

ORIGINAL

OPEN MEETING AGENDA ITEM



0000133295

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

Arizona Corporation Commission

DOCKETED

COMMISSIONERS

GARY PIERCE, Chairman  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

2012 JAN -6 P 4: 27

JAN 6 2012

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

DOCKETED BY

IN THE MATTER OF THE APPLICATION  
OF ARIZONA PUBLIC SERVICE  
COMPANY'S APPROVAL OF ITS 2012  
DEMAND SIDE MANAGEMENT  
IMPLEMENTATION PLAN

DOCKET NO. E-01345A-11-0232

**SWEEP COMMENTS ON THE APS  
2012 DSM IMPLEMENTATION PLAN**

**COMMENTS OF THE SOUTHWEST ENERGY EFFICIENCY PROJECT**

1 The Southwest Energy Efficiency Project ("SWEEP") appreciates the opportunity to submit  
2 comments in response to the Second Revised Recommended Order filed by Staff on December  
3 29, 2011, regarding Arizona Public Service Company's ("APS" or "Company") Application for  
4 Approval of its 2012 Demand Side Management Implementation Plan ("Plan").  
5

6 SWEEP thanks Staff for its efforts to prepare the Recommended Order while simultaneously  
7 working on a suite of other applications and matters. SWEEP also recognizes the Company for  
8 proposing new programs and program enhancements that will deliver significant benefits for  
9 Arizona and APS customers, including total lower customer costs and lower utility bills.  
10

11 Below SWEEP submits its comments on the Plan, followed by its exceptions and recommended  
12 amendments regarding three issues in the Second Revised Recommended Order.  
13

14 **I. SWEEP Supports Commission Approval of the Energy Efficiency Opportunities Found**  
15 **Cost-Effective by Staff. SWEEP Believes These Opportunities:**  
16

17 **A. Are Cost-Effective; in the Public Interest; and will Deliver Significant Benefits**  
18

19 The proposed portfolio is cost-effective, will deliver annual energy savings that exceed  
20 480 GWh, and will achieve about \$195 million in net benefits for customers (per the APS  
21 Revised Plan, June 24, 2011).  
22

23 **B. Will Result in the Achievement of the 2012 Energy Savings Requirements Set Forth**  
24 **in the Electric Energy Efficiency Standard ("EE Standard")**  
25

26 The programs and program enhancements outlined in the Company's Plan will result in  
27 savings that achieve the energy saving requirements set forth in the EE Standard for 2012  
28 (i.e., annual energy savings approximately equivalent to 1.75% of retail energy sales).  
29

1 **C. Will Engage More Customers and Provide More Ways for Customers to Save**

2  
3 *The existing and new cost-effective opportunities recommended for Commission approval*  
4 *will serve more APS customers and provide more ways for customers to save money and*  
5 *energy:*

- 6  
7     ▪ The proposed performance-based path for the Home Performance with ENERGY  
8 STAR<sup>®</sup> program will offer customers and program contractors flexibility while  
9 promoting innovation and deeper, more comprehensive energy savings in existing  
10 homes.
- 11  
12     ▪ The proposed modifications and additions to the Multi-Family Energy Efficiency  
13 Program, including the introduction of a performance-based path, will offer  
14 flexibility so that renters, who are notoriously hard-to-engage due to an array of  
15 market failures and barriers including principal-agent and split-incentive  
16 problems, are provided with more opportunities to save.
- 17  
18     ▪ The proposed Energy Codes & Standards Support Project will deliver cost-  
19 effective energy savings that persist for decades at low expense to ratepayers.  
20 Notably, APS' program mirrors a program that the Salt River Project (SRP) has  
21 successfully implemented in its territory and that is projected to achieve *more*  
22 *than 100,000 MWh savings per year by 2016, and nearly half a million MWh*  
23 *savings by 2020.*<sup>1</sup> APS' program is also poised to build upon the work supported  
24 by the Governor's Office of Energy Policy in 2011. Last year the Governor's  
25 office, in partnership with Green Street Development, created the Southwest  
26 Building Energy Code curriculum and trained twenty building energy code  
27 trainers to deliver this curriculum to Arizona jurisdictions.
- 28  
29     ▪ The proposed new measures for non-residential customers, including energy  
30 management systems and LED lighting measures, will provide additional  
31 opportunities for large businesses, small businesses, and schools to conserve.

