measure offering an incentive for installing a computer power monitoring system.
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3	Standard T-8 to Premium T-8	<ul style="list-style-type: none"> • Discontinue measure
4	Night Covers	<ul style="list-style-type: none"> • Discontinue measure
5	Demand Response	
6	C&I Demand Response	<ul style="list-style-type: none"> • The Program currently has no participation and UNS Electric has proposed several modifications. UNS Electric will deliver the program in-house by engaging with commercial and industrial customers and encouraging those customers to participate in a proactive demand response program. For those customers who choose to participate, UNS Electric will install equipment that provides Company control of either selected loads or the entire electric load in a facility.
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PROPOSED PROGRAM CHANGES

A. Efficient Products Program

Current Program

6. The Efficient Products program (formerly called CFL Buy-Down program) was re-named to recognize that it will serve as the delivery channel to address other efficient products beyond compact fluorescent lamps ("CFLs") that are rebated through the major retail channels including online purchases and rebates. This program promotes the purchase of energy efficient retail products through in-store buy down promotions and the promotion of EE products in general. This program has been in existence since 2008, but was recently updated and approved by the Commission in Decision No. 72747 (January 20, 2012).

Proposed Changes

7. UNS Electric is requesting to continue the current Efficient Products Program and to add eight new measures (Residential 2x Incandescent, Energy Star Central Air Conditioner/Heat Pump, Energy Star Clothes Washer, Energy Star Dishwasher, Energy Star Refrigerator, Energy Star Room Air Conditioner, Heat Pump Water Heater, and Residential LED Light). The new measures will offer residential customers additional opportunities to reduce their energy

1 consumption. It will also further the transformation of the market through retail partnerships,
2 training of retail staff, and increased stocking and selection for efficient retail products.

3 *Proposed Budget*

4 8. The 2013 proposed budget for the Efficient Products Program is detailed below.
5 Overall Program Development, Analysis, and Reporting Software costs would be allocated across
6 all of the cost-effective energy efficiency programs.

	2012 (Current)	2013(Proposed)
Incentives	\$416,143	\$706,101
Non-Incentive Cost	\$350,042	\$410,300
Total Program Cost	\$766,185	\$1,116,400

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11 9. The last approved budget for this program, approved in Decision No. 72747, was
12 \$766,185 for 2012. The proposed budget for this program for 2013 as can be seen above is
13 \$1,116,400 which represents an increase of \$350,215 or roughly a 46% increase. The increase in
14 budget dollars for 2013 can be attributed to an increase in the projected number of installed units
15 associated with each approved measure.

16 *Recommendations*

17 10. Staff has recommended that the Energy Star Clothes Washer, Energy Star
18 Dishwasher, Energy Star Refrigerator, Energy Star Room Air Conditioner, Residential LED Light,
19 Energy Star Central Air Conditioner/Heat Pump, Heat Pump Water Heater and Residential 2x
20 Incandescent not be approved at this time. Staff has recommended continuation of the Efficient
21 Products program and that the budget remain at \$766,185 per year.

22 B. Residential New Construction

23 *Current Program*

24 11. This is an existing program that has been ongoing since 2008, with a recent updated
25 Commission approval in Decision No. 72747 (January 20, 2012). The goal of the program is to
26 award incentives to more energy efficient homes. To qualify for an incentive, homes must be
27 tested by an approved energy rater, and meet one of the three tiers based on a Home Energy Rating
28 System ("HERS") Index score. On the HERS index scale, a score of 100 is considered the average

1 efficiency of baseline new construction. A HERS index score of 0 represents a home that produces
 2 all of its energy through on-site generation from renewable energy. Therefore, the lower the HERS
 3 score, the more efficient the home. Tier 1 requires a minimum HERS of ≤ 85 , Tier 2 requires a
 4 minimum HERS of ≤ 70 , and Tier 3 requires a minimum HERS of ≤ 45 . The incentive for Tier 1 is
 5 \$400, Tier 2 is \$1,500, and Tier 3 is \$3,000.

6 *Proposed Changes*

7 12. UNS Electric proposes to discontinue ENERGY STAR Smart Homes- Tier 3 due to
 8 a low cost-effectiveness ratio. The Company calculates the ratio to be 0.90 at this time. Staff does
 9 not rerun benefit-cost ratios for measures that the Company proposes to discontinue. Originally
 10 Staff used the benefit-cost ratio performed for UNSE's Tier 2 since the only difference for Tier 3
 11 option is the costs for solar measures. All qualifying new homes will be required to meet the new
 12 ENERGY STAR version 3 standards which requires a minimum HERS of ≤ 73 . Qualifying Homes
 13 will receive an incentive of \$800. The Company will continue to monitor the cost-effectiveness of
 14 the single incentive offering.

15 *Proposed Budget*

16 13. The 2013 proposed budget for the Residential New Construction Program is
 17 detailed below. Overall Program Development, Analysis, and Reporting Software costs would be
 18 allocated across all of the cost-effective energy efficiency programs.

