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Arizona PIRG Education Fund



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March 26, 2010

Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

AZ CORP COMMISSION
DOCKET CONTROL

Re: Docket Nos. G-00000C-08-0314 and E-00000J-08-0314

Dear members of the Arizona Corporation Commission,

On behalf of the Arizona PIRG Education Fund, I am writing to submit comments in response to the Notice of Inquiry (NOI) Regarding Utility Disincentives to Effective Implementation of Energy Efficiency Programs in Arizona issued by the Commission on February 23, 2010. These comments reflect the Arizona PIRG Education Fund's policy priority to lower future energy costs for customers and reduce pollution associated with the state's fossil-dominated electricity system. As you know, we strongly support the Commission's pending Electric Energy Efficiency Standard, which would require utilities to achieve cumulative energy savings equal to 22 percent of their annual electricity loads by the year 2020.

We commend the Commission for inquiring into whether and how to change its ratemaking policies in order to ensure that energy efficiency goals are met. When utilities automatically profit from increased sales and lose from low-cost efficiency improvements, the resulting conflict of interest between shareholders and consumers is both obvious and destructive. As you are aware, Arizona is one of the states that have yet to remove this conflict; however, it is important to pick the best solution. The Commission rightly focuses this NOI on approaches that avoid such distortions in rate structure, specifically "decoupling."

Our colleagues at SWEEP and NRDC have confirmed that other States have used decoupling mechanisms successfully without needing to adjust households' electricity bills by more than 5-7 cents a day in both directions. The Arizona PIRG Education Fund's enthusiasm for this approach hinges on the extent to which utilities can demonstrate that decoupling will help spur additional cost-effective energy savings for customers.

From our perspective, the merits of decoupling cannot be addressed independently of accelerated progress in helping customers reduce their utility bills with energy efficiency measures. If decoupling can be linked convincingly to improved efficiency results, we are open to supporting the package, and to working with the utilities and other parties on consensus-based solutions to the issues listed in the NOI. We are confident that the decoupling issues raised by the Commission can be resolved in broadly acceptable ways, as has been the case at the Commissions in Idaho, Nevada, Oregon, Utah and Wyoming.

We appreciate the opportunity to comment and look forward to continued engagement on issues that are critical to electric utility customers. Please feel free to contact me at (602)252-9227 or dbrown@arizonapirg.org with any questions.

Sincerely,


Diane E. Brown
Executive Director

Arizona Corporation Commission

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