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BEFORE THE ARIZONA CORPORATION COMMISSION

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KRISTIN K. MAYES
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IN THE MATTER OF THE APPLICATION OF THE ARIZONA PUBLIC SERVICE COMPANY FOR APPROVAL OF ITS DEMAND-SIDE MANAGEMENT PROGRAM PORTFOLIO PLAN UPDATE 2008-2010

Docket No. E-01345A-07-0712

SWEEP'S SUPPLEMENTAL COMMENTS ON THE RECOMMENDED OPINION AND ORDER

The Southwest Energy Efficiency Project (SWEEP) herein submits its *supplemental* comments in response to the Commission Staff Report on the Arizona Public Service (APS) Company's Application for Approval of its Demand-Side Management (DSM) Program Portfolio Plan Update for 2008-2010 (Portfolio Plan Update), and the associated Recommended Opinion and Order (ROO) filed in this docket on December 2, 2008.

These comments supplement SWEEP's comments filed on December 12, 2008; specifically, these comments supplement and clarify the second SWEEP recommendation (SWEEP #2). The clarifications to SWEEP #2 are necessary because some of the underlying DSM savings data that SWEEP used in its analysis, which are included in documents APS has filed with the Commission, are internally inconsistent, i.e., some data are based on *total* savings (gross savings) and other data are based on *net* savings. APS informed SWEEP of this data inconsistency on December 16, 2008 after reviewing SWEEP's comments. SWEEP has revised its analysis and has corrected the DSM data inconsistency to the extent possible, given the available time, using data APS provided directly to SWEEP. SWEEP has also clarified its recommendation #2 accordingly.

SWEEP offers no revisions to its other comments and recommendations filed on December 12, 2008. SWEEP urges the Commission to adopt all of SWEEP's recommendations, including clarified SWEEP #2, which are in the public interest.

1. SWEEP proposes the following clarified recommendation as a replacement for SWEEP #2. The clarified recommendation specifies that the consistent basis for the SWEEP-proposed increase in the average annual energy savings target is *total* (gross) savings, resulting in an average annual *total* energy savings target for 2008-2010 of at least 325,000 MWh, which is 25% higher than the annual *total* energy savings reported for 2007.

SWEEP recommendation #2, filed on December 12, 2008, stated:

> SWEEP recommends the target for average annual energy savings in 2008-2010 be increased to a level that is at least 25% higher than reported annual energy savings in 2007. The APS-proposed annual energy savings in the 2008-2010 DSM Portfolio Plan Update are lower than the reported annual energy savings achieved in 2007.

In its December 12, 2008 comments, SWEEP stated its concern that the APS-proposed annual energy savings for 2008 are a 23% decrease compared to the 2007 reported results (201,475 MWh in 2008 vs. 260,105 MWh in 2007). SWEEP Exhibit A. The average annual energy savings for the 2008-2010 period (219,151 MWh) are 15.7% lower than the reported annual energy savings for 2007. Yet the average annual budgets for 2008-2010 are 31.5% higher than the actual expenditures in 2007.[1]

SWEEP's analysis and the chart in SWEEP Exhibit A were based on data APS has filed with the Commission.[2] After reviewing SWEEP's comments, APS notified SWEEP of inconsistencies in the APS data SWEEP used in its analysis. Specifically, some of the DSM energy savings data over the time period analyzed are based on *total* savings (gross savings) while other savings data are based on *net* savings. This data inconsistency explains and accounts for part (but only part) of the gap in energy savings summarized in the paragraph above and shown in SWEEP Exhibit A. (Note that one example of an adjustment of total (gross) savings to derive net savings is reducing the

[1] The budget increase to $25.5 million annually is due to the $6 million per year of "make-up" funding added to 2008-2010 as a result of the under-spending of the $48 million spending obligation in 2005-2007 approved in Decision No. 67744 (APS Rate Case Settlement Agreement). Staff Report, p. 5.

