Utility Energy Efficiency Program Overview

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Southwest Energy Efficiency Project (SWEEP)

- 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
## Utility DSM Funding in the Southwest

<table>
<thead>
<tr>
<th>State</th>
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<th>2006 (est)</th>
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<tr>
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Arizona – Utility DSM Program Status

- Previously, utilities shifted SBC energy efficiency funds to renewable programs
- Agreement to increase EE program funding by Arizona Public Service to at least $16M per year; APS has proposed 10 programs
- APS agreement includes a performance-based financial incentive
- Salt River Project also expanding DSM
- Proposals to expand DSM programs at Tucson Electric and Southwest Gas
- Societal cost test for cost-effectiveness
Colorado – Utility DSM Program

Status

- 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
- PUC will review DSM policy in 2006
- Other utilities such as Colorado Springs and Fort Collins municipal utilities expanding DSM programs as well
Restructuring repealed, utility DSM programs restarted in 2001

DSM Collaborative established; DSM funding by Nevada Power and Sierra Pacific Power now up to $16 million per year (0.5% of revenues)

Utilities are allowed 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
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 a docket to develop more detailed DSM rules
Utah – Utility DSM Program Status

- 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 for shareholders
- PacifiCorp is spending around $21 million (~2.0% of revenues) on DSM programs in 2005 and budget is still growing
- Utility is expanding DSM in order to avoid supply-side expansion
Natural Gas DSM Program Status

- 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
Key Issues

- Can the rapid expansion in utility DSM programs in the southwest continue? Can utility DSM programs reach the funding level of $200 million per year?
- Do utilities need more financial incentives?
- What are the opportunities for increasing residential AC system efficiency under the new Federal AC standards?
- How can savings be maximized in the large amount of new construction in the region?
- How does pricing and demand response fit into the DSM picture?
SWEEP: 
Dedicated to More Efficient Energy Use in the Southwest

Resources available online at: 
www.swenergy.org

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