

# Utility Energy Efficiency Policies and Programs in the Southwest

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# 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
- ❑ Board of Directors includes utility, state government, national laboratory, public interest group, and private sector representatives
- ❑ Working closely with utilities in most states
- ❑ 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 (est)
AZ	8	4	4	4	20
CO	4	10	15	22	22
NV	2	3	11	11	14
NM	2	2	2	2	2
UT	5	9	13	18	22
WY	~0	~0	~0	~0	~0
<b>Region</b>	<b>21</b>	<b>28</b>	<b>45</b>	<b>57</b>	<b>80</b>

# Implications of Spending \$80 Million per Year on DSM programs

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- \$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 CO<sub>2</sub> emissions 4.9 million tons per year by 2015

# Arizona – Major Policies

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- ❑ 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
- ❑ Agreement includes performance-based financial incentive & DSM collaborative
- ❑ ACC holding DSM workshops; Governor has convened a RE-EE Working Group

# Colorado – Major Policies

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- ❑ Agreement for reducing peak demand by 124 MW through DSM programs by Xcel Energy during 2001-2005
- ❑ Xcel now spending \$20M per year on DSM programs, but programs will disappear after 2005 unless new action is taken
- ❑ PUC has adopted rate impact test
- ❑ Xcel proposing all-source bidding; advocates and OCC support expansion of company-sponsored EE programs

# Nevada – Major Policies

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- ❑ 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
- ❑ Utilities are given a financial incentive (rate of return + 5%) for DSM programs
- ❑ State energy efficiency strategy under development

# New Mexico – Major Policies

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- ❑ Restructuring legislation included a small SBC, but restructuring was repealed
- ❑ Relatively limited state EE policy in place
- ❑ Utility Energy Efficiency Task Force recently convened by Governor Richardson
- ❑ Task Force was asked to develop policy recommendations for expanding energy efficiency efforts in the state



# Utah – Major Policies

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- ❑ Integrated Resource Planning (IRP) required
- ❑ Total Resource Cost test used
- ❑ Tariff rider allows simultaneous program cost recovery, but no utility financial incentive
- ❑ Collaboration in DSM program design and analysis
- ❑ Industrial self-direction option

# Key Utility DSM-Related Policies

<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	No	Yes	Yes	No
Use of Total Resource Cost or Societal test as sole/primary cost effectiveness test	Yes	No	No	Yes	Yes	No
Public benefits charge supporting energy efficiency programs	Yes	No	No	No	No	No
DSM cost recovery mechanism	Yes	Yes	No	Yes	Yes	No
Financial incentive for utilities	No (1)	No	No	Yes	No	No
Collaboration in DSM program design/analysis	No (1)	No	No	Yes	Yes	No
Industrial self-direction option	No (1)	No	No	No	Yes	No

# Primary DSM Programs

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- ❑ Rebates for high efficiency air conditioners and evaporative coolers
- ❑ Air conditioner cycling controls
- ❑ C&I incentives
- ❑ C&I retro-commissioning
- ❑ New construction design assistance, building training, and incentives
- ❑ ENERGY STAR appliance and lighting rebates and promotion
- ❑ Second refrigerator recycling

# Opportunities for Regional Cooperation

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- ❑ Coordinated and/or co-funded demonstration and testing of new technologies
- ❑ Coordinated efforts targeted to product manufacturers and distributors
- ❑ Shared publicity campaigns
- ❑ Shared training and certification initiatives
- ❑ Cooperation across electric, gas, and water utilities

# Conclusions

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- ❑ 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
- ❑ “Champions” in state government, utilities and public interest groups are also important
- ❑ Considerable opportunity to grow programs and engage in regional cooperation

# 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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