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ARIZONA CORPORATION COMMISSION
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November 9, 2009

The Honorable Kristin Mayes, Chairman
The Honorable Gary Pierce
The Honorable Bob Stump
The Honorable Sandra Kennedy
The Honorable Paul Newman
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission

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RE: Draft Energy Efficiency Rules
Docket Number RE-00000C-09-0427

Dear Chairman Mayes and Commissioners,

This letter is in support of energy efficiency rules that accelerate the use of energy efficiency to meet load growth and help shave the peak. I served for 13 years in the Arizona Department of Commerce's Energy Office where we concentrated on encouraging energy efficiency in homes, business and manufacturing facilities. While most people realize that being more energy efficient is a good thing, many individuals and companies lack the resources and time to implement efficiency programs. From my experience I believe it is appropriate and effective to have our electric utilities facilitate energy efficiency, demand response and load reduction programs for their customers.

It is widely recognized that energy efficiency is the most cost-effective resource and that deploying energy efficiency reduces impacts of energy production such as water use and air emissions. Historically Arizona is one of the fastest growing states. Due to dramatically increasing costs for new generation and uncertain fossil fuel prices and environmental regulation costs, it is in the public interest to greatly accelerate the use of energy efficiency as a resource to keep costs as low and stable as possible over the long term.

Arizona's electric utilities have made strides in this area; however, investor-owned utilities are reluctant to aggressively pursue energy efficiency if doing so creates a net loss of revenues. The draft rule provides for performance based incentives which will provide some financial stimulus for utilities to embrace energy efficiency programs.

For the aforementioned reasons I recommend that the ACC adopt an energy efficiency rule that requires regulated utilities to achieve energy savings of at least a 22% of their 2005 retail sales by 2020.

There are several elements that are important to an effective rule and resulting functioning programs:

- Like the Renewable Energy Standard Tariff (REST), I believe the energy efficiency rule should be a floor, not a ceiling, thus allowing utilities to exceed the standard. APS stated in its 2009 resource plan that it expects to exceed the REST requirements because doing so is in its and its customers' interest. The energy efficiency rules should provide for similar flexibility.
- Utilities should be provided a performance based incentive but the amount of the incentive should not be placed in the rule due to its inflexibility. Instead, performance based incentives should be authorized in the rule and specific incentives should be proposed by each utility in its annual implementation plans for review by the Commission.
- The energy efficiency percentage/threshold chosen should be simple to calculate.
- The rule should be set at a sufficiently high level to capture most of the cost effective energy efficiency available.

I appreciate the work that the ACC, utilities and interested parties have done to date to develop the draft rule. The proposed rule, with the change in the performance incentive described above, will provide benefits for consumers through opportunities to lower energy use and demand while having a positive impact on the environment.

Respectfully Submitted,



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Principal

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