

EXCEPTION



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OPEN MEETING AGENDA ITEM

BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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ORIGINAL

IN THE MATTER OF THE APPLICATION OF
TUCSON ELECTRIC POWER COMPANY FOR
APPROVAL OF ITS 2014 and 2015 ENERGY
EFFICIENCY IMPLEMENTATION PLAN AND
FOR WAIVER UNDER A.C.C. R14-2-2419.

DOCKET NO. E-01933A-13-0183

Arizona Corporation Commission
DOCKETED

DEC 12 2014

DOCKETED BY

**TUCSON ELECTRIC POWER COMPANY'S
EXCEPTIONS TO STAFF'S PROPOSED ORDER**

Tucson Electric Power Company ("TEP" or the "Company"), through undersigned counsel, hereby submits these exceptions to the Proposed Order submitted in this docket by the Utilities Division Staff ("Staff") of the Arizona Corporation Commission ("Commission") on October 1, 2014 regarding TEP's 2014 and 2015 Energy Efficiency Implementation Plan ("EE Plan"). TEP requests that the Commission amend the Proposed Order to:

1. Allow TEP to offer cost-effective EE programs and measures that the Commission has already approved for other electric utilities.¹ TEP's customers should have similar opportunities to save electricity as other electric customers throughout the Arizona.

2. Allow TEP to offer new cost-effective EE measures in TEP's existing programs if Staff has determined those measures are cost-effective under Staff's evaluation.

3. Allow TEP to continue to offer four specific measures in its popular Existing Home audit program that actual results have proven to be cost-effective.

Moreover, even though TEP seeks the ability to offer additional programs and measures to its customers, it is not seeking to modify the budget or Demand Side Management ("DSM")

¹ An EE program addresses certain area of energy efficiency and is often comprised of several measures to meet the goals of the specific program.

1 surcharge recommended by Staff in the Proposed Order. In effect, TEP's customers will receive
2 improved access to cost-effective energy efficiency opportunities at no additional cost. TEP has
3 provided proposed amendment language in Exhibit C.

4 Overview

5 TEP filed its 2014/2015 EE Plan in May of 2013. As part of the EE Plan, TEP proposed
6 several new EE programs and several new EE measures for existing EE programs. As discussed
7 in more detail below, these new programs and measures are cost-effective under both Staff's cost-
8 effectiveness test and an evaluation using the avoided cost of generation set forth in TEP's 2014
9 Integrated Resource Plan. Many of the programs and measures have already been approved by the
10 Commission for Arizona Public Service ("APS") and UNS Electric and are currently available to
11 the customers of those utilities.

12 However, in the Proposed Order, Staff has recommended denial of all new programs and
13 measures for TEP that have been approved by the Commission for other utilities. Staff's sole
14 basis for rejecting such cost-effective programs and measures is that it believes that the
15 Commission wishes to preserve the status quo while it evaluates the effectiveness of existing
16 programs and measures. TEP requests that the Commission approve for TEP those programs and
17 measures that the Commission has already approved for other Utilities. Exhibit A sets forth those
18 programs and measures.

19 TEP also requests approval of new measures that are intended to improve several of TEP's
20 existing programs. Staff has reviewed these measures and has found them to be cost-effective.
21 Those measures are set forth in Exhibit B.

22 Staff has also recommended deletion of four measures in the Existing Homes and Audit
23 Direct Install program (see Staff Report at 13- 15) because they do not pass the cost-effectiveness
24 test as filed but do pass the cost-effectiveness based on actual results. Since the original filing date
25 of June, 2013 TEP has since discovered the filed kWh savings were too conservative. This
26 program has previously been approved by the Commission and is already in effect. The program
27 as a whole remains cost-effective and Staff recommends approval of the program without the four

1 measures. However, the four measures are integral to the operation of the program, given the
2 tiered nature of the duct testing and repair. This program is also very popular with TEP's
3 residential customers. TEP requests that the Commission keep this program intact.

4 Finally, even though granting TEP's exceptions will result in additional energy efficiency
5 opportunities for TEP customers, TEP is not seeking any modification to the budget or DSM
6 surcharge set forth in the Proposed Order. TEP will use the budget flexibility provided in the
7 Proposed Order in an attempt to meet consumer demand in programs and to maximize benefits
8 from the most effective programs and measures.