	2012 (Current)	2013(Proposed)
Incentives	\$87,500	\$82,500
Non-Incentive Cost	\$273,244	\$156,246
Total Program Cost	\$360,744	\$238,745

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 23 *Recommendations*

24 14. Staff recommends continuation of the Residential New Construction program
 25 along with approval of the decrease in the budget dollars to \$238,745 per year, that the ENERGY
 26 STAR Smart Homes—Tiers 1, 2 and 3 be discontinued and all new homes be required to meet the
 27 new ENERGY STAR version 3 standards.

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1 C. Existing Homes and Audit Direct Install

2 15. UNS Electric is proposing to suspend Replace on Burnout (“ROB”) HVAC with
 3 Quality Install (“QI”) and Duct Sealing (Performance). The Company has also notified Staff that it
 4 will discontinue the Home Energy Audit, Duct Sealing (Prescriptive), Air Sealing (Prescriptive),
 5 Early Retirement (“ER”) HVAC w/QI & Duct Sealing (Prescriptive) and ROB HVAC w/QI &
 6 Duct Sealing (Prescriptive) measures due to low cost-effectiveness ratios. The Company provided
 7 benefit-cost ratios are provided below:

Measure	Ratio
ROB HVAC with QI, Duct Sealing (Performance)	0.70
Home Energy Audit	0.02
Duct Sealing (Prescriptive)	0.84*
Air Sealing (Prescriptive)	2.25*
ER HVAC w/QI & Duct Sealing (Prescriptive)	1.29*
ROB HVAC w/QI & Duct Sealing (Prescriptive)	0.88*

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 13 * UNS Electric will require performance test data from now on to ensure actual savings so these prescriptive measure are discontinued.

14 *Proposed Budget*

15 16. The 2013 proposed budget for the Existing Homes and Audit Direct Install is detailed
 16 below. Overall Program Development, Analysis, and Reporting Software costs would be allocated
 17 across all of the cost-effective energy efficiency programs.

	2012 (Current)	2013(Proposed)
Incentives	\$399,125	\$436,750
Non-Incentive Cost	\$473,864	\$293,960
Total Program Cost	\$872,989	\$730,709

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 21 *Recommendations*

22 17. Staff has recommended continuation of the Existing Homes and Audit Direct Install
 23 program, and discontinuing the measures as proposed by UNS Electric. The Company notified
 24 Staff that it was well on pace to exceed its 2012 approved budget; thus Staff has recommended that
 25 the budget remain at \$872,989 per year. Staff has recommended that the ROB HVAC with QI and
 26 Duct Sealing (Performance), Home Energy Audit, Duct Sealing (Prescriptive), Air Sealing
 27 (Prescriptive), ER HVAC w/QI & Duct Sealing (Prescriptive) and ROB HVAC w/QI & Duct
 28 Sealing (Prescriptive) be discontinued.

1 D. C&I Demand Response

2 18. UNS Electric is requesting budget approval to continue this program with
3 modifications.

4 *Proposed Changes*

5 19. In its EE compliance report, UNS Electric states that the program currently has no
6 participation and proposed several modifications. UNS Electric will deliver the program in-house
7 by engaging with commercial and industrial customers and encouraging those customers to
8 participate in a proactive demand response program. For those customers who choose to
9 participate, UNS Electric will install equipment that provides Company control of either selected
10 loads or the entire electric load in a facility.

11 20. This will allow the Company to interrupt predetermined loads from each customer,
12 when an event is necessary or in an emergency situation. The Company will also install metering
13 equipment for all participants to enable proper tracking of interval load data to ensure customer
14 participation in any control event and also to provide data for post event analysis. In addition, the
15 customers must agree to be placed on UNS Electric's Interruptible Power Service tariff in lieu of
16 any cash incentive for participation. Because UNS Electric will not be paying customer incentives
17 for participation, and because the program will be delivered in-house, the budget can be
18 significantly reduced.

19 21. Based upon an analysis of the existing customers on UNS Electric's Interruptible
20 Power Service tariff, the Company has identified a conservative potential of 6,964 kW in available
21 load reduction capacity. Therefore, the Company will be taking the demand response credit for
22 2012 as allowed in A.A.C. R14-2-2404 (C).

23 *Proposed Budget*

24 22. The 2013 proposed budget for the C&I Demand Response is detailed below. Overall
25 Program Development, Analysis, and Reporting Software costs would be allocated across all of
26 the cost-effective energy efficiency programs.

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	Current	Company Proposed	Staff Proposed
Incentives	\$392,700	\$0	\$0
Non-Incentive Cost	\$428,438	\$395,052	\$245,052
Total Program Cost	\$821,138	\$395,052	\$245,052

Cost Effectiveness

23. Due to changes in the administration of this program, Staff recalculated the cost effectiveness ratio. Staff calculated a benefit-cost ratio of 1.37.

Recommendations

24. The Company-proposed budget was submitted prior to UNS Electric's proposed changes and does not reflect the anticipated savings. The Company has indicated that the savings are in the range of fifty percent. Staff has reduced the program delivery by \$150,000 to reflect these savings. Staff has recommended approval of Staff's proposed budget for the C&I Demand Response program.

