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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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IN THE MATTER OF THE COMMISSION'S INVESTIGATION TO ADDRESS ENERGY EFFICIENCY/DEMAND SIDE MANAGEMENT ("EE/DSM"), COST EFFECTIVENESS OF EE/DSM AS CURRENTLY ADMINISTERED, EE/DSM COST RECOVERY METHODOLOGIES (INCLUDING THE ENERGY EFFICIENCY RESOURCE PLAN PROPOSED IN THE TUCSON ELECTRIC POWER COMPANY RATE CASE SETTLEMENT AGREEMENT, DECISION NO. 73912), NEED OR NOT FOR EE/DSM PERFORMANCE INCENTIVES, EE/DSM AS PART OF THE COMMISSION'S INTEGRATED RESOURCE PLAN PROCESS, AND POSSIBLE MODIFICATION OF CURRENT EE/DSM AND INTEGRATED RESOURCE PLAN RULES.

DOCKET NO. E-00000XX-13-0214

**SWEEP INITIAL COMMENTS
ON THE PROPOSED
ELIMINATION OF ARIZONA'S
ENERGY EFFICIENCY
STANDARDS**

Arizona Corporation Commission
DOCKETED

NOV 18 2014

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

The Southwest Energy Efficiency Project ("SWEEP") appreciates the opportunity to submit these initial comments in response to Staff's request for informal comments on the proposed draft rules filed on November 4, 2014, which would eliminate Arizona's Energy Efficiency Standards and make other changes to the Energy Efficiency Rules.

At the outset, SWEEP states its strong opposition to the proposed draft rules. The proposed draft rules are not in the public interest for the reasons described below. Therefore, the proposed draft rules should be withdrawn from further consideration.

As discussed further below, if the Commission decides to continue consideration of the proposed draft rules, SWEEP requests additional time to comment. A 14-day comment period is not an adequate amount of time to review and comment on a proposal of this magnitude.

1. SWEEP strongly opposes the elimination of Arizona's Energy Efficiency Standards.

The Electric and Gas Energy Efficiency Standards are delivering significant cost-effective savings and benefits to consumers and businesses. Eliminating the Standards would increase customer utility bills by billions of dollars. The Standards are working and they should not be eliminated.

In the first three years since the Standards have been implemented:

- Arizona climbed from the 29th to the 15th most energy efficient state in the nation.ⁱ
- Arizona Public Service and Tucson Electric Power customers saved enough electricity to power 133,000 homes for a year.ⁱⁱ And,
- Businesses and residents benefitted from \$540 million in reduced energy, capacity, and water costs.ⁱⁱⁱ

If fully implemented through 2020, the Standards will save Arizonans billions of dollars on their utility bills and create more than 10,000 jobs.^{iv} The Standards have caused the development and implementation of energy-saving programs that have served hundreds of thousands of Arizona residents and businesses.^v Many of these energy efficiency programs have received national recognition and have been held up as models for other states to implement.^{vi} Finally, Arizona's largest electric utility, Arizona Public Service Company ("APS"), has met the Standard every single year at a cost that is less than budgeted.^{vii}

Nationally the data are clear. The only utilities achieving greater than 1% energy savings as a percent of retail sales have requirements like the Energy Efficiency Standards in Arizona.^{viii}

2. Arizona's Energy Efficiency Rules should not be revised or opened.

The existing Energy Efficiency Rules themselves do not need to be opened up or revised. Under the existing EE Rules, the Commission already has significant and adequate flexibility, including through the Implementation Plans to determine how best to implement energy efficiency (including with waivers). A new rulemaking would be a long, time-consuming process, which would distract the Commission, the utilities, and stakeholders from the key priority of providing cost-effective energy savings and reducing utility bills for customers.

Staff's filing presents no rationale for implementing radical changes to the current rules. Rationale and analysis should be provided, with an opportunity for review and comment, before the Commission considers moving forward with any proposals in the draft rules.

3. The Integrated Resource Plan (“IRP”) process is broken and ineffective, and it should be improved by the Commission in a separate effort. Energy efficiency determinations or goal setting should not be moved into the current ineffective IRP process.

The Commission’s current IRP process is broken and ineffective. As some Commissioners have themselves described, the process is not Commission-led. The Commission simply “acknowledges” the utility-supplied proposals and conducts little-to-no in-depth review or independent analysis. Arizona’s largest energy utility, APS, has previously said that considers its IRP to be “just a report.”^{ix} At recent hearings on the most recent utility IRPs, Commission Staff acknowledged that utilities are making investment decisions without stakeholder input or economic justification within the context of the IRPs.^x Stakeholders also questioned whether there is any value in participating in the IRP process.^{xi} Currently the Commission has no active efforts underway to strengthen the IRP process.

