

OPEN MEETING

MEMORANDUM



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Arizona Corporation Commission

TO: THE COMMISSION

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2015 AUG 26 P 4:21

FROM: Utilities Division

AUG 26 2015

AZ CORP COMMISSION
DOCKET CONTROL

DATE: August 26, 2015

DOCKETED BY 

ORIGINAL

RE: IN THE MATTER OF THE APPLICATION OF UNS ELECTRIC, INC. FOR APPROVAL OF ITS 2015 ENERGY EFFICIENCY IMPLEMENTATION PLAN (DOCKET NO. E-04204A-14-0178)

INTRODUCTION

On June 2, 2014, UNS Electric, Inc. ("UNS Electric" or "Company") filed an application with the Arizona Corporation Commission ("Commission") requesting approval of its 2015 Energy Efficiency Implementation Plan ("2015 EE Plan"). On June 1, 2015, UNS Electric filed a letter indicating the 2015 EE Plan incorporated the new measures the Company was seeking approval to implement. The letter requested the pending 2015 EE Plan be considered as the combined 2015/2016 EE Plan.

In addition, UNS Electric has requested a waiver from the 2015/2016 Energy Efficiency Standard ("EE Standard") in accordance with Arizona Administrative Code ("A.A.C.") R14-2-2419(B).

EE PLAN OVERVIEW

UNS Electric's current Energy Efficiency Plan ("EE Plan") and its Demand Side Management ("DSM") Surcharge were approved by the Commission in Decision No. 74599, dated July 30, 2014. UNS Electric's current EE Plan was approved at a budget level of \$4,790,512. The current DSM Surcharge was set at \$0.001500 per kWh.

The Company's proposed 2015/2016 EE Plan filed June 2, 2014 and June 1, 2015, sought to modify existing programs by adding new measures. The table below details those new measures and also details any modifications or terminations that UNS Electric has communicated to Staff. The Appliance Recycling, Shade Trees, Residential New Construction, Low Income Weatherization ("LIW"), Bid for Efficiency, Retro-Commissioning, Commercial & Industrial Demand Response (Direct Load Control), Behavioral Comprehensive Program, Consumer Education and Outreach, and Energy Codes and Standards Enhancement programs are not being modified beyond changes to the budget with this 2015/2016 EE Plan filing.

In addition, the Home Energy Reports Program was discontinued in Decision No. 74599, dated July 30, 2014, at the request of UNS Electric as the Company had found the program to no longer be cost-effective. The approved budget for the Home Energy Reports Program for 2014 was

\$50,000 to pay expenses needed to terminate the program. UNS Electric has indicated that the program has been terminated and has not requested budget dollars for this program in the 2015/2016 EE Plan.

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.
Residential LED Home Lighting	<ul style="list-style-type: none"> • Add a measure providing a rebate for LED Home Lighting.
ENERGY STAR® Central Air Conditioner/Heat Pump	<ul style="list-style-type: none"> • Add a measure offering a rebate for installing a central air conditioner/heat pump.
ENERGY STAR® Clothes Washer	<ul style="list-style-type: none"> • Add a measure providing a rebate for purchasing an energy efficient clothes washer.
ENERGY STAR® Dishwasher	<ul style="list-style-type: none"> • Add a measure providing a rebate for purchasing an energy efficient dishwasher.
ENERGY STAR® Refrigerator	<ul style="list-style-type: none"> • Add a measure providing a rebate for purchasing an energy efficient refrigerator.
ENERGY STAR® Room Air Conditioner	<ul style="list-style-type: none"> • Add a measure providing a rebate for purchasing an energy efficient room air conditioner.
Variable Speed Pool Pump	<ul style="list-style-type: none"> • Reinstate the measure offering a rebate for installing a variable speed pool pump.
Existing Homes Program	
Air Sealing and Attic Insulation	<ul style="list-style-type: none"> • Discontinue offering an incentive for air sealing and attic insulation.
Duct Test and Repair (“DTR”)	<ul style="list-style-type: none"> • Discontinue offering one incentive for all duct test and repair. Replace with two new measures separating the Duct Test and Repair measure into two measures/tiers based on the reduction in leakage from the original condition of the house.
Early Retirement Heating Ventilation and Air Conditioning with Quality Installation and Duct Sealing (“ER HVAC with QI & Duct Sealing”)	<ul style="list-style-type: none"> • Discontinue offering one incentive for all ER HVAC with QI & Duct Sealing. Replace with three new measures separating the ER HVAC with QI & Duct Sealing measure into three measures/tiers based on the reduction in leakage from the original

	<p>condition of the house. Three replacement measures are: ER HVAC with QI, ER HVAC with QI Tier 1 DTR and ER HVAC with QI Tier 2 DTR.</p>
Tune Up – Advanced Tune Up	<ul style="list-style-type: none"> • Add a measure providing a rebate for an air conditioner or heat pump tune up.
Tune Up – Western Cooling Control Stand Alone (“Tune Up WCC Stand Alone”)	<ul style="list-style-type: none"> • Add a measure providing a rebate for installation of a WCC on existing air conditioners or heat pumps.
Tune Up – Brushless Permanent Magnet Motor/Electronically Communicated Motor (“Tune Up BPM/ECM Motor”)	<ul style="list-style-type: none"> • Add a measure providing a rebate for an air conditioner or heat pump tune up with a BPM motor or ECM.
HVAC/QI	<ul style="list-style-type: none"> • Reinstate a measure for a rebate for the replacement on burn-out of an inefficient air conditioner or heat pump with a high efficiency air conditioner or heat pump with quality install measures and prescriptive duct repair providing the minimum reduction of duct leakage from the original condition of the house.
HVAC/QI Tier 1 DTR	<ul style="list-style-type: none"> • Reinstate a measure for a rebate for the replacement on burn-out of an inefficient air conditioner or heat pump with a high efficiency air conditioner or heat pump with quality install measures and the Tier 1 reduction of duct leakage from the original condition of the house.
HVAC/QI Tier 2 DTR	<ul style="list-style-type: none"> • Reinstate a measure for a rebate for the replacement on burn-out of an inefficient air conditioner or heat pump with a high efficiency air conditioner or heat pump with quality install measures and the Tier 2 reduction of duct leakage from the original condition of the house.
Multi-Family Program	
Tune Up – Advanced Tune Up	<ul style="list-style-type: none"> • Add a measure providing a rebate for an air conditioner or heat pump tune up.
Tune Up – WCC Stand Alone	<ul style="list-style-type: none"> • Add a measure providing a rebate for the installation of a WCC on an existing air conditioner or heat pump.
Tune Up – BPM/ECM Motor	<ul style="list-style-type: none"> • Add a measure providing a rebate for an air conditioner or heat pump tune up with a BPM motor or ECM.

DTR Tier 1 and Tier 2	<ul style="list-style-type: none"> • Add two new measures separating the Duct Test and Repair measure into tiers based on the reduction in leakage from the original condition of the multifamily unit.
Commercial & Industrial	
C&I Facilities/Schools	
High Efficiency SEER Packaged and Split AC's	<ul style="list-style-type: none"> • Discontinue the existing three (14-15-16 SEER) Split AC's measures and replace with one new measure using weighted average values for a High Efficiency SEER Packaged and Split AC.
High Efficiency SEER Packaged and Split HP's	<ul style="list-style-type: none"> • Discontinue the existing three (14-15-16 SEER) Split HP's measures and replace with one new measure using weighted average values for a High Efficiency SEER Packaged and Split HP.
LED Indoor Lighting	<ul style="list-style-type: none"> • Add a measure offering an incentive for installing LED Indoor Lighting.
LED Outdoor Lighting	<ul style="list-style-type: none"> • Add a measure offering an incentive for installing LED Outdoor Lighting.
Interior High-Bay LED Lighting	<ul style="list-style-type: none"> • Add a measure offering an incentive for installing interior high-bay LED lighting.
T-8 or T-12 to LED Tubes	<ul style="list-style-type: none"> • Add a measure offering an incentive for replacement of T-8 or T-12 lamps with LED tubes.
Exterior HID to LED	<ul style="list-style-type: none"> • Add a measure offering an incentive for replacement of an exterior high intensity discharge lamp with an LED.
Canopy LED	<ul style="list-style-type: none"> • Add a measure offering an incentive for installing a canopy LED.
Computer Power Monitoring System	<ul style="list-style-type: none"> • Add a measure offering an incentive for installing a computer power monitoring system.
Refrigerated Case LED	<ul style="list-style-type: none"> • Add a measure offering an incentive for installing a refrigerated case LED.
Energy Management Systems HVAC Delivery ("EMS HVAC Delivery")	<ul style="list-style-type: none"> • Add a measure offering an incentive for installing an energy management system for thermostats or pneumatic controls.
EMS Lighting	<ul style="list-style-type: none"> • Add a measure offering an incentive for installing an energy management system to control lighting operations.
HVAC System Test and Repair	<ul style="list-style-type: none"> • Add a measure offering an incentive which promotes the quality installation of HVAC

	systems to assure systems operate at rated efficiency.
Strip Curtains	<ul style="list-style-type: none"> Add a measure offering an incentive to install strip curtains to doors in walk-in refrigerators and freezers

PROPOSED PROGRAM CHANGES

A. Efficient Products Program

Current Program

The Efficient Products Program promotes the purchase of energy efficient retail products through in-store buy down promotions and the promotion of EE products in general.

Proposed Changes

UNS Electric has requested to continue the current Efficient Products Program and to add seven new measures (LED Home Lighting, Energy Star Central Air Conditioner, Energy Star Clothes Washer, Energy Star Dishwasher, Energy Star Refrigerator, Energy Star Room Air Conditioner, and 2x Incandescents). UNS Electric also requested that Staff re-evaluate one measure which had been discontinued in a previous decision due to a low benefit-cost ratio: Variable Speed Pool Pump. The new measures would offer residential customers additional opportunities to reduce energy consumption.

Proposed Budget

The 2015/2016 proposed budget for the Efficient Products Program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	Current	UNS Electric Proposed	Staff Proposed
Incentives	\$327,030	\$449,725	\$447,745
Non-Incentive Cost	\$507,697	\$440,787	\$440,787
Total Program Cost	\$834,727	\$890,512	\$888,532

The last approved budget for this program, approved in Decision No. 74599, was \$834,727 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$1,032,476. The proposed budget for this program for 2015/2016, as can be seen above, is \$890,512 which represents an increase of \$55,785 over the 2014 budget or roughly a 7 percent increase.