E. School Facilities

25. UNS Electric is requesting to continue the current School Facilities program and to add three new measures (Canopy LED, Refrigerated Case LED, and Computer Power Monitoring System).

Proposed Budget

26. The 2013 proposed budget for the School Facilities program is detailed below. Overall Program Development, Analysis, and Reporting Software costs would be allocated across all of the cost-effective energy efficiency programs.

	2012 (Current)	2013(Proposed)
Incentives	\$154,222	\$154,222
Non-Incentive Cost	\$43,423	\$171,166
Total Program Cost	\$197,645	\$325,388

27. The 2012 budget for this program, approved in Decision No. 72747, was \$197,645. The proposed budget for this program for 2013 as can be seen above is \$325,388 which represents an increase of \$127,743 or roughly a 65% increase.

1 *Recommendations*

2 28. UNS Electric stated in its application that “since 2008, many cost-effective measures
3 have been approved by the Commission for the C&I Facilities program. Unless otherwise
4 indicated by the Commission, UNS Electric is taking the position that all previously approved C&I
5 measures are also approved for inclusion in the School Facilities program. Schools are a subset of
6 C&I customers, and UNS Electric wants to ensure that incentives are available for the same cost-
7 effective measures for all C&I customers.”

8 29. Staff believes that there may be cost savings and other efficiency gains by combining
9 the Schools Facilities Program and the C&I Facilities Program. Staff has recommended that the
10 Schools Facilities Program be combined with the C&I Facilities Program.

11 F. C&I Facilities

12 30. UNS Electric is requesting budget approval to continue this program with
13 modifications.

14 *Proposed Changes*

15 31. UNS Electric is requesting to add three new measures (Canopy LED, Refrigerated Case
16 LED, and Computer Power Monitoring System). The new measures will offer C&I customers
17 additional opportunities to reduce their energy consumption. The Company has notified Staff that
18 it will suspend the Standard T8 to Premium T8 lighting and the Night Covers measures due to low
19 cost-effectiveness ratios. The Company calculated the benefit-cost ratio for the Standard T8 to
20 Premium T8 lighting to be 0.37 and the Night Covers to be 0.70. In order to increase program
21 participation, UNS Electric is requesting approval to remove the \$10,000 incentive cap and the
22 restriction that only two large commercial customers can apply to participate at a higher limit of
23 \$50,000 each year. The Company believes the limiting components of the current program restrict
24 customer participation and prevent UNS Electric from reaching participation goals.

25 *Proposed Budget*

26 32. The 2013 proposed budget for the C&I Facilities program is detailed below. Overall
27 Program Development, Analysis, and Reporting Software costs would be allocated across all of
28 the cost-effective energy efficiency programs.

	Current	Company Proposed	Staff Proposed
Incentives	\$330,472	\$587,929	\$544,335
Non-Incentive Cost	\$426,229	\$410,011	\$410,011
Total Program Cost	\$756,701	\$997,939	\$954,346

33. The last approved budget for this program, approved in Decision No. 72747, was \$756,701 for 2012. The proposed budget for this program for 2013 as can be seen above is \$997,939 which represents an increase of \$241,238 or roughly a 32% increase. The increase in budget dollars for 2013 can be attributed to an increase in the projected number of installed units associated with each approved measure.

Recommendations

34. Staff has recommended that the Canopy LED, Refrigerated Case LED, and the Computer Power Monitoring System not be approved. Staff has recommended that the Standard T8 to Premium T8 lighting and the Night Covers measures be discontinued. As mentioned previously, Staff has recommended that the School Facilities program be combined with the C&I Facilities Program. Staff also recognizes that Schools may need a larger incentive to participate as they are not eligible for certain Energy Efficiency tax credits that other C&I customers may use. Staff has also recommended that Schools be eligible for 150% of the C&I incentive, but that the incentive shall be no greater than 100% of the incremental cost. Staff has recommended approval of Staff's proposed budget.

BUDGET

UNS Electric 2013 EE BUDGET			
	Current	UNS Proposed	Staff Proposed
	2012	2013	2013
<u>Residential Programs</u>			
Efficient Products	\$766,185	\$1,116,400	\$766,185
Appliance Recycling	\$225,249	\$308,168	\$225,249
Res. New Construction	\$360,744	\$238,745	\$238,745
Existing Homes and Audit Direct Install	\$872,989	\$730,709	\$872,989
Shade Tree	\$39,413	\$41,757	\$39,413

