

NEW APPLICATION



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ORIGINAL

Arizona Corporation Commission

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MAR 15 2017

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COMMISSIONERS

TOM FORESE - CHAIRMAN 2017 MAR 15 P 4: 36  
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DOCKETED BY

E-01933A-17-0075

IN THE MATTER OF THE APPLICATION OF )  
TUCSON ELECTRIC POWER COMPANY TO )  
RESET ITS DEMAND SIDE MANAGEMENT )  
SURCHARGE. )

DOCKET NO. E-01933A-17-\_\_\_\_\_

APPLICATION

*Expedited Consideration Requested*

Introduction

Pursuant to A.A.C. R-14-2-2406(C), Tucson Electric Power Company ("TEP" or "Company"), through undersigned counsel, hereby submits its Application for Arizona Corporation Commission ("Commission") approval of a reset of TEP's Demand Side Management Surcharge ("DSMS"). TEP is requesting a change in (i) the Residential DSMS from \$0.001916 to \$0.003709 and (ii) the Non-residential DSMS from 1.97 percent of total bills to 3.39 percent of total bills.<sup>1</sup> The change in the DSMS is necessary in order for TEP to continue to fund previously approved energy efficiency ("EE") programs until such time that the Commission approves the Company's 2018 EE Implementation Plan.<sup>2</sup> Additionally, for the reasons set forth herein, TEP is also requesting expedited consideration and approval of this Application to ensure no disruption in Commission-approved EE programs.

<sup>1</sup> The DSMS reset calculation assumes the DSMS rate will be in effect from July 1, 2017 to December 31, 2017.

<sup>2</sup> TEP will be filing its 2018 EE Implementation Plan on June 1, 2017.

**Background**

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On June 1, 2015, TEP filed its 2016 EE Implementation Plan (“2016 Plan”) with a proposed budget of approximately \$23.0 million. The Commission approved the 2016 Plan, along with the related budget and DSMS.<sup>3</sup> The approved budget for the 2016 Plan included an over-collected balance of \$8.4 million from the prior year and a *lower* DSMS designed to collect the remainder of the budget. Because of this over-collected balance, it should be noted that the 2016 DSMS of \$0.001916 is 14%-17% *lower* than the DSMS approved for the EE Plans from 2013-2015, despite the increase in the kWh savings required to meet the Energy Efficiency Standard.

Table 1 below was included in the Commission’s decision and summarizes the budget, over-collected amount and resulting DSMS.

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<sup>3</sup> Decision No. 75450 (February 11, 2016).

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2 *Table 1 – Approved 2016 EE Budget*

3 Residential DSM Recovery Calculation	
4 Total Proposed DSM Budget	\$22,970,226
5 True-up (Over-collected DSM Bank Balance)	(\$8,374,304)
6 2015 Performance Incentive	\$1,725,000
7 Total DSM Recovery	\$16,320,922
8 Residential DSM Reset Calculation	
9 Total kWh Sold	8,520,346,800
10 Per-kWh Surcharge (Residential) Total DSM Recovery / Total kWh Sold = Per-kWh Surcharge	\$0.001916
11 Non-Residential DSM Bill Surcharge Calculation	
12 Non-residential kWh sales	4,793,364,770
13 Non-residential kWh sales x \$0.001916 = Non-residential DSMS Revenues	\$9,181,801
14 Non-residential Retail Revenues	\$466,324,926
15 Non-residential DSMS Revenues / Non-residential Retail Revenues = Non-residential DSM bill percentage	1.97%

16 On June 1, 2016, TEP notified the Commission that it decided not to file a 2017 EE  
17 Implementation Plan (“2017 Plan”). Instead, TEP continued its 2016 Plan without any changes.<sup>4</sup>  
18 By default, the 2016 Plan became the 2017 Plan with the same budget of approximately \$23  
19 million to fund the same programs. The Company also notified the Commission that it was not  
20 requesting a change to its approved DSMS.

