

Arizona's Regulatory Climate

Jeff Schlegel



AESP Webinar
May 21, 2013

Southwest Energy Efficiency Project

- ❑ Public interest initiative founded in 2001
- ❑ Promotes greater energy efficiency (EE) in AZ and SW
- ❑ Board of Directors includes utility, national laboratory, environmental, and private sector representatives
- ❑ Funding provided by the Energy Foundation, Hewlett Foundation, Edwards Mother Earth Foundation, U.S. Department of Energy (DOE), and U.S. Environmental Protection Agency (EPA)

www.swenergy.org

Arizona Policy Forums



**Arizona Corporation
Commission**



**Salt River Project
Board and Managers**



**Arizona State
Legislature**



**Governor's Office
& State Administration**



City of Phoenix

Cities & Counties

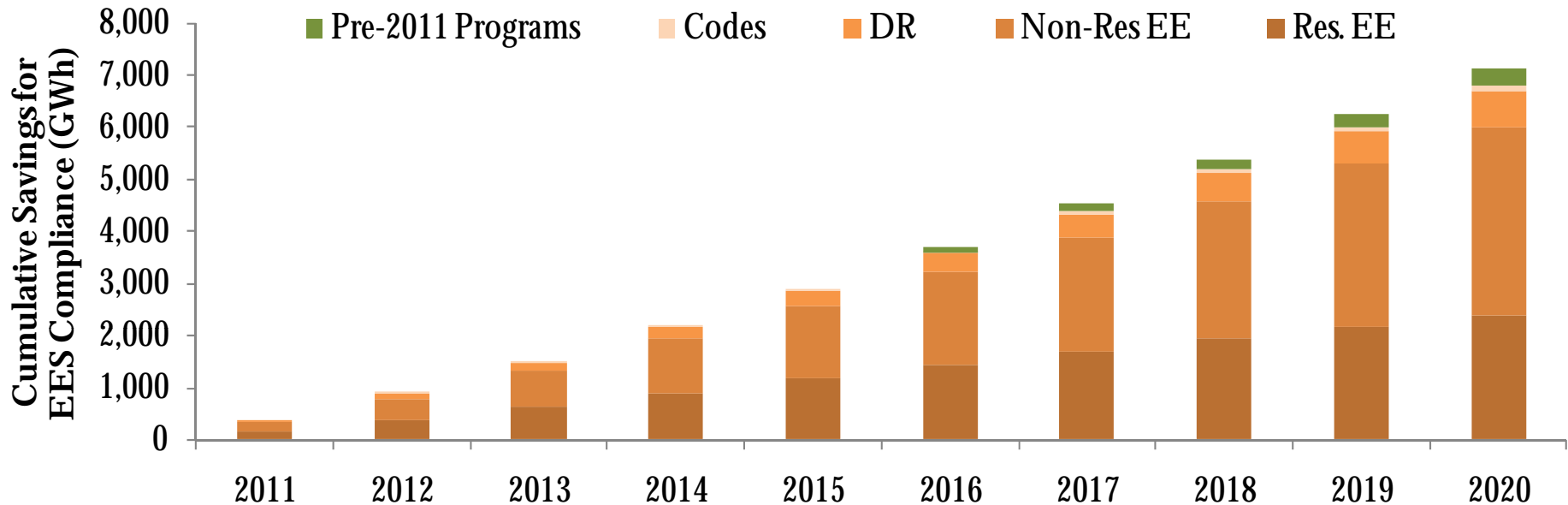


**Congressional
Delegation**

ACC 2009-2010 Policy Advances

- ① **Electric Energy Efficiency Standard (EES)**
Requires 22% energy savings by 2020 (20% energy savings plus a credit of up to 2% for demand response)
- ② **Gas Energy Efficiency Standard**
Requires 6% energy savings by 2020
- ③ **Decoupling Policy Statement**
Allows investor-owned electric and gas utilities to file specific decoupling proposals to align utility financial interests with the interests of customers and the public (which supports EE, RE DG)
- ④ **Integrated Resource Planning Rules**
Allows meaningful opportunities for EE & RE to compete on a level playing field with conventional resources.