Recommendations

Staff completed a benefit-cost analysis on the seven proposed new measures and one discontinued measure that UNS Electric would like to offer again. The cost-effectiveness ratios for these eight measures can be seen in the table below. Six of the seven proposed new measures have a benefit-cost ratio of 1.0 or above. The Variable Speed Pool Pump also has a benefit-cost ratio equal to 1.0. The 2x Incandescent has a benefit-cost ratio of 0.93. Staff recommends approval of six of the new measures and the re-implementation of the Variable Speed Pool Pump measure. Staff does not recommend approval of the offering of the 2x Incandescent measure. Given the increase in the number of available measures and the actual expenses for 2014, Staff recommends an increase in the Efficient Products Program budget to \$888,532, if the Commission approves all the measures with a benefit-cost ratio of at least 1.0

Proposed/Re-Implemented Measure	Ratio
LED Home Lighting	1.25
Energy Star Central Air Conditioner	2.17
Energy Star Clothes Washer	1.95
Energy Star Dishwasher	1.56
Energy Star Refrigerator	1.16
Energy Star Room Air Conditioner	1.02
2x Incandescent	0.93
Variable Speed Pool Pump	1.00

B. Residential Appliance Recycling Program

Current Program

This program is designed to remove and recycle inefficient yet functioning refrigerators and freezers.

Proposed Changes

The Company has not proposed any changes to this program.

Proposed Budget

The 2015/2016 proposed budget for the Residential Appliance Recycling Program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$39,000	\$20,000
Non-Incentive Cost	\$94,513	\$69,765
Total Program Cost	\$133,513	\$89,765

The last approved budget for this program, approved in Decision No. 74599, was \$133,513 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$50,294. The proposed budget for this program for 2015/2016 as can be seen above is \$89,765 which represents a decrease of \$43,748 from the 2014 budget or roughly a 33 percent decrease. The Company is requesting a decrease to the budget as participation has been lower than expected but expects the program to still have participation as this program was recently approved for Tucson Electric Power Company ("TEP") and some economies of scale may be realized.

Recommendations

Staff recommends continuation of the Residential Appliance Recycling Program along with approval of the decrease in the budget dollars to \$89,765.

C. Residential New Construction Program

Current Program

This is an existing program that has been ongoing since 2008. The goal of the program is to award incentives to more energy efficient homes. To qualify, new homes are required to meet the ENERGY STAR version 3 standards which require a Home Energy Rating System ("HERS") score of ≤ 73 .

Proposed Changes

The Company has not proposed any changes to this program.

Proposed Budget

The 2015/2016 proposed budget for the Residential New Construction Program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$56,000	\$80,000
Non-Incentive Cost	\$42,342	\$202,618
Total Program Cost	\$98,342	\$282,618

The last approved budget for this program, approved in Decision No. 74599, was \$98,342 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$160,468. The proposed budget for this program for 2015/2016 as can be seen above is \$282,618 which represents an increase of \$184,276 from the 2014 budget or roughly a 187 percent increase. The Company is requesting an increase to the budget as participation levels have been higher than anticipated.

Recommendations

Staff recommends continuation of the Residential New Construction program along with approval of the increase in the budget dollars to \$282,618.

D. Existing Homes and Audit Direct Install Program

Current Program

This program is designed to encourage homeowners to increase the energy efficiency of their homes. UNS Electric has proposed several new measures, a redesign of two existing measures, a discontinuance of one measure, and a re-evaluation of three previously discontinued measures.

Proposed Changes

UNS Electric has proposed to discontinue the Air Sealing and Attic Insulation Measure. The Company is also proposing to discontinue offering the DTR measure and instead offer the DTR Tier 1 and DTR Tier 2 measures. In addition, UNS Electric is proposing to discontinue offering the ER HVAC with QI & Duct Sealing measure and instead offer the ER HVAC with QI, ER HVAC QI Tier 1 DTR, and ER HVAC QI Tier 2 measures.

The new measures that UNS Electric is proposing include: Tune Up-Advanced Tune Up, Tune Up-WCC Stand Alone, and Tune Up-BPM/ECM Motor. The Company has also requested a re-evaluation of the benefit-cost ratio for HVAC QI, HVAC QI Tier 1 DTR and HVAC QI Tier 2 measures that were previously discontinued.

Proposed Budget

The 2015/2016 proposed budget for the Existing Homes and Audit Direct Install is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	Current	UNS Electric Proposed	Staff Proposed
Incentives	\$399,125	\$910,372	\$880,372
Non-Incentive Cost	\$473,864	\$1,239,112	\$1,239,112
Total Program Cost	\$872,989	\$2,149,484	\$2,119,484

The last approved budget for this program, approved in Decision No. 74599, was \$872,989 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$625,964. The proposed budget for this program for 2015/2016 as can be seen above is \$2,149,484 which represents an increase of \$1,276,495 from the 2014 budget or roughly a 146 percent increase.

Recommendations

Staff completed a benefit-cost analysis on the three new measures, the three previously discontinued measures, and the five measures that were part of the redesign of the two existing measures. The benefit-cost ratios can be seen in the table below. All measures were found to have a benefit-cost ratio greater than 1.0 with the exception of Tune Up-BPM/ECM Motor with a benefit-cost ratio of 0.78 and HVAC QI Tier 1 DTR with a benefit-cost ratio of 0.98. Staff recognizes that the HVAC QI Tier 1 DTR measure would reach a ratio of 1.0 if environmental benefits were monetized.

Staff recommends approval of all of the proposed new measures, re-evaluated measures, and redesigned measures with the exception of the Tune Up-BPM/ECM Motor measure which does not meet the benefit-cost analysis requirement. With the implementation of new measures, Staff recommends the budget be increased to \$2,119,484 taking out the incentive dollars in the budget for the Tune Up-BPM/ECM Motor measure.

Proposed/Re-Implemented Measure	Ratio
DTR Tier 1	1.18
DTR Tier 2	2.25
ER HVAC with QI	1.20
ER HVAC QI Tier 1 DTR	1.24
ER HVAC QI Tier 2 DTR	1.88
Tune Up-Advanced Tune Up	1.27
Tune Up-WCC Stand Alone	1.83
Tune Up-BPM/ECM Motor	0.78
HVAC QI	1.01
HVAC QI Tier 1 DTR	0.98
HVAC QI Tier 2 DTR	1.77

E. Shade Tree Program

Current Program

This is an existing program targeted to residential customers including low-income families allowing them to purchase two desert-adapted, five-gallon trees per year which must be planted on the south, west, or east side of the home. Qualifying tree purchases will result in a \$15.00 credit per tree on their electric bill.

Proposed Changes

The Company has not proposed any changes to this program.

Proposed Budget

The 2015/2016 proposed budget for the Shade Tree Program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$19,800	\$25,500
Non-Incentive Cost	\$14,300	\$9,843
Total Program Cost	\$34,100	\$35,343

The last approved budget for this program, approved in Decision No. 74599, was \$34,100 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$23,678. The proposed budget for this program for 2015/2016 as can be seen above is \$35,343 which represents an increase of \$1,243 from the 2014 budget or roughly a 4 percent increase. The Company has adjusted the budget to reflect more participation and less non-incentive costs incurred.

Recommendations

Staff recommends continuation of the Shade Tree Program along with approval of the increase in the budget dollars to \$35,343.

F. Residential LIW Program

Current Program

This program is designed to improve the energy efficiency of homes for customers whose income falls within the defined federal poverty guidelines.

Proposed Changes

The Company has not proposed any changes to this program.

Proposed Budget

The 2015/2016 proposed budget for the Residential LIW Program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	Current	UNS Electric Proposed	Staff Proposed
Incentives	\$324,000	\$375,000	\$324,000
Non-Incentive Cost	\$27,817	\$46,485	\$27,817
Total Program Cost	\$351,817	\$421,485	\$351,817

The last approved budget for this program, approved in Decision No. 74599, was \$351,817 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$221,194. The proposed budget for this program for 2014 as can be seen above is \$421,485 which represents an increase of \$69,668 from the 2014 budget or roughly a 20 percent increase.

Recommendations

The UNS Electric proposed budget for the LIW Program incorporates an incentive to weatherize 150 homes compared to the budgeted 140 homes the previous year. While Staff is in agreement that allowing for a greater number of homes being weatherized is advantageous to the residential customers, Staff also recognizes that UNS Electric reported the completed weatherizing of only 99 households in 2013 and 82 households in 2014. Staff recommends continuation of the Residential LIW Program at the currently approved budget level of \$351,817.

G. Residential Multi-Family Program*Current Program*

This program is designed to promote energy efficiency in the residential multi-family sector, on properties with five or more units.

Proposed Changes

The Company has proposed five new measures to be added to this program: Tune Up-Advanced Tune Up, Tune Up-WCC Stand Alone, Tune Up-BPM/ECM Motor, and DTR Tier 1 and DTR Tier 2.

Proposed Budget

The 2015/2016 proposed budget for the Residential Multi-Family Program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	Current	UNS Electric Proposed	Staff Proposed
Incentives	\$13,567	\$133,219	\$117,469
Non-Incentive Cost	\$28,379	\$149,461	\$149,461
Total Program Cost	\$41,946	\$282,680	\$266,930

The last approved budget for this program, approved in Decision No. 74599, was \$41,946 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$12,895. The proposed budget for this program for 2015/2016 as can be seen above is \$282,680 which represents an increase of \$240,734 from the 2014 budget or roughly a 574 percent increase.

Recommendations

Staff completed a benefit-cost analysis on the four new measures. The benefit-cost ratios can be seen in the table below. All measures were found to have a benefit-cost ratio greater than 1.0 with the exception of Tune Up-BPM/ECM Motor with a benefit-cost ratio of 0.75.

Staff recommends approval of all of the proposed new measures with the exception of the Tune Up-BPM/ECM Motor measure which does not meet the benefit-cost analysis requirement. With the implementation of new measures, Staff recommends the budget be increased to \$266,930, taking out the incentive dollars in the budget for the Tune Up-BPM/ECM Motor measure.

Proposed Measure	Ratio
Tune Up-Advanced Tune Up	1.31
Tune Up-WCC Stand Alone	1.99
Tune Up-BPM/ECM Motor	0.75
DTR Tier 1	2.01
DTR Tier 2	2.01

H. C&I/Schools Facilities

Current Program

In Decision No. 74262, the Schools Facilities program was combined with the C&I Facilities program. UNS Electric has requested budget approval to continue this combined program. The

purpose of this program is to provide incentives for small business customers (including schools) to install high-efficiency equipment at their facilities and encourage contractors to promote the program.

Proposed Changes

UNS Electric has requested to add 14 new measures including: LED Indoor Lighting, LED Outdoor Lighting, Interior High-Bay LED Lighting, T-8 to T-12 to LED Tubes, Exterior HID to LED, Canopy LED, Computer Power Monitoring System, Refrigerated Case LED, EMS HVAC Delivery, EMS Lighting, HVAC System Test and Repair and Strip Curtains. In addition to these 12 new measures, UNS Electric is proposing to discontinue the current six AC/HP measures which vary by SEER level and offer only two new measures with combined SEER levels: a measure for High Efficiency SEER Packaged and Split AC's and a measure for High Efficiency SEER Packaged and Split HP's. The new measures would offer non-residential customers additional opportunities to reduce their energy consumption.

