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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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BOB STUMP, CHAIRMAN
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CORP COMMISSION
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IN THE MATTER OF ENERGY EFFICIENCY
& INTEGRATED RESOURCE PLANNING

DOCKET NO. E-00000XX-13-0214

**ACEEE COMMENTS ON THE
PROPOSED DRAFT RULES**

ORIGINAL

**COMMENTS OF THE
AMERICAN COUNCIL FOR AN ENERGY EFFICIENT ECONOMY (ACEEE)**

Dear Chairman Stump and Commissioners,

The American Council for an Energy-Efficient Economy (ACEEE) is a non-profit research organization that works on programs and policies to promote energy efficiency. We have been active on energy efficiency issues for more than three decades.

ACEEE regularly monitors utility sector energy efficiency policies and programs in the 50 states. In fact, we just recently issued our *2014 State Energy Efficiency Scorecard* report <http://www.aceee.org/research-report/ul408> where Arizona achieved the 15th highest ranking amongst all states, having risen from 29th in 2009...the year prior to the adoption of the current utility Energy Efficiency Standard in Arizona. Even more impressive, Arizona has risen to be the 4th ranked state in the nation in terms of electricity savings percentage achieved by utility energy efficiency programs, and Arizona is the top performer of any state west of the Mississippi on that performance indicator.

In that context, we were very surprised to see the draft proposed rule changes issued by the Arizona Corporation Commission (ACC) on November 4, 2014. Arizona has received extensive national recognition and praise for its excellent performance under the current Utility Energy Efficiency Standard, with the results having been very cost-effective, providing hundreds of millions of dollars in energy cost savings to the ratepayers of Arizona. From our analyses, these excellent results are directly attributable to the strong utility Energy Efficiency Standard that was established in 2010. Yet it is our understanding that the proposed rule change would eliminate the existing Utility Energy Efficiency Standard and replace it with a discretionary process with uncertain outcomes, based on a review of utility integrated resource plans.

By coincidence, it happens that ACEEE has just completed research that bears directly on this policy choice. A total of 38 states have a requirement for utilities to conduct "integrated resource plans" (IRPs) or some other formal long-term planning process, while 12 states do not. There is no statistically significant difference between states which have, versus do not have, utility resource planning requirements, in terms of either utility energy efficiency spending (program costs as a percent of total revenues) or savings (electricity savings as a percent of total sales). The data indicate that there is no reason to believe that relying on a policy centering on integrated resource plans would be an effective way to achieve significant energy efficiency results.

In contrast, a total of 26 states had an "Energy Efficiency Resource Standard (EERS)" in place last year (the type of policy represented by Arizona's utility Energy Efficiency Standard), while 24 states did not. Those 26 states had very significantly better performance, averaging nearly 4 times as much energy efficiency program savings as the states that did not have an energy efficiency standard. Quite simply, the data clearly indicate that having an energy efficiency standard is a far superior policy in terms of producing significant utility energy efficiency achievements.

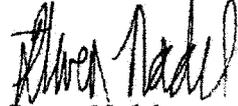
In view of the above results, and Arizona's strong performance under the existing Utility Energy Efficiency Standard, we are reminded of the old adage: "If it ain't broke, don't fix it". **ACEEE urges the ACC to withdraw or reject the draft proposed rule changes and maintain Arizona's current and highly effective utility Energy Efficiency Standard.**

Finally, we wanted to comment on one other technical detail in the draft rules, under R14-2-2411, regarding cost-effectiveness. The proposed revisions create a much greater role for the Ratepayer Impact Measure (RIM) test. We would like to point out that the RIM test is nearly universally regarded as an inappropriate test for screening out utility energy efficiency programs. In our national survey of state approaches to the evaluation of utility energy efficiency programs <http://www.aceee.org/research-report/u122>, we found that only one state used the RIM test as their primary test for screening energy efficiency programs. And that state subsequently passed legislation eliminating that practice. Because it treats "lost revenues" from energy efficiency savings as a "cost" (when it is really just a re-allocation of already sunk utility system costs), the RIM test actually penalizes programs for saving energy. Indeed, almost no programs that significantly reduce energy use will pass the RIM test. (Note also that it is inequitable to apply the RIM test to energy efficiency programs but not to new power plants. If RIM were applied to new power plants they would not pass the RIM test either.) In short, the RIM is a dysfunctional test. **ACEEE recommends that the RIM test not be used to screen out energy efficiency programs.** There are better ways for the Commission to examine and consider the potential rate impacts (and bill impacts) of an energy efficiency portfolio.

As a result of its very successful Utility Energy Efficiency Standard, Arizona has made tremendous strides in the last few years, and has indeed assumed a leadership position on utility energy efficiency policy and programs, which have delivered energy savings for the state and significant utility bill reductions for consumers and businesses. We urge the ACC to continue its leadership on energy efficiency by maintaining its existing utility Energy Efficiency Standard, and withdrawing or rejecting the draft proposed rule changes.

Thank-you for considering our comments.

Sincerely,



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