AZ EES & Expected Savings for APS

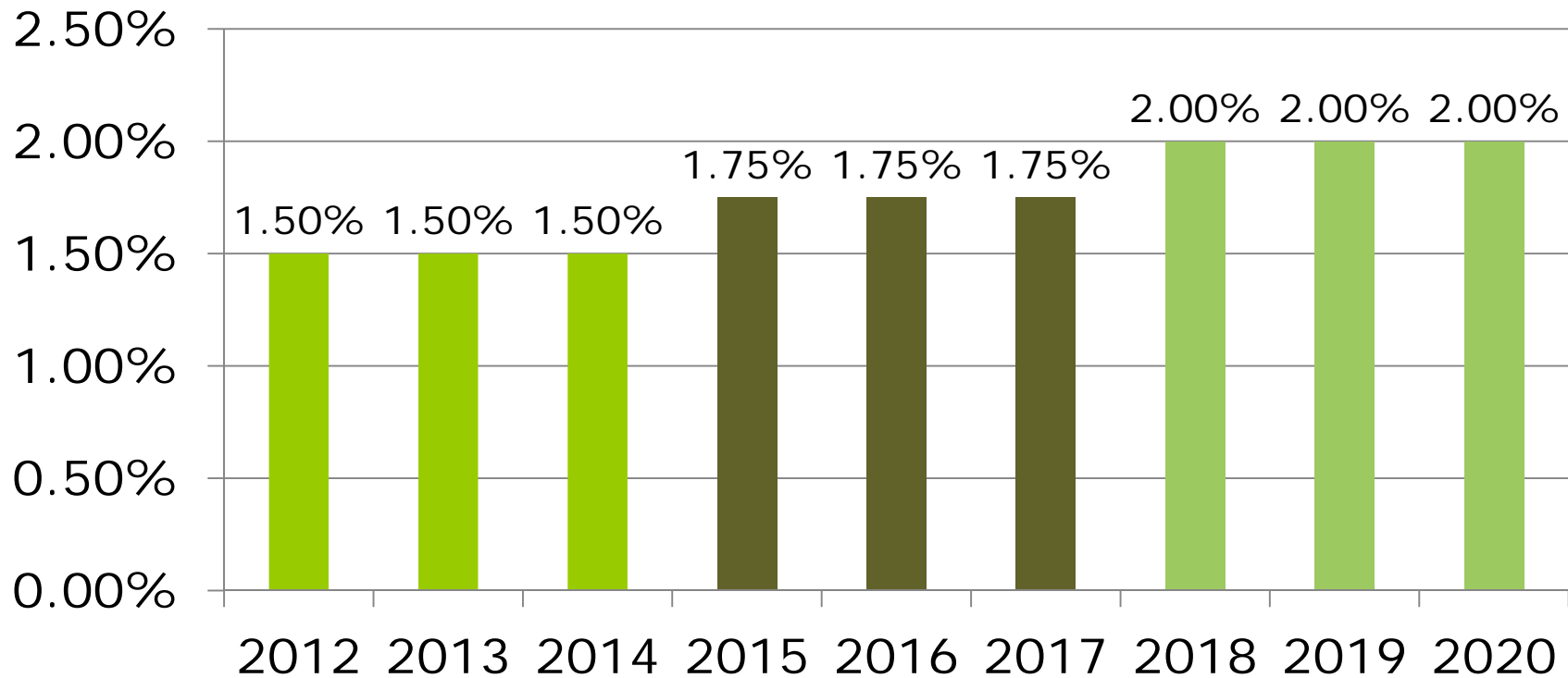


EES (% of Prior Year Retail Sales)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	1.25%	3.00%	5.00%	7.25%	9.50%	12.00%	14.50%	17.00%	19.50%	22.00%

- Cumulative annual energy savings exceed 6,800 GWh in 2020; ~ \$7 billion in bill savings (2011-2030)
- Annual energy savings exceed 2% starting in 2014

