



2005 Annual Report

Southwest Energy Efficiency Project
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The Southwest Energy Efficiency Project (SWEEP) influenced state energy policy and contributed to the expansion of utility energy efficiency programs during 2005. As explained below, we led or contributed to five legislative proposals that were adopted in state legislatures in 2005. To learn more about SWEEP's legislative efforts, please visit <http://www.swenergy.org/legislative/2005/index.html> for 2005 information and <http://www.swenergy.org/legislative/index.html> for 2006 information.

Total funding for electric utility energy efficiency and load management programs in the SWEEP region increased to about \$76 million in 2005, and is expected to reach about \$110 million in 2006. For comparison, electric utilities in the region spent only about \$20 million on energy efficiency and load management programs in 2001, the year SWEEP started operating. SWEEP has played a significant role in fostering this growth in utility energy efficiency programs. In addition, natural gas utility energy efficiency programs are on the rise in the region.

Arizona

SWEEP initiated and was very active in developing and supporting appliance efficiency standards legislation in Arizona in 2005. This policy was adopted by the Arizona legislature and signed into law by Gov. Napolitano. The standards on 12 products are expected to reduce peak electric demand by 290 MW by 2020 and save consumers and businesses in the state over \$650 million on their energy bills by 2030.

SWEEP intervened in a rate case filed by Arizona Public Service Company (APS) in 2004. We advocated increased funding for demand-side management (DSM) programs and worked with other parties to make DSM an important issue in this proceeding. SWEEP then helped to broker a broad settlement in the case, whereby APS agreed to spend \$16 million (0.8% of revenues) per year on DSM programs starting in 2005. This is a large increase from APS's minimal DSM budget of only about \$1 million per year during 2003-04. The settlement was approved by the Arizona Corporation Commission in March 2005.

After the settlement was approved, SWEEP assisted APS with DSM program design, contributing to the design of the ten DSM programs that APS proposed. Some of these programs were approved and implemented starting in late 2005; others were reviewed and approved by the Arizona Corporation Commission in early 2006.

Also in 2005, SWEEP provided detailed recommendations and feedback on DSM funding and program design to the Salt River Project (SRP), the other large electric utility in the Phoenix metropolitan area. SRP significantly increased its efforts in retail products and promotion, and in its new homes program, and is in the process of developing and launching a set of new or expanded DSM programs under the PowerWise umbrella. In addition, SWEEP was an active participant in a series of workshops organized by the Arizona Corporation Commission regarding DSM policy in Arizona, and SWEEP

recommended increases in DSM funding and programs for Tucson Electric Power (TEP) in two dockets before the Commission.

SWEEP met with and encouraged Southwest Gas Company (SWG) to expand its energy efficiency programs. In late 2004, SWG proposed spending \$4.4 million per year on a broad set of natural gas energy efficiency programs in its Arizona service area, most of which were largely consistent with input from SWEEP. The gas company also requested approval of a mechanism to decouple its sales level and fixed cost recovery. SWEEP intervened in this docket and provided testimony in support of and suggesting improvements to SWG's proposal.

In the fall of 2005, SWEEP was appointed to the Governor's Climate Change Advisory Group (CCAG). CCAG will submit its report to Governor Napolitano in June 2006. SWEEP has been an active participant in CCAG and in the Technical Work Groups, and is working to ensure that energy efficiency strategies are presented as high priority strategies in the Climate Change report to the Governor.

Last but not least, SWEEP helped prepare a report directed to Governor Napolitano titled "Arizona's Electricity Future: A Blueprint for Sustainability. The report presents and analyzes a variety of policy recommendations for advancing energy efficiency, renewable energy, and advanced fossil fuel technologies in the state. The report was delivered to Gov. Napolitano and her staff in June.

Colorado

SWEEP initiated and was very active in supporting appliance efficiency standards legislation in Colorado. Standards legislation covering 14 products was adopted by the legislature in 2005, but was then vetoed by Gov. Bill Owens. However, most of these standards were subsequently included in the federal Energy Policy Act of 2005.

SWEEP developed and supported natural gas utility DSM enabling legislation in 2005, working closely with gas utilities and other interested parties. This proposal was approved by the Colorado legislature but also vetoed by Gov. Owens. SWEEP later refined this proposal, and an improved version of the bill has been taken up by the Colorado legislature in 2006. SWEEP also developed a proposal to improve energy efficiency in low-income households through direct installation of low-cost efficiency measures and energy education. This policy proposal is expected to be introduced in the Colorado legislature in early 2006.