32  
33  
34 **II. SWEEP Comments on the Recommended Order:**

35  
36 **A. Counting Energy Savings from Energy Efficiency Appliance Standards**

37  
38 SWEEP believes that the Commission should have all available tools at its disposal for  
39 the delivery of cost-efficient energy savings – especially tools that can deliver customer  
40 savings at low costs to ratepayers and that have the potential to reduce long-term EE  
41 program costs. By assuring a minimum level of EE performance for household and  
42 business products, appliance standards represent one such cost-effective tool that  
43 provides ratepayers, especially renters, tenants, and new homeowners, with the ability to  
44 save money and energy. Appliance standards are generally developed through a

---

<sup>1</sup> See "In Support of Clean & Efficient Energy: SRP Position on Model Energy Codes":  
<http://www.srpnet.com/environment/earthwise/pdfx/spp/ModelEnergyCodes2011.pdf>

1 consensus process involving industry, manufacturers, and the business community. Once  
2 implemented, appliance standards can reduce the cost of utility EE programs, such as  
3 consumer products programs, by diminishing the need for or reducing the level of  
4 ratepayer-funded rebates over time.

5  
6 As such, SWEEP believes that the Company should be allowed to count up to one-third  
7 of the energy savings resulting from energy efficiency appliance standards, if the energy  
8 savings are quantified and reported through a measurement and evaluation study  
9 undertaken by the Company, and the Company demonstrates and documents its efforts in  
10 support of the adoption or implementation of the energy efficiency appliance standards.  
11 This approach and the language in the attached proposed amendment are consistent with  
12 the language in the Gas Energy Efficiency Rule, which explicitly allows savings from  
13 appliance standards to count towards achievement of the Gas EE Standard.<sup>2</sup>

14  
15 SWEEP believes that one-third credit (versus one-hundred percent credit) toward these  
16 activities is warranted because this level of credit recognizes the fact that the appliance  
17 standard development and adoption process is complex and multi-faceted, involving  
18 many stakeholder efforts and multiple influences in addition to utility support and  
19 interaction, for example, during the development and consensus-building processes. Also,  
20 allowing one-third credit leverages the value for customers, resulting in customers  
21 receiving 100% of the benefits of the energy savings from the appliance standards in the  
22 marketplace, while providing utilities partial credit towards achievement of the EE  
23 Standard (which is reasonably consistent with the partial influence that the utilities have  
24 in the multi-party processes to develop and implement the standards).

25  
26 **SWEEP has proposed an amendment as Attachment A in support of this concept.**  
27 The proposed amendment includes proposed language for a waiver from the EE Standard  
28 Rule to allow the Company to count savings from appliance standards in 2012 and in  
29 future years. This is important in terms of sending the signal that the Company should  
30 be supporting appliance standards, and ensuring reasonable certainty regarding future  
31 credit for such efforts, as appliance standards have long lead times and often are  
32 developed several years in advance.

### 33 34 **B. Budget Flexibility for Programs, and an Overall Limit on the Total DSM Spending**

35  
36 In the ROO, Staff recommends that the Company be allowed to exceed any DSM  
37 program annual budget by up to 5% without prior Commission authorization – which is a  
38 reduction from the 15% that has been allowed. SWEEP supports budget flexibility for the

---

<sup>2</sup> The Electric EE Rule in R14-2-2404(E) reads, “An affected utility may count toward meeting the standard up to one third of the energy savings, resulting from energy efficiency building codes, that are quantified and reported through a measurement and evaluation study undertaken by the affected utility.” The Gas EE Rule in R14-2-2504(E) reads, “An affected utility may count toward meeting the energy efficiency standard up to one-third of the energy savings resulting from energy efficiency building codes and up to one-third of the energy savings resulting from the energy efficiency appliance standards, if the energy savings are quantified and reported through a measurement and evaluation study undertaken by the affected utility, and the affected utility demonstrates and documents its efforts in support of the adoption or implementation of the energy efficiency building codes and appliance standards.”

1 reasons below and recommends that the Commission maintain the *program* budget  
2 flexibility at 15% and not reduce it to 5%. If the Commission is concerned about the  
3 Company over-spending the total DSM budget, SWEEP suggests that the Commission  
4 could implement a limit on *total* DSM expenditures (for example, by directing that total  
5 expenditures may not exceed the total DSM budget by more than 5%).  
6

7 Energy efficiency is a reliable energy resource that can be directed and targeted as needs  
8 arise with particular market segments or geographic areas. Energy efficiency budget  
9 flexibility supports this ability of energy efficiency to be targeted and responsive. For  
10 example, during an economic downturn, when fewer new homes are being built, money  
11 reserved for a residential new construction program can be reallocated to an existing  
12 homes program in response to market conditions.  
13

14 Budget flexibility also ensures that programs can continue to operate if they are popular  
15 (rather than stopped and started and then stopped again as customer participation varies  
16 over time). And reasonable budget flexibility recognizes that customers are the ones  
17 making the decisions about whether, and if so, how and when they will participate.  
18 Therefore the Company does not have 100% control over the timing of the spending  
19 because customers are the ones making the final decisions, and this can be a particularly  
20 challenging issue near the end of a budget year. Programs that are very popular with  
21 customers may experience higher-than-planned expenditures, and the programs, which  
22 are offering cost-effective measures to customers, should continue to serve those  
23 customers under a reasonable level of budget flexibility.  
24

