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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman  
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SWEEP COMMISSION  
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IN THE MATTER OF THE APPLICATION  
OF SOUTHWEST GAS' APPROVAL OF  
ITS ENERGY EFFICIENCY AND  
RENEWABLE ENERGY RESOURCE  
TECHNOLOGY PORTFOLIO  
IMPLEMENTATION PLAN

DOCKET NOS. G-01551A-11-0344

~~G-01551A-10-0458~~

**SWEEP REPLY COMMENTS ON THE  
SWG ENERGY EFFICIENCY AND  
RENEWABLE ENERGY RESOURCE  
TECHNOLOGY PORTFOLIO  
IMPLEMENTATION PLAN**

**REPLY COMMENTS OF THE SOUTHWEST ENERGY EFFICIENCY PROJECT**

1 The Southwest Energy Efficiency Project ("SWEEP") appreciates the opportunity to submit  
2 reply comments on the Report and Recommended Order filed by Staff on April 10, 2012,  
3 regarding the Southwest Gas Company ("Southwest Gas" or "Company") Application for  
4 Approval of its Energy Efficiency and Renewable Energy Resource Technology Portfolio  
5 Implementation Plan ("Plan" or "EE & RET Plan"). SWEEP is also submitting reply comments  
6 herein regarding the comments of the Residential Utility Consumer Office ("RUCO") filed on  
7 April 23, 2012, and the RUCO Errata/Reply Comments filed on Friday, May 18, 2012, and the  
8 Southwest Gas Reply Comments filed on Thursday, May 17, 2012. Below SWEEP submits it  
9 reply comments.

10  
11 **I. SWEEP supports Commission approval of the Southwest Gas EE & RET Plan with the**  
12 **Staff-proposed \$13.434 million budget set forth in the Recommended Order.**

13  
14 SWEEP thanks Commission Staff for its efforts in preparing the Report and Recommended  
15 Order on Southwest Gas' EE & RET Plan. The Staff-recommended programs and measures  
16 are cost-effective and will reduce utility bills for customers. These opportunities will help to  
17 mitigate fuel price increases, reduce customer vulnerability and exposure to natural gas price  
18 volatility, and deliver economic and environmental benefits. In addition, the EE & RET Plan  
19 programs are expected to achieve 3,294,517therms of annual energy savings (per Staff's  
20 revisions in the Recommended Order), thereby meeting the Company's twelve-month energy  
21 savings goal. SWEEP urges Commission approval of the EE & RET Plan with the Staff-  
22 proposed budget of \$13.434 million (which is a reduction from the Company proposed  
23 budget of \$16.5 million).

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25

ARIZONA CORPORATION COMMISSION  
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1 **II. Procedurally, SWEEP recommends Commission approval of the EE & RET programs**  
2 **and \$8.4 million budget in the Modified Plan addressed in Docket No. G-01151A-10-**  
3 **0458, followed by Commission approval of the New Revised EE & RET Plan, which**  
4 **covers additional programs and a total EE & RET budget of \$13.434 million (the Staff-**  
5 **recommended budget). The \$13.434 million budget and the associated DSM Surcharge**  
6 **(DSMS) reset to \$0.02069 per therm in the New Revised Plan would fund the programs**  
7 **in both the Modified Plan and the New Revised Plan (i.e., the \$8.4 million becomes a**  
8 **subset of the \$13.434 million). Therefore the DSMS reset to \$0.02069 per therm in the**  
9 **New Revised Plan would address the programs and measures in both Plans.**

10  
11 The Commission has two Southwest Gas EE & RET items on its Open Meeting agenda for  
12 May 22, 2012. SWEEP recommends the following approach for addressing these items,  
13 since the two items are related.

14  
15 First, SWEEP recommends that the Commission approve the Modified EE & RET Plan and  
16 the new programs and measures in that Plan, as well as the Modified Plan budget of \$8.4  
17 million. SWEEP filed comments in support of the Modified Plan on November 1, 2011, and  
18 April 20, 2012.

19  
20 Second, SWEEP recommends that the Commission approve the New Revised EE & RET  
21 Plan, which covers additional programs and a total EE & RET budget of \$13.434 million (the  
22 Staff-recommended budget). The Modified Plan budget of \$8.4 million becomes a subset of  
23 the \$13.434 million budget of the New Revised Plan.

