



## **2007 Annual Report**

In 2007, the Southwest Energy Efficiency Project (SWEEP) made considerable progress in all states that it works in including Arizona, Colorado, New Mexico, Nevada, Utah, and Wyoming. Most noteworthy was the success we had in expanding utility energy efficiency programs, supporting statewide energy efficiency initiatives, and contributing to energy and climate change policies.

On the utility energy efficiency front, total funding for electric utility energy efficiency and load management (DSM) programs in the southwest region increased from about \$93 million in 2006 to \$129 million in 2007, a 39% annual growth rate. For comparison, electric utilities in the region spent only \$29 million on energy efficiency and load management programs in 2002 which was SWEEP's first full year of activity. Based on the typical cost effectiveness of utility DSM programs, consumers and businesses should realize at least \$130 million in net economic benefits of as a result of DSM program implemented in 2007 alone. SWEEP played a significant role in fostering this growth in utility efficiency programs. In addition, the programs are becoming more effective in delivering energy savings and thus reducing the need for new sources of power supply.

With respect to state energy policy, SWEEP initiated or contributed to many important initiatives in 2007. Colorado enacted legislation to expand utility energy efficiency programs and upgrade building energy codes, New Mexico adopted statewide energy efficiency goals, and Nevada passed pioneering efficiency standards for common light bulbs. New financial incentives or energy efficiency funding mechanisms were adopted in Arizona, Colorado, New Mexico, and Utah. Colorado also adopted a Climate Action Plan that includes a number of energy efficiency provisions.

### **Arizona**

SWEEP was active in working with the utilities and appearing before the Arizona Corporation Commission (ACC) in support of expanded electric utility DSM programs in 2007. Funding for these programs increased from \$19 million in 2006 to \$32 million in 2007, and is expected to reach \$42 million in 2008. We also urged individual utilities and the ACC to set longer term energy savings goals for the utility's efficiency programs. Arizona Public Service Company, the largest investor-owned utility in the state, has proposed such goals in its new resource plan.

SWEEP submitted testimony in a rate case filed by Tucson Electric Power Company (TEP) in 2007 where we proposed increased funding for DSM programs as well as energy savings goals. In response to our intervention, TEP agreed to invest about

\$58 million in DSM programs during 2008-2012. This development is a significant breakthrough given that TEP implemented very modest DSM programs in recent years.

Regarding state policy, SWEEP helped to develop and support a policy adopted by the legislature in 2007 that increases funding for energy efficiency upgrades in public schools. Late in the year, we developed a policy to increase the stringency of energy codes that are adopted and enforced at the local level in Arizona. In addition, we worked on the implementation of Governor Napolitano's climate action plan and contributed to a report that presents and analyzes a clean energy strategy for Arizona.

## **Colorado**

Culminating years of work by SWEEP, legislation to advance utility energy efficiency programs was enacted in 2007 and signed into law by Gov. Ritter. This policy directs the PUC to establish energy savings goals for gas and electric utility energy efficiency programs and give investor-owned utilities a financial incentive for implementing cost effective efficiency programs. It also clarifies that energy efficiency programs do not have to pass the onerous rate impact test, and it allows utilities to implement efficiency programs without competitive bidding.

This new policy motivated Xcel Energy to propose a major expansion of its DSM programs in a filing made in October. The utility proposed ramping up DSM program funding to \$60-65 million per year by 2010, and saving close to 700 MW of peak demand from DSM programs implemented during 2009-2020. Xcel projects this level of DSM investment will provide \$1.3 billion in net economic benefits for consumers and businesses. SWEEP will engage in a PUC docket on this ambitious proposal in 2008.

Also in 2007, SWEEP helped to develop and support legislation enacted to increase energy efficiency in new buildings. The policy requires local jurisdictions with building codes to adopt a relatively up-to-date energy code, an appropriate approach in a home rule state such as Colorado. In addition, SWEEP has begun to support the efforts of cities and counties interested in adopting a state-of-the-art energy code.

SWEEP is also reaching out to other stakeholders including cities and businesses to foster greater support for expanded utility efficiency programs in Colorado. In this regard, SWEEP helped to organize a new energy efficiency business coalition that was announced at the end of 2007. In addition, SWEEP engaged in establishing policies for natural gas utility DSM programs in the state through legislation and participation in a PUC rulemaking on this topic.

## **Nevada**

SWEEP increased its profile and level of activity in Nevada over the past year. SWEEP participated in the docket on the new Integrated Resource Plan (IRP) submitted by Sierra Pacific Power Company (SPPC) in northern Nevada in 2007. We supported the utility's proposals for expanded DSM programs and submitted proposals for additional

programs by serving as an expert witness for the Nevadans for Clean Affordable Reliable Energy (NCARE) coalition. Our testimony helped to secure PUC approval for more than a doubling in DSM funding starting in 2008. With this additional funding, SPPC anticipates reducing its load growth by approximately 1% from DSM programs each year. SPPC will now be ranked among leading utilities in the nation with respect to level of energy savings from DSM programs.