25 In terms of total DSM expenditures, some level of flexibility is useful because the  
26 Company also cannot predict in advance with 100% certainty exactly what customers are  
27 going to do exactly when any more towards the end of the budget period than the  
28 Company can predict at other times. Therefore, there should be some flexibility on total  
29 DSM expenditures as well. However, SWEEP believes the percentage for total budget  
30 flexibility could be lower (e.g., 5%).  
31

32 **SWEEP has proposed an amendment as Attachment B in support of this concept.**

33 The proposed amendment would retain the *program* budget flexibility at 15%, to support  
34 the beneficial flexibility at the program level in order to serve customers, while setting a  
35 limit that *total* DSM expenditures (the spending across all programs and activities in the  
36 DSM portfolio) may not exceed the total DSM budget by more than 5%.  
37

38 **C. SWEEP Maintains that the Process for Analyzing and Reporting the Cost-**  
39 **Effectiveness of EE Opportunities Should be Modified to Ensure an Accurate and**  
40 **Full Understanding of the Costs and Benefits Associated with EE Programs and**  
41 **Investments in a Timely Manner. SWEEP Supports Engagement of an Independent,**  
42 **Third-Party Consultant to Advance These Objectives.**  
43

44 SWEEP strongly supports Staff and the Companies (APS, Tucson Electric Power  
45 Company, etc.) using one model and consistent input values for the cost effectiveness

1 analysis of proposed and existing EE programs and opportunities. SWEEP also supports  
2 making the cost-effectiveness model and the input values available to the public.  
3

4 Such synchronization and disclosure would be beneficial because it would:

- 5 ■ Boost transparency for both the EE plan development and review process and for  
6 the integrated resource planning process.
- 7 ■ Streamline the EE plan development and review process, providing customers  
8 with opportunities to save money on their bills sooner and freeing up time for  
9 Staff to focus on more strategic analysis of the EE plans.
- 10 ■ Allow other parties and market actors to propose and review enhancements or  
11 improvements to the EE plans more easily.
- 12 ■ Provide a consistent platform (one model) across the state for the evaluation and  
13 review of EE programs and opportunities. (Given that the EE Standard is a  
14 statewide standard, it follows that a statewide model for EE analysis should be  
15 used – as is the practice in other states.)
- 16 ■ Provide a platform and knowledge infrastructure that co-ops and smaller utilities  
17 could use, thereby reducing the administrative costs of these entities in the design  
18 of their energy efficiency programs.

19  
20 SWEEP notes that the Companies and Staff often conclude that the same EE  
21 opportunities have different benefit-cost ratios. (In the vast majority of these cases the  
22 numbers are different but both analyses show the measures to be cost-effective). In  
23 addition, the Companies' values are sometimes greater than Staff's and vice versa. The  
24 fact that the Companies and Staff have found measures to be different in terms of cost-  
25 effectiveness has concerned SWEEP. Indeed, we feel that is absolutely imperative to  
26 have an accurate and full understanding of the costs and benefits associated with any EE  
27 investment in order to ensure that ratepayer dollars are allocated as prudently and  
28 efficiently as possible, *especially* in light of Arizona's increasing investment in EE over  
29 the next decade and how this investment impacts resource planning.  
30

31 Staff has recommended that in all future EE plans, the Company use the same input  
32 values and methodology as Staff. SWEEP's concern about Staff's recommendation is that  
33 it does not adequately resolve some of our aforementioned concerns such as why the  
34 Companies' values are sometimes greater than Staff's and vice versa or how energy  
35 efficiency should be treated during the integrated resource planning process. Further, the  
36 model that Staff has been using is fairly old and a new model should improve the  
37 usability of the model (thereby saving time) and increase the transparency of the analysis.  
38

39 In order to develop one model and consistent input values that would ensure accurate and  
40 timely cost-effectiveness analysis and that address the concerns outlined above, SWEEP  
41 recommends that Staff retain an independent third-party consultant to assist a Staff-led  
42 working group, including the Companies and interested stakeholders, in:

- 43 A. Exploring effective options for cost-effectiveness analysis models
- 44 B. Selecting and securing one model to be used by the Companies and Staff for cost-  
45 effectiveness analysis
- 46 C. Resolving any differences in key input values used in the analysis, and

1 D. Documenting the key input values in a Technical Reference Manual to be updated  
2 by the Companies and filed with each EE Plan.  
3

4 SWEEP believes that such a process would provide an invaluable opportunity for  
5 Commissioners and the public to gain a deeper and more thorough understanding of how  
6 EE investments are analyzed, evaluated and measured.  
7