24  
25 As Staff notes (Staff Report, page2), the DSMS reset to \$0.02069 per therm should include  
26 the following: (i) the existing DSM bank balance; (ii) projected spending for all existing  
27 programs and measures, and any programs and measures approved as part of the Modified or  
28 New Revised Plans; and (iii) the costs of the Residential Financing Program approved in  
29 April 2011 (Decision No. 72256).

30  
31 **III. SWEEP provides the following reply comments to the Southwest Gas reply comments**  
32 **filed on Thursday, May 17, 2012.**

33  
34 Monthly bill impacts, regarding the following statement by SW Gas (page 4):  
35 "This compares quite favorably to electric utility energy-efficiency budgets that have been  
36 approved by the Commission that range from \$50 million to \$180 million, where the  
37 resulting bill impacts are approximately \$6.50 per month."

38  
39 No electric utility DSM budgets in Arizona are anywhere close to \$180 million. APS, the  
40 utility with the highest DSM budget, has an average monthly bill impact of about \$3.00 for  
41 EE and DSM programs – not \$6.50.

42  
43 Annual and interim cost-effectiveness assessment (page 6):  
44 SWEEP agrees with the Company's comments that the DSM programs are already assessed  
45 for cost-effectiveness on an annual basis and that is sufficient. In addition to the annual  
46 implementation plans, the Company is also required to report on the performance of the EE

1 & RET programs each April in an annual report to the Commission. The process of an annual  
2 plan plus an annual report is sufficient; additional "interim" reporting during a program year  
3 as proposed by Staff is not necessary.  
4

5 Lavatory aerator (page 6):

6 SWEEP supports the lavatory aerator being delivered as part of the Company's other  
7 residential rebate programs, or being delivered as part of a coordinated approach with  
8 existing homes programs administered by electric utilities.  
9

10 **IV. SWEEP provides the following reply comments regarding RUCO's comments filed on**  
11 **April 23, 2012, and the RUCO Errata/Reply Comments filed on Friday, May 18, 2012.**  
12

13 There are a number of misrepresentations in RUCO's comments, which should be corrected  
14 or clarified by RUCO or the Company. For example: "SW Gas will spend \$4.7 million this  
15 year to reduce sales by 1.20% and is requesting \$16.5 million to meet the 2013 goal to reduce  
16 sales by 1.80%" (Page 2). The fact is that SW Gas will not achieve 1.20% savings with a  
17 \$4.7 million budget. Also, the Staff-proposed budget in the ROO before the Commission is  
18 \$13.434 million, not \$16.5 million.  
19

20 RUCO commented about the level of gas EE efforts considering the declining average use  
21 per customer. The facts are that these cost-effective energy savings and utility bill reductions  
22 are valuable to customers and reduce the total cost of utility service for gas customers even  
23 when natural gas prices are low and natural gas usage per customer is declining. The  
24 Commission should continue to support cost-effective energy efficiency programs.  
25

26 RUCO commented about some programs and measures that were not cost-effective under the  
27 cost-effectiveness analyses conducted by the Company and Staff. SWEEP notes that these  
28 analyses did not fully and completely apply the Societal Test; in particular, some benefits of  
29 EE were not included or quantified in the analyses. Therefore SWEEP agrees with Staff that  
30 the energy efficiency opportunities it has recommended for approval be approved.  
31

32 RUCO also raised commented about the under-spending of the Company on gas EE  
33 programs relative to budgets. This under-spending has also concerned SWEEP, and SWEEP  
34 has suggested some delivery approaches (see below) that would help to reach more  
35 customers with the EE programs.  
36

37 Also note that the limited number of Commission-approved EE programs and measures, and  
38 the delays in Commission approval of some proposed programs and measures, has been a  
39 significant factor in the SW Gas under-spending of the EE budgets.  
40

41 **V. SWEEP will work with the Company and Commission Staff to identify ways to increase**  
42 **cost-effectiveness and reduce ratepayer costs for existing and potential EE programs,**  
43 **including through the coordination and "piggy-backing" of gas EE programs with**  
44 **electric EE programs. SWEEP will work with the Company to help develop such**  
45 **proposals as part of the next EE & RET Plan.**  
46

1 SWEEP recommends coordinating and piggybacking the delivery of Southwest Gas EE  
2 programs with electric EE programs wherever possible. Such coordination will drive down  
3 ratepayer costs while providing customers with more comprehensive, convenient services –  
4 e.g. “one-stop shop” customer service that encompasses both electric and gas EE. Several  
5 additional measures and programs could become cost-effective through such an integrated  
6 approach. Additionally, the coordinated service would enable more ways for customers to  
7 save money and to save money more easily and conveniently. SWEEP will work with the  
8 Company to help develop such cost-saving proposals as part of the next Plan. To that end,  
9 SWEEP plans to review the cost-effectiveness analysis that Staff and the Company have  
10 conducted in advance of the next EE & RET Plan.

