



0000001483

32R

ORIGINAL

1 Timothy M. Hogan (004567) RECEIVED
2 ARIZONA CENTER FOR LAW
3 IN THE PUBLIC INTEREST 2004 MAR 30 P 12 50
4 202 E. McDowell Rd., Suite 153
Phoenix, Arizona 85004
(602) 258-8850 AZ CORP COMMISSION
DOCUMENT CONTROL

5 Attorneys for Southwest Energy Efficiency Project

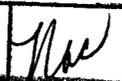
6 **BEFORE THE ARIZONA CORPORATION COMMISSION**

8 MARC SPITZER
9 CHAIRMAN
10 WILLIAM A. MUNDELL
11 JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

Arizona Corporation Commission

DOCKETED

MAR 30 2004

DOCKETED BY 

Docket No. E-01345A-03-0437

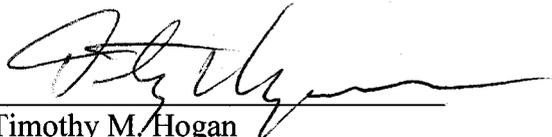
12 In the matter of the Application of)
13 ARIZONA PUBLIC SERVICE COMPANY)
14 for a Hearing to Determine the Fair Value of the)
15 Utility Property of the Company for Ratemaking)
16 Purposes, to Fix Just and Reasonable Rate of)
Return Thereon, to Approve Rate Schedules)
17 Designed to Develop Such Return, and for)
Approval of Purchased Power Contract.)

NOTICE OF FILING CROSS-REBUTTAL TESTIMONY

18 Southwest Energy Efficiency Project, through its undersigned counsel, hereby provides
19 notice that it has this day filed the written cross-rebuttal testimony of Jeff Schlegel in connection
20 with the above-captioned matter.
21
22
23
24
25

1 DATED this 30th day of March, 2004.

2 ARIZONA CENTER FOR LAW IN
3 THE PUBLIC INTEREST

4
5 By 
6 Timothy M. Hogan
7 202 E. McDowell Rd., Suite 153
8 Phoenix, Arizona 85004
9 Attorneys for Southwest Energy Efficiency
10 Project

11 ORIGINAL and 13 COPIES of
12 the foregoing filed this 30th day
13 of March, 2004, with:

14 Docketing Supervisor
15 Docket Control
16 Arizona Corporation Commission
17 1200 W. Washington
18 Phoenix, AZ 85007

19 COPIES of the foregoing
20 transmitted electronically
21 this 30th day of March, 2004, to:

22 All Parties of Record
23
24
25

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MARC SPITZER, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE COMPANY
FOR A HEARING TO DETERMINE THE
FAIR VALUE OF THE UTILITY PROPERTY
OF THE COMPANY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN
THEREON, TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN, AND FOR APPROVAL OF
PURCHASED POWER CONTRACT.

DOCKET NO. E-01345A-03-0437

Cross-Rebuttal Testimony of

Jeff Schlegel
Southwest Energy Efficiency Project (SWEEP)

March 30, 2004

Cross-Rebuttal Testimony of Jeff Schlegel, SWEEP
Docket No. E-01345A-03-0437

1
2
3
4
5 Q. Please state your name and business address.

6
7 A. My name is Jeff Schlegel. My business address is 1167 W. Samalayuca Drive,
8 Tucson, Arizona 85704-3224.
9

10
11 Q. For whom and in what capacity are you testifying?

12
13 A. I am testifying on behalf of the Southwest Energy Efficiency Project (SWEEP). I am
14 the Arizona Representative for SWEEP.
15

16
17 Q. Did you file direct testimony in this proceeding?

18
19 A. Yes, I filed direct testimony on February 3, 2004.
20

21
22 Q. What is the purpose of your cross-rebuttal testimony?

23
24 A. My cross-rebuttal testimony compares my direct testimony with positions taken by
25 Staff regarding energy efficiency, focusing on the funding level for demand-side
26 management (DSM) programs, the funding cap, and the funding and cost-recovery
27 mechanism proposed by Staff.
28

29
30 Q. What is Staff's testimony on the benefits of DSM, and on DSM that APS should
31 pursue?
32

33 A. Staff witness Barbara Keene, in her direct testimony on page 2 (starting at line 2)
34 summarizes the benefits of DSM to APS customers, the APS electric system, and
35 society. In her direct testimony (page 7, starting at line 1), Staff witness Barbara
36 Keene recommends that APS should engage in DSM programs as long as the
37 incremental societal benefits of the DSM programs are greater than the incremental
38 cost of the DSM programs to society.
39

40
41 Q. What is Staff's recommendation regarding annual DSM costs?

42
43 A. Staff witness Barbara Keene, in her direct testimony on page 10 (starting at line 5),
44 recommends that annual DSM funding be capped at \$4 million.
45
46

1 Q. Is Staff's testimony on the benefits of and justification for DSM consistent with
2 Staff's recommendation on the DSM funding cap?

3
4 A. No, there is a significant inconsistency between (1) Staff's summary of the benefits of
5 and justification for DSM, and (2) the Staff-recommended DSM funding cap.

6
7
8 Q. What is the basis for Staff's recommended funding cap, and is the basis reasonable
9 and sufficient for determining DSM funding in the future?

10
11 A. Apparently, the only basis for Staff's recommended funding cap is a review of past
12 DSM expenditures (Barbara Keene direct testimony, page 10, line 5). No other basis
13 is presented in Staff's testimony. A review of past DSM expenditures, by itself, is not
14 a reasonable or sufficient basis for determining DSM funding in the future.

15
16
17 Q. Will \$4 million of annual DSM funding be adequate to capture all cost-effective
18 DSM in the APS service territory?

19
20 A. No. There is a large amount of cost-effective DSM that would not be achieved under
21 a funding cap of \$4 million.

22
23
24 Q. What would happen if cost-effective energy efficiency is not achieved because DSM
25 funding is limited to \$4 million annually?

26
27 A. If DSM funding is limited to \$4 million annually, arbitrarily, by the Staff-
28 recommended funding cap, then the total costs for customers will be higher, based on
29 the fundamental definition of cost-effectiveness, and the other benefits of capturing
30 the remaining cost-effective DSM will not be achieved.

31
32
33 Q. What funding level should be set for energy efficiency programs?

34
35 A. As stated in my direct testimony, the Commission should adopt a policy that would
36 provide adequate energy efficiency program funding to achieve the energy efficiency
37 goals recommended by SWEEP. SWEEP estimates that energy efficiency funding of
38 \$0.0015 per kWh of retail energy sales (1.5 mills), or about \$35 million in the 2002
39 Test Year, is necessary to achieve the goals. SWEEP recommends that energy
40 efficiency program spending ramp-up gradually in the first two years (\$13 million in
41 2004 and \$30 million in 2005).

42
43
44 Q. What funding and cost recovery mechanisms are recommended by Staff, and how
45 does Staff's recommendation compare to your recommendation?

46

1 A. In her direct testimony (page 9, starting at line 2), Staff witness Barbara Keene
2 recommends that APS recover its DSM costs through a separate DSM adjustment
3 mechanism. SWEEP proposes a per-kWh SBC charge plus an SBC adjustment
4 mechanism to reconcile actual expenditures that are higher than the base SBC charge
5 of \$0.0015 per kWh, if higher expenditures are necessary to achieve the goals.
6 SWEEP also recommends that unexpended funds in a given year be carried over to
7 future program years.

8
9
10 Q. Does that conclude your cross-rebuttal testimony?

11
12 A. Yes.