SRP's EE Saving Targets

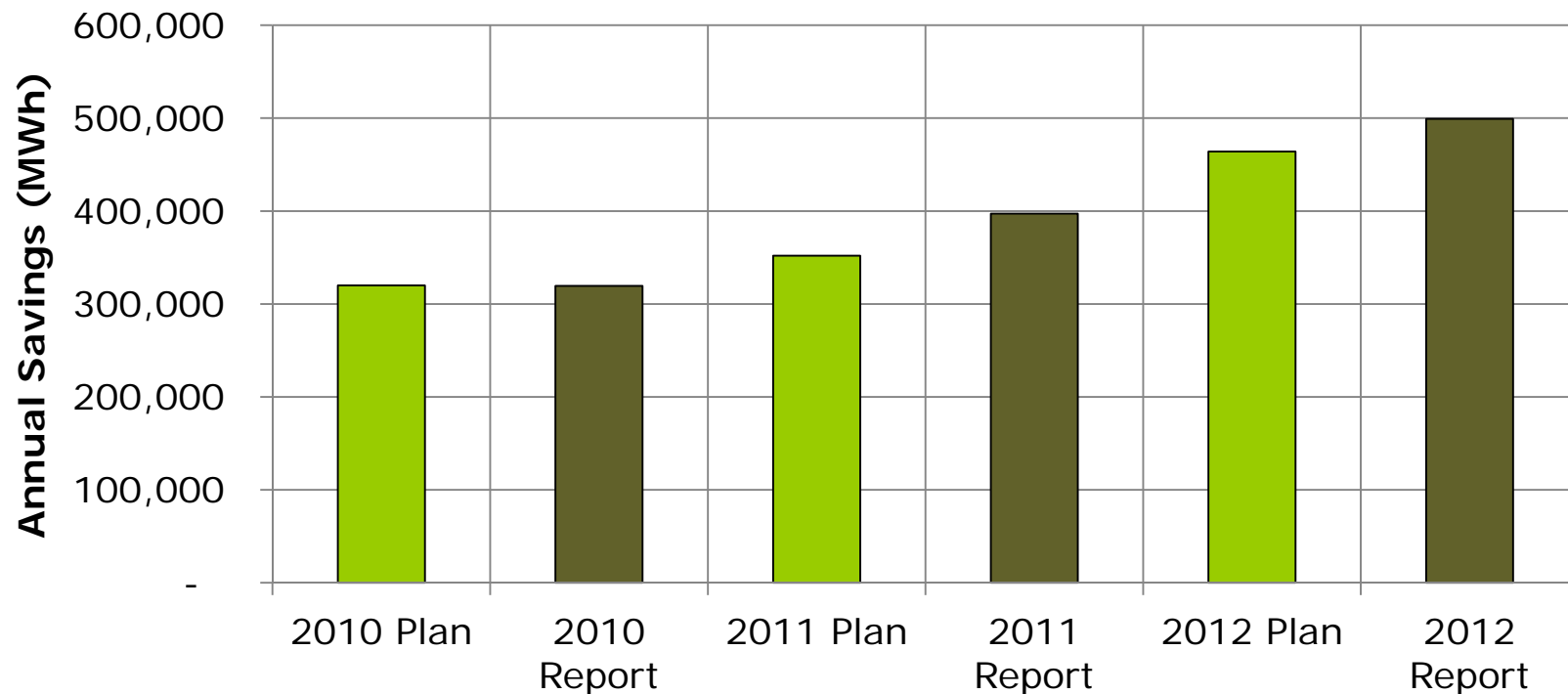
Annual Incremental Energy Efficiency Savings



Recent EE Performance

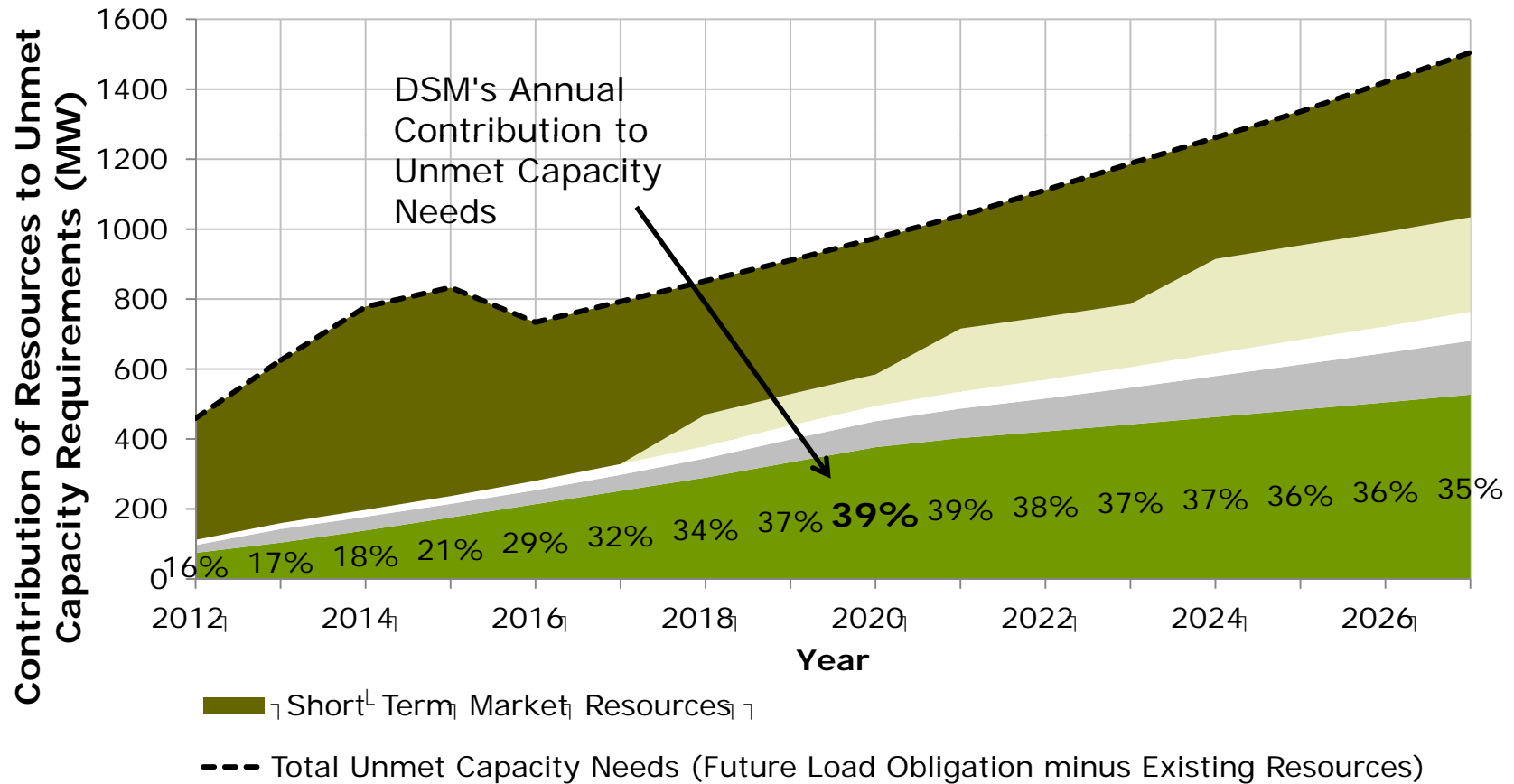
- APS savings = ~1.8% of retail sales (2012)
- SRP savings = ~1.95% of retail sales (2012)