11  
12 **VI. SWEEP maintains that the process for analyzing and reporting the cost-effectiveness of**  
13 **EE opportunities should be modified to ensure an accurate and full understanding of**  
14 **the costs and benefits associated with EE programs and investments in a timely**  
15 **manner. SWEEP supports engagement of an independent, third-party consultant to**  
16 **advance these objectives. SWEEP recommends extension of the process approved by**  
17 **the Commission for other utilities to include Southwest Gas.**

18  
19 SWEEP strongly supports Staff and the utility companies (Southwest Gas, Arizona Public  
20 Service, UNS Electric, Tucson Electric Power, etc.) using one model and consistent input  
21 values for the cost effectiveness analysis of proposed and existing EE programs and  
22 opportunities. SWEEP also supports making the cost-effectiveness model and the input  
23 values available to the public.

24  
25 Such synchronization and disclosure would be beneficial because it would:

- 26  
27
- 28 ■ Boost transparency for both the EE plan development and review process and for the  
29 integrated resource planning process.
  - 30 ■ Streamline the EE plan development and review process, providing customers with  
31 opportunities to save money on their bills sooner and freeing up time for Staff to  
32 focus on more strategic analysis of the EE plans.
  - 33 ■ Allow other parties and market actors to propose and review enhancements or  
34 improvements to the EE plans more easily.
  - 35 ■ Provide a consistent platform (one model) across the state for the evaluation and  
36 review of EE programs and opportunities. (Given that the EE Standard is a statewide  
37 standard, it follows that a statewide model for EE analysis should be used – as is the  
38 practice in other states.)
  - 39 ■ Provide a platform and knowledge infrastructure that co-ops and smaller utilities  
40 could use, thereby reducing the administrative costs of these entities in the design of  
41 their energy efficiency programs.

42 Notably, in its approval of the Arizona Public Service 2012 Energy Efficiency  
43 Implementation Plan and the UNS Electric 2011-2012 Energy Efficiency Implementation  
44 Plan, the Commission unanimously supported a process whereby Commission Staff could  
45 seek funds at no ratepayer expense to retain an independent third-party consultant to assist a  
46 Staff-led working group, including the utility companies and interested stakeholders, to

1 develop one model and consistent input values for accurate and timely cost-effectiveness  
2 analysis of EE programs and measures. **SWEEP recommends extension of this process to**  
3 **include Southwest Gas.**

4  
5 **VII. Further, SWEEP recommends that the issue of program, package of measures, and**  
6 **individual measure cost-effectiveness – including the issue of how program delivery**  
7 **and administrative costs are allocated to programs and measures – should be**  
8 **addressed as part of the cost-effectiveness process described above.**

9  
10 SWEEP disagrees with Staff's statements (ROO, page 6) that the Gas EE Rule requires cost-  
11 effectiveness at the measure level, and there is language in the EE Rule that clearly requires  
12 cost-effectiveness at the program level. Also importantly, there appear to be different  
13 approaches in use in Arizona to apply and allocate the program delivery and administrative  
14 costs to individual programs and measures. SWEEP recommends that these issues should be  
15 addressed as part of the cost-effectiveness process described above.

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19  
20 Thank you for the opportunity to submit these comments.

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23  
24 Respectfully submitted this 21<sup>st</sup> day of May 2012 by:

25  
26  
27 \_\_\_\_\_  
28 Jeff Schlegel & Ellen Zuckerman  
29 Southwest Energy Efficiency Project

30  
31 ORIGINAL and thirteen (13) copies filed this 21<sup>st</sup> day of May 2012, with:

32  
33 Docket Control  
34 ARIZONA CORPORATION COMMISSION  
35 1200 West Washington Street  
36 Phoenix, Arizona 85007

37 COPIES of the foregoing sent via email and/or mail this 21<sup>st</sup> day of May 2012, to:

38  
39 All Parties of Record