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1 Timothy M. Hogan (004567)  
2 ARIZONA CENTER FOR LAW  
3 IN THE PUBLIC INTEREST  
4 202 E. McDowell Rd., Suite 153  
5 Phoenix, Arizona 85004  
6 (602) 258-8850

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AZ CORP COMMISSION  
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Attorneys for Southwest Energy Efficiency Project

BEFORE THE ARIZONA CORPORATION COMMISSION

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

Arizona Corporation Commission

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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 )  
17 Return Thereon, to Approve Rate Schedules )  
18 Designed to Develop Such Return, and for )  
19 Approval of Purchased Power Contract. )

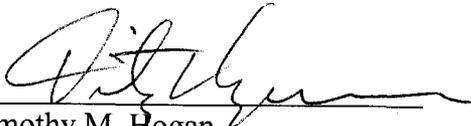
Docket No. E-01345A-03-0437

NOTICE OF FILING SUMMARY  
OF TESTIMONY

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

1 DATED this 23<sup>rd</sup> day of November, 2004.

2 ARIZONA CENTER FOR LAW IN  
3 THE PUBLIC INTEREST

4 By 

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

9 ORIGINAL and 13 COPIES of  
10 the foregoing filed this 23<sup>rd</sup> day  
of November, 2004, with:

11 Docketing Supervisor  
12 Docket Control  
13 Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

14 COPIES of the foregoing  
15 transmitted electronically  
16 this 23<sup>rd</sup> day of November,  
2004, to:

17 All Parties of Record

**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

Summary of Settlement Testimony

**Jeff Schlegel**  
**Southwest Energy Efficiency Project (SWEEP)**

November 23, 2004



1 APS may request Commission approval for additional DSM program funding that  
2 exceeds \$16 million annually, through the DSM adjustment mechanism, including for  
3 demand response and additional energy efficiency programs, thereby providing additional  
4 funding flexibility. This is an important provision that made it possible for SWEEP to  
5 accept a lower energy efficiency funding level in the settlement agreement.  
6

7 The settlement agreement does not include goals for energy savings or peak demand  
8 reductions. After discussions during the settlement process and at the DSM Workshops,  
9 SWEEP now believes that the DSM plans would be an appropriate document in which to  
10 propose overall policy goals and program-specific goals for Commission review and  
11 consideration, partly because the plans will include supporting documentation. SWEEP  
12 plans to propose such goals in the DSM plans or in other forums before the Commission.  
13

14 The Preliminary Energy Efficiency DSM Plan (Appendix B) summarizes a portfolio of  
15 effective and cost-effective energy efficiency programs to achieve meaningful energy  
16 savings and demand reductions. Implementing the portfolio of programs in the  
17 Preliminary Plan will ensure that all customers will have an opportunity to participate in  
18 and benefit directly from the energy efficiency programs. APS is required to develop a  
19 final plan for Commission review and approval before the programs can be implemented.  
20

21 A collaborative working group will be implemented to solicit and facilitate stakeholder  
22 input, advise APS on program implementation, develop future DSM programs, and  
23 review DSM program performance. The collaborative working group will provide a  
24 valuable forum for stakeholder input and review, thereby increasing stakeholder support  
25 for the cost-effective programs ultimately proposed to the Commission. SWEEP plans to  
26 participate in the collaborative working group and views it as an additional opportunity to  
27 ensure effective and cost-effective DSM programs to benefit APS customers.  
28

#### 29 Original Position:

30 The Commission should act in a timely manner to increase energy efficiency in Arizona.  
31 Each day that passes without effective energy efficiency programs means more  
32 inefficient load is added to the electric system in this high load growth state, leading to  
33 higher total costs for customers, a less diverse and riskier energy resource mix, and  
34 increased damage to the environment.  
35

#### 36 Settlement Agreement:

37 SWEEP supports the settlement agreement as a meaningful step towards increasing  
38 energy efficiency in the APS service territory in a timely manner, given where we are  
39 now. At the time of settlement, SWEEP considered its support for the settlement  
40 agreement to be a less time consuming approach than returning to protracted litigation.  
41

42 To ensure effective and appropriate Commission oversight, the settlement agreement  
43 requires that all energy efficiency and DSM programs be reviewed and pre-approved by  
44 the Commission. SWEEP is discussing potential programs and program designs with  
45 APS and other stakeholders informally in the hope that proposed energy efficiency  
46 programs could be submitted to the Commission reasonably soon after Commission  
47 approval of the settlement agreement.