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July 28, 2010

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

RE: Proposed Rulemaking on Natural Gas Energy Efficiency Rules  
Docket No. RG-00000B-09-0428

Arizona Public Service Company submits the attached comments in response to Staff's July 20, 2010 request for written comments regarding the Draft Proposed Gas Energy Efficiency Rules.

If you have questions on the attached information, please contact Erinn Andreasen at (602) 250-3276.

Sincerely,

Susan Casady

SC/sl  
Attachment

cc: Steve Olea  
Janice Alward  
Lyn Farmer

Arizona Corporation Commission  
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**Arizona Public Service Company**  
**Comments on Proposed Gas Utility Energy Efficiency Standards**  
**Docket No. RG-00000B-09-0428**  
**July 28, 2010**

Arizona Public Service Company ("APS" or "Company") appreciates the opportunity it had to comment on the Proposed Gas Utility Energy Efficiency Standards ("Rules") at the Arizona Corporation Commission ("ACC" or "Commission") workshop held on July 26, 2010. APS presented its concerns about the Rules at that workshop, and is in agreement with many of the parties who expressed opinions favoring removal of the High Efficiency Gas (end use) Products ("HEGP") from the Rules. The Company believes that the implementation of these technologies could be better addressed in other dockets, and that addressing them in the Rules at this time could delay the implementation of the Rules.

The concerns that APS voiced at the Workshop can be briefly summarized as follows:

- The Rules promote fuel switching and load building in the case of HEGP technologies. This appears to break with Commission actions in the past that have held that utility customer funds are not allowed to be used to promote the sale of energy or promote the use of one energy source over another. APS believes the Rules should be completely fuel neutral.
- Even within the category of HEGP, there appears to be an inconsistency between the Rules and the Electric Rules in that the Gas Rules allow as "savings" sales to natural gas vehicles where the Electric Rules do not attribute any "savings" from electric vehicles to count against that standard. Similarly, the HEGP include gas-powered fuel cells, a technology the Commission previously specifically declined to promote with customer funding when enacting the Renewable Energy Standard.
- APS is concerned that the Rules would apply the cost-effectiveness test only to gas DSM (as "DSM" is defined in the Rules) measures and not to HEGP or other technologies.

Changes to address APS's concerns would affect the following sections of the Rules:

R14-2-2501, 21. *Definitions.*

Definition of HEGP should be removed (or modified to be consistent with the Electric Rules if HEGP is allowed to remain in the Rules);

R14-2-2503 A and B. *Goals and Objectives.*

The cost-effectiveness test should apply to all technologies allowed, not just DSM;

R14-2-2504 B, Table 1. *Energy Efficiency Standard.*

Standard percentage should be adjusted for removal of HEGP;

R14-2-2504 B, Table 2. *Illustrative Example of Calculating Required Energy Savings.*

Standard percentage should be adjusted for removal of HEGP;

(Conforming changes would be required throughout the Rule.)