



Grand Canyon State Electric Cooperative Association, Inc.

Your Touchstone Energy® Cooperatives 



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ORIGINAL

February 20, 2009

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

Arizona Corporation Commission
DOCKETED

FEB 20 2009

Re: *Electric Cooperatives' Comments on Energy Efficiency*
(Docket Nos. E-00000J-08-0314 & G-00000C-08-0314)

DOCKETED BY 

Dear Sir/Madam:

On January 30, 2009, the Arizona Corporation Commission Staff filed a letter in these dockets requesting that certain questions related to energy efficiency be answered by interested parties.

The following comments on Staff's questions are provided by Duncan Valley Electric Cooperative, Inc. ("DVEC"); Graham County Electric Cooperative, Inc. ("Graham"); Graham County Utilities ("Graham Utilities"); Mohave Electric Cooperative, Inc. ("Mohave"); Navopache Electric Cooperative, Inc. ("Navopache"); Trico Electric Cooperative, Inc. ("Trico"); and Sulphur Springs Valley Electric Cooperative, Inc. ("Sulphur") (collectively, "Cooperatives").

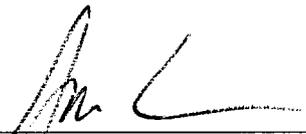
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Sincerely,

GRAND CANYON STATE ELECTRIC
COOPERATIVE ASSOCIATION

By



John V. Wallace

Original and thirteen (13) copies of
Electric Cooperative's Comments
filed this 20th day of February, 2009
with:

DOCKET CONTROL
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

ELECTRIC COOPERATIVE COMMENTS
ON ENERGY EFFICIENCY FOR GAS AND ELECTRIC UTILITIES
(DOCKET NOS. E-00000J-08-0314 & G-00000C-08-0314)

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Introduction

On January 30, 2009, the Arizona Corporation Commission Staff filed a letter in these dockets requesting that certain questions related to energy efficiency be answered by interested parties.

The following comments on Staff's questions are provided by Duncan Valley Electric Cooperative, Inc. ("DVEC"); Graham County Electric Cooperative, Inc. ("Graham"); Graham County Utilities ("Graham Utilities"); Mohave Electric Cooperative, Inc. ("Mohave"); Navopache Electric Cooperative, Inc. ("Navopache"); Trico Electric Cooperative, Inc. ("Trico"); and Sulphur Springs Valley Electric Cooperative, Inc. ("Sulphur") (collectively, "Cooperatives").¹

¹ The Cooperatives reserve the right, individually and collectively, to provide additional or different comments and positions on any of these issues in the future. The Cooperatives, individually and collectively, also reserve the right to modify the opinions expressed below as new information and input becomes available.

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Energy Efficiency in Arizona: Existing Programs and Measures

- 1. Which energy efficiency programs and program strategies are most effective in assisting particular customer segments such as low and moderate income residential customers, households on fixed incomes, customers in existing homes (owner-occupied and rental), schools, local governments, small businesses, and large businesses?**

Cooperatives' Response: The Cooperatives believe that the EE programs that are most effective are those that are the least cost to their members while providing the most benefit. The Cooperatives believe that these programs include energy efficient lighting such as CFLs for all customer segments, weather stripping and insulation for low income and residential segments, energy audits for members to determine how their home insulation values can be improved, low-cost weatherization loans (Energy Resource Conservation, ERC Loans) which are offered by some cooperatives to finance improvements to homes to increase energy efficiency, and to purchase Electric Thermal Storage (ETS) heating systems. ETS heating systems are energy efficient as they allow members to enjoy the greatest benefit from of time-of-use rates. Time-of-use rates offer lower electric rates for off-peak time periods, allowing members to utilize electricity for home heating at a discount. An electric water heater rebate program that replaces older, less efficient electric water heaters is another example of a beneficial EE program. Some cooperatives offer a free

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appliance timer and a rebate to encourage members to install new efficient electric water heaters, and to limit the use of the water heater to off-peak time periods, resulting in a lower cost to operate the appliance. Another EE program which could provide a cost savings benefit to members would be a utility sponsored program to encourage the use of set-back thermostats. There are providers who are soliciting utilities to offer this type of EE program for their customers.

