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From: Tom Broderick [tbbflag@uneedspeed.net]
Sent: Tuesday, August 04, 2009 7:36 PM
To: Mayes-WebEmail
Cc: Rom Coles
Subject: Flagstaff Public Comment Meeting
Attachments: ACC Rom Coles 8-09.doc; ACCBroderick 8-09.doc; ACC program descrip outline 8-09.doc

Kris:

Great to see and talk with you again. Congratulations on your successes on renewables and efficiency so far. It promises to be quite a legacy when your last term is up.

I have attached both Rom Coles' and my notes for our comments. We plan to write something up that more completely describes our effort to have a Midwest Energy type program here for retrofitting energy efficiency. A very short, preliminary outline is also attached. We spoke with the UNS regulatory people who were there last night, and they indicated they did not see anything objectionable in the concepts, pointing out they would want to see the details. (As you know, this is not any official UNS position, just an immediate and informal reaction). We have had some other discussions with UNS people and they have expressed some concerns, which we are trying to define and try to convince them to get past. Many of those concerns revolve around what the ACC will allow of course. We will try to identify those more clearly when we send more info.

We are hoping to get them, with the ACC concurrence of course, to pilot a program here, working with the community partners that SEDI will bring to the table, that we think can make this work much more effectively, in terms of outreach and promotion, through the City, through neighborhood associations, through the County. The beauty of the revolving loan fund is that it does not have to be funded from a DSM surcharge forever to last forever, since the "seed money" from the DSM surcharge is used and then repaid, then used over and over again. We will show you how this has been done elsewhere very successfully.

Rom, who is most familiar with the Midwest Energy program, having researched it extensively and talked to its founder, is going to be largely out of touch for a couple of weeks. I would target late Aug for us to get you something more specific. I know you have a few little hearings going on in Aug, so this timing may work out fine. If not, let us know. If you have some idea of what you would like to see or issues that should be covered that differ from the proposed outline, let us know. Otherwise, we will get you a description that meets what we imagine you would like to see and you can respond to that.

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ACC Talk Aug. 3, 2009

Romand Coles

My name is Rom Coles, I'm a resident of Flagstaff, I direct the Program for Community, Culture and Environment at NAU, and I am a very active member in the Coconino County Sustainable Economic Development Initiative, also known as SEDI. I am a leader of a SEDI Action Team that addresses the question of policy and incentives in relation to energy efficiency. Among the engagements of this action team is a set of discussions with Unisource Gas concerning ways in which we might collaborate to enhance energy efficiency, affordability, and sustainable economic development in our region. Many view these conversations as the beginning of a very promising partnership. This evening, however, I do not speak on behalf of SEDI, nor my Program at NAU. I speak only as a concerned citizen with a desire to contribute to an intelligent conversation on the matters at hand – a conversation that will hopefully lead to intelligent action.

My understanding of the current rate case is that a central matter concerns increasing the ratio of fixed charges in relation to commodity charges. I want to register support for such a shift, which is a proto-type of decoupling, yet this affirmation is offered IF and ONLY IF two principles are maintained:

First, for reasons pertaining to environmental sustainability and economic affordability, moves toward decoupling should only occur when such mechanisms would be effective in increasing customer energy efficiency and increasing utilities's incentives to foster such efficiency. The future of wise economic policy and incentive structures lies in the triple bottom line, where profit is linked to the well-being of people and the planet. I think the ACC should work to develop incentive structures that ensure reasonable rates of return for this kind of economic development. The second principle that ought to guide restructuring policy and incentives is that customers ought to receive a substantial majority of the net economic benefits of such programs. If these two principles are maintained, decoupling, performance-based incentives linked to energy efficiency, and similar efforts are all for the good.

