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BEFORE THE ARIZONA CORPORATION COMMISSION

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ORIGINAL

IN THE MATTER OF MOHAVE ELECTRIC COOPERATIVE, INCORPORATED REQUEST FOR APPROVAL OF 2012 - 2013 DEMAND SIDE MANAGEMENT PLANS AND ENERGY EFFICIENCY IMPLEMENTATION PLAN, INCLUDING DSM ADJUSTMENT TARIFF; REQUEST FOR PARTIAL WAIVER PURSUANT TO THE ENERGY EFFICIENCY STANDARD RULES

DOCKET NO. E-01750A-11-0228

SUPPLEMENTAL FILING

Arizona Corporation Commission

DOCKETED

JAN 17 2014

DOCKETED BY [Signature]

Mohave Electric Cooperative, Incorporated ("Mohave" or the "Cooperative"), by and through its undersigned attorneys, hereby supplements the above-captioned application. Mohave originally submitted its application June 1, 2011 (now more than two and one-half (2 1/2) years ago) as required by A.A.C. R14-2-1418(B) of the Arizona Corporation Commission's ("Commission") Electric Energy Efficiency Standards ("EE Standards"). By this Supplemental Filing, Mohave respectfully urges the Commission promptly consider and approve all of the modest energy efficiency/demand side management ("EE/DSM") programs Mohave is proposing, approve a DSM surcharge of \$0.000799 per kWh sold and grant Mohave a waiver of the annual and cumulative energy efficiency requirements established by A.A.C. R14-2-2418(C) and R14-2-2404.

MOHAVE'S PROGRAM IS SUPPORTED BY THE MEMBERS

Importantly, Mohave's EE/DSM Implementation Plan and the proposed DSM surcharge have been discussed with and approved by Mohave's elected Board of Directors.

1 Moreover, as part of its customer education efforts over the past three (3) years, Mohave has
2 been advising its members of this pending application, the nature of the EE/DSM programs it
3 will be implementing, the level of DSMS being requested and the net benefits that the
4 programs will provide. Mohave's members are supportive of the proposal; none have filed
5 opposition to the pending EE/DSM Implementation Plan or a DSM surcharge of \$0.000799
6 designed to finance it. Mohave's members/customers have been expecting all the EE/DSM
7 programs set forth in Mohave's EE/DSM Implementation Plan to be made available to them.

8 **MOHAVE CURRENTLY HAS NO FUNDING MECHANISM**

9 Fourteen (14) months after Mohave filed its application in this docket, the
10 Commission authorized an adjustment in Mohave's rates pursuant to Decision No. 73352
11 dated August 21, 2012. Due to the adoption of the EE Standards and the pendency of this
12 application to implement EE/DSM standards, the adjusted test year expenses and approved
13 rates had intentionally excluded all EE/DSM related costs. The Decision provided:

14 IT IS FURTHER ORDERED that the initial rates of Mohave
15 Electric Cooperative, Incorporated's DSM adjustor mechanism will
16 be the same as the DSM cost recovery tariff that is approved in
17 Docket No. E-01750A-11-0228 (MEC's 2012-2013 Electric Energy
18 Efficiency Implementation Plan and Demand Side Management
19 Program docket). Subsequent changes to the DSM adjustor rates
20 will be set in connection with the Electric Energy Efficiency
21 Implementation Plan submitted by the Company and approved by
22 the Commission pursuant to the Electric Energy Efficiency
23 Standards rules, or as otherwise ordered by the Commission.

24 At the time, Mohave anticipated a DSM surcharge would be in effect no later the end
25 of 2012.

26 Decision No. 73352 was the first adjustment in Mohave's rates and charges in twenty-
27 two (22) years by Decision 57172, issued November 29, 1990. Decision No. 57172 was
28 issued two (2) years prior to the Commission's allowance of system benefit charges per

1 A.A.C. R14-2-1608 and eight (8) years prior to the allowance of environmental portfolio
2 standard surcharge tariffs per A.A.C. R14-2-1618. As a result, Mohave has never had a
3 separate surcharge to fund EE or DSM programs.

4 Despite no independent funding source, Mohave had used general funds to develop
5 and operate some modest EE/DSM programs, including: 1) residential energy reviews and
6 audits; 2) high-efficiency heat pumps; 3) operation cool shade tree; 4) good cents EE new
7 home; 5) education and outreach support, and 6) CFL giveaway. However, as noted, the rates
8 approved by Decision No. 73352 excluded the costs of even these modest programs with the
9 expectation that a DSM surcharge would be approved by the end of 2012. In the interim,
10 Mohave has maintained these programs, to the extent it can, without a funding source.