[2] Annual energy savings and expenditures/budget data are from the APS DSM Semi-Annual Reports, APS corrections to those reports, the 2008-2010 DSM Portfolio Plan Update, and the APS response to data request WRA 1.1 in the APS Rate Case (08-0172).

total savings reported by the CFL retail mark-down program to account for the percentage of CFLs purchased by individuals who are not APS customers. In its planning, APS has used a net-to-gross adjustment factor of 60% to determine net savings, meaning that 60% of all CFLs purchased in the Consumer Products program are estimated to be installed and providing energy savings in buildings in the APS service territory, and 40% are estimated to not be providing savings in the APS territory, because of "leakage" outside the territory or because some of the purchased CFLs are not installed and operating.)[3]

APS reported *total* energy savings for the 2005-2007 period. For the 2008-2010 DSM Portfolio Plan, APS used a mixture of *total* energy savings for the non-residential programs and *net* energy savings for the residential programs. SWEEP Exhibits A, B, and C (attached) show the data graphically, with Exhibit A presenting the inconsistent and problematic mixture of *total* and *net* savings data, Exhibit B showing *total* energy savings across the six program years on a consistent basis, and Exhibit C comparing *net* and *total* energy savings for each year in the 2008-2010 DSM Portfolio Plan.

As shown in SWEEP Exhibit B, even when the energy savings data are presented on a consistent basis, the APS-proposed annual *total* energy savings for 2008-2010 are still too low and insufficient. The APS-proposed annual *total* energy savings for 2008 are only 4.2% higher than the equivalent reported savings for 2007. The average annual *total* energy savings for the three-year period are only 11.2% higher than the reported *total* savings value for 2007. Yet the average annual budgets for 2008-2010 are 31.5% higher than the actual expenditures in 2007.

For its clarified recommendation (below), SWEEP used *total* (gross) savings on a consistent basis across all six program years of data. While, in general, net savings could also be used to set DSM savings targets, in this case SWEEP was limited to using *total* savings because net savings data were not available from APS for the 2005-2007 period.

[3] The recently-completed MER study found that 77% of the total savings (gross) were realized in the APS service territory, a significantly higher evaluation result than the APS planning net-to-gross factor of 60%.

SWEEP's Clarified Recommendation, SWEEP #2

SWEEP recommends that the Commission increase the annual *total* energy savings targets for 2008-2010, with commensurate adjustments to the proposed lifetime energy savings, MW savings, environmental benefits, economic benefits, and net benefits. Specifically, SWEEP recommends that the target for average annual *total* energy savings for the 2008-2010 period be increased to a level that is at least 25% higher than the reported annual *total* energy savings for 2007, resulting in an annual *total* energy savings target of at least 325,000 MWh. This is calculated by increasing the annual *total* energy savings reported for 2007 (260,105 MWh) by 25%. Table 1 summarizes SWEEP's clarified recommendation and compares the recommended annual *total* energy savings target to the 2007 reported and APS-proposed energy savings levels.

Table 1 (revised): Annual Energy Savings from APS DSM Programs

	2007 Reported Annual Energy Savings (Total or Gross)	2008 APS Proposed Annual Energy Savings (Net)	2008 APS Proposed Energy Savings (Total or Gross)	Average Annual Energy Savings in 2008-2010		
				APS Proposed (Net)	APS Proposed (Total or Gross)	SWEEP Proposed (Total or Gross)
Average Annual Energy Savings (MWh)	260,105	201,475	270,911	219,151	289,301	**At least 325,000**
% Increase Relative to 2007 Energy Savings			4.2% higher than 2007		11.2% higher than 2007	**25% higher than 2007**
Annual Energy Savings as a % of Retail Electricity Sales	0.89%	0.70%	0.94%	0.75%	0.99%	**1.1%**

As shown in Table 1, achieving the higher energy savings that SWEEP recommends would result in annual *total* energy savings equivalent to about 1.1% of retail electricity sales. Achieving annual energy savings greater than 1% of retail energy

sales is an important milestone recognized nationally, which would demonstrate Arizona's commitment to increasing energy efficiency to benefit consumers and businesses.

