Exceptions of the Southwest Energy Efficiency Project
to the Proposed Order on the
Tucson Electric Power 2018 Demand Side Management Implementation Plan

The Southwest Energy Efficiency Project (SWEEP) submits its exceptions to the proposed order on the Tucson Electric Power (TEP) 2018 Demand Side Management (DSM) Implementation Plan filed by Commission Staff on July 2, 2018.1 SWEEP also comments on the exceptions filed by TEP on December 13, 2018.2

SWEEP appreciates the efforts of Commission Staff in reviewing the 2018 DSM Plan and preparing the proposed order approving the Plan with modifications. SWEEP supports most of Staff's recommendations in the proposed order with the exception of the items discussed below, which SWEEP comments on and addresses in three exceptions to the proposed order, also described below, and attached herein.

In sum SWEEP requests:

1. The restoration of adequate funding for TEP's DSM programs at the level of $22.9 million annually - for the DSM programs alone - without allocating $2.2 million to TEP's proposed electric vehicle (EV) programs.

2. Commission consideration of TEP's proposed EV programs and EV budget be separated from the 2018 DSM Plan item, and Commission action on the TEP EV programs proposal be deferred until at least 21 days after the Commission acts on

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1 http://docket.images.azcc.gov/0000189657.pdf
2 http://docket.images.azcc.gov/0000194429.pdf
its pending EV policy\(^3\) in order to allow time for review and assessment of how the TEP proposed EV efforts comply with and respond to the Commission’s pending EV policy.

3. If the Commission decides to approve the TEP proposed EV programs and EV budget at the December 2018 Open Meeting, the approved funding amount ($2.2 million or the amount approved by the Commission) not be taken from the DSM program budgets, which would further exacerbate the problem of inadequate funding for TEP’s DSM programs and insufficient DSM program services for TEP customers.

Background: Inadequate DSM Program Funding, Insufficient Program Services to Customers, Suspended and Curtailed Programs, and Dissatisfied TEP Customers

For the last several years, there has been a gap for TEP DSM efforts between:

1. The amount of DSM program funding approved by the Commission and the program services expected and requested by TEP customers.

   Versus

2. The amount of DSM funding \textit{actually} available for programs as a result of the associated level of the DSM surcharge set by the Commission.

The levels of these two directly-related items – the amount of funding approved by the Commission for DSM programs versus the amount of funding actually available for programs due to level of the DSM surcharge set by the Commission – should be fully consistent – but have been inconsistent and out of sync for years.

The result of this disconnect is in 2017, and now for much of 2018, there has been inadequate DSM funding; suspended DSM programs; and limited, delayed, or insufficient DSM services provided to customers. Consequently, when TEP customers have requested services from DSM programs in 2018, many of them have been told that programs are out of funding and to check again in 2019.

Hundreds of TEP residential and business customers and Tucson-based organizations have weighed in in this proceeding expressing concern about these problems, asking for the restoration of adequate DSM program funding, and pleading for effective and responsive program services.\(^4\)

While the details of how and why the TEP DSM programs have been on roller coaster of too-few approved DSM programs for approved funding level several years ago, followed by too-little funding in recent years, the solution is simple:

\(^3\) [http://docket.images.azcc.gov/0000194370.pdf](http://docket.images.azcc.gov/0000194370.pdf)

\(^4\) See comments and letters in Docket Nos. E-01933A-17-0250 and E-01933A-15-0178
The DSM budget available and associated collections through the DSM surcharge to fund programs should be adequate and should be fully consistent with the DSM programs and level of program activities approved by the Commission.

This simple formula has not been in place for TEP DSM programs for several years. The result in 2017 and 2018 has been the under-funding and starvation of program services for TEP customers, and higher-than-necessary utility bills for TEP consumers and businesses.

SWEEP Recommendations

SWEEP recommends that the DSM program budgets be fully restored, the complete set of Commission-approved DSM programs and services be made available to TEP customers without delay, and the DSM program budget and associated DSM surcharge be set to provide adequate funding to fully support approved DSM programs.