11 In summary, Mohave has never previously implemented a Commission approved
12 DSM/EE program and the Commission has never previously approved a surcharge to recover
13 costs for Mohave's DSM/EE program costs. However, Decision No. 73352 did authorize a
14 DSM surcharge at a level to be determined in this docket.

15 **THE REQUESTED PROGRAMS AND SURCHARGE ARE REASONABLE**

16 By its application, Mohave seeks to continue and slightly expand its pre-existing
17 programs and to add the following to its portfolio of EE/DSM programs – all of which have
18 been approved by the Commission for one or more Arizona electric utilities: 1) residential
19 lighting; 2) residential refrigerator/freezer recycling; 3) residential low income
20 weatherization; 4) commercial lighting discount CFL; 5) commercial lighting and 6) research
21 and development. An updated budget for the programs in Mohave's EE/DSM
22 Implementation Plan is attached as Exhibit A. These programs can be funded at the levels
23 proposed by Mohave with a DSM surcharge of \$0.000799 per kWh sold.

24 Mohave notes that its proposed budget includes \$14,000 in administrative costs to
25 recognize the additional non-recurring administrative costs that will be incurred by Mohave

1 in this initial year of a formal Commission approved EE/DSM program, including the
2 addition of some new programs. The budget also includes \$6,000 for research and
3 development. In particular, Mohave will ask participants in the residential low income
4 weatherization program to volunteer in a monitoring program. Mohave will pay the cost of
5 an energy audit both before and after the weatherization improvements are installed on
6 approximately 20 low income residences, as well as monitoring the impacts on their utility
7 bills for a twelve month period. Mohave believes such actual data will assist it in refining the
8 residential low income weatherization program in future years to become more cost effective.

9 **IMPACT OF COMMISSION'S JUNE 2013 ACTIONS**

10 Mohave is aware that in June 2013, the Commission directed a generic docket (E-
11 00000XX-13-0214) be opened "to address efficiency/demand side management ('EE/DSM'),
12 cost effectiveness of EE/DSM as currently administered, EE/DSM cost recovery
13 methodologies (including the Energy Efficiency Resource Plan proposed in the Tucson
14 Electric Power Company rate case Settlement Agreement, Decision No. 73912), need [*sic*] or
15 not for EE/DSM performance incentives, EE/DSM as part of the Commission's integrated
16 Resource Plan process, and possible modification of current EE/DSM and Integrated
17 Resource Plan Rules." Mohave is supportive of this effort and encourages the Commission to
18 direct its Staff to move the generic investigation forward.

19 Mohave is deeply concerned that the Commission's concurrent direction to freeze
20 EE/DSM programs at June 2013 levels pending completion of the foregoing investigation,
21 has unintentionally and inappropriately delayed action on Mohave's pending application and
22 may preclude Mohave from fully implementing the modest EE/DSM Implementation Plan set
23 forth in its application, even though it consists entirely of programs with a long and well
24 established cost effective track record and that other Arizona utilities have been authorized to
25 implement.

1 Mohave notes that the Commission's policy to freeze EE/DSM programs at June 2013
2 levels has resulted in similar EE/DSM programs being approved for some utilities and denied
3 for others, simply because they had not previously been implemented. Additionally, the
4 action is being taken despite favorable recommendations from Staff and without any
5 independent evaluation of the reasonableness of the programs, their budgets or the resulting
6 DSM surcharge. The result is inconsistent treatment of similar EE/DSM programs. For
7 example, the existing residential low income weatherization programs of Trico Electric
8 Cooperative ("Trico"), UNS Electric ("UNS") and Graham County Electric Cooperative
9 ("Graham") were all continued, while the request of Sulphur Springs Valley Electric
10 Cooperative ("SSVEC") to add a similar program was denied. Graham and UNS were
11 allowed to continue their refrigerator/freezer recycling programs, while the requests of Trico
12 and SSVEC to add similar programs were denied. The same is true with CFL lighting
13 programs – the existing programs of Graham and UNS were allowed to continue, but Trico's
14 request to add residential and commercial CFL lighting programs was denied.