1	Low Income Weatherization	\$351,817	\$395,748	\$351,817
2	Multi-Family	\$63,392	\$77,602	\$63,392
3	Subtotal	\$2,679,789	\$2,909,129	\$2,557,790
4	<u>C&I Programs</u>			
5	C&I Facilities	\$756,701	\$941,634	\$954,346
6	Bid for Efficiency-Pilot	\$323,582	\$391,486	\$323,582
7	Retro-Commissioning	\$256,352	\$340,794	\$256,352
8	School Facilities	\$197,645	\$325,388	\$0
9	C&I Demand Response	\$821,138	\$395,053	\$245,052
10	Subtotal	\$2,355,418	\$2,394,355	\$1,779,333
11	<u>Behavioral Programs</u>			
12	Home Energy Reports	\$242,881	\$295,259	\$242,881
13	Behavioral Comprehensive Program	\$372,324	\$229,697	\$229,697
14	Subtotal	\$615,205	\$524,956	\$472,578
15	<u>Support Programs</u>			
16	Education and Outreach	\$141,884	\$156,677	\$141,884
17	Residential Energy Financing	\$278,104	\$275,133	\$275,133
18	Codes Support	\$29,279	\$18,447	\$18,447
19	Program Development, Analysis and Reporting Software	\$170,980	\$143,308	\$143,308
20	Subtotal	\$620,247	\$593,565	\$578,772
21	Total	\$6,270,659	\$6,422,005	\$5,388,473

22 35. The above table details UNS Electric's proposed energy efficiency budget for 2013 and
 23 Staff's recommended budget. Staff has recommended approval of the Staff-proposed budget as
 24 shown above, \$5,388,473.

25 **BUDGET SHIFTING**

26 36. In Decision No. 72747, UNS Electric was granted the ability to shift funds from
 27 measure to measure, or from less active to more active programs, for up to 25 percent of the
 28 budget originally allocated to the less active program. Budget shifting may only be done within,
 and not between, the Residential and Non-Residential program sectors.

37. The Company has requested that it be allowed to shift up to 25 percent of approved
 funds from Residential to Commercial or from Commercial to Residential programs as deemed
 necessary based on program activity, and be allowed the option of increasing up to 25 percent of

1 the total Energy Efficiency budget where cost-effective. Staff has recommended that the Company
2 not be allowed to shift between Residential and Commercial programs nor be allowed to increase
3 the overall budget by 25 percent. R14-2-2408 states that an affected utility shall allocate DSM
4 funds collected from residential customers and from non-residential customers proportionately to
5 those customer classes. Staff believes by allowing funds to be shifted and the overall budget to be
6 increased that this rule would be undermined.

7 **MEASUREMENT, EVALUATION, AND RESEARCH ("MER")**

8 38. In order to ensure that the programs included in its 2013 EE Plan are meeting the
9 projected goals and objectives, UNS Electric should continue to monitor and evaluate each of the
10 above mentioned programs on at least a biennial basis. This monitoring would include, but is not
11 limited to:

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

19 39. The Company should discontinue a program or measure upon determining it to be no
20 longer cost-effective. The Company should notify Staff in advance of discontinuing a program or
21 measure. Once a program or measure is discontinued, the Company must file acknowledgement in
22 this docket.

23 40. The Company has notified Staff that it will discontinue the following measures;
24 Standard T8 to Premium T8 lighting, Night Covers, and ROB HVAC w/QI & Duct Sealing
25 (Performance), ROB HVAC with QI and Duct Sealing (Prescriptive), Early Retirement HVAC
26 with QI and Duct Sealing (Prescriptive), Duct Sealing (Prescriptive), Air Sealing (Prescriptive),
27 ENERGY Smart Homes - Tier 3 and Home Energy Audits. These measures are being discontinued
28 due to low cost-effectiveness ratios.

41. Further we will require UNS to include in its Annual DSM Progress Reports,
beginning with the report filed on March 1, 2014, a chart that lists all Commission-approved

1 programs and measures, the Commission-approved budgeted expenditures by program, the actual
 2 annual expenditures by program, the planned cost effectiveness ratio per measure (last calculated
 3 by Staff), and the actual cost effectiveness ratio per measure (using the Staff-approved method
 4 with all criteria updated with the most recent data available). In addition, the Annual DSM
 5 Progress Reports shall include data on program annual energy savings, lifetime energy savings,
 6 and capacity savings (plan and actual data); plus program cost-effectiveness test benefits, costs,
 7 and net benefits (plan and actual data).

8 **DSM Surcharge**

9 42. In its application, UNS Electric proposes a DSM surcharge in order to recover the costs
 10 associated with its proposed 2013 EE Plan. UNS Electric has proposed a DSM surcharge of
 11 \$0.004318 per kWh, a decrease from the current DSM surcharge rate of \$0.004382 per kWh. The
 12 chart below details UNS Electric's DSM surcharge collections and expenses since 2008.