The 25% increase above the reported annual *total* energy savings for 2007 is a very reasonable incremental increase for 2008-2010, especially when compared to the historical growth rate in annual *total* energy savings (over 200% annually on average in 2005-2007) as the programs have ramped up. The strong performance of the DSM programs in 2007, together with the increased customer interest in the programs, demonstrates that these higher levels of cost-effective savings can be achieved.

The increased customer energy savings can be achieved through increased customer participation in several programs, as discussed in SWEEP's December 12, 2008 comments.

To implement the increased energy savings target for 2008-2010, APS should submit a compliance filing within 30 days. The compliance filing should consist of one or more tables documenting the increased yearly and three-year values for annual energy savings (*total* and *net*), as well as the commensurate adjustments to yearly and three-year values for the DSM budgets, lifetime energy savings, MW peak demand reductions, emission reductions and environmental benefits, economic benefits, and net benefits.

To implement the increased energy savings target for 2008-2010, SWEEP recommends the following clarified ordering paragraph (revisions to the SWEEP-proposed December 12th recommendation are shown in redline/strikethrough):

The target for average annual total (or gross) energy savings from DSM programs in 2008-2010 shall be increased to at least 325,000 MWh, which is 25% higher than the reported annual total (or gross) energy savings for~~in~~ 2007. Within 30 days, APS shall submit a compliance filing consisting of one or more tables documenting the increased yearly and three-year values for annual total energy savings and annual net energy savings, as well as the commensurate adjustments to yearly and three-year values for the DSM budgets, lifetime energy savings, MW peak demand reductions, emission reductions and environmental benefits, economic benefits, and net benefits.

It is essential that the Commission set higher energy savings targets for 2008-2010 in this proceeding, to increase the savings and benefits customers receive in the near

term, and to continue the ramp up of cost-effective DSM programs in the APS service territory. Delaying this matter to the APS rate case or another docket will delay and reduce the benefits and net benefits customers receive, and increase total customer costs, which is counter to the public interest.

In terms of the inconsistencies in the APS DSM data, SWEEP recommends that APS should file, in this docket and in the docket for the APS DSM Semi-Annual Reports, a report for the 2005-2007 period, with yearly and three-year values for annual energy savings (*total* and *net*), as well as the commensurate adjustments to yearly and three-year values for lifetime energy savings, MW peak demand reductions, emission reductions and environmental benefits, economic benefits, and net benefits. This would ensure that all reported data for the 2005-2007 program years would be available in one report, without any data inconsistencies. The inconsistencies in 2008-2010 data should be addressed and resolved in the compliance filing recommended above.

Thank you for the opportunity to submit these supplemental comments on the Recommended Opinion and Order and the Staff Report.

