SWEEP Energy Efficiency Workshop

December 7th, 2011

Denise Smith
Demand Side Resource Group
• Overview

• Results

• 2011/2012 DSM Implementation Plan
UNS / TEP Map and Company Info

- **TEP Electric Service Area**
  - Customers – 401,608
  - Sales – 9,371 GWh
  - Demand – 2,354 MW

- **UNS Gas Service Areas**
  - Customers – 145,259
  - Sales – 107,888 dTh

- **UNS Electric Service Areas**
  - Customers – 90,100
  - Sales – 1,784 GWh
  - Demand – 559 MW
<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Annual Reduction from prior year sales</th>
<th>Cumulative Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1.25% (116 GWh)</td>
<td>1.25% (116 GWh)</td>
</tr>
<tr>
<td>2012</td>
<td>1.75% (163 GWh)</td>
<td>3.00% (279 GWh)</td>
</tr>
<tr>
<td>2013</td>
<td>2.00% (189 GWh)</td>
<td>5.00% (468 GWh)</td>
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<tr>
<td>2014</td>
<td>2.25% (216 GWh)</td>
<td>7.25% (684 GWh)</td>
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<tr>
<td>2015</td>
<td>2.25% (218 GWh)</td>
<td>9.50% (902 GWh)</td>
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<tr>
<td>2016</td>
<td>2.50% (244 GWh)</td>
<td>12.00% (1,146 GWh)</td>
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<td>2017</td>
<td>2.50% (246 GWh)</td>
<td>14.50% (1,392 GWh)</td>
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<tr>
<td>2018</td>
<td>2.50% (247 GWh)</td>
<td>17.00% (1,639 GWh)</td>
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<tr>
<td>2019</td>
<td>2.50% (248 GWh)</td>
<td>19.50% (1,887 GWh)</td>
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<tr>
<td>2020</td>
<td>2.50% (250 GWh)</td>
<td>22.00% (2,137 GWh)</td>
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</tbody>
</table>
Level of EERS Standards

TEP Results (2010 - MWh)

- Residential CFL
- Commercial Lighting
- Other (Res and Comm)
- New CFL \ Business evaluation
Cost of Energy Savings, $/kWh, First Year

Source: Navigant Benchmarking
2011 / 2012 EE Plan Timeline

- EES signed by AG’s Office
- EES becomes effective
- TEP & UNSE file 2011/2012 IP
- UNS Gas file 2011/2012 IP

- October 30th, 2010
- December 30th, 2010
- January 31st, 2011
- April 6th, 2011

- TEP/UNSE requested expedited approval by June 1st, 2011
- TEP’s plan will be heard by the ACC in January
- UNS Electric and Gas are still under evaluation at the ACC
• New Programs
  – Meet the 2011 and 2012 EES

• Recovery of Lost Fixed Cost Revenue
  – Bridge mechanism (LRAM) to next rate case (2013)

• Enhanced Performance Incentive
  – Current: 10% of net benefits capped at 10% of costs
  – Proposed: 7% of net benefits capped at 10% of net benefits
2011/2012 Plan Cost / Benefits

Benefits = $183M

Costs = $83M

- Program Expense, $41M
- PI = $16M
- = $17M

Millions

- $200
- $180
- $160
- $140
- $120
- $100
- $80
- $60
- $40
- $20
- $0
Requests in order of preference:

1. ACC approve original request

2. Request a waiver from the Energy Efficiency Standard
   - Reduce programs cost to 25%
   - Cancel some programs
   - Do not start new programs

3. Request a hearing
2012 TEP Portfolio - $24 million

Residential
- New Construction (GHP)
  - Low Income Weatherization
  - Home Energy Reports
- Shade Trees
- Direct Load Control
- Efficient Products (CFL)
- Appliance Recycling
- Multi-Family Direct Install

Behavioral
- Behavioral Comprehensive
  - In-Home Energy Displays (Pilot)
  - K-12 Energy Education
  - Direct Canvassing
  - CFL Giveaway
  - Community Education

Commercial
- C&I Comprehensive
  - Prescriptive and Custom
- Small Business Direct Install
- Prescriptive
- Direct Load Control
- School Facilities
- Combined Heat and Power (CHP)
- Bid for Efficiency Pilot

Other New Programs
- Codes and Standards Residential Financing
2012 TEP Portfolio - $6.5 million

Residential
- New Construction (GHP)
- Shade Trees
- Existing Homes & Audit Direct Install

Behavioral
- Low Income Weatherization
- Efficient Products (CFL)
- K-12 Energy Education
- Community Education

Commercial
- C&I Comprehensive
- Small Business Direct Install
- Prescriptive and Custom
- New Construction
- Direct Load Control
TEP Performance Incentive (pre-tax)
(utilizing other methodologies)

<table>
<thead>
<tr>
<th>Method</th>
<th>2012</th>
<th>2011</th>
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<tbody>
<tr>
<td>TEP's Current method</td>
<td>$2,473,919</td>
<td>$1,818,248</td>
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<tr>
<td>TEP Proposed (from supplement)</td>
<td>$8,577,172</td>
<td>$6,706,524</td>
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<tr>
<td>APS method</td>
<td>$3,463,487</td>
<td>$2,545,547</td>
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<td>Xcel MN method</td>
<td>$14,702,998</td>
<td>$10,453,262</td>
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<td>Xcel CO method</td>
<td>$7,784,798</td>
<td>$6,145,619</td>
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<td>Progress Energy method</td>
<td>$11,729,144</td>
<td>$11,437,289</td>
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<td>Georgia Power method</td>
<td>$9,022,419</td>
<td>$8,797,915</td>
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<td>California method</td>
<td>$9,518,372</td>
<td>$9,439,829</td>
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Cumulative Savings (MWh)

- Direct Load Control
- Pre-Rule Credit
- Residential Load
- Commercial Load