9 Specific Exceptions

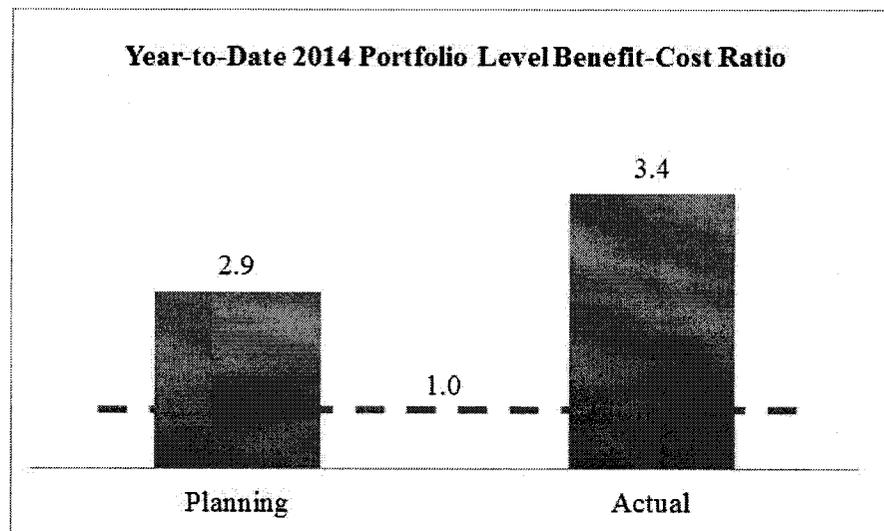
10 **A. TEP requests approval of cost-effective Programs and Measures that have been** 11 **approved for other utilities.**

12 TEP requests that the Commission allow TEP to offer the same cost-effective EE programs
13 and measures that has previously been approved for UNS Electric or APS. TEP's customers
14 should have the opportunity to benefit from similar EE products and services as UNS Electric's
15 and APS' customers. In addition to providing TEP customers with the same opportunity to benefit
16 from similar EE products and services as the customers of UNS Electric and APS, these programs
17 and measures provide significant energy efficiency benefits. The addition of these new programs
18 and measures will provide TEP with the flexibility to maximize the benefit-cost ratio of its entire
19 EE portfolio.

20 Set forth in Exhibit A are the cost-effective programs and measures that have been
21 approved by the Commission for other electric utilities. As set forth in the Staff Report (and
22 reflected in Exhibit A), Staff has found these programs and measures to be cost-effective.
23 Moreover, in deciding which programs and measures to pursue, TEP used the avoided cost of
24 generation as determined in TEP's 2014 Integrated Resource Plan ("IRP") in its calculations to
25 determine the cost-effectiveness of the programs and measures. TEP's IRP relies on the
26 implementation of cost-effective energy efficiency as a key component of its portfolio
27 diversification strategy. The estimated savings related to the proposed EE programs and measures

1 are gathered and verified by a third-party company. TEP is also careful to make conservative
2 estimates of savings during the planning stage so the savings estimates and the benefit-cost ratios
3 are not overstated. By carefully monitoring spending and savings after a program has been
4 approved, TEP has successfully maintained cost-effective programs, many of which actually
5 exceed the benefit-cost ratio initially reported to the Commission during the planning stage.

6 The programs and measures at issue here are expected to improve the overall benefit-cost
7 ratio of the Company's EE portfolio. It is important to note that the benefits of the EE Plan are
8 based on historically conservative estimates. The year-to-date benefit-cost ratio of TEP's 2014 EE
9 portfolio is 3.4, which is over three times more cost effective than conventional supply side
10 resources.



20

21 **B. TEP requests approval of cost-effective new measures for existing TEP programs.**

22 In its 2014-2015 EE Plan, TEP proposed several new measures for several of its existing
23 programs. The addition of these measures will make these programs more robust and provide
24 additional energy efficiency opportunities for TEP's customers. These measure are set forth in
25 Exhibit B. As discussed in the Staff Report (and indicated in Exhibit B), Staff has found all of
26 these measures to be cost-effective. Moreover, these measures also are cost-effective using TEP's
27 IRP avoided cost for generation. Again, allowing TEP to offer these measures will provide TEP

1 with the flexibility to maximize the benefit-cost ratio of its entire EE portfolio.