Proposed Budget

The 2015/2016 proposed budget for the C&I/Schools Facilities program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	Current	UNS Electric Proposed	Staff Proposed
Incentives	\$484,685	\$443,536	\$443,511
Non-Incentive Cost	\$410,011	\$467,693	\$467,693
Total Program Cost	\$894,696	\$911,229	\$911,204

The last approved budget for this program, approved in Decision No. 74599, was \$894,696 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$418,107. The proposed budget for this program for 2015/2016 as can be seen above is \$911,229 which represents a slight increase of \$16,533 from the 2014 budget or roughly a 2 percent increase. The increase in budget dollars for 2015/2016 despite the lower actual expenses in 2014 can be attributed to changes UNS Electric is implementing in 2015 including an expanded outreach model designed to better educate business customers on the availability of the program and also a designated Customer Relationship Manager who will be engaged in Mohave County to solicit further enrollment and participation.

Recommendations

Staff completed a benefit-cost analysis on the 14 proposed new measures that UNS Electric would like to offer. The cost-effectiveness ratios for these 14 measures can be seen in the table below.

THE COMMISSION

August 26, 2015

Page 14

All of the proposed new measures have a benefit-cost ratio of 1.0 or above except for EMS Lighting which has a benefit-cost ratio of 0.71, LED Outdoor Lighting with a benefit-cost ratio of 0.97 and Interior High-Bay LED Lighting also with a benefit-cost ratio of 0.97. Staff recommends approval of the 11 new measures with a benefit-cost ratio at or above one. Staff also recommends approval of the two measures with a benefit-cost ratio of 0.97 as Staff recognizes there are environmental benefits which have not been monetized and incorporated into Staff's benefit-cost ratio which may lead to a benefit-cost ratio at or above 1.0. Staff does not recommend approval of the offering of the EMS Lighting measure.

Given the increase in the number of available measures and the changes that UNS Electric has made to the program for 2015 and 2016, Staff recommends an increase in the C&I/Schools Facilities Program budget to \$911,204, if the Commission approves all the measures with a benefit-cost ratio of at least 1.0 and LED Outdoor Lighting and Interior High-Bay LED Lighting.

Measure	Ratio
LED Indoor Lighting	1.19
LED Outdoor Lighting	0.97
Interior High-Bay LED Lighting	0.97
T-8 or T-12 to LED Tubes	1.01
Exterior HID to LED	1.49
Canopy LED	1.32
Computer Power Monitoring System	1.72
Refrigerated Case LED	1.52
EMS HVAC Delivery	1.02
EMS Lighting	0.71
HVAC System Test and Repair	1.60
Strip Curtains	2.65
High Efficiency SEER Packaged and Split AC's	1.14
High Efficiency SEER Packaged and Split HP's	1.88

Decision No. 70524, dated September 30, 2008, established a \$50,000 annual incentive cap for Large Power Service ("LPS") customers and a \$10,000 incentive cap for all other customers participating in the C&I Schools/Facilities Program. The same Decision also limited the customer participation for LPS customers to two per year. UNS Electric has requested these incentive caps and limit on the number of LPS customers be removed as the Company has found the caps to be prohibitive to customers following through with energy efficiency upgrades. UNS Electric proposes the incentives be structured in such a way that a customer incentive is not more than 20 percent of the incentive dollars assigned to the entire C&I Schools/Facilities Program.

Staff's concern with making changes to the incentive caps and limit on the number of LPS customers is that the caps are designed to insure that a few large UNS Electric customers do not consume a disproportionate amount of the available incentives. At the same time, the incentives are

not meant to prohibit commercial and industrial customers from pursuing energy efficiency enhancements. Staff recommends adjusting the caps for all customers in the C&I Schools/Facilities Program to 20 percent of the incentive budget dollars detailed above and removing the two customer per year limit but also recommends adding the requirement that the 2015 and 2016 Annual Demand Side Management Reports detail the exact amount of incentive dollars paid to each customer during that calendar year so Staff is able to verify that not one customer received a disproportionate amount of the available incentive dollars.

I. Bid for Efficiency Program

Current Program

This program is designed so customers or project sponsors can propose their own energy efficiency projects and then bid competitively for incentives within Program guidelines.

Proposed Changes

The Company has not proposed any changes to this program.

Proposed Budget

The 2015/2016 proposed budget for the Bid for Efficiency Program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$240,000	\$200,000
Non-Incentive Cost	\$83,582	\$92,005
Total Program Cost	\$323,582	\$292,005

The last approved budget for this program, approved in Decision No. 74599, was \$323,582 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$51,530. The proposed budget for this program for 2015/2016 as can be seen above is \$292,005 which represents a decrease of \$31,577 from the 2014 budget or roughly a 10 percent decrease.

Recommendations

Given the actual expenses incurred for 2014 were less than budgeted, Staff recommends continuation of the Bid for Efficiency Program at the decreased level proposed by UNS Electric. UNS Electric is implementing in 2015 an expanded outreach model designed to better educate business customers on the availability of the program and also a designated Customer Relationship Manager who will be engaged in Mohave County to solicit further enrollment and participation.

J. Retro-Commissioning Program

Current Program

The purpose of this program is to identify deficiencies in existing facilities and make necessary adjustments to produce energy savings and other benefits, such as improved occupant comfort.

Proposed Changes

There was no participation in this program in 2014. UNS Electric's initial delivery model for this program included the same program being implemented for TEP. A Retro-Commissioning Program was approved for TEP in Decision No. 74885 dated December 31, 2014. UNS Electric will seek economies of scale with TEP in gaining participation in this program going forward.

Proposed Budget

The 2015/2016 proposed budget for the Retro-Commissioning Program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$44,000	\$154,000
Non-Incentive Cost	\$78,116	\$51,815
Total Program Cost	\$122,116	\$205,815

The last approved budget for this program, approved in Decision No. 74599, was \$122,116 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$34,584. The proposed budget for this program for 2015/2016 as can be seen above is \$205,815 which represents an increase of \$83,699 from the 2014 budget or roughly a 69 percent increase.

Recommendations

Given the recent approval of this same program for TEP and possible economies of scale in the implementation of this program, Staff recommends continuation of the Retro-Commissioning Program along with approval of the increase in the budget dollars to \$205,815.

K. C&I Demand Response

Current Program

The purpose of this program is to manage peak demand and mitigate system emergencies through a commercial and industrial load curtailment program. UNS Electric has requested budget approval to continue this program.

Proposed Changes

The Company has not proposed any changes to this program.

Proposed Budget

The 2015/2016 proposed budget for the C&I Demand Response program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$0	\$0
Non-Incentive Cost	\$388,544	\$374,850
Total Program Cost	\$388,544	\$374,850

The last approved budget for this program, approved in Decision No. 74599, was \$388,544 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$189,311. The proposed budget for this program for 2015/2016 as can be seen above is \$374,850 which represents a slight decrease of \$13,694 from the 2014 budget or roughly a 4 percent decrease. UNS Electric anticipates continuing to actively recruit participants in this program in 2015 and 2016.

Recommendations

Staff recommends continuation of the C&I Demand Response program along with approval of the decrease in the budget dollars to \$374,850 to allow the Company an adequate amount of time and funding to get this program fully functioning.

L. Behavioral Comprehensive Program

Current Program

The purpose of this program is to educate residential customers on how changes in behavior, including purchasing decisions, can improve energy efficiency. This program consists of four subprograms: Direct Canvassing, K-12 Education, Community Education, and CFL Promotions.

Proposed Changes

The Company has not proposed any changes to this program.

Proposed Budget

The 2015/2016 proposed budget for the Behavioral Comprehensive Program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$131,376	\$114,308
Non-Incentive Cost	\$152,433	\$147,230
Total Program Cost	\$283,809	\$261,538

The last approved budget for this program, approved in Decision No. 74599, was \$283,809 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$238,654. The proposed budget for this program for 2015/2016 as can be seen above is \$261,538 which represents a decrease of \$22,271 from the 2014 budget or roughly an 8 percent decrease.

Recommendations

With actual 2014 expenses being lower than budgeted for 2014, Staff recommends continuation of the Behavioral Comprehensive Program along with approval of the decrease in the budget dollars to \$261,538.

M. Education and Outreach Program

Current Program

This program is responsible for the marketing of the UNS Electric portfolio as a whole, as well as general consumer education about energy efficiency.

Proposed Changes

The Company has not proposed any changes to this program.

Proposed Budget

The 2015/2016 proposed budget for the Education and Outreach Program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

THE COMMISSION

August 26, 2015

Page 19

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$0	\$0
Non-Incentive Cost	\$141,884	\$106,050
Total Program Cost	\$141,884	\$106,050

The last approved budget for this program, approved in Decision No. 74599, was \$141,884 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$57,007. The proposed budget for this program for 2015/2016 as can be seen above is \$106,050 which represents a decrease of \$35,834 from the 2014 budget or roughly a 25 percent decrease.

Recommendations

Staff recognizes that the level of participation in the Education and Outreach program has been high over the past year. Reported costs are lower than budget and no direct energy savings are reported for this program; however, the Education and Outreach program is a support program that enables the success of other measures. Given the actual expenses incurred for 2014 were less than budgeted, Staff recommends continuation of the Education and Outreach Program with a decrease in the budget to \$106,050.

N. Codes Support Program

Current Program

This program strives to maximize energy savings through adherence to local building energy codes and enhanced energy efficient appliance standards.

Proposed Changes

The Company has not proposed any changes to this program.

Proposed Budget

The 2015/2016 proposed budget for the Codes Support Program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$0	\$0
Non-Incentive Cost	\$18,447	\$34,020
Total Program Cost	\$18,447	\$34,020

THE COMMISSION

August 26, 2015

Page 20

The last approved budget for this program, approved in Decision No. 74599, was \$18,447 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$2,718. The proposed budget for this program for 2015/2016 as can be seen above is \$34,020 which represents an increase of \$15,573 from the 2014 budget or roughly a 84 percent increase.

Recommendations

Even though actual expenses incurred for 2014 were less than budgeted, Staff recognizes that TEP recently had approved a Codes Support program and participation levels may increase if both companies are pursuing codes education so Staff recommends approval of the increase in budget dollars to \$34,020.