**Annual Savings of APS Energy Efficiency Programs:
Planned Savings (EE Plans) VS Actual Savings (EE Reports)**



IRPs and EE as a Resource

Contribution of Future Resource Additions to TEP's Unmet Capacity Needs



Welcome to the Big Time

(be careful what you wish for)

- ❑ EE becomes a target: many states are now spending significant amounts on EE, but this brings more visibility, exposure, and risk – pressures on ratepayer collections, push back from industrials and consumer advocates, etc.
- ❑ Increased scrutiny by utility regulators; concerns about increasing EE costs during ramp up
- ❑ Much harder to *achieve* higher energy savings (2% annual savings or higher) than it is to *set* high EE goals
- ❑ Very important to actually *achieve* the goals, especially in the early years (EE programs need to show early success during the ramp up)

Challenges Grow in Arizona

- ❑ Change in Commission make up (elections)
- ❑ Mixed progress on EE implementation plans
 - APS: no increase in EE surcharge, though still planning and achieving EES requirements
 - TEP: long delay in Commission approval of EE
 - SRP: achieving EE goals, with pressure on costs
- ❑ Rate cases (TEP recently, APS earlier) – support for EE, but no progress on full revenue decoupling
- ❑ Two commissioners proposed reopening/revising the EE Standard and Rules
- ❑ Reduced support for renewables
- ❑ Commissioner interest in electric retail competition

Commissioner Letters On EE Rule

- Commissioner Gary Pierce (2/2013)
 - “We need to look at possibly revising the rules, or some of the rules, to improve the energy efficiency process. We must explore any possibilities and all options.”
- Commissioner Brenda Burns (3/2013)
 - “We must do a top-bottom inspection of the energy efficiency rules.”
- No ACC action taken to date

Cautiously Optimistic

- ❑ Significant challenges, but EE is up to the challenge and has strong customer support
- ❑ High goals and EES requirements in place
- ❑ EE programs are performing well in field; EE programs are meeting requirements (EES) and achieving goals
- ❑ EE savings are fully incorporated in IRPs
- ❑ EE resource looks very good when compared to other resource options
- ❑ Customers support EE and are saying so

SWEEP:

Dedicated to More Efficient Energy Use in the Southwest

Resources available online at:

www.swenergy.org



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Regulatory Climate in New Mexico

New Mexico Public Regulation Commission

Overview

- NMPRC Commissioners
- Responsibilities
- Recent Legislation
- Key Players
- Key Issues
- Future Expectations