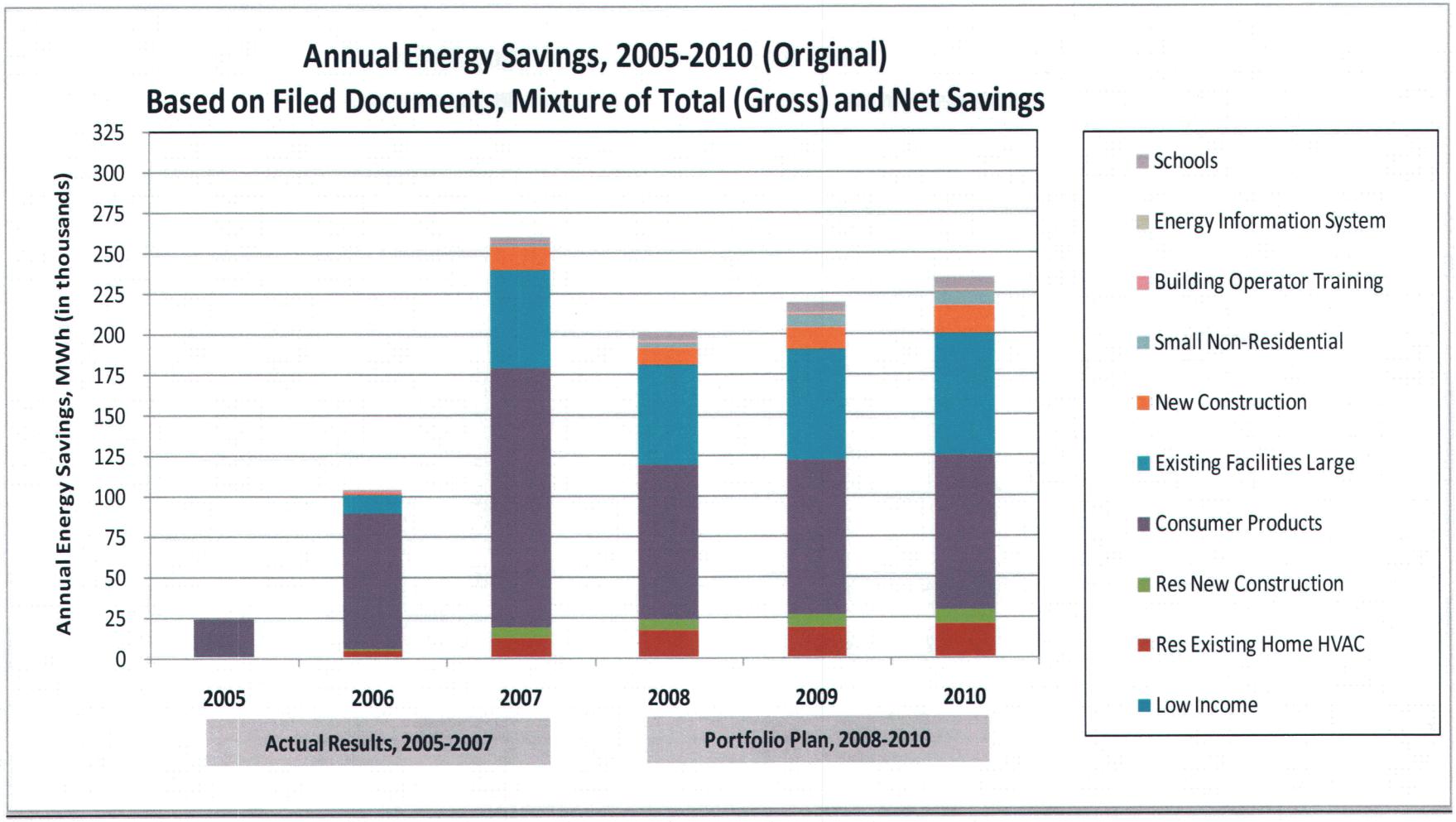
ORIGINAL and 13 COPIES of
the foregoing filed this 18th day of
December, 2008, with:

