BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
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BOB STUMP

IN THE MATTER OF THE PROPOSED RULEMAKING ON ELECTRIC ENERGY EFFICIENCY

Docket No. RE-00000C-09-0427

SWEEP COMMENTS ON THE PROPOSED RULEMAKING ON ELECTRIC ENERGY EFFICIENCY

The Southwest Energy Efficiency Project (SWEEP) appreciates the opportunity to submit comments on the proposed Rulemaking on Electric Energy Efficiency as set forth in Commission Decision No. 71436. SWEEP strongly supports the proposed Electric Energy Efficiency Rule for the following reasons:

1. The proposed Electric Energy Efficiency Rule is in the public interest.

Increasing energy efficiency as set forth in the proposed Rule is in the public interest because doing so will provide significant and cost-effective benefits for Arizona utility ratepayers (residential consumers and businesses), the electric system, the economy, and the environment. Increasing energy efficiency will save money for consumers and businesses through lower electric bills, resulting in lower total electric costs for utility ratepayers. Increasing energy efficiency will also reduce load growth, diversify energy resources, enhance the reliability of the electric grid, reduce the amount of water used for power generation, reduce air pollution and carbon emissions, and create jobs and improve the Arizona economy.

2. Increasing energy efficiency through the Rule and Standard will reduce the total energy costs for the ratepayers of the Affected Utilities regulated by the Commission.

Energy efficiency is a reliable energy resource that costs less than other resources for meeting the energy needs of utility ratepayers. The total cost (sum of program and customer costs) for energy efficiency savings is two to five cents per lifetime kWh saved, delivered to the customer. This is significantly less than the cost of conventional electric

generation, transmission, and distribution. The utility program cost to ratepayers is even lower, about two cents per lifetime kWh saved for a comprehensive portfolio of programs designed to serve all customer sectors. For example, as Arizona Public Service Company (APS) has been ramping up its programs in 2005-2009, the energy efficiency savings have been achieved at an actual cost to APS ratepayers of about one cent per kWh saved.

The energy efficiency measures and programs are required to be cost-effective prior to approval by the Commission. By definition, the value of the energy cost savings to customers must exceed the costs of the program, resulting in lower total energy costs for the utility ratepayers. Also, the actual savings, benefits, and costs are evaluated and reported to the Commission for its review. Therefore, increasing customer energy efficiency through the Energy Efficiency Standard set forth in the Rule will reduce the total cost of energy for the ratepayers of the Affected Utilities.

One example of a plan to increase customer energy efficiency in Arizona is the APS 2010 Implementation Plan. APS estimates that its 2010 programs will provide over $165 million in energy cost savings and benefits to utility ratepayers over the lives of the energy efficiency measures, and will provide net benefits (benefits exceeding costs) of over $100 million. The programs will provide over $2.60 in benefits to ratepayers for every dollar of total costs, and will leverage over $3.30 in benefits for every dollar of program costs. The 3,542,700 MWh of energy savings over the lives of the measures will be achieved at a program cost of only 1.4 cents per kWh saved for customers.

The attached tables summarize the annual and cumulative energy savings for utility ratepayers in the APS and TEP service territories that will result from the final adoption and implementation of the Energy Efficiency Rule.

3. Increasing energy efficiency will also reduce other costs, including environmental costs and water costs, which are passed on to utility ratepayers.

Increasing energy efficiency will reduce the costs of compliance with current and future environmental regulations. Using less energy will result in less air pollution and fewer carbon emissions and environmental impacts, thereby resulting in lower costs for compliance with environmental regulations. Environmental costs are forecasted to increase in the future, and energy efficiency can reduce the impact of these increasing costs. Energy efficiency also saves water, thereby reducing water costs that are passed on to utility ratepayers.

These environmental and water cost savings due to energy efficiency adopted because of the Rule will reduce the cost of energy service for Arizona utility ratepayers.

4. Increasing energy efficiency will increase the reliability of the electric grid, thereby ensuring reliable electric service for the customers of the Affected Utilities.

Increasing energy efficiency will reduce load growth, diversify energy resources, and enhance the reliability of the electricity grid. Energy efficiency is a distributed resource located close to customer load, thereby reducing the pressure on and costs of electric distribution and transmission.

5. By adopting a final Rule and Energy Efficiency Standard, the Commission will be ensuring reliable electric service at reasonable rates and costs for utility ratepayers.

Energy efficiency will reduce the energy costs to ratepayers and help the Commission to ensure reliability, while reducing the environmental impacts of electric service.

6. The Commission, in parallel proceedings, is considering and addressing the issues regarding disincentives to utility support of energy efficiency.

The Commission, in parallel dockets and regulatory proceedings, including in Docket No. E-00000J-08-0314 and workshops, has been reviewing and considering issues regarding utility disincentives, cost recovery, and performance incentives. SWEEP believes the Commission is focused on addressing these issues and has the appropriate proceedings underway. These proceedings should continue in parallel and should not delay final adoption of the Electric Energy Efficiency Rule.