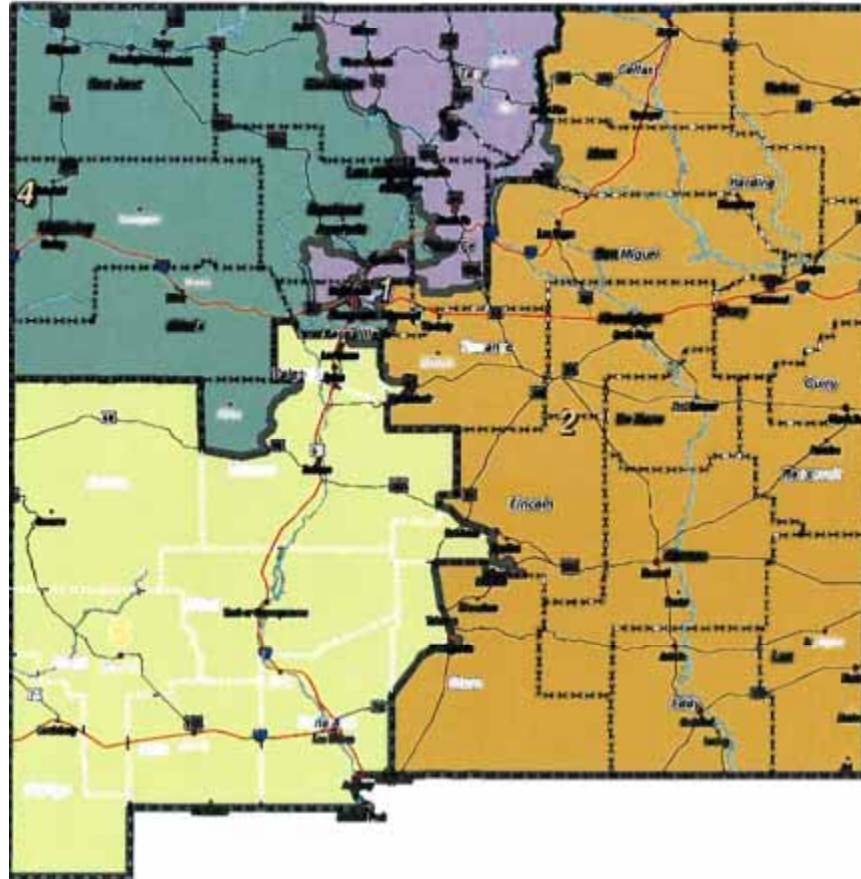
New Mexico Public Regulation Commission

Five Commissioners Represent the NMPRC

- Ms. Karen L. Montoya
- Ms. Valerie Espinosa
- Mr. Patrick H. Lyons
- Mr. Ben L. Hall
- Ms. Theresa Becenti-Aguilar

New Mexico Public Regulation Commission

Areas of Representation (Recent Redistricting)



New Mexico
GAS COMPANY

New Mexico Public Regulation Commission

Current Responsibilities

Regulation of utilities (electricity, gas, renewable energy, and water and wastewater systems), telecommunications, motor carriers and insurance industries. Promote public safety through the offices of state fire marshal, the firefighter training academy, and pipeline safety bureau and transportation division. The NMPRC also has the responsibility for the registration of all corporations doing business in New Mexico.

New Mexico Public Regulation Commission

Four Utilities in New Mexico Fall Under the Requirements of the Efficient Use of Energy Act (EUEA)

- New Mexico Gas Company
- Public Service Company of New Mexico (PNM)
- El Paso Electric Company
- Southwest Public Service Company - Xcel

New Mexico Public Regulation Commission

Recent Legislation

- **Commissioner Qualifications**
- **Commissioner Responsibilities**
- **Modification of the EUEA**

New Mexico Public Regulation Commission

Recent Legislation

Commissioner Qualifications

Current:

- 18 Years old
- Lived in New Mexico One Year
- Non-Felon

New Mexico Public Regulation Commission

Recent Legislation

Commissioner Qualifications

As of July 1, 2013:

- Ten Years Professional Experience in an Area Regulated by the NMPRC or in the Energy Sector, or
- Ten Years Combination of Professional Experience and Higher Education with a Degree or Professional License

New Mexico Public Regulation Commission

Recent Legislation

Commissioner Responsibilities

As of July 1, 2013:

- Removal of Corporations Oversight
- Removal of the Insurance Division
- Must Complete Ethics Certificate Course in 1st Year in Office and 2 Hour Course Every Year in Office
- Complete 32 Hours Continuing Education Course Annually Related to Work at the NMPRC

New Mexico Public Regulation Commission

Recent Legislation

House Bill 267

Amendment to the EUEA

- Program Funding Shall be 3% of Customer's Bills for Electric Utilities
- Program Funding Shall not Exceed 3% of Total Annual Revenues for Gas Utilities
- As of July 1, 2013, "cost-effectiveness" must meet the Utility Cost Test not the Total Resource Cost

New Mexico Public Regulation Commission

Key Players

- Public Advisory Group (Attorney General's Office, Consumer Advocates, SWEEP, etc.)
- NMPRC Staff
- NMPRC General Counsel
- The Five Commissioners