8 Many other states that have been increasing their EE programs and investments use one  
9 model or screening tool for the cost-effectiveness analysis, and support the analysis by  
10 maintaining a reasonably up-to-date Technical Reference Manual that documents the key  
11 input values.  
12

13 Notably, SWEEP has learned that technical assistance support and monies are available  
14 through the National Association of Regulatory Utility Commissioners (NARUC)  
15 SERCAT program or the U.S. Department of Energy's SEEACTION Technical Assistance  
16 Program to support this exact kind of work.  
17

18 **SWEEP has proposed an amendment as Attachment C in support of this concept.**  
19  
20

21 Thank you for the opportunity to submit these comments.  
22  
23  
24

25 Respectfully submitted this 6<sup>th</sup> day of January 2012 by:  
26  
27

28 \_\_\_\_\_  
29 Jeff Schlegel & Ellen Zuckerman  
30 Southwest Energy Efficiency Project  
31

32 ORIGINAL and thirteen (13) copies filed this 6<sup>th</sup> day of January 2012, with:  
33

34 Docket Control  
35 ARIZONA CORPORATION COMMISSION  
36 1200 West Washington Street  
37 Phoenix, Arizona 85007

38 COPIES of the foregoing sent via email and/or mail this 6<sup>th</sup> day of January 2012, to:  
39

40 All Parties of Record  
41

1 **SWEEP COMMENTS – ATTACHMENT A**  
2 Arizona Public Service Company  
3 2012 Demand Side Management Implementation Plan  
4 Docket No. E-01345A-11-0232

5  
6 **Proposed Amendment #1**  
7 **Energy Codes and Standards Support Project – Including Appliance Standards**

8  
9 **Page 56, Line 3**

10 DELETE:

11 “not”  
12  
13

14  
15 **Page 56, Line 4**

16 Before “savings impacts” INSERT:

17 “up to one third of the energy”  
18

19 After “savings impacts” INSERT:

20  
21 “, quantified and reported through a measurement and evaluation study undertaken by the  
22 Company,”  
23  
24

25  
26 **Page 56, Line 6**

27 INSERT new ordering paragraph:

28  
29 “IT IS FURTHER ORDERED that Arizona Public Service Company be granted a waiver from  
30 R14-2-2404(E) to allow the Company to count toward meeting the Commission’s Energy  
31 Efficiency Standard in R14-2-2404, for 2012 through 2020, up to one third of the energy savings  
32 resulting from energy efficiency appliance standards, if the energy savings are quantified and  
33 reported through a measurement and evaluation study undertaken by the Company, and the  
34 Company demonstrates and documents its efforts in support of the adoption or implementation  
35 of the energy efficiency appliance standards.”  
36  
37

38 **Page 56, Lines 25 - 27**

39 DELETE:

40  
41 “IT IS FURTHER ORDERED that the Energy Codes & Standards Support Project be renamed  
42 the Energy Building Codes Support Project to reflect that only savings from improved building  
43 codes, and not appliance standards, are eligible to be counted under the standard.”  
44  
45

46 **MAKE CONFORMING CHANGES**  
47



1  
2 **SWEEP COMMENTS – ATTACHMENT C**  
3 Arizona Public Service Company  
4 2012 Demand Side Management Implementation Plan  
5 Docket No. E-01345A-11-0232  
6

7 **Proposed Amendment #3**  
8 **Staff Review Process, Cost-Effectiveness Model, and Technical Reference Manual**  
9

10  
11 **Page 57, Line 18**

12 DELETE:

13  
14  
15 “use the same input values and methodology as Staff”  
16

17 INSERT:

18  
19 “and Staff shall use consistent input values wherever feasible and the same methodology and  
20 model”  
21

22 **Page 57, Line 19**

23  
24 After “benefit-cost ratios” INSERT:

25  
26 “, while understanding that the Company is responsible for developing each DSM  
27 Implementation Plan and filing the Plan application.”  
28

29 **Page 57, Line 20**

30  
31 INSERT new ordering paragraph:

32  
33 “IT IS FURTHER ORDERED that to ensure accurate and timely cost-effectiveness analysis  
34 through the use of one model and consistent input values, Staff shall retain an independent third-  
35 party consultant through the US DOE SEEACTION Technical Assistance Program or the NARUC  
36 SERCAT program, to assist a Staff-led working group, including the Company and interested  
37 stakeholders, in (a) exploring effective options for cost-effectiveness analysis models, (b)  
38 selecting and securing one model to be used by the Company and Staff for cost-effectiveness  
39 analysis, (c) resolving any differences in key input values used in the analysis, and (d)  
40 documenting the key input values in a Technical Reference Manual to be updated by the  
41 Company and filed with each DSM Implementation Plan.”  
42  
43

44 **MAKE CONFORMING CHANGES**