SWEEP also worked closely with Nevada Power Company (NPC) on development and analysis of new and expanded DSM programs during this period. In December 2007, NPC submitted a proposal to expand its DSM programs by approximately \$10 million per year starting in 2008. The Nevada PUC will act upon this proposal in 2008. In addition, SWEEP participated in a review of the financial incentive mechanism that is provided to utilities in Nevada and helped to convince the PUC to maintain this provision.

SWEEP was also active on state policy in Nevada in 2007. We advised policy makers on revisions to tax credits for green buildings, lamp efficiency standards, and other measures. The legislature passed three bills that SWEEP made input on. The most notable bill establishes energy efficiency standards on general service lamps starting in 2012. Current incandescent lamps can no longer be sold in Nevada after the standards take effect. Nevada was the first state in the nation to actually pass efficiency standards that will lead to a phase out of ordinary incandescent lamps. This policy will benefit Nevadans and is also contributing to the global campaign to “end the incandescent light bulb as we know it.” Another new policy directs utility regulators to decouple gas utility sales and revenues, a policy that will facilitate implementation of energy efficiency programs by gas utilities.

### **New Mexico**

SWEEP provided testimony on behalf of the Coalition for Clean Affordable Energy (CCAEE) in response to DSM programs proposed by both Public Service of New Mexico (PNM) and Xcel Energy in 2007. The New Mexico Public Regulation Commission (PRC) approved PNM’s programs at the end of the summer. This utility began implementing nine DSM programs with an initial annual budget of \$7.5 million. In addition, we participated in various workshops and forums regarding utility energy efficiency policy in New Mexico, helping to educate various stakeholders including PRC members and staff.

On the policy front, SWEEP engaged with Governor Richardson’s staff to develop statewide energy efficiency goals. Gov. Richardson announced these goals in an Executive Order issued in November that commits New Mexico to reducing overall energy use per capita 10% by 2012 and 20% by 2020. In announcing these goals, Gov. Richardson indicated his support for a variety of policy and budgetary initiatives to help advance energy efficiency in the state. He also set new energy savings requirements for state agencies.

Towards the end of 2007, SWEEP worked with other stakeholders to develop consensus amendments to the Efficient Use of Energy Act, the enabling legislation for utility energy efficiency programs in the state. These changes, adopted by the legislature in early 2008, establish new energy savings requirements for utility energy efficiency programs and also direct the PRC to provide utilities with a positive financial incentive for implementing cost-effective efficiency programs. Utilities are required to reduce electricity use 5% by 2014 and 10% by 2020 as a result of efficiency programs implemented starting in 2007.

SWEEP also made proposals for improving New Mexico's statewide building energy codes in 2007. Our proposals are under consideration as New Mexico develops a "green building code" that will be mandatory for all new buildings in the state.

## **Utah**

In 2006, Gov. Jon Huntsman, Jr. announced a goal of increasing energy efficiency statewide 20% by 2015. At the request of the Governor's office, SWEEP together with Utah Clean Energy (UCE) and other partners prepared a detailed strategy on how to meet this goal. Our report, **Utah Energy Efficiency Strategy: Policy Options**, was issued in October and includes analysis of 23 options for increasing energy efficiency in the state. It shows that meeting the Governor's goal could save consumers and businesses in Utah more than \$7 billion net while also providing substantial environmental benefits. The report was well-received by Governor Huntsman and it is influencing state policy and the climate action plan now under development in Utah. .

SWEEP also worked with UCE to develop and support specific energy efficiency policies and programs during this period. Among these, the legislature approved a new \$5 million revolving loan fund for energy efficiency projects in public schools in the state. SWEEP also helped to devise tax credits for energy-efficient new buildings, a policy that the legislature considered but did not approve in 2007.

SWEEP supported expansion of energy efficiency programs by PacifiCorp (operating in Utah as Rocky Mountain Power or RMP). RMP is now spending over 2.5% of its sales revenues in Utah on DSM programs, placing it among the top utilities in the nation in terms of level of DSM spending. We also supported the decoupling of gas utility sales and revenue for the state's main gas utility and the initiation of natural gas DSM programs. Decoupling was adopted and gas DSM programs were launched by the Questar Gas Company in 2007. SWEEP made considerable input on the design of these programs.

## **Wyoming**

In 2007, SWEEP supported the initiation of DSM programs by Rocky Mountain Power which is the largest electric utility in Wyoming. RMP proposed a set of six DSM programs at the end of the year. This proposal will be reviewed and acted upon by the Wyoming Public Service Commission in 2008.