Year	DSM Expenses	Performance Incentive	DSMS Collection	Annual Under/Over Collection Balance
2008	\$461,445	N/A	\$568,168	(\$106,723)
2009	\$1,436,777	N/A	\$1,198,367	\$238,410
2010	\$1,784,322	N/A	\$1,595,795	\$188,527
2011	\$2,113,396	\$191,462	\$1,752,607	\$552,251
2012	\$4,507,014	\$387,954	\$6,847,151	(\$1,952,183)
2013*	\$5,272,000	\$448,120	\$7,381,003	(\$1,660,882)
TOTAL	\$15,574,955	\$1,027,536	\$19,343,091	(\$2,740,600)

*Estimated 2013 Expenses, Performance Incentive, and DSMS collection

21
 22 43. Due to UNS Electric's over-collected balance of \$2,740,600, Staff recommends that
 23 the new DSM Surcharge be \$0.002660 per kWh. This would result in a monthly decrease of
 24 approximately \$1.48 for the average residential customer using 855 kWh. Staff has also
 25 recommended that the surcharge reset no earlier than January 1, 2014, and go into effect with new
 26 rates in Docket No. E-04204A-12-0504.

27 44. Staff has recommended that UNS Electric file a revised DSM Surcharge tariff
 28 consistent with the Decision in this case within 15 days of the effective date of the Decision.

WAIVER REQUEST

45. In its application filed on June 1, 2012, UNS Electric requested a waiver under the provisions of A.A.C. R14-2-2419 from the 2013 savings percentage mandate set in A.A.C. R14-2-2404. UNS Electric maintains that it is proposing a portfolio of programs likely to be successful within its service territory for its customer base. UNS Electric has proposed cost-effective programs towards the objective of reducing energy use and reducing peak demand. UNS Electric believes its 2013 EE Plan will maximize the potential for energy efficiency savings in a cost-effective manner.

46. On June 3, 2013, UNS Electric filed for a request to extend its 2013 EE Plan to cover 2014. UNS Electric does not have any new programs or measures, nor does it have any requests to modify any programs or measures to be included in a 2014 EE Plan. UNS Electric is also requesting a waiver of the 2014 EEE Standard in accordance with A.A.C. R14-2-2404.B. The Company has indicated to Staff that it intends to file its 2015 EE Plan on or before June 1, 2014.

47. Staff has recommended that UNS Electric's 2013 EE Plan be extended to cover 2014 and that UNS Electric receive a waiver of the 2014 EEE Standard.

48. Staff has also recommended that UNS Electric not file its next EE Plan until further order of the Commission. However we feel that it is important for UNS Electric to continue filing future energy efficiency implementation plans, so that this and future Commissions can make necessary modifications to energy efficiency programs in a timely manner as new ratepayer needs arrive and market conditions change.

RE-CALCULATION OF THE EE PLAN'S MEASURES' COST-EFFECTIVENESS FOR PURPOSES OF A POSSIBLE EARLY RESET OF THE DSM SURCHARGE

49. We find that it is important and in the public interest to ensure that only EE measures that are truly cost effective continue to be funded.

50. Because UNS Electric's EE Plan's measures' cost effectiveness has not been recently re-calculated, we find it reasonable and necessary to direct Staff to review and re-calculate the cost effectiveness of all the measures included in the 2013 EE Plan. To ensure consistent consideration of all available EE measures, Staff should also review and calculate the cost-effectiveness of the

1 new EE measures UNS Electric proposed for its 2013 EE Plan. By May 30, 2014, Staff shall file a
2 report on its review of the measures, and include recommendations based on its re-calculations for
3 possible early reset of the DSM Surcharge. Interested parties and stakeholders shall file any
4 comments on the Staff report and recommendations by May 30, 2014.

5 51. Although we initially set the DSM Surcharge in this order as recommended by Staff,
6 we find the DSM Surcharge approved herein interim and subject to possible early reset upon
7 further Commission consideration of the Staff report and comments concerning the re-calculation
8 of the cost effectiveness of the EE Plan's measures.

9 CONCLUSIONS OF LAW

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

12 2. The Commission has jurisdiction over UNS Electric, Inc. and over the subject
13 matter of the application.

14 3. The Commission, having reviewed the application and Staff's memorandum dated
15 December 3, 2013, concludes that it is in the public interest to approve the 2013 Energy Efficiency
16 Plan as modified and discussed herein.

17 ORDER

18 IT IS THEREFORE ORDERED that the Energy Star Clothes Washer, Energy Star
19 Dishwasher, Energy Star Refrigerator, Energy Star Room Air Conditioner, Residential LED Light,
20 ENERGY STAR Central Air Conditioner/Heat Pump, Heat Pump Water Heater, Residential 2x
21 Incandescent measures in the Efficient Products Program and Canopy LED, Refrigerated Case
22 LED, and the Computer Power Monitoring System measures in the C&I Facilities Program not be
23 approved.

24 IT IS FURTHER ORDERED that the Standard T8 to Premium T8 lighting, Night Covers,
25 and ROB HVAC w/QI & Duct Sealing (Performance), ROB HVAC with QI and Duct Sealing
26 (Prescriptive), Early Retirement HVAC with QI and Duct Sealing (Prescriptive), Duct Sealing
27 (Prescriptive), Air Sealing (Prescriptive), ENERGY Smart Homes - Tier 3 and Home Energy
28 Audits be discontinued.