15 The size of approved EE/DSM budgets and DSM surcharges also vary considerably.
16 By Decision No. 74262, dated January 7, 2014, the 90,000 UNS customers are charged a
17 DSM surcharge of \$0.002660 per kWh designed to fund an annual EE/DSM budget of at least
18 \$5.2 million (including approximately 1.66 million in carry-over funds). In contrast, the
19 Commission by Decision No. 73930, dated June 27, 2013 rejected SSVEC's request to
20 maintain its then current \$0.00088 DSM surcharge and a budget of \$1.2 million for its 51,000
21 customers. Instead the Commission approved a DSM surcharge for SSVEC of only \$0.00027
22 and a slight increase in its then current EE/DSM annual budget of \$430,734 to \$549,657.
23 Similarly, Trico's request for a DSM surcharge of \$0.000356 and a budget of \$262,688 for its
24 40,500 customers was not only rejected by Decision No. 73929, dated June 27, 2013, but the
25 Commission actually cut Trico's then current DSM surcharge of \$0.000191356 and budget of

1 \$115,828 by more than half to \$0.000058 and \$54,979, respectively. This inconsistency
2 among approved EE/DSM programs, EE/DSM budgets and the level of DSM surcharge
3 among comparative utilities is confusing to Mohave and its 39,000 metered customers.
4 Mohave is concerned that the EE/DSM programs, budget and surcharge thoughtfully
5 considered by Mohave's Board to balance cost and benefits being provided will be similarly
6 cut or rejected, simply because Mohave had never previously been able to implement a full
7 array of EE/DSM programs due to the lack of an approved surcharge to fund them.

8 **WAIVER IS NECESSARY AND APPROPRIATE**

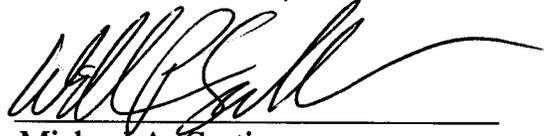
9 The energy efficiency standards are based upon EE/DSM programs and a DSM
10 surcharge being in effect as early as 2011. Mohave timely filed for approval of both its
11 EE/DSM programs and DSM surcharge, but 2½ years later, Staff has yet to file a
12 recommendation and the Commission has yet to act on the application. The modest EE/DSM
13 programs included in Mohave's plan, when approved in full, were never expected to fully
14 meet the goals and objectives established by the standards, but are deemed by Mohave's
15 Board as a reasonable balance that implements proven programs at levels that will not impose
16 an unreasonable burden on its members. The continued delay in approving Mohave's
17 EE/DSM programs and DSM surcharge only enforces the need to grant Mohave a waiver of
18 the annual and cumulative energy efficiency requirements established by A.A.C. R14-2-
19 2418(C) and R14-2-2404.

20 For the reasons set forth above, in its application and its previous amendment thereto,
21 Mohave respectfully requests the Commission show its support for the Cooperative and its
22 elected Board of Directors by approving the EE/DSM Implementation Plan and DSM
23 surcharge as filed by Mohave and granting Mohave a waiver of the annual and cumulative
24 energy efficiency requirements established by A.A.C. R14-2-2418(C) and R14-2-2404.

25

1 DATED this 16th day of January, 2014.

2 CURTIS, GOODWIN, SULLIVAN,
3 UDALL & SCHWAB, P.L.C.

4
5 By: 

6 Michael A. Curtis

7 William P. Sullivan

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9 Phoenix, Arizona 85012-3205

10 Attorneys for Mohave Electric Cooperative,
11 Incorporated

12 PROOF OF AND CERTIFICATE OF MAILING

13 I hereby certify that on this 17th day of January, 2014, I caused the foregoing
14 document to be served on the Arizona Corporation Commission by delivering the original and
15 thirteen (13) copies of the above to:

16 Docket Control
17 Arizona Corporation Commission
18 1200 West Washington
19 Phoenix, Arizona 85007

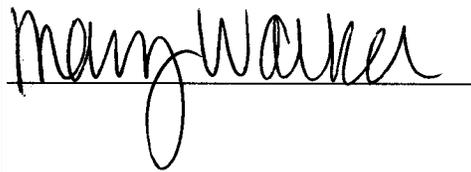
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EXHIBIT A

EXHIBIT A
UPDATED PROGRAM BUDGET

<u>Existing Programs</u>	
Good Cents EE New Homes	\$ 465.00
High Efficiency Heat Pumps	\$ 51,147.00
Operation Cool Shade	\$ 8,855.00
Educational Programs	\$ 6,000.00
CFL Give-aways	\$ 7,331.00
Residential Energy Audits	\$ 23,920.00
<u>New Programs</u>	
Residential Lighting	\$ 32,555.00
Residential Refrigerator/Freezer Recycling	\$ 45,933.00
Residential Low Income Weatherization	\$ 350,900.00
Commercial Lighting Discount CFL	\$ 3,550.00
Commercial Lighting	\$ 1,335.00
Research & Development	\$ 6,000.00
General Administration	\$ 14,000.00
TOTAL ANNUAL BUDGET	\$ 552,491.00