New Mexico Public Regulation Commission

Key Issues

Public Advisory Group

- Balancing the Special Interests of Each Group
 - ✓ Low Income Advocates
 - ✓ Residential Advocates - AARP
 - ✓ Commercial Advocates – Unique Industry, Military, Schools
 - ✓ Doing Too Much – Attorney General’s Office
 - ✓ Doing Too Little - SWEEP

New Mexico Public Regulation Commission

Key Issues

NMPRC Staff

- Relationship with Commission
- Turnover
- Education or Knowledge of Energy Efficiency
- Work Load
- Competent Legal Staff

New Mexico Public Regulation Commission

Key Issues

NMPRC General Counsel

- Relationship with Commissioners
- Turnover
- Lack of Ability or Willingness to have Commissioners Follow Rule of Law

New Mexico Public Regulation Commission

Key Issues

The Five Commissioners

- Past History – Why Does This Matter?
- Experience – Two New Commissioners, Three with only Two Years in the Position
- Oversight of Too Many Areas – Fixed by Recent Legislation
- Relationship with Staff, Chief of Staff and General Counsel
- Not Supportive of Energy Efficiency Programs

New Mexico Public Regulation Commission

Key Issues

General

- Incentives/Disincentives and/or Decoupling
- Regulatory Lag
- Clean-up of the EUEA (Gray Areas)

New Mexico Public Regulation Commission

Future Expectations

- Oversight Relief Should Allow for More Focused Consideration of Utility Matters
- Required Annual CE Courses Should Help Educate and Increase Knowledge of Matters Under Their Purview
- Experience Will Increase with Time and Education
- Future Elections will Increase Qualifications
- UCT vs. TRC – Potential for More Programs

New Mexico Public Regulation Commission

Questions???

