

Arizona Daily Star

Ambitious standard is ranked among nation's toughest

ACC requires 22% energy-use cut by 2020

David Wichner Arizona Daily Star | Posted: Wednesday, July 28, 2010 12:00 am

State regulators approved rules Tuesday requiring utilities to cut their customers' annual energy use by at least 22 percent by 2020 - among the highest such standards in the nation.

The Arizona Corporation Commission approved the rules unanimously, despite objections from utilities including Tucson Electric Power Co. that the goal will be hard - if not impossible - to reach.

"It's an ambitious but achievable standard," commission Chairman Kris Mayes said. "It flattens out the utilities' growth curve."

Mayes said there is a "huge value" just in avoiding the need to build natural-gas power plants commonly brought on line to fill peak power needs.

"It's effectively among the strongest energy-efficiency standards in the country," said Jeff Schlegel, a Tucson-based representative for the nonprofit Southwest Energy Efficiency Project.

If the 22 percent goal is reached, the rules will save Arizona ratepayers nearly \$9 billion and save Tucson ratepayers \$1.4 billion in energy costs, while the rules will create an estimated 12,000 new jobs, Schlegel said.

The rules require regulated utility companies to design programs that promote energy efficiency or reduce peak demand through mechanisms such as time-of-use electric rates.

Examples of such "demand-side management" programs include weatherization, home energy audits, promoting the use of compact fluorescent light bulbs, and replacing home appliances with more efficient models.

New energy-efficiency programs would be funded through an existing demand-side management surcharge on monthly customer bills. The surcharge currently costs the average residential TEP ratepayer 83 cents monthly, but it could increase to cover the new energy-saving programs.

Utilities including TEP, Arizona Public Service Co. and some of the state's electric cooperatives said they strongly support energy efficiency but warned that the 22 percent usage reduction would be tough to achieve.

"The goals are ambitious and they've been approved, and we're going to work hard to achieve them in a cost-effective manner," TEP spokesman Joe Salkowski said.

In filings leading up to Tuesday's action, TEP had filed formal objections, known as exceptions, to the rules.

"The record does not support a 22 percent standard from the perspective of either technical feasibility or cost-effectiveness," the company said.

TEP also said the rules were flawed because they don't provide a mechanism for utilities to recover revenues lost due to reduced consumption.

An association of Arizona's member-owned electric cooperatives, including Marana-based Trico Electric Cooperative, also had objected to the energy-efficiency standard.

The Grand Canyon State Electric Cooperative Association said the 22 percent savings goal may not be realistic, proposing that each co-op be allowed to file an individual plan that includes a cost-recovery mechanism.

"We support energy efficiency and promote it, but as a co-op it's difficult for us to do things on the scale they're asking us to do," Trico spokeswoman Romi Carrell Wittman said.

Arizona Public Service Co., the state's biggest power company, supports the standard despite its challenges, the company's energy-efficiency manager said.

"We do think it's very aggressive," APS' Jim Wontor said. "It will not be easy to achieve, but we think it's the right strategy for our customers."

Every other year on June 1, each utility will be required to file a plan describing how the firm will meet the energy-efficiency standard for the next two calendar years. The commission will review and approve the plans and require annual progress reports.

The utilities will be required to develop programs to benefit residential, non-residential and low-income customers, with costs for low-income customers to be spread out among all other customer classes. The energy-efficiency rules are headed to the Attorney General's Office for final endorsement.

Salkowski said TEP is concerned that it won't be able to recover its fixed costs because of reduced power sales, noting that TEP's rates are capped through 2012.

The energy-efficiency standards may hasten a move to restructure utility rates to encourage conservation by "decoupling" recovery of fixed costs from rates traditionally based on consumption.

The Corporation Commission has been holding workshops to examine decoupling as part of rate design for future rate cases.

"We're hoping decoupling leads to a place where utilities can invest in energy efficiency without compromising their financial stability," Salkowski said.

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