SEDI, as you probably know, is an organization that brings together all sectors in Northern Arizona around sustainable economic development. Our member include green businesses, institutions of higher education, elected and administrative staff in city and county governments, non-profit organizations, utilities, work force development organizations, and so forth. We have developed a network that brings economic capital, social capital, educational capital, and political capital into close communication and collaboration. One of the reasons I moved from Duke University after 20 years to NAU last year, is that SEDI is simply one the most developed and promising networks of its sort in the country.

SEDI is poised to do tremendous work on energy efficiency by leveraging and coordinating the diverse capacities in our communities that will all be required to work successfully toward the highly urgent goal of energy efficiency. No one entity can do this work well on its own. Partnership is the operative word.

Yet partnership requires substantial economic capital to initiate the work. One of the means SEDI is exploring in a variety of contexts to increase economic capital necessary for energy efficiency retrofit work, is by establishing a revolving loan fund. Midwest Energy in Kansas established such a program a couple years ago. It was so successful that it became a model for the state of Kansas's successful proposal for $35 Million from the recovery act. I urge the ACC and utilities to seriously consider such a model in Arizona – perhaps N. Arizona could be a pilot project. I support DSM adjustments and incentive restructuring for utilities to receive fair returns for helping to finance such work. Essentially the Kansas How$mart program accomplishes three key things: 1) It allows consumers to greatly increase their energy efficiency through retrofits **without initial outlays or upfront costs**. Consumers receive a loan that is folded into their utility bill with a guarantee that the post-retrofit bill will not exceed 90% of the pre-retrofit bill. 2) Because the financing mechanism is a revolving loan fund, money is paid back into the pool so that it can work again and again. This means that the effects of each dollar are multiplied – and ripple throughout the economy. 3) This in turn means that because the money is reused, the fund quickly reaches a point where it doesn't need additional refunding. This in turn promises to reduce the costs to non-participating rate payers to zero after the first several years.

ACC Public Comment meeting 8-3-09

Purpose- not to offer opinion on merits of rate increase

Urge efficiency program, for both low income as proposed by ACAA, and for a dramatically expanded efficiency program for all, for both APS and UNS, although my focus is on UNS since in Flag gas bills are 2-5 times electric bills.

It is also important this much higher funding also provide financial incentives and prompt recovery of costs and lost margins to the utilities to align their financial interest with the public interest..

For UNS, prices have gone from $.44 in 1999 to about $1.18 in 2009, up 168% in 10 years or over a 10% compounded rate.

Critically important for more efficiency due to economic hardship, economics of efficiency are now much better, carbon reduction, housing affordability, efficiency jobs (both new and retrofit)

Experience of Flagstaff City Code, went beyond IECC,
The added mortgage to pay for more efficiency are paid by energy savings at today's elevated prices. Thus the impact of efficiency on affordability.

With modest upgrades from that code, the addition of passive solar, the addition of PV and solar hot water, we can get to net zero energy homes. Urge programs to promote new homes highly efficient up to zero energy, which might be doable for another $20,000 or about $100/month, an amount that would nearly be paid for by utility savings today.

In retrofits, that support from utilities for efficiency, both in information and promotion, and also concrete programs that get measures installed without upfront cost is critical as prices continue to rise.

By designing broad based programs with wide participation, we can keep program costs down per unit, while impacting a broad number of customers. By using a revolving loan fund, we can reduce the impact on non-participants, because at some point the revolving loan fund no longer needs to be replenished, because repayments are coming in. It also gives participants a stake in the retrofit being successful because they have paid in.

The ACC is headed down the right path. I urge you to move quickly and aggressively to get utilities to sell "efficiency and energy", with good programs, dramatically more funding, with incentives to align utility financial interest with public interest.

Outline of Gas Efficiency Weatherization Retrofit Program for Coconino County Gas Customers

1) Measures available to install, costs, savings

2) How revolving loan program works at Midwest Energy

3) Sample economics for customers

4) Funding needed and DSM surcharge impact (program only, not admin costs)

5) Sample program impacts, savings, funds used

6) Other programs that could use similar program, like Energy Star new home and Zero Energy Home