SWEEP recommends that the total DSM budget be set at $22.9 million with the DSM surcharge set at $0.0028898 per kWh for Residential ratepayers and 2.8292% for Non-residential ratepayers, as the Recommended Opinion and Order recommends for the total DSM budget. However, SWEEP supports this recommendation for the DSM programs alone — and SWEEP opposes reallocating $2.2 million from the DSM program budget to fund TEP’s proposed EV programs.

While SWEEP supports the proposed TEP EV programs and an EV program budget of $2.2 million, SWEEP does not support robbing Peter (the DSM programs) to pay Paul (the EV programs). This approach is especially inappropriate since Peter (the DSM programs) have been underfunded and starving at only 64% of the necessary funding level in 2018 and 69% in 2017.5

This long period of DSM program under-funding and less available program services has resulted in pent-up demand and many customers having to wait to receive DSM program services. When DSM program funding is finally available again in 2019, TEP customer demand should be strong, and the Commission should ensure there will be adequate DSM funding available to respond to the normal level of customer interest plus the pent-up demand.

SWEEP is in favor of TEP having the flexibility to allocate the DSM program funding to those programs that experience the most customer demand. The TEP DSM revised

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5 The last TEP DSM Plan approved was approved in ACC Decision No. 75450 dated February 11, 2016. That decision approved a DSM budget of ~$23 million. According to TEP’s DSM reports filed with the Commission, in 2017, TEP spent $15.9 million on DSM; and in 2018, TEP plans to spend $14.7 million on DSM. The difference between TEP’s ACC-approved budget ($23 million) and TEP’s actual expenditures on DSM are driven by the mismatch between the ACC-authorized DSM budget and the ACC-approved DSM surcharge, which does not collect sufficient monies to fund programs at ACC-approved levels.
budget in the proposed order should be clarified and revised as necessary, and submitted in a compliance filing, to ensure the DSM program funding is allocated to the DSM programs based on need and customer demand. (See SWEEP’s comments on TEP’s exceptions to the Recommended Opinion and Order below.)

SWEEP Exceptions to the Recommended Opinion and Order

SWEEP provides three exceptions to the proposed order below in alignment with our recommendations.

1. SWEEP requests the restoration of adequate funding for the DSM programs at the level of $22.9 million annually, for the DSM programs alone, without allocating $2.2 million to the proposed EV programs. See SWEEP Exception No. 1.

2. SWEEP requests that Commission consideration of the TEP proposed EV programs and EV budget be separated from the 2018 DSM Plan item, and Commission action on the TEP EV programs proposal be deferred until at least 21 days after the Commission acts on its EV policy to allow time for review and assessment of how the TEP proposed EV efforts comply with and respond to the Commission’s new EV policy. See SWEEP Exception No. 2.

3. SWEEP requests that if the Commission decides to approve the TEP proposed EV programs and EV budget at the December 2018 Open Meeting, the approved funding amount ($2.2 million or the amount approved by the Commission) should not be taken from the DSM program budgets, which would further exacerbate the problem of inadequate funding for the TEP DSM programs and insufficient DSM program services for TEP customers. See SWEEP Exception No 3.

SWEEP Comments on TEP’s Exceptions to the Proposed Order

SWEEP supports TEP’s “Non-EV program exception.” If, consistent with the proposed order, the Commission does not approve the Commercial Community Development Program, then the proposed budget for that program should be used for other approved DSM programs in TEP’s DSM Plan.

SWEEP opposes TEP’s EV cost recovery exception requesting that the Commission approve the TEP-proposed recovery for investments in EV infrastructure and for EV program costs. SWEEP supports in concept much of what TEP proposed as appropriate mechanisms for cost recovery of EV infrastructure investments and EV program costs. But SWEEP strongly opposes TEP’s proposal to reduce DSM program funding in order to reallocate $2.2 million of sorely-needed DSM program monies to fund EV programs.
If the Commission chooses to act on the TEP proposed EV programs at the December 2018 Open Meeting, contrary to SWEEP's recommendation and filed exception (see SWEEP Exception No. 2), then SWEEP recommends Commission consideration of SWEEP Exception No. 3. The approved funding amount for EV programs ($2.2 million or the amount approved by the Commission) should not be taken from the DSM program budgets. Doing so would further exacerbate the problem of inadequate funding for the TEP DSM programs and insufficient DSM program services for TEP customers.

