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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
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Arizona Corporation Commission

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IN THE MATTER OF THE INVESTIGATION )  
OF REGULATORY AND RATE INCENTIVES) )  
FOR GAS AND ELECTRIC UTILITIES )

Docket Nos. E-00000J-08-0314  
G-00000C-08-0314

Electric Cooperative Comments  
On Energy Efficiency Gas and  
Electric Utilities

**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 Mohave Electric Cooperative and Navopache Electric Cooperative as a supplement to the comments filed by the Grand Canyon Electric Cooperative and its members referred to as the "Collective Cooperative Comments."

**Incentives/Funding**

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

*Mohave and Navopache Response: Mohave and Navopache believe decoupling should not yet be adopted and deserves further study. In the telecommunication field the adoption of a Universal Rate Tariff was an early method of decoupling, recognizing the need to provide revenue but at the same time recognizing certain accounts or activities could not be placed*

1        *into rates. Decoupling should be studied but should not yet be adopted. Revenue*  
2        *decoupling and possibly weather normalization mechanisms may be advantageous in*  
3        *certain circumstances and should be considered by the Commission. Decoupling is*  
4        *essential to maintain the revenue stream to cover the utility's fixed costs to provide service.*  
5        *As EE programs are focused on energy consumption, a reduction in energy consumption*  
6        *reduces that customer's contribution to the utility's fixed costs, which are presently*  
7        *collected through the distribution charges based on kWh consumption. To offset this*  
8        *impact, distribution fixed costs should be moved to the monthly minimum charge to*  
9        *maintain the utility's ability to cover its fixed costs, and not be tied to kWh consumption.*

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

14        ***Mohave and Navopache Response:** It is important to note that in Colorado and in New*  
15        *Mexico the use of incentives were the result of studies of investor owned utilities and not*  
16        *Cooperatives. The Colorado study omitted study of Cooperatives because Cooperatives are*  
17        *not regulated and are non jurisdictional in Colorado. The New Mexico proposed rule is*  
18        *only proposed and only applies to "each investor-owned electric utility..." Member owned*  
19        *Rural Electric Cooperatives need special study and consideration of their regionally unique*  
20        *and rural characteristics before there are mandates. The Cooperatives are generally*  
21        *aware of cases where lost net revenues have been considered by the Commission as a way*  
22        *to compensate utilities for lost sales due to conservation and EE programs. The*  
23        *Cooperatives are not aware of any other incentives, such as performance incentives, that*  
24        *could be used to counter the disincentive of reduced sales that arise from energy efficiency*  
25

1 programs. Allow the utility to move the fixed T & D costs into the monthly minimum or  
2 monthly service charge, removing the collection of fixed costs from the distribution  
3 charges.

4 **13. How should a performance incentive be structured?**

5 *Mohave and Navopache Response: It is important to note that in Colorado and in New*  
6 *Mexico the use of incentives were the result of studies of investor owned utilities and not*  
7 *Cooperatives. The Colorado study omitted study of Cooperatives because Cooperatives are*  
8 *not regulated and are non jurisdictional in Colorado. The New Mexico proposed rule is*  
9 *only proposed and only applies to "each investor-owned electric utility..." Member owned*  
10 *Rural Electric Cooperatives need special study and consideration of their regionally unique*  
11 *and rural characteristics before there are mandates. Incentives may be an appropriate tool*  
12 *for IOUs, but the only "incentives" that work for cooperatives are those that increase the*  
13 *quality of service or decrease costs for our members. Instead of a profit incentive, the*  
14 *Cooperatives would rather have the regulatory flexibility to collect necessary expenses in*  
15 *an efficient, cost-effective and timely fashion rather than an incentive structure designed to*  
16 *increase margins.*

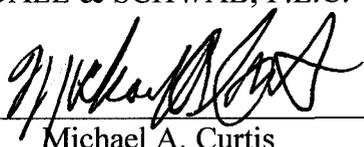
17  
18 **14. How can funding mechanisms be modified to increase utilities' incentive to**  
19 **more fully engage in energy efficiency programs?**

20 *Mohave and Navopache Response: It is important to note that in Colorado and in New*  
21 *Mexico the use of incentives were the result of studies of investor owned utilities and not*  
22 *Cooperatives. The Colorado study omitted study of Cooperatives because Cooperatives are*  
23 *not regulated and are non jurisdictional in Colorado. The New Mexico proposed rule is*  
24 *only proposed and only applies to "each investor-owned electric utility..." Member owned*  
25

1 *Rural Electric Cooperatives need special study and consideration of their regionally unique*  
2 *and rural characteristics before there are mandates. Streamlining the approval process for*  
3 *EE programs and their funding sources will increase the amount of EE programs that can*  
4 *be offered to customers.*

5 Respectfully Submitted this 20<sup>th</sup> day of February, 2009.

6 CURTIS, GOODWIN, SULLIVAN,  
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8  
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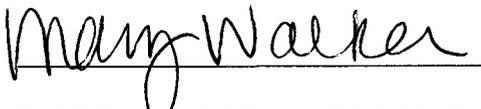
Attorneys for Mohave Electric Cooperative, Inc.

and Navopache Electric Cooperative, Inc.

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