BUDGET

UNS Electric 2015/2016 EE BUDGET			
	Current	UNS Proposed	Staff Proposed
	2014	2015/2016	2015/2016
<u>Residential Programs</u>			
Efficient Products	\$834,727	\$890,512	\$888,245
Appliance Recycling	\$133,513	\$89,765	\$89,765
Res. New Construction	\$98,342	\$282,618	\$282,618
Existing Homes and Audit Direct Install	\$872,989	\$2,149,484	\$2,119,484
Shade Tree	\$34,100	\$35,343	\$35,343
Low Income Weatherization	\$351,817	\$421,485	\$351,817
Multi-Family	\$41,946	\$282,680	\$266,930
Subtotal	\$2,367,434	\$4,151,887	\$4,034,202
<u>C&I Programs</u>			
C&I Facilities	\$894,696	\$911,229	\$911,204
Bid for Efficiency	\$323,582	\$292,005	\$292,005
Retro-Commissioning	\$122,116	\$205,815	\$205,815
C&I Demand Response	\$388,544	\$374,850	\$374,850
Subtotal	\$1,728,938	\$1,783,899	\$1,783,874
<u>Behavioral Programs</u>			
Home Energy Reports	\$50,000	\$0	\$0
Behavioral Comprehensive Program	\$283,809	\$261,538	\$261,538
Subtotal	\$333,809	\$261,538	\$261,538
<u>Support Programs</u>			
Education and Outreach	\$141,884	\$106,050	\$106,050
Codes Support	\$18,447	\$34,020	\$34,020
Program Development, Analysis and Reporting	\$200,000	\$200,000	\$200,000
Subtotal	\$360,331	\$340,070	\$340,070
Total	\$4,790,512	\$6,537,394	\$6,419,684

The above table details UNS Electric's proposed energy efficiency budget for 2015/2016 and Staff's recommended budget.

BUDGET SHIFTING

In Decision No. 72747 dated January 20, 2012, (and reaffirmed in Decision No. 74262), UNS Electric was given the ability to increase its overall portfolio budget by 5 percent if necessary without requiring further Commission approval. UNS Electric was also given the flexibility to shift up to 25 percent of a program's budget between programs but not shift funds between residential and non-residential program sectors.

Staff recognizes the importance of flexibility in a budget in being able to respond to changing market conditions. Staff recommends UNS Electric continue being afforded the flexibility to increase the budget 5 percent without requiring Commission approval. Staff also recommends that UNS Electric have the ability to shift up to 25 percent of a program's budget between programs but not shift funds between residential and non-residential program sectors excluding the budget dollars designated for the LIW program.

WAIVER REQUEST

In its application filed on June 2, 2014, and the letter to the same docket on June 1, 2015, UNS Electric requested a waiver under the provisions of A.A.C. R14-2-2419 from the 2015-2016 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 toward the objective of reducing energy use and reducing peak demand. UNS Electric believes its 2015/2016 EE Plan will maximize the potential for energy efficiency savings in a cost-effective manner.

Staff recognizes that the primary factor which has contributed to UNS Electric's ability to closely meet the savings percentage standards established in the EE Standard is the declining retail sales the Company has experienced over the past couple of years. Given the level of sales anticipated for 2015 and holding constant the level of kWh savings generated from energy efficiency programs (including new measures), UNS Electric anticipates it will not meet the standards as specified in R14-2-2404 but may be slightly below the standards in both years. Staff estimates UNS Electric may reach a savings percentage around 9 percent in 2015. The EE Standard for 2015 is 9.5 percent of prior year's retail sales.

UNS Electric has indicated and Staff agrees that a consideration when looking at UNS Electric's ability to meet a growing EE Standard is its ability to implement new programs and measures to meet customers' needs. UNS Electric has had limited ability over the past few years to implement any new cost-effective programs/measures. Staff recognizes the importance of the EE Standards and compliance with those standards but also recognizes UNS Electric has experienced limitations beyond the Company's control with meeting those standards; therefore, Staff recommends that UNS Electric receive a waiver of the 2015 EE Standard. Staff recognizes UNS Electric may have a better opportunity to meet the 2016 EE Standard of 12 percent of prior year's retail sales with the implementation of new measures.

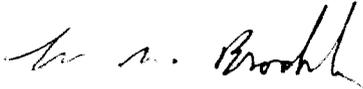
DSM SURCHARGE

Decision No. 74599 set the current DSM Surcharge at \$0.001500 per kWh. The Decision further directed the surcharge remain in effect until the next Energy Efficiency Implementation Plan is approved or the next adjustor reset filing.

As of the end of April 2015, UNS Electric was over-collected \$3,994,962 in its DSM Surcharge collections compared to expenses.

The current DSM Surcharge of \$0.001500 per kWh multiplied by the annual kWh for 2014 of 1,677,445,410 would lead to revenue dollars of \$2.5 million to cover budgeted expenses for 2015 of \$4.8 million. If the retail sales for UNS Electric are actually 4 percent less than in 2014 as has been forecasted and another 2 percent drop from 2015 to 2016 and the performance incentive remains near the level of \$490,334 similar to what it was for 2014, UNS Electric will return most of the over-collected DSM Surcharge balance over the next two years. Given the above circumstances, Staff recommends that the DSM Surcharge stay at its current level of \$0.001500 per kWh.

Staff also recommends that this surcharge remain in effect until UNS Electric's next Energy Efficiency Implementation Plan is approved or until the next adjustor reset filing. At that time, the over-collection or under-collection would be evaluated again to gauge if a change is necessary.



Thomas M. Broderick
Director
Utilities Division

TMB:RSPnr/WVC

Originator: Ranelle S. Paladino

BEFORE THE ARIZONA CORPORATION COMMISSION

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SUSAN BITTER SMITH
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
DOUG LITTLE
Commissioner
TOM FORESE
Commissioner

IN THE MATTER OF THE
APPLICATION OF UNS ELECTRIC, INC.
FOR APPROVAL OF ITS 2015 ENERGY
EFFICIENCY IMPLEMENTATION
PLAN.

DOCKET NO. E-04204A-14-0178
DECISION NO. _____
ORDER

Open Meeting
September 8 and 9, 2015
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 2, 2014, UNS Electric filed an application with the Arizona Corporation Commission ("Commission") requesting approval of its 2015 Energy Efficiency Implementation Plan ("2015 EE Plan"). On June 1, 2015, UNS Electric filed a letter indicating the 2015 EE Plan incorporated the new measures the Company was seeking approval to implement. The letter requested the pending 2015 EE Plan be considered as the combined 2015/2016 EE Plan.

3. In addition, UNS Electric has requested a waiver from the 2015/2016 Energy Efficiency Standard ("EE Standard") in accordance with A.A.C. R14-2-2419(B).

...
...

1 **EE PLAN OVERVIEW**

2 4. UNS Electric's current Energy Efficiency Plan ("EE Plan") and its Demand Side
3 Management ("DSM") Surcharge were approved by the Commission in Decision No. 74599, dated
4 July 30, 2014. UNS Electric's current EE Plan was approved at a budget level of \$4,790,512. The
5 current DSM Surcharge was set at \$0.001500 per kWh.

6 5. The Company's proposed 2015/2016 EE Plan filed June 2, 2014 and June 1, 2015,
7 sought to modify existing programs by adding new measures. The table below details those new
8 measures and also details any modifications or terminations that UNS Electric has communicated to
9 Staff. The Appliance Recycling, Shade Trees, Residential New Construction, Low Income
10 Weatherization ("LIW"), Bid for Efficiency, Retro-Commissioning, Commercial & Industrial Demand
11 Response (Direct Load Control), Behavioral Comprehensive Program, Consumer Education and
12 Outreach, and Energy Codes and Standards Enhancement programs are not being modified beyond
13 changes to the budget with this 2015/2016 EE Plan filing.

14 6. In addition, the Home Energy Reports Program was discontinued in Decision No.
15 74599, dated July 30, 2014 at the request of UNS Electric as the Company had found the program to
16 no longer be cost-effective. The approved budget for the Home Energy Reports Program for 2014
17 was \$50,000 to pay expenses needed to terminate the program. UNS Electric has indicated that the
18 program has been terminated and has not requested budget dollars for this program in the 2015/2016
19 EE Plan.

20 **Proposed Energy Efficiency Program Modifications, Additions, or Terminations**

Residential	
Efficient Products Program	
Residential 2x Incandescent	• Add a measure providing a rebate for 2x Incandescent light bulbs.
Residential LED Home Lighting	• Add a measure providing a rebate for LED Home Lighting.
ENERGY STAR® Central Air Conditioner/Heat Pump	• Add a measure offering a rebate for installing a central air conditioner/heat pump.
ENERGY STAR® Clothes Washer	• Add a measure providing a rebate for purchasing an energy efficient clothes washer.

1	ENERGY STAR® Dishwasher	<ul style="list-style-type: none"> • Add a measure providing a rebate for purchasing an energy efficient dishwasher.
2	ENERGY STAR® Refrigerator	<ul style="list-style-type: none"> • Add a measure providing a rebate for purchasing an energy efficient refrigerator.
3		
4	ENERGY STAR® Room Air Conditioner	<ul style="list-style-type: none"> • Add a measure providing a rebate for purchasing an energy efficient room air conditioner.
5		
6	Variable Speed Pool Pump	<ul style="list-style-type: none"> • Reinstate the measure offering a rebate for installing a variable speed pool pump.
7	Existing Homes Program	
8	Air Sealing and Attic Insulation	<ul style="list-style-type: none"> • Discontinue offering an incentive for air sealing and attic insulation.
9		
10	Duct Test and Repair ("DTR")	<ul style="list-style-type: none"> • Discontinue offering one incentive for all duct test and repair. Replace with two new measures separating the Duct Test and Repair measure into two measures/tiers based on the reduction in leakage from the original condition of the house.
11		
12		
13	Early Retirement Heating Ventilation and Air Conditioning with Quality Installation and Duct Sealing ("ER HVAC with QI & Duct Sealing")	<ul style="list-style-type: none"> • Discontinue offering one incentive for all ER HVAC with QI & Duct Sealing. Replace with three new measures separating the ER HVAC with QI & Duct Sealing measure into three measures/tiers based on the reduction in leakage from the original condition of the house. Three replacement measures are: ER HVAC with QI, ER HVAC with QI Tier 1 DTR and ER HVAC with QI Tier 2 DTR.
14		
15		
16		
17		
18	Tune Up – Advanced Tune Up	<ul style="list-style-type: none"> • Add a measure providing a rebate for an air conditioner or heat pump tune up.
19		
20	Tune Up – Western Cooling Control Stand Alone ("Tune Up WCC Stand Alone")	<ul style="list-style-type: none"> • Add a measure providing a rebate for installation of a WCC on existing air conditioners or heat pumps.
21		
22	Tune Up – Brushless Permanent Magnet Motor/Electronically Communicated Motor ("Tune Up BPM/ECM Motor")	<ul style="list-style-type: none"> • Add a measure providing a rebate for an air conditioner or heat pump tune up with a BPM motor or ECM.
23		
24	HVAC/QI	<ul style="list-style-type: none"> • Reinstate a measure for a rebate for the replacement on burn-out of an inefficient air conditioner or heat pump with a high efficiency air conditioner or heat pump with quality install measures and prescriptive duct repair providing the minimum reduction of duct leakage from the original condition of the house.
25		
26		
27		
28	HVAC/QI Tier 1 DTR	<ul style="list-style-type: none"> • Reinstate a measure for a rebate for the