## General

SWEEP continues to participate in the Intermountain Combined Heat and Power (CHP) Center. Notable accomplishments of the CHP Center in 2007 include educating policy makers and participating in a docket regarding interconnection standards in Utah; organizing a workshop on CHP systems for landfills and wastewater treatment plants; providing technical assistance to businesses and public sector entities seeking preliminary CHP feasibility studies; and developing CHP options for state climate change and energy efficiency plans in Colorado, New Mexico, and Utah.

SWEEP provided input on Federal energy policy in 2007 including the Federal energy legislation adopted at the end of the year. SWEEP staff helped to negotiate the landmark minimum efficiency standards for general service light bulbs included in this Act. In addition, SWEEP Executive Director Howard Geller was invited to serve on the Energy Efficiency Panel convened by the National Research Council of the National Academy of Sciences. This Panel is preparing a report that will be completed in 2008.

SWEEP published or co-published a number of studies and reports in 2007 including:

- **Utah Energy Efficiency Strategy: Policy Options** mentioned above.
- **What Every Westerner Should Know about Energy Efficiency and Conservation** which SWEEP co-produced with the Center of the American West, University of Colorado. This report, written for a broad audience, received very positive feedback from readers.
- **High Performance Homes in the Southwest: Savings Potential, Cost Effectiveness and Policy Options** which shows that it is technically and economically feasible to cut energy use in new homes by 40-60%. The report provides recommendations for state and local officials as well as utilities in the region.
- **Building Energy Codes in Arizona: Best Practices in Code Support, Compliance and Enforcement.** This report reviewed what the top cities and counties in Arizona were doing with respect to energy code implementation.

SWEEP organized its 4<sup>th</sup> **Annual Southwest Regional Energy Efficiency Workshop**, held in Albuquerque, in November 2007. The workshop included presentations and discussion of utility programs, state energy efficiency policies, information technologies, new homes, and ways to influence consumer behavior. SWEEP also gave out Leadership in Energy Efficiency awards at the Workshop. 2007 award winners included New Mexico Governor Bill Richardson for setting statewide energy efficiency goals, Albuquerque Mayor Martin Chavez and City Councilor Isaac Benton for leading the effort to adopt a high performance building ordinance in Albuquerque, and Nevada State Senator Michael Schneider and State Assemblyman David Bobzien for sponsoring the lamp efficiency standards legislation in Nevada.

SWEEP along with the Western Cooling Efficiency Center organized a **Workshop on Modern Evaporative Cooling Technologies** in 2007. The workshop covered technologies and applications, research and demonstration efforts, cooperative activities, and utility-sponsored programs to advance evaporative cooling in the Western U.S. A workshop summary and presentations from the workshop are available on the SWEEP website.

SWEEP initiated a new project in 2007 aimed at supporting energy efficiency efforts in rural areas. The project is developing a major energy efficiency potential study as well as assisting communities and rural electric cooperatives with energy efficiency policies and programs. Legislation was also developed in 2007 to expand energy efficiency programs in rural areas of Colorado.

In addition, SWEEP assisted the Western Governors' Association (WGA) in organizing a workshop on energy efficiency in buildings in 2007. This workshop resulted in WGA issuing a report titled **Building an Energy Efficient Future: Policy Recommendations for Energy Efficient Buildings**.

### **Publications**

The following major reports along with legislative reports and selected presentations are available on the SWEEP web site, <http://www.swenergy.org/pubs/index.html>

P. Limerick and H. Geller, **What Every Westerner Should Know about Energy Efficiency and Conservation**, April 2007.

J. Schlegel and B. Nelson, **Building Energy Codes in Arizona: Best Practices in Code Support, Compliance and Enforcement**, Aug. 2007.

H. Geller, S. Baldwin, K. Emerson, S. Wright, P. Case, and T. Langer, **Utah Energy Efficiency Strategy: Policy Options**, Oct. 2007.

S. Dunn, **High Performance Homes in the Southwest: Savings Potential, Cost Effectiveness and Policy Options**. Nov. 2007.

## **Supporters**

SWEEP appreciates the financial support it received from the following organizations in 2007:

Colorado Governor's Energy Office  
Energy Foundation  
Hewlett Foundation  
Nevada Power Company  
New-Land Foundation  
North American Insulation Manufacturers Association  
Public Service Company of New Mexico  
Sacramento Municipal Utility District  
U.S. Department of Energy Building Technologies Program (through the National Renewable Energy Laboratory)  
U.S. Department of Energy, Office of Electricity Delivery and Energy Reliability  
U.S. Environmental Protection Agency  
Wyoming Business Council  
Xcel Energy

## **Staff and Representatives**

Howard Geller, Executive Director  
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