SWEEP intervened in a least-cost planning proceeding before the Colorado Public Utilities Commission, where we advocated that Xcel Energy expand its energy efficiency programs. This intervention was successful. A settlement was reached and approved by the Colorado PUC in December 2004 that includes a commitment to expanded DSM programs by Xcel during 2006-2013. Xcel will spend up to \$196 million (2005 dollars) to save 320 MW of peak demand and 800 GWh of electricity per year by the end of this

eight-year effort. This is the largest commitment to DSM ever made in Colorado. After this settlement was approved, SWEEP advised Xcel Energy on DSM program design.

Nevada

SWEEP is assisting Nevada Power Co. and Sierra Pacific Power Co. with their DSM programs as part of a DSM collaborative that exists in the state. The utilities expanded their DSM programs in 2005 with the budget growing by about 30%. The growth in budget and energy savings is continuing in 2006.

In 2005, SWEEP helped to develop and promote an innovative proposal for adding energy savings from DSM programs to the state's Renewable Portfolio Standard. This policy was adopted by the legislature and signed into law in mid-year. It allows energy savings from utility DSM programs and measures to supply up to 25% of the requirement under the clean energy portfolio standard. This is one of the first applications of energy savings from efficiency measures in a portfolio standard. After the proposal was adopted, SWEEP actively participated in discussions and submitted recommendations to the Nevada PUC regarding rules governing implementation.

New Mexico

SWEEP actively participated in the Utility Energy Efficiency Task Force convened by Gov. Bill Richardson in 2004. The Task Force reached consensus on a proposal that should lead to greatly expanded electricity and natural gas DSM programs in the state. The proposal was introduced in the 2005 legislative session and passed with backing from Gov. Richardson.

The new policy establishes a convenient cost recovery mechanism for gas and electric utility DSM programs, establishes a favorable policy for evaluating DSM program cost effectiveness, directs utilities to implement cost-effective DSM programs, and directs the state utility commission (the PRC) to establish rules for integrated resource planning. Following the adoption of this new law, SWEEP worked on the implementing rules and also encouraged the utilities to develop both electricity and natural gas DSM programs in a timely manner.

SWEEP in particular worked with Public Service Company of New Mexico (PNM) and other stakeholders on the design of gas DSM programs. PNM will begin a limited set of gas DSM programs in 2006, following approval by the New Mexico utility commission in December. In addition, SWEEP prepared testimony on electricity conservation potential and served as an expert witness for the Coalition for Clean and Affordable Energy (CCAEE) in an electric resources proceeding filed by PNM.

Utah

SWEEP worked with PacifiCorp (Utah Power) as they refined their DSM programs and developed new programs. The utility accepted a number of our

recommendations and proposed four new programs for implementation in 2005. PacifiCorp's total budget for DSM programs in Utah increased from about \$9 million in 2002 to \$21 million in 2005. PacifiCorp is now spending about 2.0% of their revenues on DSM programs, placing them among the top tier of utilities/states in the nation in terms of DSM expenditures.

SWEEP is also advocating the initiation of natural gas utility DSM programs in Utah. In particular, we contributed to and supported a proposal from Questar Gas Company (the only investor-owned gas utility in Utah) to start gas DSM programs and to decouple their sales and fixed cost recovery so that the utility is not penalized if it implements effective DSM programs. This proposal was submitted to the Utah PUC in December 2005. SWEEP is an intervenor along with the organization Utah Clean Energy in this proceeding.

Combined Heat and Power (CHP)

SWEEP continues to jointly run the Intermountain CHP Center, along with two other organizations (the etc Group and Energy Strategies, both based in Salt Lake City). The Center is promoting greater adoption of CHP systems in five states—Arizona, Colorado, New Mexico, Utah, and Wyoming. Funding for the Center is provided by the U.S. Department of Energy,

The Intermountain CHP Center identified the best market sectors and applications for CHP in the region based on our climate, load profiles, and economic conditions, and the Center targets its efforts at those sectors and applications. As such, the Center organized a successful workshop in August for wastewater treatment plants and landfills, with about 70 participants. Presentations are posted at www.intermountainchp.org/events/landfills/default.htm. At least one prominent organization is working on implementing a renewable CHP project at its wastewater treatment facility, as a direct result of the workshop.

