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KRISTIN K. MAYES, Chairman  
GARY PIERCE  
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BOB STUMP

IN THE MATTER OF THE PROPOSED  
RULEMAKING ON GAS ENERGY  
EFFICIENCY AND THE GAS UTILITY  
ENERGY EFFICIENCY STANDARDS

Docket No. RG-00000B-09-0428

SWEEP SUPPLEMENTAL COMMENTS  
ON THE PROPOSED RULEMAKING  
ON GAS ENERGY EFFICIENCY

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The Southwest Energy Efficiency Project (SWEEP) appreciates the opportunity to submit supplemental comments on the proposed Rulemaking on Gas Energy Efficiency and the Gas Utility Energy Efficiency Standards as set forth in the Staff transmittal memorandum and proposed order dated August 5, 2010. SWEEP strongly supports the proposed Gas Energy Efficiency Rule for the reasons stated in SWEEP's comments filed on August 19, 2010. SWEEP also proposed two clarifications to improve the proposed Rule in its August 19th comments.

In these supplemental comments, SWEEP proposes five clarifications and revisions to the proposed Rule – the two clarifications that were submitted in SWEEP's August 19th comments (including a clarification that relates to Staff's Proposed Amendment filed on August 20, 2010), and three additional clarifications and revisions replying to Staff's Proposed Amendment.

**SWEEP Recommendations to Improve the Gas Energy Efficiency Rule**

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SWEEP provides five recommendations to revise and improve the Gas Energy Efficiency Rule. Below are the four SWEEP comments, followed by the applicable provision of the proposed Rule with the SWEEP-recommended revision shown as a redline markup.

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- The percentages in Table 1 should be consistent with mathematical adjustments made as a result of the July 26th workshop (i.e., changing the Rule from 10% to 6% overall should result in a 60% adjustment to the values for each year). Doing so will result in about 20% higher energy savings for customers in the second through sixth year of the Standard. The rounding used in Table 1 in the Revised Draft and Staff Proposed Amendment results in lower energy savings for customers in the early years of Rule implementation.**

2  
3 **Table 1. Energy Efficiency Standard**

<b><u>CALENDAR</u></b> <b><u>YEAR</u></b>	<b><u>ENERGY EFFICIENCY STANDARD</u></b> <b><u>(Cumulative Annual Energy Savings By the End of</u></b> <b><u>Each Calendar Year as a Percentage of the Retail</u></b> <b><u>Energy Sales in the Prior Calendar Year,</u></b>
<b><u>2011</u></b>	<u>0.50%</u>
<b><u>2012</u></b>	<u>1.00% 1.20%</u>
<b><u>2013</u></b>	<u>1.50% 1.80%</u>
<b><u>2014</u></b>	<u>2.00% 2.40%</u>
<b><u>2015</u></b>	<u>2.50% 3.00%</u>
<b><u>2016</u></b>	<u>3.00% 3.60%</u>
<b><u>2017</u></b>	<u>3.75% 4.20%</u>
<b><u>2018</u></b>	<u>4.50% 4.80%</u>
<b><u>2019</u></b>	<u>5.25% 5.40%</u>
<b><u>2020</u></b>	<u>6.00%</u>

4  
5 Revise Table 2 to conform.

6  
7 Revising Table 1 as shown above would result in about 20% higher energy savings for customers  
8 during the second through sixth year, thereby providing savings and benefits to more customers  
9 sooner. And the revised percentages above are consistent with a strict mathematical adjustment  
10 made to the prior 10% values to remove HEGP (multiplying each of the prior values by 60%), as  
11 discussed at the July 26th workshop. See the SWEEP analysis in the attached exhibit.

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14 **2. The requirement that three-quarters of the energy savings shall be achieved through**  
15 **the energy efficiency programs (4.5 percentage points of the 6% in 2020) should apply**  
16 **to all of the years set forth in the Gas Standard, and not solely to 2020.**

17  
18 SWEEP Recommendation for R14-2-2504, Section (C), Page 7:

19 C. An affected utility may count energy savings resulting from DSM energy efficiency and  
20 RET programs to meet the energy efficiency standard. At least 4.5 percentage points of the  
21 6% energy efficiency standard in 2020, and at least 75% of the energy efficiency standard  
22 for the other years, set forth in subsection (B) shall be achieved through the energy  
23 efficiency programs.

