



**Grand Canyon State Electric  
Cooperative Association, Inc.**

Your Touchstone Energy<sup>®</sup> Cooperatives



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AZ CORP COMMISSION  
DOCKET CONTROL  
March 25, 2009

ORIGINAL

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

Arizona Corporation Commission  
**DOCKETED**

MAR 25 2009

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

DOCKETED BY

Dear Sir/Madam:

On March 6, 2009, the Arizona Corporation Commission held a workshop on Energy Efficiency ("EE"). During this workshop, Chairman Mayes asked all utilities to file information in these dockets on average residential and business bill impacts of decoupling, future test year concept, and performance incentives for meeting 85%, 100% and exceeding the 1.5% annual energy savings goal.

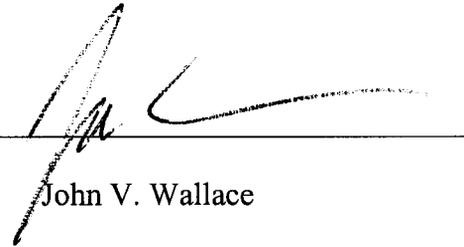
The following comments on Chairman Mayes' questions are provided by Duncan Valley Electric Cooperative, Inc. ("Duncan"); Graham County Electric Cooperative, Inc. ("Graham"); Graham County Utilities ("Graham Utilities"); Mohave Electric Cooperative, Inc. ("Mohave"); Navopache Electric Cooperative, Inc.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

Docket Control  
March 25, 2009  
Page 2

Sincerely,

GRAND CANYON STATE ELECTRIC  
COOPERATIVE ASSOCIATION

By



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John V. Wallace

Original and fifteen (15) copies of  
Electric Cooperative's Comments  
filed this 25<sup>th</sup> day of March, 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)**

**March 25, 2009**

**Introduction**

On March 6, 2009, the Arizona Corporation Commission held a workshop on Energy Efficiency ("EE"). During this workshop, Chairman Mayes asked all utilities to file information in these dockets on average residential and business bill impacts of decoupling, future test year concept, and performance incentives for meeting 85%, 100% and exceeding the 1.5% annual energy savings goal.

The following comments on Chairman Mayes' questions are provided by Duncan Valley Electric Cooperative, Inc. ("Duncan"); 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").

**ELECTRIC COOPERATIVE COMMENTS**

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**(DOCKET NOS. E-00000J-08-0314 & G-00000C-08-0314)**

**March 25, 2009**

- 1. Are the Cooperatives able to increase the amount and scope of their energy efficiency programs and program strategies in their service areas?**

*Cooperatives' Response: The Cooperatives are committed to increasing the amount and scope of their EE programs. 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.*

- 2. What is 1.5 percent of each cooperative's annual amount of sales in kWh?**

*Cooperatives' Response: Below is a table that shows these amounts.*

Duncan 2008 kWh Sales - 26,360,023 kWh \* 1.5% = 395,400 kWh  
Graham 2008 kWh Sales - 145,210,674 kWh \* 1.5% = 2,178,160 kWh  
Mohave 2008 kWh Sales - 690,860,264 kWh \* 1.5% = 10,362,904 kWh  
Navopache 2008 kWh Sales - 434,399,432 kWh \* 1.5% = 6,515,991 kWh  
Sulphur 2008 kWh Sales - 819,071,877 kWh \* 1.5% = 12,286,078 kWh  
Trico 2008 kWh Sales - 618,649,365 kWh \* 1.5% = 9,279,740 kWh

**ELECTRIC COOPERATIVE COMMENTS**

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**March 25, 2009**

3. **What is the current amount of kWh savings that is being achieved from each cooperative's EE programs and how does it compare with 1.5 percent of each cooperative's annual amount of sales in kWh?**

*Cooperatives' Response: The table below estimates some of the kWh savings for some of the cooperatives. Duncan, Graham and Mohave can not track or estimate the amount of energy savings from their EE programs due to the fact that they do not have a formal and filed EE plan, and they 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.*

*The following amounts for Trico are estimated based on its proposed EE plan that was recently filed in its rate case application that is currently pending before the Commission. Sulphur and Navopache have established EE programs and have provided estimates of kWh savings from these EE programs.*

Navopache 1.5% = 6,515,991 kWh - Estimated Savings = 1,542,400 kWh

Sulphur 1.5% = 12,286,078 kWh - Estimated Savings = 1,000,000 kWh \*

Trico 1.5% = 9,279,740 kWh - Estimated Savings = 1,291,244 kWh

\*900,000 kWh (Estimated EE Savings) plus 100,000 kWh (Estimated Load Control\*) The goal of the load control program is to limit system peak not to lower kWh sales.

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### ON ENERGY EFFICIENCY FOR GAS AND ELECTRIC UTILITIES

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March 25, 2009

4. **Is it realistic to expect each cooperative to meet an annual energy savings requirement of 1.5 percent each year?**

*Cooperatives' Response: While the Cooperatives are committed to increasing the amount and scope of their EE programs, they believe it is not realistic to do so and achieve a 1.5 percent annual savings in kWh. As the case with the REST Rules, one set of EE goals is not appropriate for all utilities. Currently each cooperative is only meeting a fraction of the 1.5 percent annual savings in kWh using EE programs. Several cooperatives have established EE programs while other cooperatives do not. Those cooperatives with EE programs in place such as SSVEC, which has had an aggressive EE program for over 15 years (beginning with the Good Cents home program), are at a distinct disadvantage with a percentage based goal. Cooperatives with a large residential load that is less than eight years old are also at a significant disadvantage as homes built in the last eight years don't have the same opportunity for energy improvements as those cooperatives with older less efficient homes. Programs that improve residential thermal performance such as insulation, replacement windows, and lowered infiltration are quantifiable in British Thermal Units ("btu") savings where as kWh sales (or purchases) are driven by many non-related factors such as new electronics purchases (large screen LCD and plasma TV's) and additional electric equipment that are increasing the average kWh sales*

