



Advancing a Sustainable Economy



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ORIGINAL

November 18, 2014

Arizona Corporation Commission
Docket Control Center
1200 W. Washington St.
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

NOV 18 2014

Attention:
Chairman Bob Stump
Commissioner Brenda Burns
Commissioner Gary Pierce
Commissioner Susan Bitter Smith
Commissioner Bob Burns

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Re: Docket #E-00000XX-13-0214

The Green Chamber of Greater Phoenix is committed to advancing sustainable and diverse economic development in Arizona. Our membership includes small privately-owned to large publically-owned companies, as well as individual contractors, entrepreneurs and experienced policy analysts, all of whom provide the Green Chamber with a wealth of knowledge from every perspective regarding energy and sustainable development.

We are writing to express our strong opposition to the draft amendments to the Commission's energy efficiency rules for both gas and electric utilities, which was filed by Commission Staff in the Utilities Division on November 4th, 2014.

Arizona has been applauded nationally for its existing standard. Since its adoption, Arizona has advanced from the 29th to the 15th most efficient state in the U.S, and utilities like APS have become nationally recognized for the efficiency programs they offer and the customer benefits those programs deliver. APS has found that efficiency programs are cost-effective; they build customer satisfaction; and energy savings represent a significant resource that avoids the need to build expensive new power plants, transmission lines and substations. APS' customers have taken advantage of utility rebates on energy efficiency products and services that make energy saving upgrades more affordable. As a result, they are better off financially. In just three years, the standards have saved Arizona consumers and businesses more than \$540 million. They have also saved enough electricity to power 133,000 homes.

The energy efficiency standard was only enacted in 2010 (by unanimous vote), and was designed to be effective until 2020. We at the Green Chamber do not see merit in scrapping the standard, let alone so early in its implementation. Abandoning the standard at this early stage would result in several significant negative consequences including: failing to sufficiently prepare Arizonans for expected future energy cost inflation; undermining the local energy efficiency industry (a new source of jobs in our region); increasing energy consumption per capita (and therefore increasing our water consumption and environmental impacts); frightening away investment in our state by creating uncertainty; driving a wedge between regional and state-level objectives and the Commission actions on the ground; and undermining utilities' long-term interests.

Furthermore, we are concerned that the public has not been given enough time to vet this significant policy change, nor has it been given enough time to inquire as to how it will be implemented. We need time to review any empirical evidence that the current standard is not cost effective for ratepayers. We are also unclear about the informal public comment process and what it means. To comment upon this important policy, we need a better understanding of the process and more time to fully analyze and comment; however, based on our initial review, we feel the current standard is cost effective for ratepayers throughout Arizona.

Expanding on the negative consequences of the proposed amendments we've listed above, we urge you to take the following into consideration:

1) Undermining energy efficiency's ability to protect ratepayers from future energy cost inflation: Energy costs are expected to rise over time, no matter the source. Energy efficiency reduces the need for utilities to invest in new generation, whether fossil fuel based or through cleaner energy sources. Therefore, avoiding investments in energy efficiency (which have a cost associated with them but deliver net benefits), only serves to increase ratepayers' exposure to higher future rates. This will have a ripple effect. As ratepayers' electricity costs rise over time, they will have less fungible dollars to spend on goods and services in other parts of the economy.

2) Undermining the local energy efficiency industry: Arizona's business community regularly expresses the need for certainty in making medium-to-long term resource allocations. When the efficiency standard was enacted in 2010, this encouraged businesses to invest in Arizona's efficiency industry because of the guaranteed ten-year window of opportunity. Underpinned by the standard, more efficiency measures are deployed and more business investment takes place, driving down the cost to deploy as new industries achieve economies of scale and move down the learning curve. Competition amongst providers serves to drive costs down further, to the benefit of all ratepayers.

3) Energy efficiency creates jobs: According to a study conducted by ACEEE, an energy efficiency investment creates more jobs than an equivalent investment in either the economy on average, or in the utility sector and fossil-fuels. While the economic recovery has been soft in many areas of the United States (Arizona included), efficiency jobs have been growing at an annual rate of 3%. In addition to the immediate job creation benefits from energy efficiency program investments, another job creation benefit is created through the consumer savings on energy bills. For the U.S. as a whole, one dollar of avoided utility bill costs has a 2.24 times the effect on domestic employment and wages compared to one dollar spent on utility bills. Jobs in efficiency services are well paying and in a growing industry, and many of them are available to employees without a higher education who have been disproportionately hurt during the Great Recession and its aftermath. In fact, employees with a high school diploma or less hold forty-nine percent of existing energy and resource efficiency jobs. The average wage is \$4,900 above the national median.