1 IT IS FURTHER ORDERED that the Efficient Products Program be continued with a
2 budget of \$766,185.

3 IT IS FURTHER ORDERED that the Appliance Recycling Program be continued with a
4 budget of \$225,249.

5 IT IS FURTHER ORDERED that the Residential New Construction Program be continued
6 with a budget of \$238,745.

7 IT IS FURTHER ORDERED that the Existing Homes and Audit Direct Install Program be
8 continued with a budget of \$872,989.

9 IT IS FURTHER ORDERED that the Shade Tree Program be continued with a budget of
10 \$39,413.

11 IT IS FURTHER ORDERED that the Low-Income Weatherization Program be continued
12 with a budget of \$351,817.

13 IT IS FURTHER ORDERED that the Multi-Family Program be continued with a budget of
14 \$63,392.

15 IT IS FURTHER ORDERED that the Bid for Efficiency Pilot Program be continued with a
16 budget of \$323,582.

17 IT IS FURTHER ORDERED that the Retro-Commissioning Program be continued with a
18 budget of \$256,352.

19 IT IS FURTHER ORDERED that the C&I Demand Response Program be continued with a
20 budget of \$245,052.

21 IT IS FURTHER ORDERED that the C&I Facilities Program be continued with a budget
22 of \$954,346.

23 IT IS FURTHER ORDERED that the School Facilities program be combined with the C&I
24 Facilities Program.

25 IT IS FURTHER ORDERED that Schools be eligible for 150% of the C&I incentive, but
26 that the incentive shall be no greater than 100% of the incremental cost.

27 IT IS FURTHER ORDERED that the Home Energy Report Program be continued with a
28 budget of \$242,881.

1 IT IS FURTHER ORDERED that the Behavioral Comprehensive Program be continued
2 with a budget of \$229,697.

3 IT IS FURTHER ORDERED that the Consumer Education and Outreach Program be
4 continued with a budget of \$141,884.

5 IT IS FURTHER ORDERED that the Residential Energy Financing Program be continued
6 with a budget of \$275,133.

7 IT IS FURTHER ORDERED that the Energy Codes and Standards Enhancement Program
8 be approved with a budget of \$18,447.

9 IT IS FURTHER ORDERED that UNS Electric, Inc. be granted a waiver of the EEE
10 Standards for 2013 and 2014.

11 IT IS FURTHER ORDERED that UNS Electric, Inc. not be allowed to shift funds between
12 Residential and Commercial Programs nor increase its overall budget by 25 percent, but maintain
13 the ability to increase the budget by 5 percent per Decision No. 72747.

14 IT IS FURTHER ORDERED that the DSM surcharge be \$0.002660 per kWh.

15 IT IS FURTHER ORDERED that UNS Electric, Inc. file a revised Demand Side
16 Management Adjustment Schedule in compliance with the Decision in this case within 15 days of
17 the effective date of this Decision.

18 IT IS FURTHER ORDERED that UNS Electric, Inc. discontinue a program or measure
19 upon determining it to be no longer cost-effective and UNS Electric, Inc. shall notify Staff in
20 advance of discontinuing a program or measure. Once a program or measure is discontinued, UNS
21 Electric, Inc. must file acknowledgement in this docket.

22 IT IS FURTHER ORDERED that Staff shall re-calculate the cost effectiveness of all of
23 UNS Electric's EE Plan's measures, review and calculate the cost-effectiveness of the new EE
24 measures UNS Electric proposed for its 2013 EE Plan, and file a report and recommendations by
25 May 30, 2014. Interested parties and stakeholders shall file any comments on the Staff report and
26 recommendations by May 30, 2014.

27 ...

28 ...

1 IT IS FURTHER ORDERED that UNS Electric shall include in its Annual DSM Progress
2 Reports, beginning with the report filed on March 1, 2014, a chart that lists all Commission-
3 approved programs and measures, the Commission-approved budgeted expenditures by program,
4 the actual annual expenditures by program, the planned cost effectiveness ratio per measure (last
5 calculated by Staff), and the actual cost effectiveness ratio per measure (using the Staff-approved
6 method with all criteria updated with the most recent data available). In addition, the Annual DSM
7 Progress Reports shall include data on program annual energy savings, lifetime energy savings,
8 and capacity savings (plan and actual data); plus program cost-effectiveness test benefits, costs,
9 and net benefits (plan and actual data).

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1 IT IS FURTHER ORDERED that the DSM Surcharge set herein is interim and is subject to
2 possible early reset.