Conclusion

Thank you for the opportunity to file our three exceptions to the proposed order on the TEP 2018 DSM Implementation Plan.

Respectfully submitted this 14th day of December 2018 by the following representatives of the Southwest Energy Efficiency Project (SWEEP).

Jeff Schlegel
Ellen Zuckerman
Caryn Massey
Arizona Representative
Senior Associate
Program Associate
Purpose: To restore adequate funding for the TEP DSM programs at the level of $22.9 million annually, for the DSM programs alone, without allocating $2.2 million to the proposed EV programs.

Page 31, line 24, after “program.” INSERT:

“However, we do not support TEP’s proposal to reallocate DSM program funding to EV programs because the DSM funding is needed to support the DSM programs and deliver cost-effective DSM program services to TEP customers.”

Page 41, line 10, INSERT new ordering paragraph:

“IT IS FURTHER ORDERED that the Tucson Electric Power Company DSM budget amount of $22,916,762 is approved for DSM programs. Tucson Electric Power Company shall not shift DSM program funding to the EV programs proposed in the Supplement.”

DELETE Page 41, lines 22-28, and INSERT:

“IT IS FURTHER ORDERED that Tucson Electric Power Company shall not be allowed to shift DSM program funding from existing EE programs to the EV programs proposed in the Supplement.”

Make conforming changes.
Sweep Exception No. 2 – Proposed Amendment Language

Time/Date Prepared: ___

Company: Tucson Electric Power

Agenda Item No.: 27 – TEP 2018 DSM Plan

Docket No.: E-01933A-17-0250

Open Meeting: December 17-18, 2018

Purpose: To separate Commission consideration of the TEP proposed Electric Vehicle (EV) programs and EV budget from the 2018 DSM Implementation Plan item, and to defer Commission action on the TEP EV program proposal until at least 21 days after the Commission acts on its EV policy to allow time for review and assessment of how the TEP proposed EV efforts comply with and respond to the Commission’s new EV policy.

Page 41, line 22, INSERT new ordering paragraph:

“IT IS FURTHER ORDERED that Commission consideration of the Tucson Electric Power Company proposed Electric Vehicle (EV) programs and EV budget will be addressed separately from the 2018 DSM Implementation Plan. The Commission will defer action on the proposed TEP EV programs until at least 21 days after the Commission acts on its Electric Vehicle policy to allow time for review and assessment of how the TEP proposed EV efforts comply with and respond to the Commission’s new EV policy.

Delete Page 41, lines 22-28, and Page 42, lines 1-12, and INSERT:

“IT IS FURTHER ORDERED that Tucson Electric Power Company shall not be allowed to shift DSM program funding from existing EE programs into the EV programs proposed in the Supplement.”

Make conforming changes.
Purpose: (Needed only if the Commission decides to approve the TEP proposed EV programs and EV budget at the December 2018 Open Meeting.) To direct that the Commission-approved funding amount for the TEP proposed EV programs ($2.2 million or the amount approved by the Commission) shall not be taken from the DSM program budgets, which would further exacerbate the problem of inadequate funding for the TEP DSM programs and insufficient DSM program services for TEP customers.

Page 31, line 24, after “program.” INSERT:

“However, while we support the EV programs, we do not support Tucson Electric Power Company’s proposal to reallocate DSM program funding to EV programs because the DSM funding is needed to support the DSM programs and deliver cost-effective DSM program services to TEP customers.”

Page 41, line 10, INSERT new ordering paragraph:

“IT IS FURTHER ORDERED that the Tucson Electric Power Company DSM budget amount of $22,916,762 is approved for DSM programs. Tucson Electric Power Company shall not shift DSM program funding to the EV programs proposed in the Supplement.”

Page 42, line 13, INSERT new ordering paragraph:

“IT IS FURTHER ORDERED that while we approve the proposed Electric Vehicle (EV) programs, the Tucson Electric Power Company shall not be allowed to shift DSM program funding from existing EE programs into the EV programs proposed in the Supplement. Tucson Electric Power shall develop and file a proposal for how to fund the EV programs and EV infrastructure investments. The proposal shall comply with the Commission’s recently adopted Electric Vehicle policy.”

Make conforming changes.