7. SWEEP urges the Commission to adopt a final Rule on Electric Energy Efficiency to lower costs for utility ratepayers and to ensure reliable electric service at just and reasonable rates.

Thank you for the opportunity to submit these comments on the Energy Efficiency Rulemaking and Energy Efficiency Standard.

ENERGY EFFICIENCY STANDARD (EES) AND RULES: 22% by 2020

Southwest Energy Efficiency Project (SWEEP)

APS Example

Net Energy Savings Impact, with 20% EE, and 2% DR Credit of the 22% Total

(Does not analyze the 3% credit for prior savings)

	APS Forecast of Retail Energy Sales				Energy Efficiency Standard in Rule		Resulting % Energy Savings		Net Energy Savings at Customer Meter		Savings as % of Forecasted Retail Sales		Savings as % of Sales Adjusted for EE Savings	
	Forecast of Sales		Adjusted Sales											
Year	Retail Energy Sales Forecast (MWh)	% Annual Sales Growth	Adjusted Retail Energy Sales (MWh)*	% Annual Sales Growth	EES: Energy Efficiency Standard as % of Retail Sales in Prior Year	Nominal Annual Percent Savings	Cumulative Annual Energy Savings as % of Retail Sales in Prior Year	Nominal Annual Percent Energy Savings	Cumulative Annual Energy Savings (MWh)	Incremental Annual Energy Savings (MWh)	Cumulative Annual Energy Savings as a % of Forecasted Retail Sales	Annual Energy Savings as % of Forecasted Retail Sales	Cumulative Annual Energy Savings as % of Adjusted Retail Sales*	Annual Energy Savings as % of Adjusted Retail Sales*
2005	26,477,551		26,477,551				*Estimated*		*17,967*	*17,967*				
2006	27,970,397	5.6%	27,970,397	5.6%			*Resulting*		*94,433*	*76,467*				
2007	29,171,321	4.3%	29,171,321	4.3%			*% Energy*		*288,279*	*193,846*				
2008	28,793,588	-1.3%	28,793,588	-1.3%			*Savings*		*524,552*	*236,273*				
2009	29,220,779	1.5%	29,220,779	1.5%					*739,765*	*215,213*				
2010	29,591,837	1.3%	28,555,225	-2.3%					*1,036,611*	*296,846*	*3.50%*	*1.00%*	*3.63%*	*1.04%*
2011	29,962,894	1.3%	29,641,648	3.8%	1.25%	1.25%	1.13%	1.13%	321,246	321,246	1.07%	1.07%	1.08%	1.08%
2012	30,426,716	1.5%	29,626,392	-0.1%	3.00%	1.75%	2.70%	1.58%	800,324	479,078	2.63%	1.57%	2.70%	1.62%
2013	31,168,831	2.4%	29,835,644	0.7%	5.00%	2.00%	4.50%	1.80%	1,333,188	532,863	4.28%	1.71%	4.47%	1.79%
2014	32,189,239	3.3%	30,242,464	1.4%	7.25%	2.25%	6.53%	2.03%	1,946,776	613,588	6.05%	1.91%	6.44%	2.03%
2015	33,395,176	3.7%	30,809,446	1.9%	9.50%	2.25%	8.55%	2.03%	2,585,731	638,955	7.74%	1.91%	8.39%	2.07%
2016	34,647,495	3.8%	31,320,075	1.7%	12.00%	2.50%	10.80%	2.25%	3,327,420	741,689	9.60%	2.14%	10.62%	2.37%
2017	35,946,197	3.7%	31,858,927	1.7%	14.50%	2.50%	13.05%	2.25%	4,087,270	759,850	11.37%	2.11%	12.83%	2.39%
2018	37,198,516	3.5%	32,324,100	1.5%	17.00%	2.50%	15.30%	2.25%	4,874,416	787,146	13.10%	2.12%	15.08%	2.44%
2019	38,404,453	3.2%	32,731,573	1.3%	19.50%	2.50%	17.55%	2.25%	5,672,880	798,464	14.77%	2.08%	17.33%	2.44%
2020	39,610,390	3.1%	33,064,075	1.0%	22.00%	2.50%	20.00%	2.45%	6,546,315	873,435	16.53%	2.21%	19.80%	2.64%
20%		2.80%		1.13%			Resulting % for energy		32,532,176					
of 2020	7,922,078						savings (new and prior)		6,546,315					
	Losses:						Maximum 2%		17.4%					
	1.078						credit for DR		lower					
							to get to 22%							
Notes:							Applied as a		63.0%		Adjusted 2020 Sales*		33,064,075	
Example forecast above based on APS forecast of retail sales (from EES workshops)							10%		of sales		Adjusted Growth		3,843,296	
							annual credit		growth					
* Forecasted retail sales are adjusted by subtracting the cumulative annual energy savings.							for DR peak		(forecasted)					
This results in "adjusted" retail sales accounting for the impact of the EE savings.							kW savings							