- 2. What studies have the Arizona utility companies or other parties conducted over the past decade regarding the various energy efficiency options available in Arizona? (a) Which options produced the best in energy savings/costs? (b) Which produced the most energy efficient jobs? (c) Please provide data for, but not limited to, the following options: (i) Home Energy Audits; (ii) Solar water heater systems; (iii) Insulation/weatherization of residential properties and commercial properties; (iv) Incentives and rebates for Energy Star appliances; and (v) Landscaping to provide shading and passive solar.**

Cooperatives' Response: The Cooperatives are not aware of Arizona specific EE studies conducted by Arizona utilities or other parties. The Cooperatives are familiar with several national studies conducted on EE by numerous parties. Some of these studies are available on various EE websites such as eia.doe.gov. This is the annual

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report regarding energy efficiency and demand response that all utilities must complete annually.

Energy Efficiency in Arizona: New Programs and Measures

- 3. How can the energy efficiency efforts and programs be increased to provide even more benefits to customers? Specifically, how can the energy efficiency programs reach more customers and provide greater energy savings for each customer?**

Cooperatives' Response: The Cooperatives believe the ways to increase participation in EE programs are through more customer education and advertising regarding the availability and benefits of these programs and by offering customers options to lower the cost of EE programs. Similar to the Renewable Energy Standard and Tariff ("REST"), there is a fine line between the costs of offering incentives and rebates for customer participation in EE programs and not exceeding the benefits associated with the energy/demand savings from such EE programs. It may be worthwhile to see if there is an annual executive summary prepared on the results of EIA reporting by utilities. There may be some conclusions reached that would influence more members to participate in EE programs. It would be up to the utility

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to publicize the results of this report for customers if they indicate that there is a positive outcome to EE programs currently in effect and reported to the DOE.

- 4. Are there additional cost-effective energy efficiency programs or enhancements of existing programs that should be implemented? What new energy efficiency programs or measures, such as direct install, could be implemented to enhance energy efficiency for utility customers?**

Cooperatives' Response: As a part of offering their DSM programs, the Cooperatives are continually looking for new EE programs. Historically the issue has not been finding new EE programs but determining that they are cost effective for the cooperatives and will work for and be adopted by cooperative members.

Regulatory Elements

- 5. Are there specific actions the Commission should take to support energy efficiency programs?**

Cooperatives' Response: Historically the Commission has supported EE programs by approving their costs in a utility's rates through Demand Side Management ("DSM") adders/rate adjustors. One way the Commission could improve this process is to streamline the approval process for existing and new EE programs.

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Programs that have been proven over time may require reporting but should not need the same type of Commission approval as new EE programs. The Commission could also streamline the approval process for new EE programs by setting criterion such as the limiting participation, number of projects or dollar amount that can be spent, while at the same time encouraging utilities to adopt new EE programs.

- 6. Are there procedural options available to the Commission to accelerate progress towards increased energy efficiency?**

Cooperatives' Response: See response to Question No. 5.

Societal Goals

- 7. Would an annual energy efficiency standard or goal heighten the utilities' incentive to manage energy efficiency programs to maximize results?**

Cooperatives' Response: While goals typically heighten incentives to manage programs to maximize results, the results must be achievable and within the control of a utility to be obtained. EE programs for customers are completely voluntary and can not be mandated except through the use of interruption and load curtailment techniques. EE programs are also offered by other parties who are not utilities thereby providing competition for a customer's available funds. Cooperatives are

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reliant their members to adopt EE measures and should not be held to meeting goals or penalized for not meeting EE goals. Customers have limits on the amount they can or want to conserve.

As the case with the REST Rules, one set of EE goals is not appropriate for all utilities. The larger cooperatives for example have established DSM and EE programs. The smaller cooperatives primarily use news letters and bill inserts to educate their members on the nature of EE programs and how to save energy and refer customers to EE information sources. Each cooperative would need separate, achievable goals because one set of Cooperative goals would also not be appropriate.

In conclusion there are many factors that are outside the Cooperative's control making it difficult to plan or meet EE goals.

- 8. What energy savings goals or standards should be set to increase energy efficiency in Arizona? How should an energy efficiency standard or goal be based (for example, on load or total resources), and at what level?**

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Cooperatives' Response: See response to Question No. 7. The Cooperatives believe it would be difficult to set a meaningful standard or goals for EE at certain levels regardless of the basis chosen.

9. **How should the results of energy efficiency programs be publicly reported so that Arizona consumers can easily assess the effectiveness of those programs?**

Cooperatives' Response: The Cooperatives believe that results of EE programs could be reported once a year to their members as a part of a cooperative's annual meeting of its members or in a cooperative news letter to its members. Cooperatives could post their EE programs on their websites and keep a running total of participating members and the cost savings achieved for both the customer and the utility.