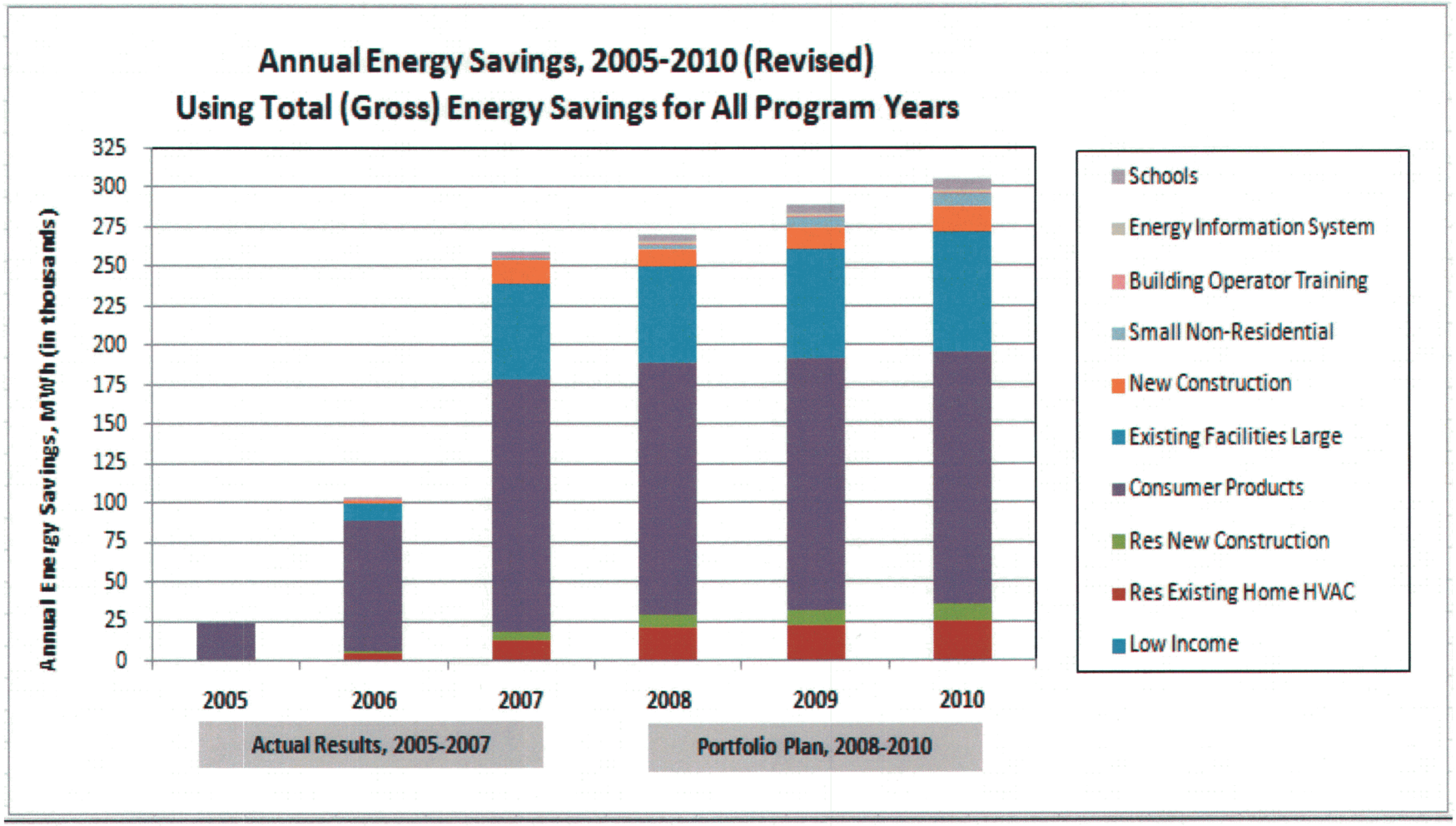
Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