1		replacement on burn-out of an inefficient air conditioner or heat pump with a high efficiency air conditioner or heat pump with quality install measures and the Tier 1 reduction of duct leakage from the original condition of the house.
2		
3		
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5		
6	HVAC/QI Tier 2 DTR	<ul style="list-style-type: none"> Reinstate a measure for a rebate for the replacement on burn-out of an inefficient air conditioner or heat pump with a high efficiency air conditioner or heat pump with quality install measures and the Tier 2 reduction of duct leakage from the original condition of the house.
7		
8	Multi-Family Program	
9	Tune Up – Advanced Tune Up	<ul style="list-style-type: none"> Add a measure providing a rebate for an air conditioner or heat pump tune up.
10		
11	Tune Up – WCC Stand Alone	<ul style="list-style-type: none"> Add a measure providing a rebate for the installation of a WCC on an existing air conditioner or heat pump.
12		
13	Tune Up – BPM/ECM Motor	<ul style="list-style-type: none"> Add a measure providing a rebate for an air conditioner or heat pump tune up with a BPM motor or ECM.
14		
15	DTR Tier 1 and Tier 2	<ul style="list-style-type: none"> Add two new measures separating the Duct Test and Repair measure into tiers based on the reduction in leakage from the original condition of the multifamily unit.
16		
17	Commercial & Industrial	
18	C&I Facilities/Schools	
19	High Efficiency SEER Packaged and Split AC's	<ul style="list-style-type: none"> Discontinue the existing three (14-15-16 SEER) Split AC's measures and replace with one new measure using weighted average values for a High Efficiency SEER Packaged and Split AC.
20		
21	High Efficiency SEER Packaged and Split HP's	<ul style="list-style-type: none"> Discontinue the existing three (14-15-16 SEER) Split HP's measures and replace with one new measure using weighted average values for a High Efficiency SEER Packaged and Split HP.
22		
23	LED Indoor Lighting	<ul style="list-style-type: none"> Add a measure offering an incentive for installing LED Indoor Lighting.
24		
25	LED Outdoor Lighting	<ul style="list-style-type: none"> Add a measure offering an incentive for installing LED Outdoor Lighting.
26		
27	Interior High-Bay LED Lighting	<ul style="list-style-type: none"> Add a measure offering an incentive for installing interior high-bay LED lighting.
28		

1	T-8 or T-12 to LED Tubes	<ul style="list-style-type: none"> • Add a measure offering an incentive for replacement of T-8 or T-12 lamps with LED tubes.
2		
3	Exterior HID to LED	<ul style="list-style-type: none"> • Add a measure offering an incentive for replacement of an exterior high intensity discharge lamp with an LED.
4		
5	Canopy LED	<ul style="list-style-type: none"> • Add a measure offering an incentive for installing a canopy LED.
6		
7	Computer Power Monitoring System	<ul style="list-style-type: none"> • Add a measure offering an incentive for installing a computer power monitoring system.
8		
9	Refrigerated Case LED	<ul style="list-style-type: none"> • Add a measure offering an incentive for installing a refrigerated case LED.
10		
11	Energy Management Systems HVAC Delivery (“EMS HVAC Delivery”)	<ul style="list-style-type: none"> • Add a measure offering an incentive for installing an energy management system for thermostats or pneumatic controls.
12		
13	EMS Lighting	<ul style="list-style-type: none"> • Add a measure offering an incentive for installing an energy management system to control lighting operations.
14		
15	HVAC System Test and Repair	<ul style="list-style-type: none"> • Add a measure offering an incentive which promotes the quality installation of HVAC systems to assure systems operate at rated efficiency.
16		
17	Strip Curtains	<ul style="list-style-type: none"> • Add a measure offering an incentive to install strip curtains to doors in walk-in refrigerators and freezers
18		

19 **PROPOSED PROGRAM CHANGES**

20 A. Efficient Products Program

21 *Current Program*

22 7. The Efficient Products Program promotes the purchase of energy efficient retail
23 products through in-store buy down promotions and the promotion of EE products in general.

24 *Proposed Changes*

25 8. UNS Electric has requested to continue the current Efficient Products Program and to
26 add seven new measures (LED Home Lighting, Energy Star Central Air Conditioner, Energy Star
27 Clothes Washer, Energy Star Dishwasher, Energy Star Refrigerator, Energy Star Room Air

28

1 Conditioner, and 2x Incandescents). UNS Electric also requested that Staff re-evaluate one measure
 2 which had been discontinued in a previous decision due to a low benefit-cost ratio: Variable Speed
 3 Pool Pump. The new measures would offer residential customers additional opportunities to reduce
 4 energy consumption.

5 *Proposed Budget*

6 9. The 2015/2016 proposed budget for the Efficient Products Program is detailed below.
 7 Overall Program Development, Analysis, and Reporting costs would be allocated across all of the
 8 cost-effective energy efficiency programs.

	Current	UNS Electric Proposed	Staff Proposed
Incentives	\$327,030	\$449,725	\$447,745
Non-Incentive Cost	\$507,697	\$440,787	\$440,787
Total Program Cost	\$834,727	\$890,512	\$888,532

9
 10
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 13 10. The last approved budget for this program, approved in Decision No. 74599, was
 14 \$834,727 for 2014. According to the DSM Program Report filed by the Company on February 27,
 15 2015, the actual expenses incurred in 2014 for this program were \$1,032,476. The proposed budget
 16 for this program for 2015/2016, as can be seen above, is \$890,512 which represents an increase of
 17 \$55,785 over the 2014 budget or roughly a 7 percent increase.

18 *Recommendations*

19 11. Staff completed a benefit-cost analysis on the seven proposed new measures and one
 20 discontinued measure that UNS Electric would like to offer again. The cost-effectiveness ratios for
 21 these eight measures can be seen in the table below. Six of the seven proposed new measures have a
 22 benefit-cost ratio of 1.0 or above. The Variable Speed Pool Pump also has a benefit-cost ratio equal
 23 to 1.0. The 2x Incandescent has a benefit-cost ratio of 0.93. Staff has recommended approval of six
 24 of the new measures and the re-implementation of the Variable Speed Pool Pump measure. Staff has
 25 not recommended approval of the offering of the 2x Incandescent measure. Given the increase in the
 26 number of available measures and the actual expenses for 2014, Staff has recommended an increase in
 27
 28

1 the Efficient Products Program budget to \$888,532, if the Commission approves all the measures with
2 a benefit-cost ratio of at least 1.0.

Proposed/Re-Implemented Measure	Ratio
LED Home Lighting	1.25
Energy Star Central Air Conditioner	2.17
Energy Star Clothes Washer	1.95
Energy Star Dishwasher	1.56
Energy Star Refrigerator	1.16
Energy Star Room Air Conditioner	1.02
2x Incandescent	0.93
Variable Speed Pool Pump	1.00

12 B. Residential Appliance Recycling Program

13 *Current Program*

14 12. This program is designed to remove and recycle inefficient yet functioning
15 refrigerators and freezers.

16 *Proposed Changes*

17 13. The Company has not proposed any changes to this program.

18 *Proposed Budget*

19 14. The 2015/2016 proposed budget for the Residential Appliance Recycling Program is
20 detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated
21 across all of the cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$39,000	\$20,000
Non-Incentive Cost	\$94,513	\$69,765
Total Program Cost	\$133,513	\$89,765

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25
26 15. The last approved budget for this program, approved in Decision No. 74599, was
27 \$133,513 for 2014. According to the DSM Program Report filed by the Company on February 27,
28

1 2015, the actual expenses incurred in 2014 for this program were \$50,294. The proposed budget for
 2 this program for 2015/2016 as can be seen above is \$89,765 which represents a decrease of \$43,748
 3 from the 2014 budget or roughly a 33 percent decrease. The Company is requesting a decrease to the
 4 budget as participation has been lower than expected but expects the program to still have
 5 participation as this program was recently approved for Tucson Electric Power ("TEP") and some
 6 economies of scale may be realized.

7 *Recommendations*

8 16. Staff has recommended continuation of the Residential Appliance Recycling Program
 9 along with approval of the decrease in the budget dollars to \$89,765.

10 C. Residential New Construction Program

11 *Current Program*

12 17. This is an existing program that has been ongoing since 2008. The goal of the
 13 program is to award incentives to more energy efficient homes. To qualify, new homes are required to
 14 meet the ENERGY STAR version 3 standards which require a Home Energy Rating System
 15 ("HERS") score of ≤ 73 .

16 *Proposed Changes*

17 18. The Company has not proposed any changes to this program.

18 *Proposed Budget*

19 19. The 2015/2016 proposed budget for the Residential New Construction Program is
 20 detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated
 21 across all of the cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$56,000	\$80,000
Non-Incentive Cost	\$42,342	\$202,618
Total Program Cost	\$98,342	\$282,618

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 23
 24
 25
 26 20. The last approved budget for this program, approved in Decision No. 74599, was
 27 \$98,342 for 2014. According to the DSM Program Report filed by the Company on February 27,
 28

1 2015, the actual expenses incurred in 2014 for this program were \$160,468. The proposed budget for
2 this program for 2015/2016 as can be seen above is \$282,618 which represents an increase of
3 \$184,276 from the 2014 budget or roughly a 187 percent increase. The Company is requesting an
4 increase to the budget as participation levels have been higher than anticipated.

5 *Recommendations*

6 21. Staff has recommended continuation of the Residential New Construction program
7 along with approval of the increase in the budget dollars to \$282,618.

8 D. Existing Homes and Audit Direct Install Program

9 *Current Program*

10 22. This program is designed to encourage homeowners to increase the energy efficiency
11 of their homes. UNS Electric has proposed several new measures, a redesign of two existing
12 measures, a discontinuance of one measure, and a re-evaluation of three previously discontinued
13 measures.

14 *Proposed Changes*

15 23. UNS Electric has proposed to discontinue the Air Sealing and Attic Insulation
16 Measure. The Company is also proposing to discontinue offering the DTR measure and instead offer
17 the DTR Tier 1 and DTR Tier 2 measures. In addition, UNS Electric is proposing to discontinue
18 offering the ER HVAC with QI & Duct Sealing measure and instead offer the ER HVAC with QI,
19 ER HVAC QI Tier 1 DTR, and ER HVAC QI Tier 2 measures.

20 24. The new measures that UNS Electric is proposing include: Tune Up-Advanced Tune
21 Up, Tune Up-WCC Stand Alone, and Tune Up-BPM/ECM Motor. The Company has also requested
22 a re-evaluation of the benefit-cost ratio for HVAC QI, HVAC QI Tier 1 DTR and HVAC QI Tier 2
23 measures that were previously discontinued.

24 *Proposed Budget*

25 25. The 2015/2016 proposed budget for the Existing Homes and Audit Direct Install is
26 detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated
27 across all of the cost-effective energy efficiency programs.