Impacts on Utilities

10. **What are the likely impacts on utility companies of increasing energy efficiency?**

Cooperatives' Response: If a utility can include known, measurable and long-term EE measures in the planning of its future power supply, then EE programs may decrease the need for new generation. It is doubtful that EE programs could offset the growth and increase in demand for electric service. The Cooperatives believe that

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Arizona is presently the second fastest growing state in the union; with growth comes increased demand for electric service. EE programs should not be counted on for delaying additional generation capacity, but rather for the savings to the individual member and the improved customer relations between the utility and its customers.

On the other hand, EE programs that are adopted by customers will result in less revenues and margins being collected from those customers which may negatively impact the financial condition of the a cooperative. Revenue erosion is a true concern and will occur to some degree. However as mentioned earlier, growth, if it continues at its present pace in AZ, can help offset the impact of a reduction in energy usage and the associated revenue impact of EE programs. Revenue erosion will impact the utility's ability to cover its fixed transmission and distribution costs. See discussion of "decoupling" in response to Question No. 11.

Incentives/Funding

11. What role can or should decoupling play in efforts aimed at energy efficiency?

Cooperatives' Response: Revenue decoupling and possibly weather normalization mechanisms may be advantageous in certain circumstances and should be considered by the Commission. Decoupling is essential to maintain the revenue stream to cover

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the utility's fixed costs to provide service. As EE programs are focused on energy consumption, a reduction in energy consumption reduces that customer's contribution to the utility's fixed costs, which are presently collected through the distribution charges based on kWh consumption. To offset this impact, distribution fixed costs should be moved to the monthly minimum charge to maintain the utility's ability to cover its fixed costs, and not be collected through a kWh consumption charge.

12. **In addition to decoupling, what other incentives, such as performance incentives, could be used to counter the disincentive of reduced sales that arise from energy efficiency programs?**

Cooperatives' Response: The Cooperatives are generally aware of cases where lost net revenues have been considered by the Commission as a way to compensate utilities for lost sales due to conservation and EE programs. As mentioned previously, allowing the utility to move the fixed transmission and distribution costs into the monthly minimum or monthly service charge and removing the collection of fixed costs from the distribution kWh charges would be another way. The Cooperatives are not aware of any other incentives, such as performance incentives, that could be used to counter the disincentive of reduced sales that arise from energy efficiency programs.

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13. How should a performance incentive be structured?

Cooperatives' Response: Incentives may be an appropriate tool for IOUs, but the only "incentives" that work for cooperatives are those that increase the quality of service or decrease costs for our members. Instead of a profit incentive, the Cooperatives would rather have the regulatory flexibility to collect necessary expenses in an efficient, cost-effective and timely fashion rather than an incentive structure designed to increase margins.

14. How can funding mechanisms be modified to increase utilities' incentive to more fully engage in energy efficiency programs?

Cooperatives' Response: See response to Question No. 5. Streamlining the approval process for EE programs and their funding sources will increase the amount of EE programs that can be offered to customers.

15. Is additional funding needed for energy efficiency programs and, if so, what level of funding would produce the most benefits in relation to the cost?

Cooperatives' Response: Additional funding will be necessary to increase the number of EE programs offered and to increase customer awareness of these programs. The level of funding that would produce the most benefits in relation to the cost is dependent on the individual cooperative and the current and future EE

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programs that are being or could be offered. It would be up to the Cooperatives to offer proposals for additional funding through a competitive process as noted in the response to Question 16.

- 16. If the Federal Economic Recovery package is adopted and includes significant funding for energy efficiency programs, how best should these monies be spent to enhance energy efficiency in Arizona?**

Cooperatives' Response: The Cooperatives believe that the EE programs that provide the largest benefits for the dollars invested should be funded first.

Cooperatives could submit specific proposals for EE programs and upon review and acceptance by the ACC, be awarded funds directly to implement such programs.

- 17. What specific energy efficiency programs, measures or delivery mechanisms would produce the most results from additional funding?**

Cooperatives' Response: The energy efficiency programs, measures or delivery mechanisms that would produce the most results from additional funding are dependent on the individual cooperative and the current and future EE programs that are being or could be offered. Programs which allow the Cooperatives to participate in economic development through EE programs in their local service territories could produce good results from additional funding. Cooperatives could fund programs

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through cooperation with local retailers to provide opportunities for its customers to purchase energy saving appliances at a discount. An example would be if it is discovered that there is value in the idea of promoting set-back thermostats to its customers, a relationship with local electric supply outlets and cooperative funding assistance could be a good opportunity to use additional funding.