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and Western Resource Advocates

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BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER, CHAIRMAN
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE FILING BY
TUCSON ELECTRIC POWER COMPANY TO
AMEND DECISION NO. 62103.

Docket No. E-01933A-05-0650

**NOTICE OF FILING
SURREBUTTAL TESTIMONY**

Southwest Energy Efficiency Project ("SWEEP"), through its undersigned counsel,
hereby provides notice that it has this day filed the written surrebuttal testimony of Jeffrey A.
Schlegel in connection with the above-captioned matter.

DATED this 8th day of February, 2007.

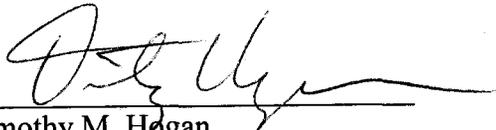
ARIZONA CENTER FOR LAW IN
THE PUBLIC INTEREST

Arizona Corporation Commission

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By 
Timothy M. Hogan
202 E. McDowell Rd., Suite 153
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Attorneys for SWEEP

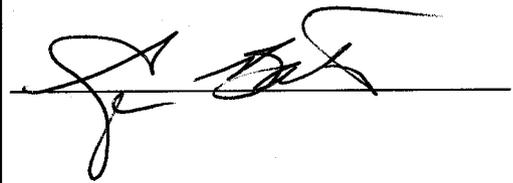
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A handwritten signature in black ink is written over a horizontal line. The signature is stylized and appears to consist of two main parts, possibly initials or a name, with a long horizontal stroke extending to the right.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE FILING BY
TUCSON ELECTRIC POWER COMPANY
TO AMEND DECISION NO. 62103.

DOCKET NO. E-01933A-05-0650

Surrebuttal Testimony of

Jeff Schlegel
Southwest Energy Efficiency Project (SWEEP)

February 8, 2007

**Surrebuttal Testimony of Jeff Schlegel, SWEEP
Docket No. E-01933A-05-0650**

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Introduction

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Q. Please state your name and business address.

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

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

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

Q. Did you file direct testimony in this proceeding?

A. Yes, I filed direct testimony on January 8, 2007.

Q. What is the purpose of your surrebuttal testimony?

A. In my surrebuttal testimony I respond to the rebuttal testimony of Tucson Electric Power (TEP) witness James Pignatelli, the direct testimony of Staff witness Barbara Keene, and the direct testimony of Residential Utility Consumer Office (RUCO) witness Marylee Diaz Cortez, regarding Demand Side Management (DSM) and energy efficiency issues.

Summary of Surrebuttal Testimony and Recommendations

1
2
3 Q. Please summarize your surrebuttal testimony.

4
5 A. In my surrebuttal testimony, considering and responding to the testimony of TEP and
6 other parties in this case, I testify that:

7
8 In this proceeding, the Commission should order and implement a two-part approach
9 to increase energy efficiency and DSM programs¹ for TEP customers.

10
11 First (Part A), the Commission should issue an interim order in this proceeding,
12 directing TEP to file, within 60 days of the interim order, an interim DSM plan based
13 on the existing TEP DSM programs plus six energy efficiency programs that the
14 Commission has already reviewed and approved for the APS service territory, and a
15 DSM tariff to fund the six additional programs. Then Staff should review the interim
16 plan and the Commission should issue a second interim order approving the programs
17 in the interim plan and the DSM tariff, with both the Staff review and Commission
18 approval completed within an additional 60 days. TEP should begin implementing
19 the six additional energy efficiency programs in the field by the fall of 2007.

20
21 Second (Part B), as part of the TEP general rate case, the Commission should
22 consider: (1) a permanent (non-interim) DSM portfolio plan, which would include the
23 existing and six interim programs plus additional DSM programs, possibly including
24 some of the new programs proposed by TEP in its direct testimony; (2) SWEEP's
25 proposed Energy Efficiency Standard (EES) and goals; and (3) DSM funding and
26 cost-recovery mechanisms including the TEP-proposed DSM adjustor mechanism.