Since July the Intermountain CHP Center has been leading and coordinating efforts in Arizona to develop interconnection standards that are more streamlined, consistent, and favorable for CHP, through a stakeholder working group and subcommittee process set up by the Arizona Corporation Commission. The draft rules are about 90% complete.

The Intermountain CHP Center led the development of a CHP White Paper for the Western Governors Association (WGA) Clean and Diversified Energy Advisory Committee (CDEAC), and presented the findings to the advisory committee. CHP was originally left out of the CDEAC task force process until the Center strongly advocated for its inclusion. The report recommends policy actions western governors can take to increase adoption of CHP and help meet the WGA goal of 30,000 MW of new capacity. It also details current and potential capacity by state, cost curves, fuel price and supply impacts, environmental impacts, T&D issues, timeline for bringing generation online,

benefits, remaining barriers, and examples of successful state and regional policies. The paper is posted at www.intermountainchp.org/events/landfills/default.htm.

The Center continues to help coordinate the Intermountain CHP Initiative, an alliance of project developers, industry, utilities, environmental, and governmental organizations that work closely with the Center on removing governmental and marketplace barriers to CHP. The Initiative holds monthly conference calls and educational webcasts. Details are at www.intermountainchp.org/initiative/default.htm. The Intermountain CHP Center is planning a CHP Summit for May 16-17, 2006 in Golden, CO, to review progress made since the Center's launch (2004) and plan for the future of CHP in the region. Details are at www.intermountainchp.org/events/2006Summit.

Regional Activities

In 2005, SWEEP's Executive Director Howard Geller chaired the Energy Efficiency Task Force organized under the auspices of the Western Governors' Association (WGA) Clean and Diversified Energy Advisory Committee (CDEAC). The Task Force report shows how western states can reduce their electricity use 20% by 2020, relative to otherwise forecast levels, and how doing so could avoid the need for 48,000 MW of new power plants, provide over \$50 billion in net economic benefits for consumers and businesses, reduce pollutant emissions, and cut water consumption by 1.8 trillion gallons during 2005-2020. The Task Force report also made recommendations concerning state and regional policies that could help to achieve this goal. The Task Force report was released by the WGA in January 2006, and can be accessed at <http://www.westgov.org/wga/initiatives/cdeac/Energy%20Efficiency-full.pdf>.

SWEEP organized a workshop on regional cooperation in energy efficiency program implementation in the Southwest in November 2005. The workshop helped to spread information on cutting edge technologies, policies, and programs, including innovative cooling technologies, combined energy and water savings options, new homes programs, and marketing energy efficiency to Hispanic households. The presentations from the workshop are available on the SWEEP website at <http://www.swenergy.org/workshops/2005/index.html>.

In June, SWEEP and the etc Group of Salt Lake City launched a web-based information resource to assist Utah businesses in reducing their use of energy and lowering their energy bills. Targeted to business and facility owners and managers, the aim of the [Energy Efficiency Guide for Utah Businesses](http://www.UtahEfficiencyGuide.com) is to point out opportunities for Utah businesses to improve the energy efficiency of their buildings and operations, and help businesses obtain assistance in identifying and implementing energy efficiency projects. The Guide is a companion website to SWEEP's Energy Efficiency Guide for Colorado Businesses, launched in 2003. The Utah Guide can be found at www.UtahEfficiencyGuide.com, and the Colorado Guide at www.ColoradoEfficiencyGuide.com.

2005 Publications

SWEEP released the following energy efficiency policy and technology reports and publications in 2005. All of these reports are available on the SWEEP website at <http://www.swenergy.org/pubs/index.html>.

Nevada Energy Efficiency Strategy (January)

Energy Efficiency Policies and Programs in the Southwest (March)

Duct Systems in Southwestern Homes: Problems and Opportunities (April)

Policies and Programs for Saving Energy through Enhanced Duct Systems (April)

Lighting Systems in Southwestern Homes: Problems and Opportunities (July)

Energy Efficiency Policies and Programs in the Southwest (September)

Policies and Programs for Increasing the Adoption of High-Efficiency Lighting in Homes in the Southwest (October)

Low-Cost Energy Efficiency Measures: Neighborhood Blitz, Direct Install, and Conservation Kit Programs (December)