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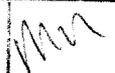
May 6, 2010

Arizona Corporation Commission

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

DOCKETED BY 

RE: SWEEP Comments on Staff's Response to Oral Comments in the Matter of Proposed Rulemaking on Electric Energy Efficiency (Docket No. RE-00000C-09-0427)

On April 16, 2010, Staff issued responses and proposed changes to the Energy Efficiency Rule and the Energy Efficiency Standard (EES) in the Rule based on oral comments. The Southwest Energy Efficiency Project (SWEET) believes that three of Staff's proposed wording changes to the Energy Efficiency Rule and the specification of the Energy Efficiency Standard should not be adopted. In all three cases, SWEET recommends that the Commission retain the original language set forth in the Rule adopted by the Commission in December 2009, as set forth in Decision No. 71436.

1. R14-2-2404(A). Staff's proposed change states that the cumulative energy efficiency savings should be 22% by December 31, 2020 but does not state to what the 22% is to be applied, resulting in wording that is unclear. SWEET believes the original language, stating that the Energy Efficiency Standard of 22% in 2020 is "equivalent to at least 22% of the affected utility's retail electric energy sales for the prior calendar year (2019)," is clear, accurate, and appropriate, and it is the language that was adopted by the Commission. Staff proposed deleting "...of the affected utility's retail electric energy sales for the prior calendar year (2019)," which reduces the clarity of the Rule language. SWEET recommends that no change be made to R14-2-2404(A).
2. R14-2-2404(B). Staff proposes to present the Energy Efficiency Standard as an annual standard instead of a cumulative standard, including by inserting the word "annual" and by inserting an additional column in the table in this subsection. The EES, as proposed in the Rule and as adopted by the Commission in Decision No. 71436, is a cumulative standard. The EES should not be changed to an annual standard. The level of energy savings resulting from the Staff-proposed annual standard is not the same as the savings under the cumulative standard adopted by the Commission in Decision No. 71436. In other words, Staff's revision is not numerically equivalent to the standard set forth in Decision No. 71436. The exhibits attached to SWEET's comments on the Rule (see SWEET's comments on the proposed Energy Efficiency Rule, 2/19/10, and similar comments filed prior to the Commission adoption of the Rule) show how the standard is calculated as a cumulative standard, and also how the incremental annual energy savings in each year are calculated once the cumulative

savings in a given year are determined. These calculations by SWEEP clearly demonstrate that the energy savings from a cumulative standard, as adopted by the Commission, are not equivalent to the Staff-proposed annual standard. SWEEP also supports the comments and analysis of Western Resource Advocates filed on May 3, 2010 in this docket. SWEEP recommends that no change be made to R14-2-2404(B).

3. R14-2-2414(A). In its proposed revisions, Staff attempts to clarify what is meant by "Ratepayer-funded DSM shall be developed and implemented in a fuel-neutral manner." Staff's proposed clarification deletes the words "in a fuel-neutral manner" entirely and replaces them with wording on fuel switching, which in SWEEP's view is a related but distinct and therefore additional issue. SWEEP recommends that no change be made to R14-2-2414(A).

Developing and implementing DSM programs "in a fuel-neutral manner" means that a utility administrator should remain neutral regarding the customer's fuel choice and should not bias the customer decisions towards the fuel the utility provides or is associated with. Stating this does not necessarily mean what Staff proposed, and Staff is adding language on fuel switching. For example, it is entirely possible (and can be beneficial in certain situations) for an electric utility to provide electric DSM program support that results in less electric use and increased gas use, e.g., for Combined Heat and Power systems (CHP) (and note that CHP electric savings may count towards the standard). Also note that the next line in 2414(B) directly addresses the issue of using DSM funds collected from electric customers for electric DSM programs, and includes the very important "unless otherwise ordered by the Commission." In any event, the proper place to review specific DSM programs and how the DSM funding is used is in the Commission's review of the EE Implementation Plans. Therefore, SWEEP recommends that no change be made to R14-2-2414(A).

SWEEP recommends that the three Staff-proposed changes discussed above not be adopted, and that the Commission retain the original Rule language set forth in Decision No. 71436. Thank you for your consideration of these comments.

Sincerely,

Jeff Schlegel
SWEEP Representative in Arizona