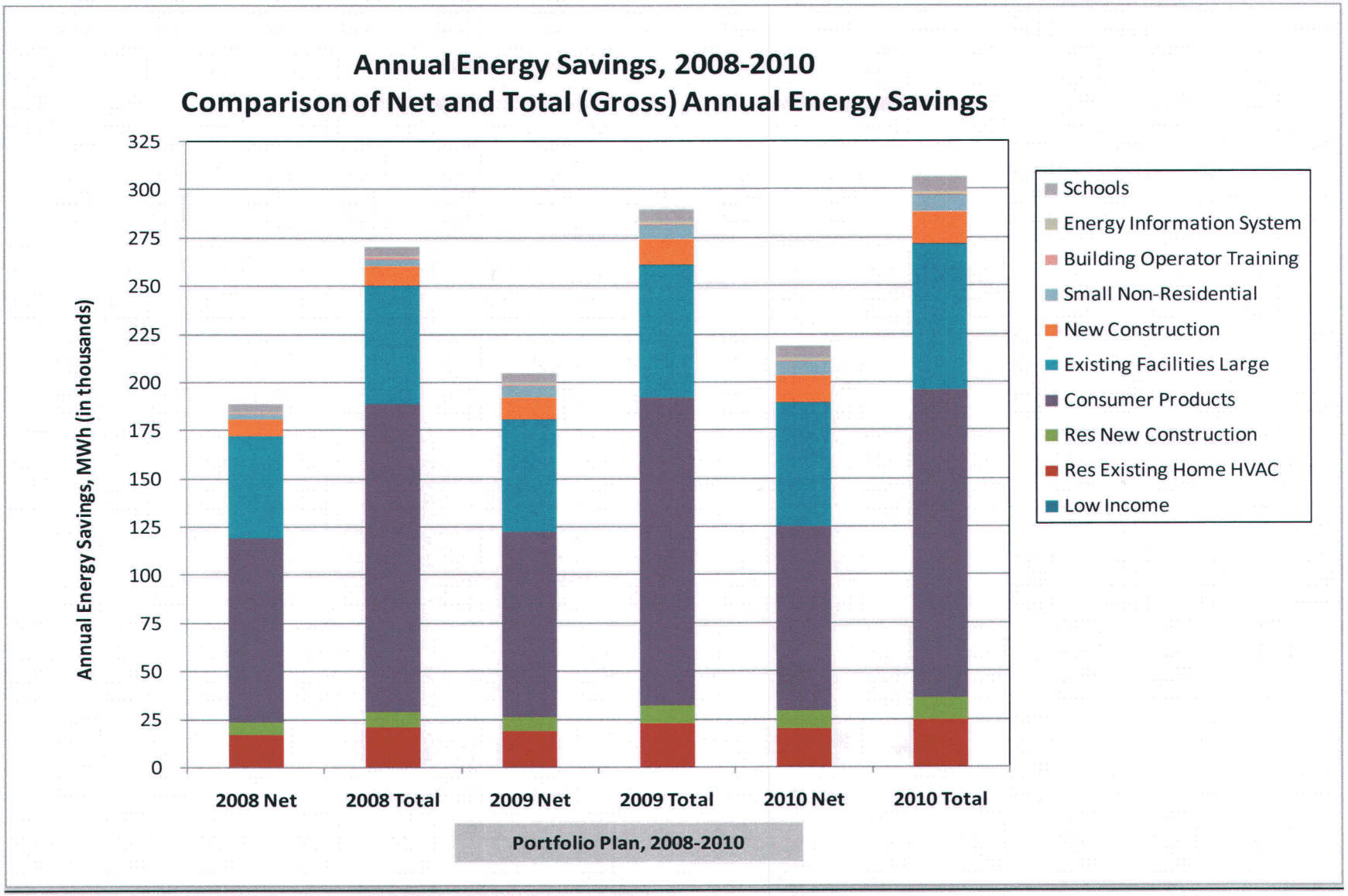
COPIES of the foregoing
electronically transmitted
this 18th day of December, 2008
to:

All Parties of Record

Beth Nelson


Annual Energy Savings, 2005-2010 (Original)
Based on Filed Documents, Mixture of Total (Gross) and Net Savings
Annual Energy Savings, MWh (in thousands)
325
300
275
250
225
200
175
150
125
100
75
50
25
0
2005
2006
2007
2008
2009
2010
Actual Results, 2005-2007
Portfolio Plan, 2008-2010
Schools
Energy Information System
Building Operator Training
Small Non-Residential
New Construction
Existing Facilities Large
Consumer Products
Res New Construction
Res Existing Home HVAC
Low Income


Annual Energy Savings, 2005-2010 (Revised)
Using Total (Gross) Energy Savings for All Program Years
Annual Energy Savings, MWh (in thousands)
325
300
275
250
225
200
175
150
125
100
75
50
25
0
2005
2006
2007
2008
2009
2010
Actual Results, 2005-2007
Portfolio Plan, 2008-2010
Schools
Energy Information System
Building Operator Training
Small Non-Residential
New Construction
Existing Facilities Large
Consumer Products
Res New Construction
Res Existing Home HVAC
Low Income


Annual Energy Savings, 2008-2010
Comparison of Net and Total (Gross) Annual Energy Savings
Annual Energy Savings, MWh (in thousands)
325
300
275
250
225
200
175
150
125
100
75
50
25
0
2008 Net
2008 Total
2009 Net
2009 Total
2010 Net
2010 Total
Portfolio Plan, 2008-2010
Schools
Energy Information System
Building Operator Training
Small Non-Residential
New Construction
Existing Facilities Large
Consumer Products
Res New Construction
Res Existing Home HVAC
Low Income