



Southwest Energy Efficiency

Saving Money and Reducing Pollution through E.

RECEIVED



0000046216

47

2006 APR -4 A 11: 39

To: Arizona Corporation Commission  
Docket Control

From: Jeff Schlegel, SWEEP

Date: April 4, 2006

Re: Comments on the APS Residential DSM Programs; Measurement, Evaluation, and Research; and Program Flexibility  
**In the Matter of the Application of Arizona Public Service Company for Approval of its Demand Side Management Program Portfolio Plan and Related Programs**  
**Docket No. E-01345A-05-0477**

AZ CORP COMMISSION  
DOCUMENT CONTROL

The Southwest Energy Efficiency Project (SWEEP) hereby submits its comments on two APS Residential Demand Side Management (DSM) programs; the Measurement, Evaluation, and Research budget; and flexibility for the DSM programs.

- SWEEP supports the two Residential DSM programs and urges Commission approval. The two Residential programs are cost-effective and will provide over \$10 million in net benefits (benefits exceeding costs).**

SWEEP supports the two APS Residential DSM programs (New Construction and Existing Homes HVAC Efficiency) scheduled for the April 4 Open Meeting agenda. As Staff's analysis found, the two Residential programs are cost-effective with over \$10 million in net benefits (Staff Report, p. 4). Staff estimates that the two programs will reduce summer peak demand by 17.7 MW and provide 553,000 MWh of energy savings (Staff Report, p. 4). These programs will reach many residential customers in the APS service territory, assisting them in increasing their energy efficiency, and helping to mitigate the impact of rising energy prices.

SWEEP supports Staff's findings. SWEEP also supports Staff's recommended revisions to the incentive structure, customer education activities, and Quality Installation component of the Existing Homes HVAC Efficiency program (Staff Report, pgs. 16-19).

SWEEP has reviewed the Residential programs, in the APS DSM collaborative working group and since then in its review of the filed DSM program application. SWEEP urges Commission approval of the two Residential DSM programs at the April 4 Open Meeting.

**2. SWEEP supports the proposed Measurement, Evaluation, and Research activities, and urges Commission approval.**

The Measurement, Evaluation, and Research (MER) activities are essential for developing effective DSM programs, and for evaluating the savings and cost-effectiveness of the programs. SWEEP supported the baseline study (currently underway), and SWEEP agrees with APS' plan to hire a single evaluation contractor to conduct MER evaluation activities. SWEEP supports the proposed MER activities and the budget of \$3.9 million for 2005-2007.

**3. SWEEP supports flexibility in DSM program budgets and incentive levels to react to customers and the market, and to respond to evolving market conditions. SWEEP recommends that the Commission not place any further restrictions on program flexibility, beyond the limitations recommended by Staff.**

SWEEP supports program flexibility in program budgets and incentive levels. Flexibility is necessary and valuable to react to customers and the market, to respond to evolving market conditions, and to take advantage of opportunities that may not have been fully considered or available during program planning. For example:

- Incentive levels for HVAC equipment and Quality Installation may need to be revised (down or up) depending on customer or market response, the evolving level of HVAC performance requirements and performance testing in the market, changing levels of federal and state tax credits, and also as the availability of higher efficiency systems increases and the incremental costs decrease.
- The New Construction program needs to be flexible to take advantage of future opportunities to push the envelope further, beyond ENERGY STAR levels, such as with 50% more efficient homes (the federal tax credit level) combined with the Renewable Energy Standard (RES) distributed generation program (including solar PV), resulting in demonstrations or developments of zero or near zero energy homes.

SWEEP recommends that the Commission not place any further restrictions on program flexibility, beyond the limitations recommended by Staff.

Thank you for your consideration of the APS Residential DSM programs and related issues.