1  
2 In Staff's Proposed Amendment, dated August 20, 2010, Staff proposes to change (B) to (A),  
3 which would result in applying the three-quarters requirement solely to 2020 and not to the other  
4 years. SWEEP recommends that the three-quarters requirement be applied to all of the years set  
5 forth in Table 1 in (B), and not just to 2020, as SWEEP stated in its August 19th comments.

6  
7 Also, SWEEP recommends using the more complete and accurate term "DSM energy efficiency  
8 programs" in this section, which is the term Staff used in most places in the Rule.

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10  
11 **3. In order to count the energy savings resulting from energy efficiency building codes  
12 and appliance standards, an affected utility should be required to demonstrate and  
13 document its efforts in support of the adoption of the energy efficiency building codes  
14 and appliance standards. An affected utility should not be able to count energy savings  
15 from building codes and appliance standards that the utility did not support actively.**

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17 SWEEP Recommendation for R14-2-2504, Section (E), Page 8:

18 E. An affected utility may count toward meeting the energy efficiency standard up to one-third  
19 of the energy savings resulting from energy efficiency building codes and up to one-third of  
20 the energy savings resulting from energy efficiency appliance standards. The energy  
21 savings must be quantified and reported through a measurement and evaluation study  
22 undertaken by the affected utility, and the affected utility may count the energy savings only  
23 when the utility demonstrates and documents its efforts in support of the adoption of the  
24 energy efficiency building codes and appliance standards.

25  
26  
27 **4. Energy savings expiring before the year 2020 should be replaced by an energy  
28 efficiency *measure*, not an energy efficiency *program*.**

29  
30 SWEEP Recommendation for R14-2-2504, Section (I), Page 9:

31 An affected utility's energy savings used to meet the energy efficiency standard will be assumed  
32 to continue through the year 2020 or, if expiring before the year 2020, to be replaced with a  
33 DSM an energy efficiency or RET program *measure* having at least the same level of efficiency.

34  
35 For example, for CFL lighting savings expiring prior to 2020, the Rule would assume that the  
36 next lighting unit replacing an expiring CFL would have at least the same level of efficiency, in  
37 this case due to the federal lighting standards that will be implemented in 2012-2014.

1 **5. The Utility Cost test, applied as a multi-fuel test to encourage coordination in the**  
2 **delivery of gas and electric programs, should be allowed as an alternative to the**  
3 **Societal cost-effectiveness test, subject to Commission approval.**  
4

5 SWEEP Recommendation for R14-2-2512, Sections (A) and (B), Page 15:

- 6 A. An affected utility shall ensure that the incremental benefits ~~to society~~ of the affected  
7 utility's overall DSM portfolio exceed the incremental costs ~~to society~~ of the DSM portfolio.  
8 B. The Societal Test shall be used to determine cost effectiveness. The Utility Cost Test,  
9 applied as a multi-fuel test to encourage coordination in the delivery of gas and electric  
10 programs, may be used as an additional or alternative cost-effectiveness test subject to  
11 Commission approval.  
12

13 SWEEP supports and agrees that the Societal Test is the preferred test in general, but it requires  
14 significant amounts of data to "feed" it and keep it reasonably balanced with both benefits and  
15 costs (e.g., it requires the estimation and tracking of customer costs, not just utility program  
16 costs; it also requires the estimation and tracking of other customer benefits). Generally these  
17 data needs are not a problem for the electric utilities and the electric DSM programs. However,  
18 such data requirements could be a significant cost burden for the gas energy efficiency programs,  
19 which tend to be smaller, and for the gas program administrators, who have fewer staff. SWEEP  
20 believes it is important for the gas utilities to focus primarily on programs to benefit customers,  
21 and therefore recommends that the Utility Cost Test be allowed as an alternative or additional  
22 test, when approved by the Commission.  
23

24 The Utility Cost Test compares the benefits provided to the gas utility customers (the energy  
25 savings) to the utility program costs funded by ratepayers. It should be implemented as a multi-  
26 fuel test to encourage coordination in the delivery of gas and electric programs.  
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28  
29 Thank you for the opportunity to submit these supplemental comments on the Gas Energy  
30 Efficiency Rule and the Gas Utility Energy Efficiency Standards.