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*per home at an upward rate in spite of EE activities. For Commercial and Industrial customers, lighting and improved heating, ventilation, and air conditioning ("HVAC") upgrades are again quantifiable in terms of both kW and kWh reductions for lighting and performance based on Coefficient of Performance ("COP") or Seasonal Energy Efficiency Ratio ("SEER") for HVAC. There are few opportunities to lower irrigation kWh sales because the farmers are at the mercy of the summer rain and the changing water needs based on the crops chosen. It is unlikely that more efficient irrigation equipment to meet the stated EE goals exists. For this rate class "controlled irrigation" rates to manage the system peak are a better investment for the cooperatives and provides economic savings to the customers. In fact the whole basis of the SSVEC load management program is to lower its system peak (and the associated operating costs) and to shift the kWh load to the Off-Peak periods. For these reasons, using changes in annual kWh sales as the basis for EE goals and measuring program success does not provide a realistic, measurable, or reliable goal to achieve.*

*In addition, 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*

**ELECTRIC COOPERATIVE COMMENTS**  
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**March 25, 2009**

*competition for a customer's available funds. Cooperatives are reliant on their members to adopt EE measures and should not strictly be held to meeting goals or penalized for not meeting EE goals. Customers have limits on the amount they can or want to conserve.*

*In conclusion, all these factors make it difficult for the Cooperatives to meet a mandated annual amount of savings in kWh from EE programs.*

- 5. What alternative to a mandated 1.5 percent annual energy savings goal could be adopted by the Commission that would allow Cooperatives to increase the amount and scope of EE programs?**

*Cooperatives' Response: As recommended by Staff in its draft Demand Side Management Rules, each Cooperative could file an EE plan for Commission approval that would identify appropriate EE goals as explained further below.*

- 6. What regulatory elements must be present for the Cooperatives to increase the amount and scope of EE programs?**

*Cooperatives' Response: Each cooperative would need to file and have a Commission approved EE plan, a mechanism to timely recover all related EE program costs and margins associated with EE kWh savings and expedited Commission approval for established/proven EE programs.*

**ELECTRIC COOPERATIVE COMMENTS**

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**March 25, 2009**

*Concerning the Commission approved EE plan, each cooperative would identify appropriate energy efficiency goals and identify the estimated annual kWh savings from each program, establish a budget to meet these goals and set an EE adjustor amount to recover all related EE program costs and margins associated with EE kWh savings.*

*Concerning the EE adjustor mechanism to recover EE related costs, in order to increase the amount of EE savings, the Cooperatives will in some cases need to hire consultants to determine the most cost effective, highest amount of kWh savings and to study new EE programs. For example, Cooperatives will also need to hire employees or contractors to conduct EE audits of homes and business and pay rebates to customers for adopting EE measures or appliances. Cooperatives will need employees to administer and track the success of their EE programs. These EE costs will be significant and will need to be recovered from customers in a timely fashion. In addition, Cooperatives that do not have Commission approved DSM/EE adjustors would need to be able to apply for such without the time and expense associated with filing a full rate case application*

**ELECTRIC COOPERATIVE COMMENTS**  
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**March 25, 2009**

*Concerning expedited recovery of the costs of established/proven EE programs, the Commission could improve this process is to streamline the approval process for*

*existing and new EE programs. 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.*

*Regarding the recovery of margins from the per kWh EE savings, in addition to the costs of EE programs discussed above, each cooperative would need to determine the amount of fixed cost and margin recovery needed for each kWh saved. 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 cooperative. Revenue erosion is a true concern and will occur to some degree. Cooperatives use margins to pay loan payments, invest in plant improvements, etc.*

*As a part of determining its EE adjustor amount, each cooperative would make a calculation of its fixed costs and margins divided by its total kWh sold. The*

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**March 25, 2009**

*Cooperatives would then be able to recover this amount per kWh saved from EE programs in addition to the EE program costs.*

- 7. Is it possible for the cooperatives to accurately calculate EE program costs, fixed cost and margin recovery, an EE adjustor amount and customer bill impacts for a 1.5 percent EE savings amount or percentage thereof?**

*Cooperatives' Response: No it is not. Without conducting a study of established DSM/EE programs and their associated costs, it is not possible to accurately calculate the associated EE costs, fixed costs and margin recovery and bill impacts on residential and business consumers. The cooperatives would propose to estimate this information as a part of filing their EE plan discussed above.*

- 8. Are performance incentives such as increasing cost recovery or profits based on a percentage of EE savings achieved effective for Cooperatives?**

*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. Cooperatives are not for profit entities that are not motivated by increased profits. Cooperatives are owned by their*

*member-customers who elect a board of directors to oversee the management and operations of the cooperative.*

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**March 25, 2009**

*Cooperatives are very interested in providing members with the methods and programs to control member usage of electricity. However, they can not afford to do so without the timely cost recovery of the costs of the EE programs, etc. The Cooperatives are not aware of any studies that have been conducted on EE performance incentives for Cooperatives but are aware that studies that have been conducted in Colorado and other states involve IOUs which operate under a different business model. 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 profits/margins.*