21 The 2017 Plan budget is approximately \$23.0 million and the anticipated performance  
22 incentive is approximately \$1.8 million. As of December 31, 2016 the over-collected DSMS bank  
23 balance was approximately \$1.3 million.<sup>5</sup> Assuming no change in the current DSMS rate, TEP

24 <sup>4</sup> A.A.C. R14-2-2405.A requires affected utilities to file, by June 1 of each odd year, or annually at the  
25 election of the company, an implementation plan describing how the utility intends to meet the EE standard  
for the next one or two calendar years, as applicable.

26 <sup>5</sup> In TEP’s Phase 1 rate order (Decision No. 75975, February 24, 2017), the Commission directed TEP, “...to  
27 propose to the Commission, for approval, a residential or feeder level DR or load management program with  
a budget of \$1.3 million which may be funded with unspent DSMAC collections, that facilitates energy  
storage technology...Tucson Electric Power Company, in its 2018 DSM Plan shall include the energy storage  
technology program discussed herein, with a budget of \$1.3 million.” TEP will file a new program in its

1 would collect approximately \$16.9 million in 2017, leading to a year-end *under-collected* bank  
 2 balance of approximately \$6.6 million. Please refer to Table 2 below.

3 *Table 2 – Projected 2017 Under-Recovery*

4 Total 2017 DSM Budget	\$22,970,226
5 Over-Collected DSMS Bank Balance at 12/31/16	(\$1,377,640)
6 2016 Performance Incentive	\$1,832,468
7 Total 2017 DSM Fund Requirement	\$23,425,054
8 Projected 2017 DSMS Revenues with current DSMS rate (DSMS rate of \$0.001916 x Residential kWh and 1.97 percent of Non-Residential bills)	(\$16,865,400)
9 Projected Under-Collected DSM Bank Balance at 12/31/17	\$6,559,654

10 **Request to RESET the DSMS**

11 The Company respectfully requests the Commission to approve a reset to the (i) the  
 12 Residential DSMS to \$0.003709 and (ii) the Non-Residential DSMS to 3.39 percent of total bills  
 13 so that TEP can continue funding *existing* programs in the 2017 Plan that have already been  
 14 approved by the Commission.<sup>6</sup> TEP is not requesting to add any new programs as part of this  
 15 Application. Leaving the DSMS at the current rate would cause TEP to discontinue certain EE  
 16 programs in order to avoid becoming significantly under-collected.

17 Table 3 below shows the estimated summer and winter bill impacts for a typical residential  
 18 customer under the proposed DSMS reset.

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 26 2018 Plan pursuant to Decision No. 75975. TEP will use the 2016 over-collected DSMS bank balance of  
 \$1.3 million to fund the 2017 Plan.

27 <sup>6</sup> The DSMS reset calculation assumes the DSMS rate will be in effect from July 1, 2017 to December 31,  
 2017. The DSMS may need to be adjusted depending on the effective date of the Commission's approval of  
 this Application.

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Table 3 – Residential Bill Impact

	A	B	C	D (C-B)	E (A x D)
Period	Avg. Usage	Current DSMS	Proposed DSMS	Difference	Monthly Change
July – Sept.	1,150 kWh	\$0.001916	\$0.003709	\$0.001793	\$2.06
Oct. – Dec.	785 kWh	\$0.001916	\$0.003709	\$0.001793	\$1.41

**Conclusion**

The Company will be filing its 2018 Plan by June 1, 2017. The Commission will have a full opportunity to review TEP's 2018 Plan, including any appropriate revisions to the DSMS. However, that consideration will take significant time. In light of the current circumstances, the DSMS must be reset as soon as possible to avoid a significant under-collection of DSM funds for its 2017 Plan to ensure continuation of the existing programs. Accordingly, for the reasons stated herein, the Company respectfully requests the Commission to approve a reset of its DSMS as expeditiously as possible to assist the Company in avoiding any curtailment of Commission-approved DSM programs currently being offered to its customers.

RESPECTFULLY SUBMITTED this 15th day of March, 2017.

TUCSON ELECTRIC POWER COMPANY

By 

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Original and 13 copies of the foregoing  
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Copies of the foregoing hand-delivered/mailed  
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