4) Increasing energy consumption per capita and increasing associated water, environmental, and societal impacts: Water is a precious resource for Arizona. After fourteen years of drought, water levels at Lake Mead, which supplies half the water supply in Arizona, have been steadily declining around 20 feet/year, and declined 6 feet in May 2014 alone. If the lake reaches 895 feet, there may be no more water to pump through the Central Arizona Project.

By undoing its existing commitment to energy efficiency, the Commission would be running counter to the push to reduce the hydrological impact of our energy consumption. The ACC should be prioritizing policies that acknowledge the energy-water nexus. When utilities benchmark their energy savings, they are also benchmarking water savings. When they promote programs and assist their customers with energy savings, they are also promoting and assisting with water savings.

5) Contradicting regional and state-level objectives: Energy efficiency is a central tenet of regional and state-level energy plans, such as the Western Governors' Association 10-Year Energy Vision and the recently completed state energy plan, EmPower Arizona. The former establishes as Goal #1: "Put the United States on a path to energy security"; and its Goal #2 states "Ensure energy is clean, affordable and reliable by providing a balanced portfolio of renewable, non-traditional and traditional resources." Within Goal #1 the second objective is to "[p]rioritize energy efficiency and conservation investments". Energy efficiency (as well as distributed renewable energy) contributes to all of these regional-level goals. Staff's proposed amendments threaten to expand the divergence between Commission actions and macro policy objectives. As you review comments, we believe Commissioner Pierce would be a valuable asset to Staff on the objectives as he was a vital contributor to the development of the EmPower Arizona, which emphasizes the importance of energy efficiency as a resource in Arizona.

6) Undermining utilities' long-term interests: It is widely understood the utility industry is undergoing fundamental changes to its core business function. Formerly, the regulated utility focused on selling electrons to customers. Increasingly, it must focus on selling services. Energy efficiency programs are a service that utilities can use to strengthen relationships with ratepayers and add value to their long-term business functions.

Addressing Counter-Arguments

1) Counter-argument #1: New goals would not undermine energy efficiency initiatives. As to the question of whether or not the existing standards themselves are required, as opposed to the 'goals' proposed by Staff, we believe that the standards would clearly drive more efficiency measures than informal goals. APS itself has credited the existing standard for the increase in deployment it witnessed in recent years. APS has offered efficiency programs to its customers since 2006, yet its manager of energy efficiency programs said that energy savings "ticked up" in 2011 and 2012 after standard was adopted in 2010 (source: Arizona Capitol Times, August 8, 2014). The proposed amendments are also too vague as to how the goals would be determined. The proposal does not explain, for instance, which cost-effectiveness tests would be used and when, and how a utility would be held accountable if it did not meet its set goals or if it failed to make good faith efforts to meet its set goals. Although Tucson Electric Power did not meet its energy savings requirement in 2012-2013, they have made substantial good faith efforts that have resulted in an over 160% increase in energy savings (Southwest Energy Efficiency Project website, "APS and TEP Report Strong Energy Savings in 2013").

2) Counter-argument #2: Elimination of the standard would be good for ratepayers. There has been no empirical evidence provided that shows the standard has imparted any negative effects on ratepayers. In fact, we note that the ratepayer impact of the proposed impacts has not yet been assessed.

Energy efficiency goals are both unique and critical to the overall energy mix because it synchronizes the interests of utilities and ratepayers. It's the cheapest form of energy there is, preventing utilities from

absorbing the risk of too much capital construction and capacity, while rewarding Arizona ratepayers, who already use far less electricity per capita than the U.S. median (according to the U.S. Energy Information Administration). By the time these standards are set to expire in 2020, it's estimated we will have avoided building 3,239 MW of generation, translating into a savings of \$7.3 billion and 4.1 billion gallons of water per year. Combining those savings with an additional 10,000 jobs in energy efficiency and it becomes clear the overall economic impact of revoking these standards would be counterintuitive to the Commission's stated goal of reliable, low-cost power for families as well as commercial and industrial users.

We hope you find these comments useful as you wade through the technical review this proposal will undergo, and we look forward to continuing our dialogue on this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Grossman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael Grossman
Chair of the Board