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4 KRISTIN K. MAYES, Chairman
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6 PAUL NEWMAN
7 SANDRA D. KENNEDY
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IN THE MATTER OF THE ARIZONA
CORPORATION COMMISSION'S
INVESTIGATION OF REGULATORY AND
RATE INCENTIVES FOR GAS AND
ELECTRIC UTILITIES

Docket No. E-00000J-08-0314
G-00000C-08-0314

SWEEP SUPPLEMENTAL
COMMENTS ON THE
DRAFT POLICY STATEMENT

11
12 **SUPPLEMENTAL COMMENTS OF THE**
13 **SOUTHWEST ENERGY EFFICIENCY PROJECT (SWEEP)**
14 **ON THE DRAFT POLICY STATEMENT REGARDING UTILITY DISINCENTIVES**
15 **TO ENERGY EFFICIENCY AND DECOUPLED RATE STRUCTURES**
16

17 The Southwest Energy Efficiency Project (SWEEP) appreciates the opportunity to submit
18 supplemental comments on the Draft ACC Policy Statement Regarding Utility Disincentives to
19 Energy Efficiency and Decoupled Rate Structures dated October 18, 2010. SWEEP submitted
20 its initial comments on the Draft Policy Statement on October 29, 2010.
21

22 SWEEP strongly supports the Draft Policy Statement as proposed, with the exception of a few
23 passages for which SWEEP believes wording clarifications would clarify and improve the
24 document. SWEEP submits its supplemental comments on such specific wording clarifications
25 below.
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27

28 **I. Decoupling removes the linkage between utility fixed-cost recovery and customer**
29 **energy consumption, thereby eliminating a utility financial disincentive to energy**
30 **efficiency. In this way, decoupling better aligns utility financial interests with**
31 **customer interests. SWEEP recommends that the Policy Statement state this explicitly.**
32

33 Specifically, SWEEP recommends the following changes to the first sentence of Statement #3
34 (changes shown in redline/strikethrough below):
35

36 3. Revenue decoupling may offer significant advantages over alternative mechanisms for
37 addressing utility financial disincentives to energy efficiency, as it removes the linkage between
38 fixed-cost recovery and customer energy consumption. ~~establishes better certainty of utility~~
39 ~~recovery of authorized fixed costs and it~~ better aligns utility and customer interests.

1
2 **II. Decoupling removes a financial disincentive, but it is not a positive financial incentive**
3 **in itself. An effective policy framework for increasing energy efficiency should include**
4 **both decoupling (removing a disincentive) and a positive financial incentive in the form**
5 **of a performance incentive. The language of the Policy Statement should acknowledge**
6 **that a performance incentive does not serve the same purpose as decoupling and that**
7 **both are important.**

8
9 SWEEP recommends the following changes to the first parts of Statement #3 and Statement #5
10 (changes shown in redline/strikethrough below):

11
12 3. Revenue decoupling may offer significant advantages.....and better aligns utility and
13 customer interests. ~~However, if~~ properly designed, alternative performance incentive
14 mechanisms may also ~~could~~ be implemented that would provide significant incentives to utilities
15 to go beyond complying with the Commission's Energy Efficiency Rules just because they are
16 required to do so, and would ~~but to~~ actually promote energy efficiency. Some form of
17 decoupling and ~~or~~ utility financial incentives must be adopted in order to encourage aggressive
18 use of demand side management programs and the achievement of Arizona's Electric and Gas
19 Energy Efficiency Standards, which will benefit ratepayers and minimize utility costs.

20
21 5. Adoption of decoupling (~~or any other alternative mechanism that provides utility incentives to~~
22 ~~promote energy efficiency~~) should not occur as a pilot, as this insufficiently supports demand
23 side management efforts, discourages beneficial changes to rate design and is unlikely to
24 encourage financial ratings improvements.

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27 **III. Utilities should be able to carry forward any unrecovered balances due to a cap on the**
28 **decoupling adjustments to a future period for possible recovery in future adjustments.**

29
30 This issue was discussed in the workshops, and SWEEP and other parties recommended that the
31 utilities should be able to carry forward any unrecovered balances due to decoupling adjustment
32 amounts that exceed the cap for possible recovery at a later time.

33
34 To clarify the Policy Statement, the following sentence should be inserted on the fourth line of
35 the paragraph in Statement #14, following "for the periodic decoupling adjustments."

36
37 "Any unrecovered balances, including decoupling adjustment amounts in excess of the cap in
38 one period, may be carried forward for possible recovery in future adjustments, subject to the cap
39 in the future period."
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41

1 **IV. SWEEP urges the Commission to adopt the Draft Policy Statement, with the wording**
2 **clarifications recommended above, to support the Commission's prior actions to**
3 **increase customer energy efficiency, and to support the achievement of the electric and**
4 **gas Energy Efficiency Standards, which will result in lower utility bills for Arizona**
5 **customers.**

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7

8 Thank you for the opportunity to submit these supplemental comments on the Draft ACC Policy
9 Statement Regarding Utility Disincentives to Energy Efficiency and Decoupled Rate Structures.