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November 18, 2014

Chairman Bob Stump
Commissioners Gary Pierce, Bob Burns, Susan Bitter Smith, and Brenda Burns
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Re: ELIMINATION OF ARIZONA'S ENERGY EFFICIENCY STANDARDS, DOCKET NO. E-00000XX-13-0214

Dear Chairman Stump and Commissioners:

Sierra Club's Grand Canyon (Arizona) Chapter submits these comments on the possible amendments to the energy efficiency standard (A.A.C. R14-2-2401 *et seq.*, and A.A.C. R14-2-2501 *et seq.*) as set forth by the Arizona Corporation Commission (ACC) Staff in its filing of November 4, 2014, in this docket. Please accept these on behalf of our 35,000 members and supporters in Arizona, many of whom are ratepayers of investor-owned utilities. Sierra Club's mission is "to explore, enjoy, and protect the wild places of the earth; to practice and promote the responsible use of the earth's ecosystems and resources; and to educate and enlist humanity to protect and restore the quality of the natural and human environments." Sierra Club and our members have a significant interest in supporting energy efficiency and the energy efficiency standards and have been supportive of adoption and effective implementation of the standards leading up to and subsequent to their adoption.

We are very concerned about the proposal to eliminate Arizona's energy efficiency standards as well as the short time frame within which we have to comment. First, we ask that the ACC extend the comment period on the proposal to eliminate the standards by a minimum of two weeks and to also allow for additional reply time on the comments. Second, we ask that you leave the standards intact and oppose eliminating them. Third, we ask that you refrain from changing the cost-effectiveness test for energy efficiency programs without further evaluating the impact and exactly what it is you what to measure.

The filing by Staff provided no reasons, analysis, or other background on why the rules should be changed and certainly did not provide a reason for effectively eliminating the standards. Such information is necessary, especially in light of the fact that the electric efficiency standard is working and is delivering enormous benefits and that the programs offered by the natural gas standard have significantly benefited consumers.

Arizona's Electric Energy Efficiency Standard, a standard that has been recognized as one of the stronger and more effective standards in the country, is and will continue to provide enormous benefits to our state and to the ratepayers. Arizona's energy efficiency programs and policies have moved up considerably over the last few years in the American Council for an Energy Efficient Economy's (ACEEE's) scorecards. Under the standard, Arizona's top two investor-owned utilities -- Arizona Public Service (APS) Company and Tucson Electric Power—have increased the number of programs offered and, combined, have saved $928 million in net economic benefits since 2008 through lower utility bills, reduced air pollution, and saved water. Both have also realized significant annualized incremental energy savings from their efficiency programs. For APS, it amounted to 1.65 percent of its 2013 retail sales.[1]

The standard has helped residents throughout Arizona reduce their electricity bills through home energy assessments that have helped to identify efficiency solutions, including repairing leaky ducts and other areas where homes are losing cooling, installation of efficient lighting, and installation of more efficient air conditioners and appliances.

The proposed rule changes are not in the ratepayers' or in the larger public's interest. By using the integrated resource planning process for energy efficiency planning, there is no certainty of what the utilities will propose or achieve and there is no real oversight role for the ACC, as the ACC merely accepts the integrated resource plans. Without the long-term requirements in the energy efficiency standard and the certainty they provide, the programs and the companies that implement them will not be as robust, and the significant imperative for utilities to invest in energy efficiency will be lost.

The Ratepayer Impact Measure or RIM test proposed in the rule changes does not take into account the significant benefits to the public over the long term and, as such, is not a good measure of the cost-effectiveness of the programs. This test puts an emphasis on utility lost revenues and potential rate changes to non-participants. That is counter to what is best for ratepayers and the larger public and could merely put more dollars in the pockets of the utilities. This is counter to the responsibilities of the ACC.

We also ask that you keep the gas energy efficiency requirements in place. As noted above, the programs have benefited consumers and also have potential to contribute to even more energy savings.

Should the ACC extend the comment deadline, we will provide additional comments on the proposed rule changes and other aspects of the rule. Overall, we ask that you refrain from advancing this proposed rule change as there is no evidence that the energy efficiency standards are not working. Instead, we ask that you work with consumers and the utilities to develop the strongest implementation plans to ensure that the standards are implemented in a manner that saves energy, reduces water use, reduces pollution, and keeps more ratepayer dollars in the pockets of ratepayers both in the short and in the long term.

Thank you for considering our comments.

Sincerely,

Sandy Bahr

Sandy Bahr
Chapter Director
Sierra Club – Grand Canyon Chapter

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[1] Arizona Public Service Company, *2013 Demand Side Management Annual Progress Report*, February 28, 2014, Table 4. Retail sales from Pinnacle West Capital Corporation, *2013 Statistical Report for Financial Analysis*, p. 24.