Status of DSM Regulation in Nevada



Presentation at AESP's Webinar on the
Regulatory Climates in Southwestern States

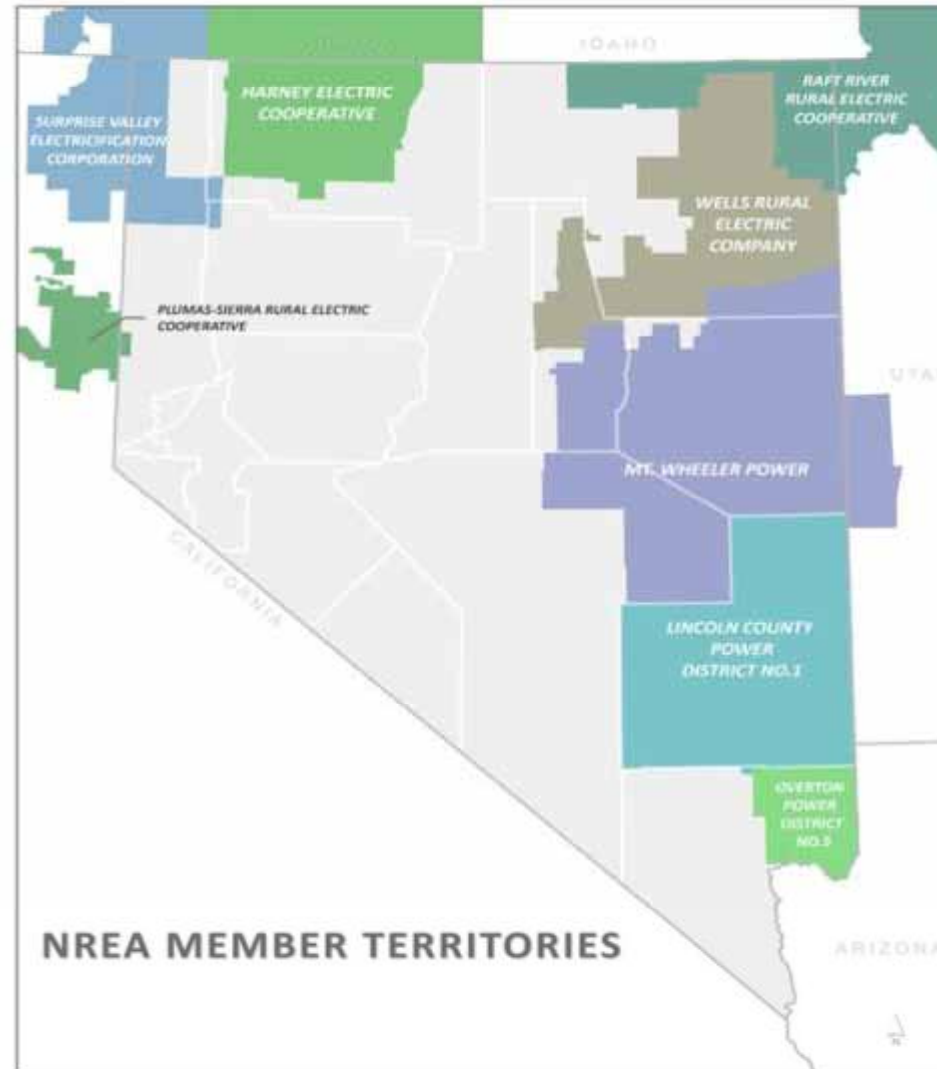
By Stephen Wiel

May 21, 2013

Service Territories in Nevada Investor-Owned Electric Utilities



Service Territories in Nevada Rural Electric Utilities



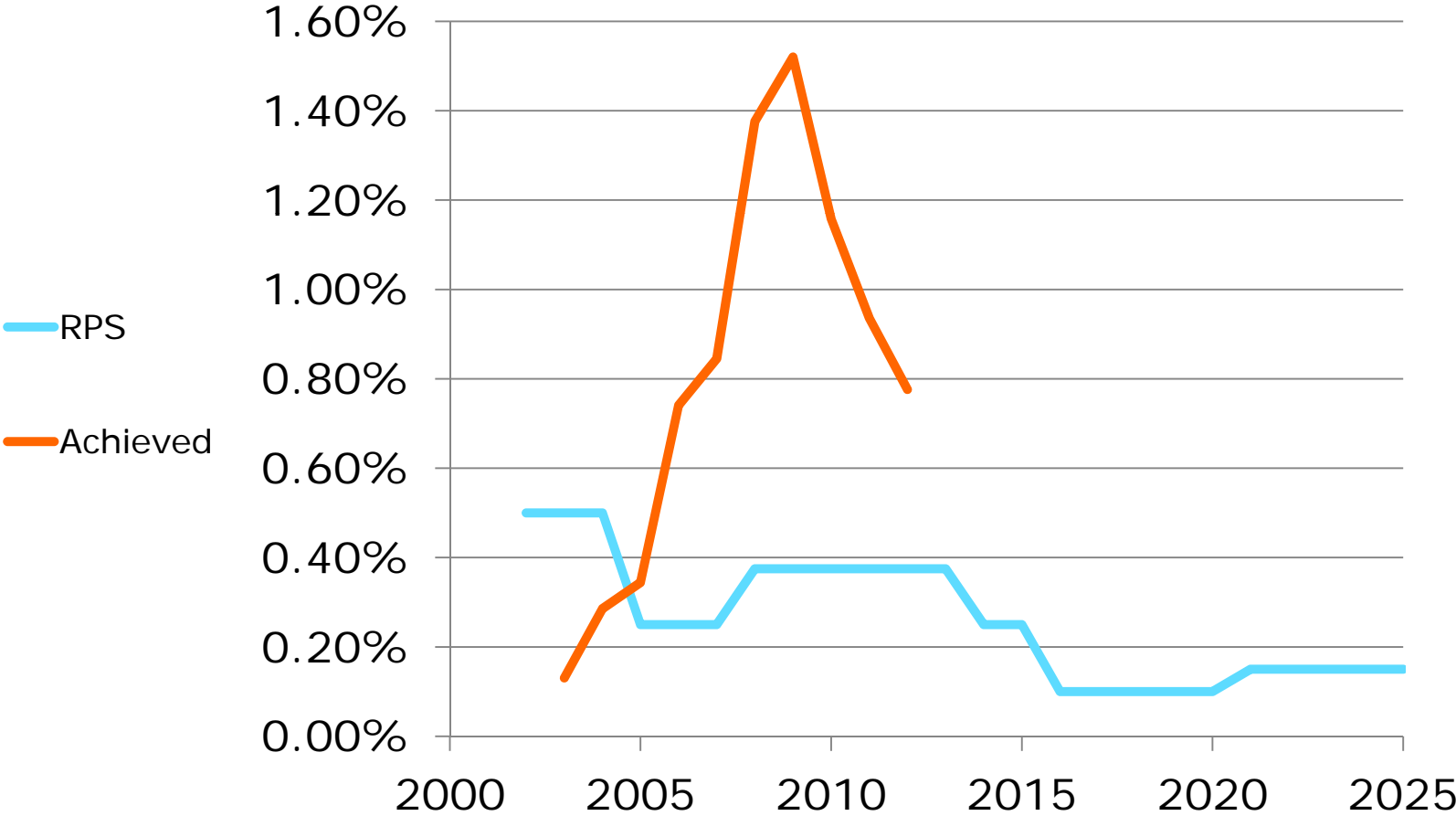
Key Stakeholders in Nevada

- ❑ **PUCN** – Public Utility Commission of Nevada
- ❑ **Staff** – PUCN Staff
- ❑ **BCP** – Bureau of Consumer Protection
- ❑ **Large Customers**
- ❑ **NCARE** – Nevadans for Clean and Reliable Energy
- ❑ **SWEEP** – Southwest Energy Efficiency Project