ENERGY EFFICIENCY STANDARD (EES) AND RULES: 22% by 2020

Southwest Energy Efficiency Project (SWEEP)

TEP Example

Net Energy Savings Impact, with 20% EE, and 2% DR Credit of the 22% Total

(Does not analyze the 3% credit for prior savings)

	TEP Forecast of Retail Energy Sales				Energy Efficiency Standard in Rule		Resulting % Energy Savings		Energy Savings		Savings as % of Forecasted Retail Sales		Savings as % of Sales Adjusted for EE Savings	
	Forecast of Sales		Adjusted Sales											
Year	Retail Energy Sales Forecast (MWh)	% Annual Sales Growth	Adjusted Retail Energy Sales (MWh)*	% Annual Sales Growth	EES: Energy Efficiency Standard as % of Retail Sales in Prior Year	Nominal Annual Percent Savings	Cumulative Annual Energy Savings as % of Retail Sales in Prior Year	Nominal Annual Percent Energy Savings	Cumulative Annual Energy Savings (MWh)	Incremental Annual Energy Savings (MWh)	Cumulative Annual Energy Savings as a % of Forecasted Retail Sales	Annual Energy Savings as % of Forecasted Retail Sales	Cumulative Annual Energy Savings as % of Adjusted Retail Sales*	Annual Energy Savings as % of Adjusted Retail Sales*
2005	8,874,985		8,874,985				*Estimated*		*7,003*	*7,003*				
2006	9,201,419	3.7%	9,201,419	3.7%			*Resulting*		*12,204*	*5,201*				
2007	9,634,406	4.7%	9,634,406	4.7%			*% Energy*		*15,564*	*3,360*				
2008	9,502,644	-1.4%	9,502,644	-1.4%			*Savings*		*38,454*	*22,890*				
2009	9,505,340	0.0%	9,505,340	0.0%					*79,513*	*41,059*				
2010	9,653,820	1.6%	9,504,022	0.0%					*149,798*	*70,285*	*1.55%*	*0.73%*	*1.58%*	*0.74%*
2011	9,813,592	1.7%	9,706,672	2.1%	1.25%	1.25%	1.13%	1.13%	106,920	106,920	1.09%	1.09%	1.10%	1.10%
2012	10,003,633	1.9%	9,741,553	0.4%	3.00%	1.75%	2.70%	1.58%	262,080	155,160	2.62%	1.55%	2.69%	1.59%
2013	10,147,800	1.4%	9,709,430	-0.3%	5.00%	2.00%	4.50%	1.80%	438,370	176,290	4.32%	1.74%	4.51%	1.82%
2014	10,299,385	1.5%	9,665,845	-0.4%	7.25%	2.25%	6.53%	2.03%	633,540	195,170	6.15%	1.89%	6.55%	2.02%
2015	10,452,599	1.5%	9,626,169	-0.4%	9.50%	2.25%	8.55%	2.03%	826,430	192,889	7.91%	1.85%	8.59%	2.00%
2016	10,600,942	1.4%	9,561,315	-0.7%	12.00%	2.50%	10.80%	2.25%	1,039,626	213,197	9.81%	2.01%	10.87%	2.23%
2017	10,743,598	1.3%	9,495,846	-0.7%	14.50%	2.50%	13.05%	2.25%	1,247,752	208,125	11.61%	1.94%	13.14%	2.19%
2018	10,884,712	1.3%	9,431,847	-0.7%	17.00%	2.50%	15.30%	2.25%	1,452,864	205,113	13.35%	1.88%	15.40%	2.17%
2019	11,022,755	1.3%	9,367,466	-0.7%	19.50%	2.50%	17.55%	2.25%	1,655,289	202,425	15.02%	1.84%	17.67%	2.16%
2020	11,164,391	1.3%	9,290,898	-0.8%	22.00%	2.50%	20.00%	2.45%	1,873,493	218,204	16.78%	1.95%	20.16%	2.35%
20%		1.47%		-0.21%			Resulting % for energy		9,686,163					
of 2020	2,232,878						savings (new and prior)		1,873,493					
	Losses:						Maximum 2%		16.1%					
	1.078						credit for DR		lower					
							to get to 22%							
Notes:							Applied as a		112.9%		Adjusted 2020 Sales*		9,290,898	
Example forecast above based on TEP forecast of retail sales							10%		of sales		Adjusted Growth		-214,443	
							annual credit		growth					
* Forecasted retail sales are adjusted by subtracting the cumulative annual energy savings.							for DR peak		(forecasted)					
This results in "adjusted" retail sales accounting for the impact of the EE savings.							kW savings							