2 **B. TEP requests approval of existing program measures that are critical components**
3 **of TEP's Existing Home and Audit Direct Install Program.**

4 This program provides incentives for customers to install high efficiency air conditioners
5 and heat pumps, as well as incentives for duct system sealing. Four existing measures related to
6 the lower tier of duct sealing did not pass Staff's cost effectiveness analysis and therefore Staff
7 recommended that these measures not be approved. However, actual jobs performed from April to
8 September 2014 are achieving a much higher reduction in duct leakage reduction than the
9 minimum savings threshold used in Staff's cost-benefit analysis. TEP requests approval to
10 continue these measures through June 2015 and file an updated benefit-cost report with Staff. If
11 the actual performance from these measures does not meet cost-effectiveness, TEP will
12 discontinue the measure at that time.

13 **Relief Requested**

14 In order to continue providing cost effective EE programs to its customers, TEP requests
15 the Commission amend the Proposed Order as set forth in Exhibit C. By doing so, the
16 Commission will allow TEP to provide more energy opportunities to its customers without any
17 increase in the 2014/2015 EE Plan budget or the DSM surcharge.

18
19 RESPECTFULLY SUBMITTED this 12th day of December 2014.

20
21 Tucson Electric Power Company

22
23 By 
24 Michael W. Patten
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27 Phoenix, Arizona 85004

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Original and 13 copies of the foregoing
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By *Jaclyn Howard*

Exhibit-A

Exhibit A – New Programs and Measures in TEP’s EE Plan Previously Approved by ACC

TEP Proposed Programs	UNSE Approved	APS Approved	Staff SCT Analysis
Appliance Recycling	Decision No. 72747	Decision No. 71444	1.03 to 3.23
Multi-Family	Decision No. 72747	Decision No. 72060	2.23 to 3.67
Bid-for-Efficiency	Decision No. 72747	Decision No. 72088	1.52
Retro-Commissioning	Decision No. 72747		2.46
Behavioral Comprehensive	Decision No. 72747	Decision No. 71950	1.85 to 1.88

TEP Proposed Measures	UNSE Approval	APS Approval	Staff SCT Analysis
RESIDENTIAL			
Residential LED lighting		Decision No. 74406	1.44
2 X Incandescent lamps		Decision No. 74406	1.2
Variable Speed Pool Pumps		Decision No. 71460	1.23
COMMERCIAL			
Advanced Power Strips-Occupancy Sensors	Decision No. 72747	Decision No. 72088	1.02
Advanced Power Strips - Timer Plug Strip	Decision No. 72747	Decision No. 72088	3.05
Advanced Power Strips - Load Sensor	Decision No. 72747	Decision No. 72088	1.31
Beverage Ctrls ("vending miser")	Decision No. 72747	Decision No. 68488	2.5
CO Sensors		Decision No. 72088	3.28
CO2 Sensors		Decision No. 72088	1.03
Efficient Compressors		Decision No. 72088	2.77
Efficient Condensers		Decision No. 72088	1.9
Floating Head Pressure Controls		Decision No. 72088	4.72
Green Motor Rewind		Decision No. 72088	1
Heat Pump Water Heaters - Tier 1		Decision No. 72088	1.53
Heat Pump Water Heaters - Tier 2		Decision No. 72088	1.15
HVAC System Test and Repair		Decision No. 68488	1.57
Hotel Room HVAC Control		Decision No. 72088	1.62
Induction Lighting	Decision No. 72747		1.15
LED Traffic Lights		Decision No. 72088	1.19
Premium T-8 Lighting	Decision No. 72747	Decision No. 72088	1.24
Refrigeration LED Strip Lighting	Decision No. 72747		1.44

Computer Power Monitoring System		Decision No. 72088	1.92
Outdoor CFL	Decision No. 72747	Decision No. 68488	4.93
Refrigerated Display Automatic Door Closers	Decision No. 72747	Decision No. 72088	2.91
Shade Screens	Decision No. 72747	Decision No. 72088	1.66
Snack Ctrls ("vending miser")	Decision No. 72747	Decision No. 68488	1.17

