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To: Arizona Corporation Commission
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From: Jeff Schlegel, SWEEP

Date: April 4, 2006

Re: Comments on the APS Low Income Weatherization Program
**In the Matter of the Application of Arizona Public Service Company
for Approval of its Energy Wise Low Income Weatherization
Program (A Demand Side Management Program)
Docket No. E-01345A-05-0414**

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AZ CORP COMMISSION
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The Southwest Energy Efficiency Project (SWEEP) hereby submits its comments on the APS Energy Wise Low Income Weatherization Program, the Staff Report dated March 24, 2006, and the Recommended Opinion and Order.

SWEEP recommends one Amendment to the Recommended Order to clarify APS recovery of Health and Safety costs and Repair and Replacement expenditures.

1. SWEEP supports the Energy Wise Low Income Weatherization program and urges Commission approval.

For the following reasons, SWEEP supports the APS Energy Wise Low Income Weatherization program scheduled for the April 4 Open Meeting agenda:

- The Energy Wise Low Income Weatherization program will provide a wide range of valuable services for low income and tribal customers, including components for Weatherization, Health and Safety, Repair and Replacement, and Bill Assistance in crisis situations.
- The Weatherization component alone will reach 382 low income and tribal customers, assisting them in increasing their energy efficiency, and helping to mitigate the impact of rising energy prices.
- The Energy Wise Low Income Weatherization program budget in the APS DSM portfolio was increased by \$100,000 to \$1.1 million. The increase is needed to fund delivery of the program to tribal customers through tribal governments.
- The program will be delivered in an effective and efficient manner through Community Action Agencies and tribal governments, thereby leveraging funds from other sources including the federal LIHEAP and Weatherization programs.
- Staff's analysis, which SWEEP supports, found the Weatherization component of the Energy Wise program to be cost-effective, with a benefit/cost ratio of 1.00, noting

that monetization of the environmental benefits (which were quantified by APS but not monetized) would increase the cost-effectiveness above 1.00.¹

SWEEP has reviewed the Energy Wise Low Income Weatherization program, 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 Energy Wise Low Income Weatherization program at the April 4 Open Meeting.

2. SWEEP recommends an Amendment to the Recommended Order to clarify APS recovery of Health and Safety costs and Repair and Replacement expenditures.

SWEEP recommends an Amendment to Findings of Fact 33 and 39c to clarify that APS may continue its Health and Safety component and Repair and Replacement component activities, as Staff intended (pg. 9, lines 20-21; pg. 11, lines 8-9 of the Recommended Order), and may recover its costs from the \$10 million base rate DSM allowance, though (per Staff's recommendation) a portion of the costs may not be counted towards the APS DSM spending requirements set forth in Decision No. 67744.

Finding of Fact 33 of the Recommended Order states:

33. Staff has recommended that APS be allowed to continue the Health and Safety component and the Repair and Replacement component, but that the costs not be counted toward APS' DSM spending requirements except in the following situations:
- a. When installing (for Health and Safety) or replacing an air conditioner, heat pump, or other appliance, APS may only count the incremental cost between an average appliance model and a more energy-efficient appliance model toward its minimum DSM spending requirements.
 - b. When repairing an appliance, costs for repairs may only be counted as DSM if the repair results in a reduction of energy use.

SWEEP recommends that the following sentence be added to the end of Finding of Fact 33:

APS may recover the funding for Health and Safety component and Repair and Replacement component costs from the \$10 million base rate DSM allowance; however such costs, other than those as described in paragraphs 33a and 33b, will not count towards the DSM spending mandate of Decision No. 67744.

¹ A benefit/cost ratio of 1.00 simply means that benefits equal costs. By definition, a DSM program with a benefit/cost ratio of 1.00 equals the value of the marginal supply resource used for the avoided cost analysis.

SWEEP also recommends that a similar clarification be added to the end of Finding of Fact 39c:

APS may recover the funding for Health and Safety component and Repair and Replacement component costs from the \$10 million base rate DSM allowance; however such costs, other than those as described in paragraphs 39c.i. and 39c.ii., will not count towards the DSM spending mandate of Decision No. 67744.

With these two clarifications, APS may continue the Health and Safety component and Repair and Replacement component activities as Staff intended, and recover the costs from the \$10 million base rate DSM allowance, with one portion (the incremental costs of the energy efficiency) counting towards the DSM spending requirement, and with the other portion (the base costs of the standard, less efficient measures) not counting towards the DSM spending requirement (but still recovered from the \$10 million in base rates).

Thank you for your consideration of the APS Energy Wise Low Income Weatherization program.