

ORIGINAL



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MEMORANDUM

TO: Docket Control

FROM: Steve M. Olea
Director
Utilities Division

DATE: October 25, 2010

RE: STAFF'S RESPONSE TO WRITTEN COMMENTS IN THE MATTER OF
PROPOSED RULEMAKING ON GAS ENERGY EFFICIENCY
(DOCKET NO. RG-00000B-09-0428)

Arizona Corporation Commission

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OCT 25 2010

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Attached is the Staff Report regarding written comments made by interested parties on Proposed Rulemaking on Gas Utility Energy Efficiency Standards, pursuant to Decision No. 71855. Decision No. 71855 ordered the Utilities Division to file with the Commission's Docket Control, a document including (1) a summary of any written comments filed by interested persons between the effective date of that Decision (August 25, 2010) and October 18, 2010, and (2) the Utilities Division's responses to those comments.

SMO:BEK:kdh

Originator: Barbara Keene

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Docket No. RG-00000B-09-0428

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

PROPOSED RULEMAKING ON GAS ENERGY EFFICIENCY

DOCKET NO. RG-00000B-09-0428

STAFF RESPONSE TO WRITTEN COMMENTS

OCTOBER 25, 2010

STAFF ACKNOWLEDGMENT

The Staff Response to Written Comments for Proposed Rulemaking On Gas Energy Efficiency, Docket No. RG-00000B-09-0428, was the responsibility of the Staff member listed below.


Barbara Keene
Public Utilities Analyst Manager

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Introduction

The Arizona Corporation Commission ("Commission") issued Decision No. 71855 on August 25, 2010. In that Decision, the Commission ordered that a Notice of Proposed Rulemaking including proposed Gas Utility Energy Efficiency Standards rules be filed with the Office of the Secretary of State for publication. The Notice of Proposed Rulemaking was published in the *Arizona Administrative Register* on September 17, 2010.

Decision No. 71855 requested that interested parties provide comments concerning the Notice of Proposed Rulemaking by filing written comments with the Commission's Docket Control by October 18, 2010.

Decision No. 71855 also ordered the Utilities Division to file with the Commission's Docket Control on or before October 25, 2010, a document including (1) a summary of any written comments filed by interested persons between the effective date of that Decision (August 25, 2010) and October 18, 2010, and (2) the Utilities Division's responses to those comments.

SUMMARY OF WRITTEN COMMENTS MADE REGARDING THE PROPOSED RULES

No written comments were received from August 25, 2010 through October 18, 2010.

STAFF'S COMMENTS REGARDING THE PROPOSED RULES

Staff recommends that Tables 2 and 4 in the proposed Gas Utility Energy Efficiency Standards rules be revised. The Commission had passed an amendment at the Open Meeting to make changes to Table 1 with the instruction to make all conforming changes. Conforming changes need to be made to Tables 2 and 4 as shown below.

Table 2. Illustrative Example of Calculating Required Energy Savings

<u>CALENDAR YEAR</u>	<u>A</u> <u>RETAIL SALES</u> <u>(therms)</u>	<u>B</u> <u>ENERGY</u> <u>EFFICIENCY</u> <u>STANDARD</u>	<u>C</u> <u>REQUIRED CUMULATIVE</u> <u>ENERGY SAVINGS</u> <u>(therms or therm equivalents)</u> <u>(B of current year</u> <u>× A of prior year)</u>
<u>2010</u>	<u>100,000,000</u>		<u>0</u>
<u>2011</u>	<u>97,500,000</u>	<u>0.50%</u>	<u>500,000</u>
<u>2012</u>	<u>94,870,000</u>	<u>1.20%</u>	<u>1,170,000</u>
<u>2013</u>	<u>92,411,540</u>	<u>1.80%</u>	<u>1,707,660</u>
<u>2014</u>	<u>90,018,939</u>	<u>2.40%</u>	<u>2,217,877</u>
<u>2015</u>	<u>87,691,512</u>	<u>3.00%</u>	<u>2,700,568</u>
<u>2016</u>	<u>85,427,344</u>	<u>3.60%</u>	<u>3,156,894</u>
<u>2017</u>	<u>83,224,605</u>	<u>4.20%</u>	<u>3,587,948</u>
<u>2018</u>	<u>81,081,521</u>	<u>4.80%</u>	<u>3,994,781</u>
<u>2019</u>	<u>78,996,374</u>	<u>5.40%</u>	<u>4,378,402</u>
<u>2020</u>	<u>76,967,498</u>	<u>6.00%</u>	<u>4,739,782</u>

Table 4. Illustrative Example of How the Energy Standard Could be Met in 2020

	<u>2020 Energy Efficiency Standard</u>	<u>2019 Retail Sales (therms)</u>	<u>Required Cumulative Annual Energy Savings (therms or therm equivalents)</u>
Total	6.00%	78,996,374	4,739,782
Breakdown of Savings and Credits Used To Meet 2020 Standard:			
			<u>Cumulative Annual Energy Savings Or Credit (therms)</u>
Pre-rules Savings Credit R14-2-2504(D)			359,545*
Building Codes and Appliance Standards R14-2-2504(E)			425,000
Self-direction R14-2-2404(F)			27,000
RET R14-2-2504(G)			25,000
CHP R14-2-2501(10) and R14-2-2504(C)			135,000
Energy Efficiency R14-2-2504(C)	At least 4.5 percentage points		3,768,237
Total			4,739,782

*The total pre-rules savings credit shall be capped at 1 percent of 2005 retail energy sales, and the total credit is allocated over five years from 2016 to 2020. The credit shown above represents an estimate of the portion of the total credit that can be taken in 2020, or 32.5 percent of the total credit allowed.