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

4

5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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[Handwritten Signature]
CHAIRMAN

[Handwritten Signature]
COMMISSIONER

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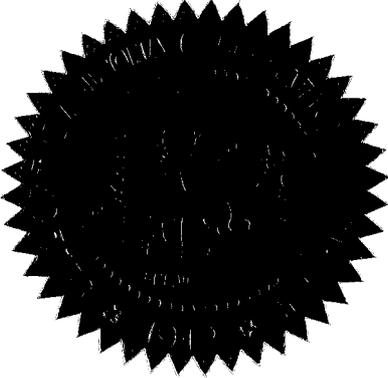
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COMMISSIONER

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COMMISSIONER

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12 IN WITNESS WHEREOF, I, JODI JERICH, Executive
13 Director of the Arizona Corporation Commission, have
14 hereunto, set my hand and caused the official seal of this
15 Commission to be affixed at the Capitol, in the City of
16 Phoenix, this 7th day of January, ~~2013~~
17 2014

[Handwritten Signature]
JODI JERICH
EXECUTIVE DIRECTOR

18

19 DISSENT: _____

20 DISSENT: _____

21 SMO:PML:sms\RRM

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1 SERVICE LIST FOR: UNS Electric, Inc.
2 DOCKET NO. E-4204A-12-0219

3 Michael W. Patten
4 Roshka DeWulf & Patten, PLC
5 One Arizona Center
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8 Bradley S. Carroll
9 UNS Electric Inc.
10 Legal Department, MS HQE910
11 P.O. Box 711
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13 Mr. Steven M. Olea
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15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18 Ms. Janice M. Alward
19 Chief Counsel, Legal Division
20 Arizona Corporation Commission
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Appendix A

Measure	Decision	Date	B/C Ratio
Efficient Products Program			
ES Integral CFL	70556	10/23/2008	1.50
Pool Pump Timers	72747	1/20/2012	2.16
Variable Spd Pool Pump	72747	1/20/2012	1.29
Advanced Power Strips - Load Sensor	72747	1/20/2012	1.10
Appliance Recycling Program			
Refrigerator Recycling	72747	1/20/2012	2.69
Freezer Recycling	72747	1/20/2012	2.04
Res. New Construction Program			
ENERGY Smart Homes - Tier 1 (Dual Fuel)	70522	9/30/2008	1.35
ENERGY Smart Homes - Tier 1 (All Electric)	70522	9/30/2008	1.35
ENERGY Smart Homes - Tier 2 (Dual Fuel)	71641	4/15/2010	1.16
ENERGY Smart Homes - Tier 2 (All Electric)	71641	4/16/2010	1.16
ENERGY Smart Homes - Tier 3 ⁸	71641	4/14/2010	N/A ⁶
Existing Homes and Audit Direct Install Program			
Shade Screens (All electric)	72024	12/10/2010	0.89
Air Sealing (All Electric)	72024	12/10/2010	0.90
Air Sealing & Attic Insulation (All Electric)	72024	12/10/2010	1.07
Air Sealing & Attic Insulation (Dual fuel)	72024	12/10/2010	1.07
ROB HVAC with QI & Duct Sealing (Prescriptive) ⁸	72024	12/10/2010	1.13
ROB HVAC with QI & Duct Sealing (Performance) ⁸	72024	12/10/2010	1.13
ER HVAC with QI and Duct Sealing (Prescriptive) ⁸	72024	12/10/2010	1.75
ER HVAC with QI and Duct Sealing (Performance) ⁸	72024	12/10/2010	1.75
Duct Test and Repair (All Electric)	72024	12/10/2010	1.03
Duct Test and Repair (Dual fuel)	72024	12/10/2010	1.03
Duct Sealing (Prescriptive) ⁸	72024	12/10/2010	1.03
Duct Sealing (Performance)	72024	12/10/2010	1.03
Home Energy Audits	72024	12/10/2010	N/A ³
Shade Tree Program			
Shade Tree	70523	9/30/2008	1.69
Low Income Weatherization Program			
Low Income Weatherization	72747	1/20/2012	1.01
Multi-Family Program			
ES Integral CFL	72747	1/20/2012	2.80
Faucet Aerators	72747	1/20/2012	2.90
Low Flow Showerheads	72747	1/20/2012	2.30
C&I Facilities Program			
Variable Speed Drives	72747	1/20/2012	N/A ²
Screw in cold cathode CFL	72747	1/20/2012	
Interior HIDs to T8/T5	72747	1/20/2012	
Exterior HIDs to T8/T5	72747	1/20/2012	
Daylighting controls	72747	1/20/2012	
Advanced Power Strips - Occupancy Sensors	72747	1/20/2012	1.38 ¹
Outdoor CFL	72747	1/20/2012	
Refrigerated Display Automatic Door Closers	72747	1/20/2012	
Reduced LPD	72747	1/20/2012	
Advanced Power Strips - Load Sensor	72747	1/20/2012	
Vending Miser - Reach-in Cooler Controls	72747	1/20/2012	
Standard T8 to Premium T8 ⁸	72747	1/20/2012	
Premium T8 Lighting	72747	1/20/2012	
Advanced Power Strips - Timer Plug Strip	72747	1/20/2012	
Shade Screens	72747	1/20/2012	
LED Channel Signs	72747	1/20/2012	
Refrigerated Display Gaskets	72747	1/20/2012	
Induction Lighting	72747	1/20/2012	
Vending Miser - Beverage Case Controls	72747	1/20/2012	
Window Films	72747	1/20/2012	
Vending Miser - Snack Machine Controls	72747	1/20/2012	4.25
Advanced Power Strips - Timer Plug Strip	72747	1/20/2012	
High Efficiency Evaporator Fan Motors (PSC)	70524	9/30/2008	1.23
High Efficiency Evaporator Fan Motors (ECM)	70524	9/30/2008	
14 SEER Packaged and Split HP's	70524	9/30/2008	0.98
15 SEER Packaged and Split HP's	70524	9/30/2008	
16 SEER Packaged and Split HP's	70524	9/30/2008	1.16
14 SEER Packaged and Split AC's	70524	9/30/2008	
15 SEER Packaged and Split AC's	70524	9/30/2008	1.60
16 SEER Packaged and Split AC's	70524	9/30/2008	
Energy efficient exit signs	70524	9/30/2008	
Standard T8 Lighting	70524	9/30/2008	

