

# Energy Efficiency Policies and Programs in the Southwest

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**Presentation at the  
ACEEE National Conference on Energy Efficiency as a  
Resource  
Berkeley, CA  
Sept. 26, 2005**

# Southwest Energy Efficiency Project (SWEET)

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- ❑ Public interest initiative promoting greater energy efficiency in AZ, CO, NV, NM, UT, and WY
- ❑ Founded in 2001, based in Boulder, CO
- ❑ Working on state legislation, expansion of government and utility energy efficiency programs, program design, combined heat and power, and consumer education
- ❑ Majority of funding provided by the Energy and Hewlett Foundations, U.S. Department of Energy, and U.S. Environmental Protection Agency

[www.swenergy.org](http://www.swenergy.org)

# Utility DSM Funding in the Southwest

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State	DSM program budget (million \$ per year)					
	2001	2002	2003	2004	2005	2006 (est)
AZ	8	4	4	4	12	29
CO	4	10	15	22	24	20
NV	2	3	11	11	14	23
NM	2	2	2	2	2	5
UT	5	9	13	18	23	26
WY	~0	~0	~0	~0	~0	~0
<b>Region</b>	<b>21</b>	<b>28</b>	<b>45</b>	<b>57</b>	<b>75</b>	<b>103</b>

# Arizona – Utility DSM Program Status

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- ❑ Utilities were allowed to shift SBC energy efficiency funds to solar electric programs
- ❑ Agreement to increase EE program funding by APS to \$16M per year; APS has proposed 10 DSM programs
- ❑ Agreement includes a performance-based financial incentive, TBD
- ❑ Salt River Project and Tucson Electric Power also expanding DSM programs
- ❑ Societal cost test used to determine DSM program cost effectiveness

# Colorado – Utility DSM Program

## Status

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- ❑ Agreement in Xcel Energy 2004 Least-Cost Planning docket – requires Xcel to reduce peak demand by 320 MW and save 800 GWh/yr by 2013 (2006-2013 programs)
- ❑ Xcel will spend up to \$196 million on DSM programs during 2006-2013; now developing new programs
- ❑ Also, PUC will review DSM policy in 2006
- ❑ Other utilities such as Colorado Springs and Fort Collins municipal utilities expanding DSM programs as well

# Nevada – Utility DSM Program Status

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- ❑ Restructuring repealed, utility DSM programs restarted in 2001
- ❑ DSM Collaborative established; DSM funding by Nevada Power and Sierra Pacific Power now up to \$14 million per year (0.5% of revenues)
- ❑ Utilities are given a financial incentive (rate of return + 5%) for DSM programs
- ❑ New legislation adds energy savings from DSM programs to state RPS; significant DSM expansion proposed for 2006

# New Mexico – Utility DSM Program Status

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- ❑ Utilities now implementing relatively limited DSM programs
- ❑ Energy Efficiency Act of 2005 establishes DSM program cost recovery mechanism, directs IOUs to develop and implement cost-effective programs, directs PUC to remove any financial barriers
- ❑ PNM has proposed some limited gas DSM programs; PRC has opened docket to develop more detailed DSM rules

# Utah – Utility DSM Program Status

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- ❑ Integrated Resource Planning (IRP) required; Utah Power (PacifiCorp) is directed to implement all cost-effective DSM under Total Resource Cost test
- ❑ Tariff rider allows simultaneous program cost recovery, but no financial incentive
- ❑ PacifiCorp spending around \$23 million (~2.0% of revenues) on DSM programs in 2005 and still growing
- ❑ Utility is expanding DSM in order to avoid supply-side expansion



# Key Utility DSM-Related Policies

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<b>Policy</b>	<b>AZ</b>	<b>CO</b>	<b>NM</b>	<b>NV</b>	<b>UT</b>	<b>WY</b>
Integrated Resource Planning	No	Yes	Yes	Yes	Yes	No
Use of Total Resource Cost or Societal test as sole/primary cost effectiveness test	Yes	Partly	Yes	Yes	Yes	No
Public benefits charge supporting energy efficiency programs	Yes	No	No	No	No	No
DSM cost recovery mechanism	Yes	Yes	Yes	Yes	Yes	No
Financial incentive for utilities	Yes	No	No	Yes	No	No
Collaboration in DSM program design/analysis	Yes	Yes	No	Yes	Yes	No
Industrial self-direction option	No	No	Yes	No	Yes	No

# Themes in DSM Program Design

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- ❑ Utilities have a strong interest in reducing peak demand, i.e., reducing cooling load and improving AC efficiency
- ❑ Potential in region for evaporative cooling
- ❑ Large amount of new construction in the region
- ❑ Limited awareness and availability of some energy efficiency measures such as CFLs in portions of the southwest
- ❑ Growing interest in demand response

# Building Energy Code Status

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- Recent version of IECC adopted as mandatory statewide code in New Mexico and Utah
- Recent version of IECC adopted in Denver, Phoenix, and all major cities and counties in Nevada
- Enforcement and compliance are critical issues in the region

# Natural Gas DSM Program Status

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- ❑ Very few gas utility DSM programs now underway in the southwest
- ❑ Southwest Gas Co. has proposed new programs (\$4.4 million per year) in Arizona, along with decoupling of sales and revenues
- ❑ Public Service of NM has proposed gas DSM programs for its residential customers
- ❑ Gas DSM enabling legislation adopted by CO legislature in 2005 but vetoed by Gov. Bill Owens

# Conclusions

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- ❑ Electric utility energy efficiency programs are on the rise in the Southwest – region no longer lagging in DSM expenditures
- ❑ Policies including Integrated Resource Planning, use of Total Resource or Societal Cost test, convenient cost recovery mechanisms are making a difference
- ❑ Reducing peak demand a major focus
- ❑ Building energy codes have been updated in most of the region, but enforcement and compliance are issues

# SWEEP:

*Dedicated to More Efficient Energy Use in the Southwest*

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Resources available online at:

[www.swenergy.org](http://www.swenergy.org)

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