

The Arizona Republic

Arizona regulators approve rules for energy efficiency

by Ryan Randazzo - Jul. 28, 2010 12:00 AM

In an effort described as among the most aggressive in the nation, Arizona regulators have approved rules requiring utilities to promote energy efficiency and ultimately cut their projected power sales, a move that also will save customers money.

The Arizona Corporation Commission voted 5-0 Tuesday to require regulated electric utilities to reduce the amount of power they sell by 22 percent by the year 2020 by helping homeowners and businesses conserve energy.

The move parallels a national push by utility companies to increase energy-efficiency efforts as one way to cut back on building multimillion-dollar power plants and transmission lines - projects that ultimately are financed by customer rate hikes.

The effort also helps curb the air pollution and excessive water use resulting from power plants burning coal or natural gas to supply customers' electricity.

Although Phoenix-based Arizona Public Service Co., the state's largest utility, supports the standard; others, including Tucson Electric Power Co. oppose the goal, questioning how much energy conservation they will be able to coax from customers.

A variety of environmental and consumer groups, as well as companies that work with utilities to encourage energy conservation, back the rules.

The new rules' top proponent, the Southwest Energy Efficiency Project, estimates the move will save Arizona utility customers who implement energy-efficiency measures over the next decade about \$9 billion on their power bills.

"Utilities that underinvest in energy efficiency will deliver their customers the highest utility bills," said Jeff Schlegel, Arizona representative for the Southwest Energy Efficiency Project.

Utilities will be able to meet the requirement many ways, from subsidizing the cost of low-power lightbulbs at grocery stores and paying rebates for people planting shade trees, to helping customers buy more-efficient appliances.

Two percent of the savings by 2020 must come from "demand-response" programs, such as voluntary efforts where businesses shut off some power during hot afternoons when energy demand peaks.

APS is planning to test a demand-response program in which the utility will control homes' air-conditioners, raising the thermostat a notch or cycling the unit on and off to minimize peak demand.

Starting next year, utilities must show increasing amounts of electricity saved until 2020, when they are required to reach 22 percent. They can take credit for efficiency projects funded since 2005. Power sales don't have to be cut 22 percent from 2010 levels; the new rules allow utilities to factor in extra energy requirements tied to population growth.

The move had bipartisan support from the commission's two Democrats and three Republicans because "it is the right thing for our state," Corporation Commission Chairwoman Kris Mayes said.

"I personally think this is the most important thing I will ever do in my life. It is one of the most important decisions this commission has ever made in its 100-year history."

The attorney general must certify the new rules before they are implemented.

Several states have similar guidelines, but they are hard to compare because they have different dates, goals and rules.

Still, officials agreed that Arizona's rules are among the toughest.

Tucson Electric Power and several electric cooperatives opposed them, arguing that the rules have unreasonable goals and that it's unclear how they will recover the money they spend promoting conservation.

APS' view

A spokesman for APS, the state's largest utility, disagreed.

"APS is supportive of this standard," said Jim Wontor, manager of the utility's energy-efficiency programs. "We believe it is, if not the most aggressive in the country, it is one of the most aggressive state goals. It will be very challenging."

Arizona's regulated utilities must get 15 percent of their power from renewable sources like solar by 2025 and separately meet the new 22 percent efficiency standard by 2020.

The APS budget for energy-efficiency projects is \$42 million this year, and the number will rise in coming years, Wontor said. The utility is on target to meet the new goals for the next few years.

"A lot of the money spent will be incentives to customers," he said. "It gives customers the opportunity to participate in energy-efficiency programs and help manage their bills, and make their homes and businesses more energy-efficient."

Salt River Project, which is not regulated by the commission but often adopts similar rules as those imposed on regulated utilities, recently ordered a private study that determined saving 20 percent of energy use by 2020 was unrealistic.

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