**Exhibit SWEEP-1. SWEEP Analysis of Percentages in the Gas Energy Efficiency Standard**

**Table 1. Gas Cumulative Annual Energy Savings as % of Retail Sales**

	<b>Staff Draft With 10% Standard</b>	<b>60% of Staff Draft (Removing 4% HEGP)</b>	<b>SWEEP Comments on Staff Draft</b>	<b>Revised Staff Draft 8/6/10 and 8/20/10</b>
<b>Year</b>	<b>7/20/10</b>	<b>4% HEGP)</b>	<b>7/30/10</b>	<b>8/20/10</b>
2011	0.95%	0.57%	0.50%	0.50%
2012	2.00%	1.20%	1.20%	1.00%
2013	3.00%	1.80%	1.80%	1.50%
2014	4.00%	2.40%	2.40%	2.00%
2015	5.00%	3.00%	3.00%	2.50%
2016	6.00%	3.60%	3.60%	3.00%
2017	7.00%	4.20%	4.20%	3.75%
2018	8.00%	4.80%	4.80%	4.50%
2019	9.00%	5.40%	5.40%	5.25%
2020	10.00%	6.00%	6.00%	6.00%

**Table 2. SWEEP Proposal, Applied to Southwest Gas, 2011-2020 (6% Energy Efficiency Standard)**

<b>Year</b>	<b>Energy Efficiency Standard in Gas Rule</b>		<b>Customer EE Programs Savings as % of Sales</b>		<b>Natural Gas Savings at Customer Meter</b>		<b>Increase in Cumulative Annual Energy Savings vs. Staff Draft</b>
	<b>EES: Energy Efficiency Standard as % of Retail Sales in Prior Year</b>	<b>Nominal Annual Percent Savings</b>	<b>Cumulative Annual Gas Savings as % of Retail Sales in Prior Year</b>	<b>Nominal Annual Percent Energy Savings</b>	<b>Cumulative Annual Energy Savings (Therms)</b>	<b>Incremental Annual Energy Savings (Therms)</b>	
2011	0.50%	0.50%	0.38%	0.38%	2,371,449	2,371,449	
2012	1.20%	0.70%	0.90%	0.53%	5,709,796	3,338,347	20.0%
2013	1.80%	0.60%	1.35%	0.45%	8,570,661	2,860,865	19.8%
2014	2.40%	0.60%	1.80%	0.45%	11,464,153	2,893,492	19.7%
2015	3.00%	0.60%	2.25%	0.45%	14,388,550	2,924,397	19.6%
2016	3.60%	0.60%	2.70%	0.45%	17,351,902	2,963,352	19.6%
2017	4.20%	0.60%	3.15%	0.45%	20,362,335	3,010,434	11.5%
2018	4.80%	0.60%	3.60%	0.45%	23,407,821	3,045,486	6.3%
2019	5.40%	0.60%	4.05%	0.45%	26,512,580	3,104,759	2.6%
2020	6.00%	0.60%	4.50%	0.45%	29,658,765	3,146,185	-0.1%

**Table 3. Staff Revised Draft (8/6/10) and Proposed Amendment (8/20/10), Applied to Southwest Gas**

<b>Year</b>	<b>Energy Efficiency Standard in Gas Rule</b>		<b>Customer EE Programs Savings at % of Sales</b>		<b>Natural Gas Savings at Customer Meter</b>	
	<b>EES: Energy Efficiency Standard as % of Retail Sales in Prior Year</b>	<b>Nominal Annual Percent Savings</b>	<b>Cumulative Annual Gas Savings as % of Retail Sales in Prior Year</b>	<b>Nominal Annual Percent Energy Savings</b>	<b>Cumulative Annual Energy Savings (Therms)</b>	<b>Incremental Annual Energy Savings (Therms)</b>
2011	0.50%	0.50%	0.38%	0.38%	2,371,449	2,371,449
2012	1.00%	0.50%	0.75%	0.38%	4,758,164	2,386,714
2013	1.50%	0.50%	1.13%	0.38%	7,152,924	2,394,760
2014	2.00%	0.50%	1.50%	0.38%	9,574,727	2,421,803
2015	2.50%	0.50%	1.88%	0.38%	12,025,885	2,451,158
2016	3.00%	0.50%	2.25%	0.38%	14,513,078	2,487,193
2017	3.75%	0.75%	2.81%	0.56%	18,260,498	3,747,420
2018	4.50%	0.75%	3.38%	0.56%	22,015,770	3,755,271
2019	5.25%	0.75%	3.94%	0.56%	25,830,932	3,815,162
2020	6.00%	0.75%	4.50%	0.56%	29,689,439	3,858,508