Rate-making Procedures in Nevada

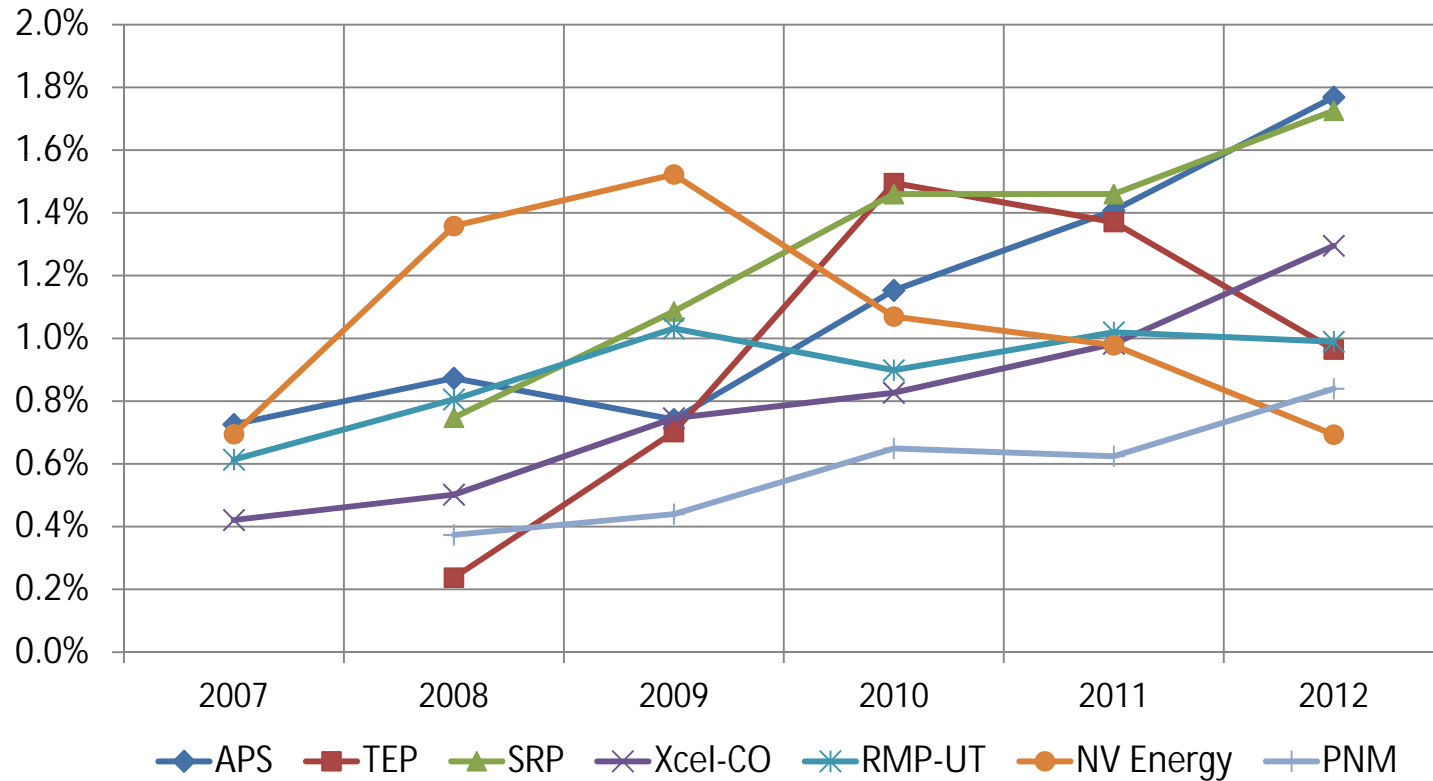
- **General rate case every 3 years**
- **Integrated Resource Plan every 3 years**
- **Historic test year**
- **Deferred energy accounting**
- **No decoupling of fixed costs**
- **Renewable Portfolio Standard (25% DSM)**
- **Lost revenue recovery for DSM**

NV Energy DSM Annual Performance (% of Sales)



Energy Savings Trends by Utility

Net Energy Savings as a % of Retail Sales,
by program year



Changes Being Discussed

- ❑ **Remove DSM from RPS**
- ❑ **Set DSM Standards or Targets**
- ❑ **Replace Lost Revenue Recovery with Decoupling**
- ❑ **Add Incentive for DSM**
- ❑ **Replace Coal with Renewables, Natural Gas, & DR (NVision)**

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Resources available online at:

www.swenergy.org

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QUESTIONS

Type Your Questions in the Chat Box