28

	Current	UNS Electric Proposed	Staff Proposed
Incentives	\$399,125	\$910,372	\$880,372
Non-Incentive Cost	\$473,864	\$1,239,112	\$1,239,112
Total Program Cost	\$872,989	\$2,149,484	\$2,119,484

26. The last approved budget for this program, approved in Decision No. 74599, was \$872,989 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$625,964. The proposed budget for this program for 2015/2016 as can be seen above is \$2,149,484 which represents an increase of \$1,276,495 from the 2014 budget or roughly a 146 percent increase.

Recommendations

27. Staff completed a benefit-cost analysis on the three new measures, the three previously discontinued measures, and the five measures that were part of the redesign of the two existing measures. The benefit-cost ratios can be seen in the table below. All measures were found to have a benefit-cost ratio greater than 1.0 with the exception of Tune Up-BPM/ECM Motor with a benefit-cost ratio of 0.78 and HVAC QI Tier 1 DTR with a benefit-cost ratio of 0.98. Staff recognizes that the HVAC QI Tier 1 DTR measure would reach a ratio of 1.0 if environmental benefits were monetized.

28. Staff has recommended approval of all of the proposed new measures, re-evaluated measures, and redesigned measures with the exception of the Tune Up-BPM/ECM Motor measure which does not meet the benefit-cost analysis requirement. With the implementation of new measures, Staff has recommended the budget be increased to \$2,119,484 taking out the incentive dollars in the budget for the Tune Up-BPM/ECM Motor measure.

Proposed/Re-Implemented Measure	Ratio
DTR Tier 1	1.18
DTR Tier 2	2.25
ER HVAC with QI	1.20
ER HVAC QI Tier 1 DTR	1.24
ER HVAC QI Tier 2 DTR	1.88
Tune Up-Advanced Tune Up	1.27
Tune Up-WCC Stand Alone	1.83

Tune Up-BPM/ECM Motor	0.78
HVAC QI	1.01
HVAC QI Tier 1 DTR	0.98
HVAC QI Tier 2 DTR	1.77

E. Shade Tree Program

Current Program

29. This is an existing program targeted to residential customers including low-income families allowing them to purchase two desert-adapted, five-gallon trees per year which must be planted on the south, west, or east side of the home. Qualifying tree purchases will result in a \$15.00 credit per tree on their electric bill.

Proposed Changes

30. The Company has not proposed any changes to this program.

Proposed Budget

31. The 2015/2016 proposed budget for the Shade Tree Program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$19,800	\$25,500
Non-Incentive Cost	\$14,300	\$9,843
Total Program Cost	\$34,100	\$35,343

32. The last approved budget for this program, approved in Decision No. 74599, was \$34,100 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$23,678. The proposed budget for this program for 2015/2016 as can be seen above is \$35,343 which represents an increase of \$1,243 from the 2014 budget or roughly a 4 percent increase. The Company has adjusted the budget to reflect more participation and less non-incentive costs incurred.

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1 *Recommendations*

2 33. Staff has recommended continuation of the Shade Tree Program along with approval
3 of the increase in the budget dollars to \$35,343.

4 F. Residential LIW Program5 *Current Program*

6 34. This program is designed to improve the energy efficiency of homes for customers
7 whose income falls within the defined federal poverty guidelines.

8 *Proposed Changes*

9 35. The Company has not proposed any changes to this program.

10 *Proposed Budget*

11 36. The 2015/2016 proposed budget for the Residential LIW Program is detailed below.
12 Overall Program Development, Analysis, and Reporting costs would be allocated across all of the
13 cost-effective energy efficiency programs.

	Current	UNS Electric Proposed	Staff Proposed
Incentives	\$324,000	\$375,000	\$324,000
Non-Incentive Cost	\$27,817	\$46,485	\$27,817
Total Program Cost	\$351,817	\$421,485	\$351,817

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19 37. The last approved budget for this program, approved in Decision No. 74599, was
20 \$351,817 for 2014. According to the DSM Program Report filed by the Company on February 27,
21 2015, the actual expenses incurred in 2014 for this program were \$221,194. The proposed budget for
22 this program for 2014 as can be seen above is \$421,485 which represents an increase of \$69,668 from
23 the 2014 budget or roughly a 20 percent increase.

24 *Recommendations*

25 38. The UNS Electric proposed budget for the LIW Program incorporates an incentive to
26 weatherize 150 homes compared to the budgeted 140 homes the previous year. While Staff is in
27 agreement that allowing for a greater number of homes being weatherized is advantageous to the
28

1 residential customers, Staff also recognizes that UNS Electric reported the completed weatherizing of
 2 only 99 households in 2013 and 82 households in 2014. Staff has recommended continuation of the
 3 Residential LIW Program at the currently approved budget level of \$351,817.

4 G. Residential Multi-Family Program

5 *Current Program*

6 39. This program is designed to promote energy efficiency in the residential multi-family
 7 sector, on properties with five or more units.

8 *Proposed Changes*

9 40. The Company has proposed five new measures to be added to this program: Tune
 10 Up-Advanced Tune Up, Tune Up-WCC Stand Alone, Tune Up-BPM/ECM Motor, and DTR Tier 1
 11 and DTR Tier 2.

12 *Proposed Budget*

13 41. The 2015/2016 proposed budget for the Residential Multi-Family Program is detailed
 14 below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of
 15 the cost-effective energy efficiency programs.

	Current	UNS Electric Proposed	Staff Proposed
Incentives	\$13,567	\$133,219	\$117,469
Non-Incentive Cost	\$28,379	\$149,461	\$149,461
Total Program Cost	\$41,946	\$282,680	\$266,930

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 21 42. The last approved budget for this program, approved in Decision No. 74599, was
 22 \$41,946 for 2014. According to the DSM Program Report filed by the Company on February 27,
 23 2015, the actual expenses incurred in 2014 for this program were \$12,895. The proposed budget for
 24 this program for 2015/2016 as can be seen above is \$282,680 which represents an increase of
 25 \$240,734 from the 2014 budget or roughly a 574 percent increase.

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1 *Recommendations*

2 43. Staff completed a benefit-cost analysis on the four new measures. The benefit-cost
3 ratios can be seen in the table below. All measures were found to have a benefit-cost ratio greater
4 than 1.0 with the exception of Tune Up-BPM/ECM Motor with a benefit-cost ratio of 0.75.

5 44. Staff has recommended approval of all of the proposed new measures with the
6 exception of the Tune Up-BPM/ECM Motor measure which does not meet the benefit-cost analysis
7 requirement. With the implementation of new measures, Staff has recommended the budget be
8 increased to \$266,930 taking out the incentive dollars in the budget for the Tune Up-BPM/ECM
9 Motor measure.

Proposed Measure	Ratio
Tune Up-Advanced Tune Up	1.31
Tune Up-WCC Stand Alone	1.99
Tune Up-BPM/ECM Motor	0.75
DTR Tier 1	2.01
DTR Tier 2	2.01

16 H. C&I/Schools Facilities17 *Current Program*

18 45. In Decision No. 74262, the Schools Facilities program was combined with the C&I
19 Facilities program. UNS Electric has requested budget approval to continue this combined program.
20 The purpose of this program is to provide incentives for small business customers (including schools)
21 to install high-efficiency equipment at their facilities and encourage contractors to promote the
22 program.

23 *Proposed Changes*

24 46. UNS Electric has requested to add 14 new measures including: LED Indoor Lighting,
25 LED Outdoor Lighting, Interior High-Bay LED Lighting, T-8 to T-12 to LED Tubes, Exterior HID
26 to LED, Canopy LED, Computer Power Monitoring System, Refrigerated Case LED, EMS HVAC
27 Delivery, EMS Lighting, HVAC System Test and Repair and Strip Curtains. In addition to these 12
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1 new measures, UNS Electric is proposing to discontinue the current six AC/HP measures which vary
 2 by SEER level and offer only two new measures with combined SEER levels: a measure for High
 3 Efficiency SEER Packaged and Split AC's and a measure for High Efficiency SEER Packaged and
 4 Split HP's. The new measures would offer non-residential customers additional opportunities to
 5 reduce their energy consumption.

6 *Proposed Budget*

7 47. The 2015/2016 proposed budget for the C&I/Schools Facilities program is detailed
 8 below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of
 9 the cost-effective energy efficiency programs.

	Current	UNS Electric Proposed	Staff Proposed
Incentives	\$484,685	\$443,536	\$443,511
Non-Incentive Cost	\$410,011	\$467,693	\$467,693
Total Program Cost	\$894,696	\$911,229	\$911,204

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 15 48. The last approved budget for this program, approved in Decision No. 74599, was
 16 \$894,696 for 2014. According to the DSM Program Report filed by the Company on February 27,
 17 2015, the actual expenses incurred in 2014 for this program were \$418,107. The proposed budget for
 18 this program for 2015/2016 as can be seen above is \$911,229 which represents a slight increase of
 19 \$16,533 from the 2014 budget or roughly a 2 percent increase. The increase in budget dollars for
 20 2015/2016 despite the lower actual expenses in 2014 can be attributed to changes UNS Electric is
 21 implementing in 2015 including an expanded outreach model designed to better educate business
 22 customers on the availability of the program and also a designated Customer Relationship Manager
 23 who will be engaged in Mohave County to solicit further enrollment and participation.

24 *Recommendations*

25 49. Staff completed a benefit-cost analysis on the 14 proposed new measures that UNS
 26 Electric would like to offer. The cost-effectiveness ratios for these 14 measures can be seen in the
 27 table below.

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1 50. All of the proposed new measures have a benefit-cost ratio of 1.0 or above except for
 2 EMS Lighting which has a benefit-cost ratio of 0.71, LED Outdoor Lighting with a benefit-cost ratio
 3 of 0.97 and Interior High-Bay LED Lighting also with a benefit-cost ratio of 0.97. Staff has
 4 recommended approval of the 11 new measures with a benefit-cost ratio at or above one. Staff also
 5 has recommended approval of the two measures with a benefit-cost ratio of 0.97 as Staff recognizes
 6 there are environmental benefits which have not been monetized and incorporated into Staff's
 7 benefit-cost ratio which may lead to a benefit-cost ratio at or above 1.0. Staff has not recommended
 8 approval of the offering of the EMS Lighting measure.

9 51. Given the increase in the number of available measures and the changes that UNS
 10 Electric has made to the program for 2015 and 2016, Staff has recommended an increase in the
 11 C&I/Schools Facilities Program budget to \$911,204, if the Commission approves all the measures
 12 with a benefit-cost ratio of at least 1.0 and LED Outdoor Lighting and Interior High-Bay LED
 13 Lighting.