Exhibit-B

Exhibit B - Measures above 1.0 SCT

Program Name	Proposed Measure	Staff Reported SCT
COMMERCIAL		
C & I Comprehensive & Small Business	Coin-Op Washers (4 categories)	1.79 – 2.78
C & I Comprehensive & Small Business	Economizers	4.95
C & I Comprehensive & Small Business	EMS – HVAC and Cold Deck Reset	1.33
C & I Comprehensive & Small Business	Evaporative Fan Controls	1.11
C & I Comprehensive & Small Business	Variable Refrigerant Flow	1.09
C & I Comprehensive & Small Business	LED Indoor Lights	1.08
C & I Comprehensive & Small Business	Canopy LED Lighting	1.29
C & I Comprehensive & Small Business	Pulse Start Metal Halide-Interior	1.01
C & I Comprehensive & Small Business	Pulse Start Metal Halide-Exterior	1.08
C & I Comprehensive & Small Business	PTAC	10.85
C & I Comprehensive & Small Business	PTHP	6.52
C & I Comprehensive & Small Business	Window Films	1.59
Schools Program	All Measures Requested	Various
RESIDENTIAL		
Efficient Products	Advanced Power Strips – Load Sensor	1.03
Efficient Products	Pool Pump Timers	2.28
Efficient Products	ENERGY STAR Ceiling Fan	1.12
Efficient Products	ENERGY STAR Freezer	1.88
Efficient Products	ENERGY STAR Central AC	2.35
Efficient Products	ENERGY STAR Clothes Washer	1.17
Efficient Products	ENERGY STAR Dishwasher	3.23
Efficient Products	ENERGY STAR Refrigerator	1.44
Efficient Products	ENERGY STAR Room Air Conditioner	1.30
Efficient Products	Water Heater Blanket	1.45

Exhibit-C

Exhibit C

Proposed Amendment Language

The proposed amendment enables TEP to implement new energy efficiency programs/measures that were found to be cost effective by Staff. The proposed amendment would not increase either the 2014/2015 EE Plan budget or the DSM surcharge recommended by Staff. It would simply provide customers with more options to save energy.

At page 41, line 28, **INSERT:**

“TEP’s Exceptions

215. On October 30, 2014, TEP filed exceptions to the proposed order prepared by Staff. In its exceptions, TEP requested that the Commission approve certain energy efficiency programs and measures that had previously been approved by the Commission for other electric utilities in Arizona or that were being added to existing programs. TEP noted that the additional programs at issue were found to be cost-effective by Staff. Moreover, the additional measures at issue were either cost-effective or integral to a program that was cost-effective (even if the measure was not cost effective on a stand-alone basis.) TEP stated that the addition of the programs and measures at issue to its EE Implementation Plan would not change either the 2014/2015 budget or the DSM surcharge recommended by Staff.

216. Staff has recommended that the programs and measures at issue not be approved “at this time because of the Commission’s desire to preserve the status quo while it evaluates the effectiveness of existing programs and measures.” However, we believe it is appropriate to allow TEP customers to have access to the same programs and measures that the Commission has already approved for customers of other electric utilities in Arizona. We also believe providing additional cost-effective measures to existing TEP programs will provide more robust energy opportunities for TEP customers. Moreover, to the extent specific measures are integral to a cost-effective program, those measures should be approved even if they may not be cost-effective on a stand-alone basis. However, as indicated by TEP, the measures at issue have proven cost-effective in actual practice.

217. Adding these additional programs and measures without increasing the 2014/2015 budget will provide TEP with additional flexibility in providing cost effective energy efficiency to its customers in an efficient and effective manner. Indeed, this Order expressly provides TEP the flexibility to move funding between cost-effective programs and measures. This will allow TEP to

use funding to meet customer demand and to emphasis programs that are providing more cost-effective results. Moreover, the Order also requires that TEP discontinue a program or measure if no longer cost-effective.

218. Therefore, we approve the programs and measures set forth in Exhibit A to TEP's Exceptions and those programs and measures are included in the Appendices to this Order."

At page 42, line 6, **REPLACE** "and" with ",".

At page 42, line 7, after "2014,", **INSERT** "and TEP's Exceptions filed October 30, 2014,".

At page 42, line 26, after "cost-effective", **INSERT** "(unless the measure is integral to a program that is otherwise cost-effective overall)".

DELETE page 44, lines 11-12, and **INSERT**:

"IT IS FURTHER ORDERED that the Efficient Products Program, including the measures listed in Appendix 1-A, is approved."

At page 44, line 13, **DELETE** "not".

At page 44, line 17, after "Program", **INSERT** "including all previously approved measures".

At page 44, line 27, **DELETE** "not".

DELETE page 45, lines 14-17, and **INSERT**:

"IT IS FURTHER ORDERED that the C&I Comprehensive Program, including the measures listed in Appendix 1-A, is approved."

At page 45, line 18, **DELETE** "not".

At page 45, line 19, **DELETE** "not".

Make all conforming changes (including changes to the Appendices that reflect Exhibits A and B to TEP's Exceptions as appropriate)