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Arizona Corporation Commission
DOCKETED

FEB 23 2010

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IN THE MATTER OF THE NOTICE OF) DOCKET NO. RE-00000C-09-0427
PROPOSED RULEMAKING REGARDING)
ENERGY EFFICIENCY) **ELECTRIC COOPERATIVES'**
) **REPLY COMMENTS ON NOTICE**
) **OF PROPOSED RULEMAKING**

The following reply comments on the Arizona Corporation Commission's Proposed Rulemaking Regarding Energy Efficiency Rules ("EE Rules or Rules") as ordered in Decision No. 71436 (December 18, 2009) are being submitted by Duncan Valley Electric Cooperative, Inc. ("Duncan"), Graham County Electric Cooperative, Inc. ("Graham"), Mohave Electric Cooperative, Inc. ("Mohave"), Navopache Electric Cooperative, Inc. ("Navopache"), Trico Electric Cooperative, Inc. ("Trico") and Sulphur Springs Valley Electric Cooperative, Inc. ("Sulphur") (collectively the "Electric Cooperatives").¹

¹ The Cooperatives reserve the right, individually and collectively, to provide additional or different comments and positions on any of these issues in the future. The Cooperatives, individually and collectively, also reserve the right to modify the opinions expressed below as new information and input becomes available.

1 **I. REPLY COMMENTS ON SWEEP AND TEP INITIAL COMMENTS REGARDING**
2 **22% EE STANDARD**

3 While the Cooperatives believe that they can increase the amount and scope of cost effective
4 EE programs, the required EE Standard percentages may not be realistic, measurable, achievable
5 and in the public interest. SWEEP's comments cite APS initial EE efforts that are the least cost and
6 the low hanging fruit of the EE programs. All of the utilities expressed varying levels of concern
7 about meeting and the cost of a 20% EE Standard much less the unsupported 22% EE standard.
8 Only one party, SWEEP, who is not subject to the EE Rules, actively supported an EE Standard as
9 high as 20%. In addition, SWEEP's cost estimates for meeting the EE Standard are significantly
10 lower than the utilities' cost estimates.
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13 SWEEP's comments do not address the cumulative EE Rules requirement of 22% and
14 whether or not all utilities such as the Cooperatives will be able to achieve a 22% cumulative
15 standard in a cost effective manner. The Utilities and especially cooperatives, have diverse service
16 territory characteristics and will experience varying levels of customer growth. The Cooperatives
17 believe that the EE targets should be established based on supported studies and analyses. TEP in
18 their initial comments filed on February 16, 2010, cite several studies starting at page 3, line 6 that
19 show achievable and cost effective targets that are significantly less than the 22% EE Rule Standard.
20 Several other studies such as those performed by the Electric Power Research Institute suggest
21 cumulative, cost effective EE savings for the western region of approximately 6% by 2020 and 9%
22 by 2030 which is less than one-half of the EE Rule requirement of 22%. As a part of its Resource
23 Planning, Salt River Project hired the Cadmus Group, Inc. to determine its EE goals/targets. The
24 Cadmus Group Inc. determined that the maximum achievable potential for SRP was 3% by 2014
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1 versus the 7.25 % EE Rules requirement for 2014. The Cooperatives believe that an EE goal/target
2 based on member/customer participation in proven EE programs would be more appropriate than the
3 annual EE Rule requirements that are based on a percent reduction in kWh that will be difficult to
4 measure. The Cooperatives continue to support a level of EE that is cost effective and appropriate
5 for their rural, mostly residential service areas.
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8 **II. REPLY COMMENTS ON SWEEP INITIAL COMMENTS REGARDING FIXED**
9 **COST RECOVERY**

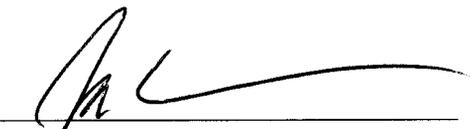
10 The Cooperatives disagree with SWEEP's comments that the EE Rules can move forward
11 without addressing utility fixed cost recovery. While there may be some dispute over the magnitude,
12 all parties have agreed that utilities will experience revenue erosion and not recover their fixed cost
13 from adopting EE measures. To expect the utilities to agree to aggressive EE goals and time frames,
14 without addressing one of the largest concerns of the utilities is inequitable to the utilities. The
15 Cooperatives would urge the Commission to spend the time now to address the fixed cost recovery
16 issues so that total costs of meeting the EE Standard can be quantified. If the Commission proceeds
17 without addressing this critical issue, it will be basing its decision to proceed with an EE Standard
18 and Rules without the benefit of having critical, cost-related information. There is not even
19 proposed language included in the EE Rules stating that utilities may file for fixed-cost recovery as a
20 part of their EE Implementation Plans which adds to the regulatory uncertainty that these costs will
21 be recoverable. There have been several proposals made by utilities to address fixed cost recovery
22 that the Cooperatives would support that would allow the utility to recover the fixed-costs associated
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1 with the kWh saved from EE programs, none of which have been included in Staff's proposed EE
2 Rules.

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4 **III. REPLY COMMENTS ON ENERNOC INITIAL COMMENTS REGARDING DSM**
5 **CAP**
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7 The Cooperatives support EnerNOC's comments that state that the demand response cap
8 should be raised. A utility should be able to count any and all DSM/EE measures it has invested in
9 since 2005 towards meeting the EE Standard. The amount of DSM/EE measures and resulting
10 savings should not be artificially capped or limited or disallowed as proposed in the most recent
11 version of the EE Rules. To do so, penalizes rather than rewarding utilities that have invested
12 heavily in DSM/EE measures since 2005. It is an indisputable fact that those measures employed
13 since 2005 have resulted in and will continue to result in kW and/or kWh savings and should be fully
14 recognized. Additionally, not allowing the use of DSM to meet the EE Standard as stated in R14-2-
15 2404 (B) and efficiency improvements to the delivery system as stated in R14-2-2404 (C) severely
16 handicaps the Cooperatives in meeting the EE Standard. DSM measures and improvements to the
17 delivery system are important tools that Cooperatives have to meet the EE Standard given the
18 residential nature of their loads. Unlike IOU's, these measures equally benefit the Cooperatives and
19 their member owners and should be allowed to meet the EE standard.
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1 RESPECTFULLY SUBMITTED this 23rd day of February, 2010.

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3
4 By: 
5 John V. Wallace
6 Grand Canyon State Electric Cooperative Assn.
7 120 North 44th Street
8 Suite 100
9 Phoenix, Arizona 85034

10 Original and thirteen copies of the foregoing
11 filed this 23rd day of February, 2010, with:

12 Docket Control
13 Arizona Corporation Commission
14 1200 West Washington Street
15 Phoenix, Arizona 85007
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