Measure	Ratio
LED Indoor Lighting	1.19
LED Outdoor Lighting	0.97
Interior High-Bay LED Lighting	0.97
T-8 or T-12 to LED Tubes	1.01
Exterior HID to LED	1.49
Canopy LED	1.32
Computer Power Monitoring System	1.72
Refrigerated Case LED	1.52
EMS HVAC Delivery	1.02
EMS Lighting	0.71
HVAC System Test and Repair	1.60
Strip Curtains	2.65
High Efficiency SEER Packaged and Split AC's	1.14
High Efficiency SEER Packaged and Split HP's	1.88

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 26 52. Decision No. 70524, dated September 30, 2008, established a \$50,000 annual incentive
 27 cap for Large Power Service ("LPS") customers and a \$10,000 incentive cap for all other customers
 28 participating in the C&I Schools/Facilities Program. The same Decision also limited the customer

1 participation for LPS customers to two per year. UNS Electric has requested these incentive caps and
 2 limit on the number of LPS customers be removed as the Company has found the caps to be
 3 prohibitive to customers following through with energy efficiency upgrades. UNS Electric proposes
 4 the incentives be structured in such a way that a customer incentive is not more than 20 percent of the
 5 incentive dollars assigned to the entire C&I Schools/Facilities Program.

6 53. Staff's concern with making changes to the incentive caps and limit on the number of
 7 LPS customers is that the caps are designed to insure that a few large UNS Electric customers do not
 8 consume a disproportionate amount of the available incentives. At the same time, the incentives are
 9 not meant to prohibit commercial and industrial customers from pursuing energy efficiency
 10 enhancements. Staff has recommended adjusting the caps for all customers in the C&I
 11 Schools/Facilities Program to 20 percent of the incentive budget dollars detailed above and removing
 12 the two customer per year limit but also has recommended adding the requirement that the 2015 and
 13 2016 Annual Demand Side Management Reports detail the exact amount of incentive dollars paid to
 14 each customer during that calendar year so Staff is able to verify that not one customer received a
 15 disproportionate amount of the available incentive dollars.

16 I. Bid for Efficiency Program

17 *Current Program*

18 54. This program is designed so customers or project sponsors can propose their own
 19 energy efficiency projects and then bid competitively for incentives within Program guidelines.

20 *Proposed Changes*

21 55. The Company has not proposed any changes to this program.

22 *Proposed Budget*

23 56. The 2015/2016 proposed budget for the Bid for Efficiency Program is detailed below.
 24 Overall Program Development, Analysis, and Reporting costs would be allocated across all of the
 25 cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$240,000	\$200,000

Non-Incentive Cost	\$83,582	\$92,005
Total Program Cost	\$323,582	\$292,005

57. The last approved budget for this program, approved in Decision No. 74599, was \$323,582 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$51,530. The proposed budget for this program for 2015/2016 as can be seen above is \$292,005 which represents a decrease of \$31,577 from the 2014 budget or roughly a 10 percent decrease.

Recommendations

58. Given the actual expenses incurred for 2014 were less than budgeted, Staff has recommended continuation of the Bid for Efficiency Program at the decreased level proposed by UNS Electric. UNS Electric is implementing in 2015 an expanded outreach model designed to better educate business customers on the availability of the program and also a designated Customer Relationship Manager who will be engaged in Mohave County to solicit further enrollment and participation.

J. Retro-Commissioning Program

Current Program

59. The purpose of this program is to identify deficiencies in existing facilities and make necessary adjustments to produce energy savings and other benefits, such as improved occupant comfort.

Proposed Changes

60. There was no participation in this program in 2014. UNS Electric's initial delivery model for this program included the same program being implemented for TEP. A Retro-Commissioning Program was approved for TEP in Decision No. 74885 dated December 31, 2014. UNS Electric will seek economies of scale with TEP in gaining participation in this program going forward.

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1 *Proposed Budget*

2 61. The 2015/2016 proposed budget for the Retro-Commissioning Program is detailed
3 below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of
4 the cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$44,000	\$154,000
Non-Incentive Cost	\$78,116	\$51,815
Total Program Cost	\$122,116	\$205,815

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10 62. The last approved budget for this program, approved in Decision No. 74599, was
11 \$122,116 for 2014. According to the DSM Program Report filed by the Company on February 27,
12 2015, the actual expenses incurred in 2014 for this program were \$34,584. The proposed budget for
13 this program for 2015/2016 as can be seen above is \$205,815 which represents an increase of \$83,699
14 from the 2014 budget or roughly a 69 percent increase.

15 *Recommendations*

16 63. Given the recent approval of this same program for TEP and possible economies of
17 scale in the implementation of this program, Staff has recommended continuation of the Retro-
18 Commissioning Program along with approval of the increase in the budget dollars to \$205,815.

19 K. C&I Demand Response

20 *Current Program*

21 64. The purpose of this program is to manage peak demand and mitigate system
22 emergencies through a commercial and industrial load curtailment program. UNS Electric has
23 requested budget approval to continue this program.

24 *Proposed Changes*

25 65. The Company has not proposed any changes to this program.

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Proposed Budget

66. The 2015/2016 proposed budget for the C&I Demand Response program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$0	\$0
Non-Incentive Cost	\$388,544	\$374,850
Total Program Cost	\$388,544	\$374,850

67. The last approved budget for this program, approved in Decision No. 74599, was \$388,544 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$189,311. The proposed budget for this program for 2015/2016 as can be seen above is \$374,850 which represents a slight decrease of \$13,694 from the 2014 budget or roughly a 4 percent decrease. UNS Electric anticipates continuing to actively recruit participants in this program in 2015 and 2016.

Recommendations

68. Staff has recommended continuation of the C&I Demand Response program along with approval of the decrease in the budget dollars to \$374,850 to allow the Company an adequate amount of time and funding to get this program fully functioning.

L. Behavioral Comprehensive Program*Current Program*

69. The purpose of this program is to educate residential customers on how changes in behavior, including purchasing decisions, can improve energy efficiency. This program consists of four subprograms: Direct Canvassing, K-12 Education, Community Education, and CFL Promotions.

Proposed Changes

70. The Company has not proposed any changes to this program.

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1 *Proposed Budget*

2 71. The 2015/2016 proposed budget for the Behavioral Comprehensive Program is
3 detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated
4 across all of the cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$131,376	\$114,308
Non-Incentive Cost	\$152,433	\$147,230
Total Program Cost	\$283,809	\$261,538

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9 72. The last approved budget for this program, approved in Decision No. 74599, was
10 \$283,809 for 2014. According to the DSM Program Report filed by the Company on February 27,
11 2015, the actual expenses incurred in 2014 for this program were \$238,654. The proposed budget for
12 this program for 2015/2016 as can be seen above is \$261,538 which represents a decrease of \$22,271
13 from the 2014 budget or roughly an 8 percent decrease.

14 *Recommendations*

15 73. With actual 2014 expenses being lower than budgeted for 2014, Staff has
16 recommended continuation of the Behavioral Comprehensive Program along with approval of the
17 decrease in the budget dollars to \$261,538.

18 M. Education and Outreach Program19 *Current Program*

20 74. This program is responsible for the marketing of the UNS Electric portfolio as a
21 whole, as well as general consumer education about energy efficiency.

22 *Proposed Changes*

23 75. The Company has not proposed any changes to this program.

24 *Proposed Budget*

25 76. The 2015/2016 proposed budget for the Education and Outreach Program is detailed
26 below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of
27 the cost-effective energy efficiency programs.

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	2014 (Current)	2015/2016 (Proposed)
Incentives	\$0	\$0
Non-Incentive Cost	\$141,884	\$106,050
Total Program Cost	\$141,884	\$106,050

77. The last approved budget for this program, approved in Decision No. 74599, was \$141,884 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$57,007. The proposed budget for this program for 2015/2016 as can be seen above is \$106,050 which represents a decrease of \$35,834 from the 2014 budget or roughly a 25 percent decrease.

Recommendations

78. Staff recognizes that the level of participation in the Education and Outreach program has been high over the past year. Reported costs are lower than budget and no direct energy savings are reported for this program; however, the Education and Outreach program is a support program that enables the success of other measures. Given the actual expenses incurred for 2014 were less than budgeted, Staff has recommended continuation of the Education and Outreach Program with a decrease in the budget to \$106,050.

N. Codes Support Program

Current Program

79. This program strives to maximize energy savings through adherence to local building energy codes and enhanced energy efficient appliance standards.

Proposed Changes

80. The Company has not proposed any changes to this program.

Proposed Budget

81. The 2015/2016 proposed budget for the Codes Support Program is detailed below. Overall Program Development, Analysis, and Reporting costs would be allocated across all of the cost-effective energy efficiency programs.

	2014 (Current)	2015/2016 (Proposed)
Incentives	\$0	\$0

Non-Incentive Cost	\$18,447	\$34,020
Total Program Cost	\$18,447	\$34,020

82. The last approved budget for this program, approved in Decision No. 74599, was \$18,447 for 2014. According to the DSM Program Report filed by the Company on February 27, 2015, the actual expenses incurred in 2014 for this program were \$2,718. The proposed budget for this program for 2015/2016 as can be seen above is \$34,020 which represents an increase of \$15,573 from the 2014 budget or roughly an 84 percent increase.

Recommendations

83. Even though actual expenses incurred for 2014 were less than budgeted, Staff recognizes that TEP recently had approved a Codes Support program and participation levels may increase if both companies are pursuing codes education so Staff has recommended approval of the increase in budget dollars to \$34,020.

BUDGET

UNS Electric 2015/2016 EE BUDGET			
	Current	UNS	Staff
	2014	Proposed	Proposed
		2015/2016	2015/2016
<u>Residential Programs</u>			
Efficient Products	\$834,727	\$890,512	\$888,245
Appliance Recycling	\$133,513	\$89,765	\$89,765
Res. New Construction	\$98,342	\$282,618	\$282,618
Existing Homes and Audit Direct Install	\$872,989	\$2,149,484	\$2,119,484
Shade Tree	\$34,100	\$35,343	\$35,343
Low Income Weatherization	\$351,817	\$421,485	\$351,817
Multi-Family	\$41,946	\$282,680	\$266,930
Subtotal	\$2,367,434	\$4,151,887	\$4,034,202
<u>C&I Programs</u>			
C&I Facilities	\$894,696	\$911,229	\$911,204
Bid for Efficiency	\$323,582	\$292,005	\$292,005
Retro-Commissioning	\$122,116	\$205,815	\$205,815
C&I Demand Response	\$388,544	\$374,850	\$374,850
Subtotal	\$1,728,938	\$1,783,899	\$1,783,874
<u>Behavioral Programs</u>			

Home Energy Reports	\$50,000	\$0	\$0
Behavioral Comprehensive Program	\$283,809	\$261,538	\$261,538
Subtotal	\$333,809	\$261,538	\$261,538
Support Programs			
Education and Outreach	\$141,884	\$106,050	\$106,050
Codes Support	\$18,447	\$34,020	\$34,020
Program Development, Analysis and Reporting	\$200,000	\$200,000	\$200,000
Subtotal	\$360,331	\$340,070	\$340,070
Total	\$4,790,512	\$6,537,394	\$6,419,684

84. The above table details UNS Electric's proposed energy efficiency budget for 2015/2016 and Staff's recommended budget.

