

Energy Efficiency Policies and Programs in the Southwest

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Southwest Energy Efficiency Project (SWEET)

- ❑ 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, and consumer education
- ❑ Majority of funding provided by the Energy and Hewlett Foundations, U.S. Department of Energy, and U.S. Environmental Protection Agency

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Utility DSM Funding in the Southwest

State	DSM program budget (million \$ per year)				
	2001	2002	2003	2004	2005 (est)
AZ	8	4	4	4	17
CO	4	10	15	21	24
NV	2	3	11	11	14
NM	2	2	2	2	2
UT	5	9	13	17	23
WY	~0	~0	~0	~0	~0
Region	21	28	45	55	80

Arizona – Utility DSM Program Status

- ❑ Systems benefit charge (SBC) adopted as part of restructuring legislation
- ❑ Societal cost test used to determine DSM program cost effectiveness
- ❑ Utilities were allowed to shift SBC energy efficiency funds to solar electric programs
- ❑ Agreement to increase EE program funding by Ariz. Public Service Co. to \$16M per year (0.8% of revenues)
- ❑ Agreement includes performance-based financial incentive & DSM program collaborative
- ❑ Salt River Project and Tucson Electric Power also considering expanding DSM programs

Colorado – Utility DSM Program

Status

- ❑ Agreement negotiated in Xcel Energy 2004 Least-Cost Planning docket – requires Xcel to reduce peak demand by 320 MW and save 800 GWh/yr of energy during 2006-2013
- ❑ Xcel will spend up to \$196 million on DSM programs during 2006-2013 (up to ~1.4% of revenues per year)
- ❑ PUC currently uses rate impact test to evaluate DSM program cost effectiveness, but Xcel Agreement uses TRC test
- ❑ PUC to 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

- ❑ Restructuring repealed; Integrated Resource Planning (IRP) required
- ❑ Utility DSM programs restarted in 2001
- ❑ DSM Collaborative established which led to scale-up of programs starting in 2003; 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 could add energy savings from DSM programs to state RPS

New Mexico – Utility DSM Program Status

- ❑ Restructuring legislation included a small SBC, but restructuring was repealed
- ❑ Utilities now implementing relatively limited DSM programs
- ❑ Utility Energy Efficiency Task Force developed consensus DSM program enabling legislation; bill supported by Governor and nearly adopted by legislature
- ❑ Bill establishes DSM program cost recovery mechanism, directs PUC to remove any financial barriers, directs investor-owned utilities to develop and implement cost-effective programs under the TRC test, and establishes industrial self-direction option

Utah – Utility DSM Program Status

- ❑ Integrated Resource Planning (IRP) required
- ❑ Utility (PacifiCorp) directed to implement all cost-effective DSM under Total Resource Cost test
- ❑ Tariff rider allows simultaneous program cost recovery, but no utility financial incentive
- ❑ Collaboration in DSM program design and analysis
- ❑ PacifiCorp spent \$17 million on DSM programs in 2004 and planning to spend \$23 million (~2.2% of revenues) in 2005
- ❑ Industrial self-direction option started in 2004

Key Utility DSM-Related Policies

Policy	AZ	CO	NM (1)	NV	UT	WY
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 (1)	No	No	Yes	No	No
Collaboration in DSM program design/analysis	Yes (1)	No	No	Yes	Yes	No
Industrial self-direction option	No	No	Yes	No	Yes	No

Implications of Spending \$80 Million per Year on DSM programs in the SW

- \$80 million per year is still only 0.6% of utility retail revenues in the region
- This level of DSM funding should cut peak demand 2,650 MW and save 5,300 GWh/yr by 2015
- Consumers should save around \$2.8 billion net over lifetime of efficiency measures installed during 2001-2015
- This level of DSM should save 3 billion gallons of water and cut CO₂ emissions 4.9 million tons per year by 2015

Building Energy Code Status

- Recent version of IECC mandatory statewide in New Mexico and Utah
- Recent version of IECC adopted in Denver and on verge of adoption in Phoenix, also on the books in some other jurisdictions in AZ and CO
- Recent version of IECC under consideration and likely to be adopted in cities and counties in Nevada

Appliance Efficiency Standards

Status

- ❑ California is adopting efficiency standards again on products not covered by Federal standards
- ❑ Bills copying CA standards on 12-15 products pending in AZ and CO legislatures – moving towards adoption in CO but less advanced in AZ
- ❑ Identical bill still could be introduced and acted on in Nevada, has Governor's support

Natural Gas DSM Program Status

- ❑ Very little in the way of gas utility DSM programs at the present time in the SW
- ❑ Southwest Gas Co. has proposed new programs (\$4.4 million per year) in Arizona, along with decoupling of sales and revenues
- ❑ Questar Gas Co. (Utah) has prepared an in-depth gas DSM potential study; PNM now working on a similar study
- ❑ Gas DSM program enabling legislation (HB 1133) under consideration by the CO legislature

Voluntary Programs Status

- ❑ Thriving ENERGY STAR new homes promotion programs in Arizona and Nevada
- ❑ Limited ENERGY STAR product education and promotion programs in region (except for in Nevada)
- ❑ EPA and DOE are offering to do ENERGY STAR training, benchmarking, etc.

Conclusions

- ❑ Electric utility energy efficiency programs are on the rise in the Southwest
- ❑ Policies including Integrated Resource Planning, use of Total Resource or Societal Cost test, convenient cost recovery mechanisms are making a difference
- ❑ Building energy codes are current (or being updated) in most of region
- ❑ Appliance efficiency standards gaining support in the region
- ❑ Natural gas DSM programs very limited but starting to get attention
- ❑ Voluntary programs are helping as well, but more ENERGY STAR promotion could be done

SWEEP:

Dedicated to More Efficient Energy Use in the Southwest

Resources available online at:

www.swenergy.org

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