The Commission should significantly improve the IRP process, including its independence and effectiveness, through a separate effort.^{xii} Such an IRP effort does not necessarily require a revision of the IRP Rules. The Commission should not consider placing energy efficiency determinations or goal setting into the current broken IRP process. Any such IRP process improvement efforts should be completed and should demonstrate effectiveness before any changes to energy efficiency are contemplated.

4. There are other ideas in the proposed draft rules that are not in the public interest, and therefore should be withdrawn or rejected.

For example, the draft rules propose to use the Ratepayer Impact Measure (“RIM”) cost-effectiveness test, which would eliminate the vast majority of energy efficiency programs and measures that have been proven to deliver cost-effective savings to customers in Arizona. The RIM test is rarely used because it is not an accurate way to determine energy efficiency cost-effectiveness. All other states but one have rejected the RIM test as a primary way to evaluate energy efficiency cost-effectiveness. This state has since clarified that energy efficiency cannot be disproved on the basis of one test.

There are also several other concerning elements of the proposed draft rules which would undercut consumer savings. SWEEP requests an opportunity to provide additional comments on these detailed issues, as noted below.

5. The Commission should withdraw this proposal.

There are so many proposed revisions in the proposed draft rules that are not in the public interest – from the elimination of the Energy Efficiency Standards, to the setting of goals through the currently weak and flawed IRP process, to the use

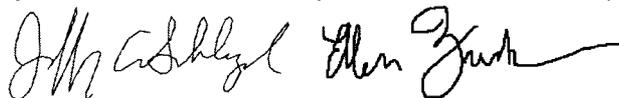
of the RIM test, to the complete elimination of gas energy efficiency, to possible complete elimination of low income bill assistance – that SWEEP respectfully recommends that the Commission withdraw this proposal. The Commission simply should not use this flawed proposal as the impetus or the vehicle to eliminate the Energy Efficiency Standards or to open up the Energy Efficiency Rules. The proposal should be withdrawn and should not be considered further.

6. Additional time is needed to comment on such significant proposed changes.

Should the Commission decide to continue consideration of the proposed draft rules, then SWEEP requests a longer period for comments (four weeks), followed by a four-week period for reply comments. Fourteen days to comment on a proposal of this magnitude, which is not in the public interest, and which does not have a rationale included in the proposal, is far too short of a period for public review and comment.

Thank you for the opportunity to submit these initial comments.

Respectfully submitted this 18th day of November 2014 by:



Jeff Schlegel & Ellen Zuckerman
Southwest Energy Efficiency Project

ORIGINAL and thirteen (13) copies filed this 18th day of November 2014, with:

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ⁱ American Council for an Energy Efficiency Economy, The State Energy Efficiency Scorecard 2009-2013

ⁱⁱ See Annual Demand Side Management Reports of Arizona Public Service and Tucson Electric Power from 2011-2013.

ⁱⁱⁱ Ibid.

^{iv} Southwest Energy Efficiency Project, "The \$20 Billion Dollar Bonanza: Best Practice Electric Utility Energy Efficiency Programs and Their Benefits for the Southwest," http://swenergy.org/publications/20BBonanza/20B_Bonanza-COMplete_Report-Web.pdf; Lawrence Berkeley National Laboratory, "Analysis of the Energy Efficiency Standard (EES) and Decoupling on Arizona Public Service and Tucson Electric Power."

^v Arizona Public Service, "APS DSM Program Overview," Presented at the 2013 ACEEE National Conference on Energy Efficiency as a Resource.

^{vi} Examples include: Wall Street Journal, "APS and Unisource AZ Utilities Get National Awards for Energy Efficiency," <http://online.wsj.com/article/PR-CO-20130328-914083.html>; Phoenix Business Journal, "APS, Meritage, Foundation for Senior Living tabbed for Energy Star awards," <http://www.bizjournals.com/phoenix/news/2013/03/26/aps-meritagefoundation-for-senior.html>; Greentech Media, "Multifamily Housing: A \$3.4B US Energy Efficiency Opportunity," <http://www.greentechmedia.com/articles/read/multifamily-housing-a-3.4b-u.s.-energy-efficiency-opportunity>

^{vii} See Annual Demand Side Management Reports of Arizona Public Service from 2011-2013.

^{viii} Downs et al. 2013

^{ix} Transcript from Arizona Public Service Company's 2009 Rate Case.

^x Arizona Corporation Commission, "Integrated Resource Plan Assessment," November 7, 2014.

^{xi} See video of 2014 Arizona Corporation Commission IRP workshop proceedings on November 7, 2014.

^{xii} For example, SWEEP has recommended the development of a 3-5 year action plan, with independent analysis, and with the opportunity for public review and comment, which the Commission would act on.