BUDGET SHIFTING

85. In Decision No. 72747 dated January 20, 2012 (and reaffirmed in Decision No. 74262), UNS Electric was given the ability to increase its overall portfolio budget by 5 percent if necessary without requiring further Commission approval. UNS Electric was also given the flexibility to shift up to 25 percent of a program's budget between programs but not shift funds between residential and non-residential program sectors.

86. Staff recognizes the importance of flexibility in a budget in being able to respond to changing market conditions. Staff has recommended UNS Electric continue being afforded the flexibility to increase the budget 5percent without requiring Commission approval. Staff also has recommended that UNS Electric have the ability to shift up to 25 percent of a program's budget between programs but not shift funds between residential and non-residential program sectors excluding the budget dollars designated for the LIW program.

WAIVER REQUEST

87. In its application filed on June 2, 2014, and the letter to the same docket on June 1, 2015, UNS Electric requested a waiver under the provisions of A.A.C. R14-2-2419 from the 2015-2016 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 toward the objective of reducing energy use

1 and reducing peak demand. UNS Electric believes its 2015/2016 EE Plan will maximize the potential
2 for energy efficiency savings in a cost-effective manner.

3 88. Staff recognizes that the primary factor which has contributed to UNS Electric's ability
4 to closely meet the savings percentage standards established in the EE Standard is the declining retail
5 sales the Company has experienced over the past couple of years. Given the level of sales anticipated
6 for 2015 and holding constant the level of kWh savings generated from energy efficiency programs
7 (including new measures), UNS Electric anticipates it will not meet the standards as specified in R14-
8 2-2404 but may be slightly below the standards in both years. Staff estimates UNS Electric may reach
9 a savings percentage around 9 percent in 2015. The EE Standard for 2015 is 9.5 percent of prior
10 year's retail sales.

11 UNS Electric has indicated and Staff agrees that a consideration when looking at UNS
12 Electric's ability to meet a growing EE Standard is its ability to implement new programs and
13 measures to meet customers' needs. UNS Electric has had limited ability over the past few years to
14 implement any new cost-effective programs/measures. Staff recognizes the importance of the EE
15 Standards and compliance with those standards but also recognizes UNS Electric has experienced
16 limitations beyond the Company's control with meeting those standards; therefore, Staff has
17 recommended that UNS Electric receive a waiver of the 2015 EE Standard. Staff recognizes UNS
18 Electric may have a better opportunity to meet the 2016 EE Standard of 12 percent of prior year's
19 retail sales with the implementation of new measures.

19 **DSM SURCHARGE**

20 89. Decision No. 74599 set the current DSM Surcharge at \$0.001500 per kWh. The
21 Decision further directed the surcharge remain in effect until the next Energy Efficiency
22 Implementation Plan is approved or the next adjustor reset filing.

23 90. As of the end of April 2015, UNS Electric was over-collected \$3,994,962 in its DSM
24 Surcharge collections compared to expenses.

25 91. The current DSM Surcharge of \$0.001500 per kWh multiplied by the annual kWh for
26 2014 of 1,677,445,410 would lead to revenue dollars of \$2.5 million to cover budgeted expenses for
27 2015 of \$4.8 million. If the retail sales for UNS Electric are actually 4 percent less than in 2014 as has
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1 been forecasted and another 2 percent drop from 2015 to 2016 and the performance incentive
2 remains near the level of \$490,334 similar to what it was for 2014, UNS Electric will return most of
3 the over-collected DSM Surcharge balance over the next two years. Given the above circumstances,
4 Staff has recommended that the DSM Surcharge stay at its current level of \$0.001500 per kWh.

5 92. Staff also has recommended that this surcharge remain in effect until UNS Electric's
6 next Energy Efficiency Implementation Plan is approved or until the next adjutor reset filing. At that
7 time, the over-collection or under-collection would be evaluated again to gauge if a change is
8 necessary.

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 matter
13 of the application.

14 3. The Commission, having reviewed Staff's memorandum dated August 26, 2015,
15 concludes that it is in the public interest to approve the Energy Efficiency Plan modifications as
16 discussed herein.

17 ORDER

18 IT IS THEREFORE ORDERED that the LED Home Lighting, Energy Star Central Air
19 Conditioner, Energy Star Clothes Washer, Energy Star Dishwasher, Energy Star Refrigerator, Energy
20 Star Room Air Conditioner and Variable Speed Pool Pump are approved as new/re-instated measures
21 in the Efficient Products Program.

22 IT IS FURTHER ORDERED that the 2x Incandescent is not approved as a new measure in
23 the Efficient Products Program.

24 IT IS FURTHER ORDERED that the Efficient Products Program is continued with a budget
25 of \$888,532.

26 IT IS FURTHER ORDERED that the Residential Appliance Recycling Program is continued
27 with a budget of \$89,765.

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1 IT IS FURTHER ORDERED that the Residential New Construction Program is continued
2 with a budget of \$282,618.

3 IT IS FURTHER ORDERED that the Air Sealing-Attic Insulation and ER HVAC with QI
4 and Duct Sealing measures are discontinued as available measures in the Existing Homes and Audit
5 Direct Install Program.

6 IT IS FURTHER ORDERED that the DTR Tier 1, DTR Tier 2, ER HVAC with QI, ER
7 HVAC QI Tier 1 DTR, ER HVAC QI Tier 2 DTR, Tune Up-Advanced Tune Up, Tune Up-WCC
8 Stand Alone, HVAC QI, HVAC QI Tier 1 DTR, and HVAC QI Tier 2 DTR are approved as new/re-
9 instated measures in the Existing Homes and Audit Direct Install Program.

10 IT IS FURTHER ORDERED that the Tune Up-BPM/ECM Motor is not approved as a new
11 measure in the Existing Homes and Audit Direct Install Program.

12 IT IS FURTHER ORDERED that the Existing Homes and Audit Direct Install Program is
13 continued with a budget of \$2,119,484.

14 IT IS FURTHER ORDERED that the Shade Tree Program is continued with a budget of
15 \$35,343.

16 IT IS FURTHER ORDERED that the Residential Low Income Weatherization Program is
17 continued with a budget of \$351,817.

18 IT IS FURTHER ORDERED that the Tune Up-Advanced Tune Up, Tune Up-WCC Stand
19 Alone, DTR Tier 1 and DTR Tier 2 are approved as new measures in the Residential Multi-Family
20 Program.

21 IT IS FURTHER ORDERED that the Tune Up-BPM/ECM Motor is not approved as a new
22 measure in the Residential Multi-Family Program.

23 IT IS FURTHER ORDERED that the Residential Multi-Family Program is continued with a
24 budget of \$266,930.

25 IT IS FURTHER ORDERED that the LED Indoor Lighting, LED Outdoor Lighting,
26 Interior High-Bay LED Lighting, T-8 or T-12 to LED Tubes, Exterior HID to LED, Canopy LED,
27 Computer Power Monitoring System, Refrigerated Case LED, EMS HVAC Delivery, HVAC System
28

1 Test and Repair, Strip Curtains, High Efficiency SEER Packaged and Split AC, and High Efficiency
2 SEER Packaged and Split HP are approved as new measures in the combined C&I/Schools Facilities
3 Program.

4 IT IS FURTHER ORDERED that the 14 SEER Packaged and Split AC, 15 SEER Packaged
5 and Split AC, 16 SEER Packaged and Split AC, 14 SEER Packaged and Split HP, 15 SEER Packaged
6 and Split HP, and the 16 SEER Packaged and Split HP measures are discontinued as available
7 measures in the combined C&I/Schools Facilities Program.

8 IT IS FURTHER ORDERED that the EMS Lighting is not approved as a new measure in the
9 combined C&I/Schools Facilities Program.

10 IT IS FURTHER ORDERED that the combined C&I/Schools Facilities Program is
11 continued with a budget of \$911,204.

12 IT IS FURTHER ORDERED that the incentive cap for all customers in the C&I
13 Schools/Facilities Program is adjusted to 20 percent of the incentive dollars detailed in the Staff-
14 proposed budget in Finding of Fact No. 47.

15 IT IS FURTHER ORDERED that UNS Electric is not limited to paying incentive dollars to
16 only two LPS customers within the C&I Schools/Facilities Program, but UNS Electric shall detail in
17 its 2015 and 2016 Annual Demand Side Management Reports the amount of incentive dollars paid to
18 each customer during that calendar year.

19 IT IS FURTHER ORDERED that the Bid for Efficiency Program is continued with a budget
20 of \$292,005.

21 IT IS FURTHER ORDERED that the Retro-Commissioning Program is continued with a
22 budget of \$205,815.

23 IT IS FURTHER ORDERED that the C&I Demand Response Program is continued with a
24 budget of \$374,850.

25 IT IS FURTHER ORDERED that the Behavioral Comprehensive Program is continued with
26 a budget of \$261,538.

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1 IT IS FURTHER ORDERED that the Education and Outreach Program is continued with a
2 budget of \$106,050.

3 IT IS FURTHER ORDERED that the Codes Support Program is approved with a budget of
4 \$34,020.

5 IT IS FURTHER ORDERED that UNS Electric has the flexibility to increase the overall
6 portfolio budget by 5 percent if necessary.

7 IT IS FURTHER ORDERED that UNS Electric has the flexibility to shift up to 25 percent
8 of a program's budget between programs but not shift funds between residential and non-residential
9 program sectors excluding the budget dollars designated for the Residential Low Income
10 Weatherization Program.

11 IT IS FURTHER ORDERED that UNS Electric is hereby granted a waiver of the Energy
12 Efficiency Standard requirement as stated in A.A.C. R14-2-2404 for calendar year 2015.

13 IT IS FURTHER ORDERED that the DSM Surcharge remain at \$0.001500 per kWh.

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1 IT IS FURTHER ORDERED that the DSM Surcharge set herein will remain in effect until
2 UNS Electric's next Energy Efficiency Implementation Plan is approved or until the next adjustor
3 reset filing.

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

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

7
8
9 CHAIRMAN

COMMISSIONER

10
11
12 COMMISSIONER

COMMISSIONER

COMMISSIONER

13 IN WITNESS WHEREOF, I, JODI JERICH, Executive
14 Director of the Arizona Corporation Commission, have
15 hereunto, set my hand and caused the official seal of this
16 Commission to be affixed at the Capitol, in the City of
17 Phoenix, this _____ day of _____, 2015.

18 _____
19 JODI JERICH
20 EXECUTIVE DIRECTOR

21 DISSENT: _____

22 DISSENT: _____

23 TMB:RSP:nr/WVC

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18 Mr. Dwight D. Nodes
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20 Arizona Corporation Commission
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