Measure	Decision	Date	B/C Ratio
Occupancy sensors	70524	9/30/2008	4.47
Programmable Thermostats	70524	9/30/2008	1.64
Delamping	70524	9/30/2008	3.07
Custom Measures	70524	9/30/2008	N/A ⁷
Hard Wire CFL	70524	9/30/2008	1.03
Integral Screw In CFL	70524	9/30/2008	1.03
Anti sweat heater controls	70524	9/30/2008	1.46
Bid for Efficiency - Pilot Program			
Bid for Efficiency	72747	1/20/2012	N/A ⁵
Retro-Commissioning Program			
Retro-Commissioning	72747	1/20/2012	1.69
Schools Facilities Program			
Outdoor CFL	72747	1/20/2012	2.87 ¹
Delamping	72747	1/20/2012	
Programmable Thermostats	72747	1/20/2012	
Screw in cold cathode CFL	72747	1/20/2012	
Advanced Power Strips - Timer Plug Strip	72747	1/20/2012	
Energy efficient exit signs	72747	1/20/2012	
Integral Screw In CFL	72747	1/20/2012	
Vending Miser - Beverage Case Controls	72747	1/20/2012	
Vending Miser - Reach-in Cooler Controls	72747	1/20/2012	
Hard Wire CFL	72747	1/20/2012	
Variable Speed Drives	72747	1/20/2012	
Custom Measures	72747	1/20/2012	
Occupancy sensors	72747	1/20/2012	
Advanced Power Strips - Load Sensor	72747	1/20/2012	
Vending Miser - Snack Machine Controls	72747	1/20/2012	
Daylighting controls	72747	1/20/2012	
Shade Screens	72747	1/20/2012	
Induction Lighting	72747	1/20/2012	
Advanced Power Strips - Occupancy Sensors	72747	1/20/2012	
Window Films	72747	1/20/2012	
Standard T8 Lighting	72747	1/20/2012	
Standard T8 to Premium T8 ⁸	72747	1/20/2012	
Premium T8 Lighting	72747	1/20/2012	
Interior HIDs to T8/T5	72747	1/20/2012	
Exterior HIDs to T8/T5	72747	1/20/2012	
Reduced LPD	72747	1/20/2012	
14 SEER Packaged and Split Heat Pumps	72747	1/20/2012	
15 SEER Packaged and Split Heat Pumps	72747	1/20/2012	
16 SEER Packaged and Split Heat Pumps	72747	1/20/2012	
14 SEER Packaged and Split Air Conditioners	72747	1/20/2012	
15 SEER Packaged and Split Air Conditioners	72747	1/20/2012	
16 SEER Packaged and Split Air Conditioners	72747	1/20/2012	
C&I Demand Response Program			
Direct Load Control for Large Commercial	72747	1/20/2012	1.17
Home Energy Reports Program			
Home Energy Reports	72747	1/20/2012	1.21
Behavioral Comprehensive Program			
CFL Giveaway (23W CFLs)	72747	1/20/2012	2.24
Direct Canvassing (13 Watt)	72747	1/20/2012	3.13
CFL Giveaway (18W CFLs)	72747	1/20/2012	3.07
K-12 Education Kit	72747	1/20/2012	2.95
Community Education Kit	72747	1/20/2012	2.81
Education and Outreach Program			
Education and Outreach	70401	7/3/2008	N/A ³
Residential Energy Financing Program			
Residential Energy Financing	72747	1/20/2012	N/A ⁴
Codes Support Program			
Codes Support	72747	1/20/2012	N/A ³

¹ Benefit Cost Ratio is based on a project that would consist of a selection of these measures

² Approved for Schools Facilities but applied to both programs

³ Does not produce direct savings, but promotes participation in energy efficiency programs and measures

⁴ No benefit-cost ratio preformed, assists customers installing measures included in the UNSE EE Plan

⁵ Pilot Program, no benefit-cost ratio preformed

⁶ No benefit-cost ratio preformed, only difference between the incremental costs for a home that qualifies for UNSE's Tier 2 and UNSE's Tier 3 option is the costs for solar measures

⁷ No benefit-cost ratio preformed, an engineering analysis would determine the savings, and the project must pass a societal benefit/cost analysis the same as any individual measure, before an incentive is approved

⁸ UNSE is proposing to discontinue these measures due to low benefit-cost ratios