

Efficiency First Arizona (EFAZ): Regulatory and Policy Efforts

Recent Success of Energy Efficiency (EE) in Arizona

From 2009 to 2013, energy efficiency program spending from Arizona's largest investor-owned utilities -- Arizona Public Service Company (APS) and Tucson Electric Power (TEP) -- more than doubled, increasing from \$30 million to \$63 million annually. Over the same time period, incremental energy savings for these companies increased from 275 GWh per year to 645 GWh per year. In fact, a recent report showed that Arizona Public Service (APS) was the top-ranked investor – owned utility in the country in terms of incremental energy efficiency, achieving savings equal to 1.77% of sales in 2013.¹

Since these utility programs are demonstrated to be cost-effective, they also provide substantial benefits to Arizona's utility customers and the public at large, with annual net benefits increasing from \$76 million to \$112 million over the same time period. The increased level of spending has also provided increased opportunities for EE business to succeed, by enabling them to reach more customers and provide better ways for customers to adopt energy efficiency measures. Additionally, as the programs have evolved, the quality of EE services delivered has also improved.

The Importance of Maintaining a Good Regulatory Environment

The success of EE in Arizona can be largely attributed to the ambitious energy savings goals established by the state's regulators. The Energy Efficiency Resource Standard (EERS), which went into effect in 2010, requires utilities to achieve 22% of their energy needs from efficiency by 2020.² The EERS and the associated utility programs have been a major factor in increasing the level of investment in EE and the resulting savings for customers.

Despite these successes, the Arizona Energy Efficiency Resource Standard (EERS) has come under increasing attack over recent months by forces that would like to eliminate the standard, or throttle its effectiveness by restricting budget increases and implementation of new programs.

If successful, these attacks could substantially reduce the overall delivery of EE savings and negatively impacts Arizona ratepayers and the EE industry. To put this in perspective, studies by the Lawrence Berkeley Lab once estimated that the EERS, if fully realized, could benefit Arizona customers by up to \$9 billion. Thus, proposals to weaken the policy could amount to billions of dollars in lost customer benefits and hundreds of millions in lost EE business opportunities. In fact, a recent study by the Southwest Energy Efficiency Project predicts that full achievement of the EE

¹ As a percent of 2012 retail sales.

² 22% cumulative of annual savings as a percent of retail sales.

Standards will lead to a net increase in Arizona jobs of 9,280 when compared to “business as usual”.³

Furthermore, efforts to weaken EE policy distract from efforts to proactively improve the EE program implementation and develop new and better ways to deliver more EE to customers.

EFAZ’s Regulatory Engagement Strategy

Recognizing the need to protect the EERS, improve its effectiveness and also push beyond it, EFAZ has developed a regulatory engagement effort. EFAZ has contracted with the Kris Mayes Law Firm to represent the organization in key regulatory forums. This engagement effort includes filing comments and interventions on EFAZ’s behalf at the Arizona Corporation Commission (ACC), conducting outreach for Efficiency First Arizona to ACC Commissioners, legislators and gubernatorial staff, and providing advice to the group about regulatory strategy.

Regulatory Activities to Date

In late 2014, the ACC unveiled a proposal to eliminate the state’s EERS. EFAZ played a key role in preventing this proposal from moving forward through the following activities:

- Filing extensive comments in the relevant ACC dockets.⁴
- Coordinating with other allies to encourage individuals to write letters to the ACC in support of the EERS.⁵
- Meeting with several ACC Commissioners to provide perspective of EE program implementers.
- Organizing representatives from a number of EFAZ member companies to appear before the ACC at a public hearing on the proposal.⁶

In addition to defending the EERS, EFAZ also filed comments in support of expansion of Tucson Electric Power’s EE program offerings. As a result the ACC finally approved these new programs that had been sought for over 4 years.

Since its recent formation, EFAZ has continued to develop its relationship with the ACC through meetings with each Commissioner’s office, including the two newly elected Commissioners: Tom Forese and Doug Little. EFAZ has also develop relationships with several key staff in the Governor’s Office of Energy Policy.

³ <http://swenergy.org/publications/20BBonanza/20BB%20Arizona%20presentation.pdf>

⁴ <http://images.edocket.azcc.gov/docketpdf/0000154137.pdf>

⁵ <http://edocket.azcc.gov/Docket/DocketDetailSearch?docketId=18000>

⁶ http://azcc.granicus.com/MediaPlayer.php?view_id=3&clip_id=1783

Upcoming Regulatory Activities in 2015

EFAZ has identified several key areas for regulatory engagement over the coming months.

- 1) *EE Implementation Plans*: EFAZ plans to intervene in the Commission's proceedings regarding 2015 Energy Efficiency Implementation Plans (IP's). The IP's are filed every 1-2 years by the state's largest utilities in order to meet the 22 percent EERS. The plans establish which programs the utilities will support and at what funding levels. In recent years, many businesses and utility customers have directly benefited from the expansion of EE programs under the EERS. EFAZ can play an important role in these proceedings by advocating for program approvals, modifications, and expansions in order to maximize the benefits delivered to customers. Additionally, a major component of these plans is the cost-benefit evaluation. We will seek improvements to the cost-benefit evaluation that ensure all appropriate EE measures are considered
- 2) *Utility rate cases*: The ACC is also poised to take up a major new proceeding on rate design for demand-side resources that could have large implications for the benefits of energy efficiency to customers. These rate design issues are likely play out in the next round of utility rate cases. EFAZ plans to engage in these cases as need when they come up.
- 3) *EPA Carbon Pollution Standard*: Beyond specific ACC proceedings, the states' utilities are increasingly turn their focus to meeting the requirements of the Environmental Protection Agency's Carbon Pollution Standard. We believe this Coalition can provide guidance to the utilities and the Arizona Department of Environmental Quality on utilizing energy efficiency to meet the rule's requirements.