27
28

¹ Energy efficiency is one type of DSM program, consistent with the discussions in the DSM workshops and the definitions in the Staff Report on Demand Side Management Policy, February 7, 2005. SWEEP uses the words "energy efficiency" as a distinct subset of "DSM" throughout its testimony.

1
2 **When Might TEP Customers Experience the Benefits of**
3 **Increased Energy Efficiency Programs?**
4

5 Q. Considering the testimony of TEP and other parties in this case, when do you
6 estimate TEP might increase its efforts and implement additional cost-effective
7 energy efficiency programs, and when do you estimate TEP customers might receive
8 the benefits of such programs (assuming Commission approval of the programs)?
9

10 A. Based on the direct and rebuttal testimony, apparently TEP, Staff, and RUCO
11 recommend waiting until the general rate case to consider a TEP-proposed *funding*
12 *and cost-recovery mechanism* that could be used to support increased DSM and
13 energy efficiency programs. If the energy efficiency and DSM program and funding
14 issues are not addressed until the general rate case, and if the programs are not
15 developed, reviewed, approved by the Commission, and then implemented until
16 sometime after the completion of the general rate case, customers might have to wait
17 until 2009, or perhaps later if there are protracted court proceedings associated with
18 this case, before they experience the benefits of increased energy efficiency
19 programs.
20

21
22 Q. Is the estimated timing you describe above reasonable? Is it in the public interest?
23

24 A. No, the estimated timing is not reasonable and it is not in the public interest.
25 Delaying the implementation of cost-effective DSM programs to such a degree
26 disadvantages customers and increases the total costs customers pay. In the scenario I
27 describe above, customers would not have access to expanded and additional cost-
28 effective energy efficiency and DSM programs for about two years. In the meantime,
29 while the various regulatory and potential legal proceedings are underway, TEP
30 would continue to acquire conventional resources to meet growing customer load, yet
31 those resources would be more expensive and environmentally harmful than cost-
32 effective energy efficiency programs.
33

34 The estimated timing and the end results of such a scenario are clearly counter to the
35 public interest.
36

37
38 Q. What should the Commission do?
39

40 A. The Commission should act in a timely manner, in this proceeding, to at least *begin* to
41 increase energy efficiency programs in the TEP service territory to benefit TEP
42 customers. Each day that passes without increased energy efficiency and DSM
43 programs means more inefficient load is added to the electric system in this high load
44 growth area, leading to higher total costs for TEP customers, a less diverse and riskier
45 energy resource mix, and increased environmental damage and associated risks.

**A Two-Part Approach to Increase Energy Efficiency
and DSM Programs to Benefit TEP Customers**

1
2
3
4
5 Q. Responding to the testimony of TEP and other parties, the delays in increasing energy
6 efficiency programs for TEP customers, and the timing issues you outlined above,
7 what specifically should the Commission do in this proceeding?
8

9 A. In this proceeding, the Commission should order and implement a two-part approach
10 to increase energy efficiency and DSM programs² for TEP customers.
11

12 First (Part A), the Commission should issue an interim order in this proceeding,
13 directing TEP to file, within 60 days of the interim order, an interim DSM plan based
14 on the existing TEP DSM programs plus six energy efficiency programs that the
15 Commission has already reviewed and approved for the APS service territory, and a
16 DSM tariff to fund the six additional programs. Then Staff should review the interim
17 plan and the Commission should issue a second interim order approving the programs
18 in the interim plan and the DSM tariff, with both the Staff review and Commission
19 approval completed within an additional 60 days. TEP should begin implementing
20 the six additional energy efficiency programs in the field by the fall of 2007.
21

22 Second (Part B), as part of the TEP general rate case, the Commission should
23 consider: (1) a permanent (non-interim) DSM portfolio plan, which would include the
24 existing and six interim programs plus additional DSM programs, possibly including
25 some of the new programs proposed by TEP in its direct testimony; (2) SWEEP's
26 proposed Energy Efficiency Standard (EES) and goals; and (3) DSM funding and
27 cost-recovery mechanisms including the TEP-proposed DSM adjustor mechanism.
28
29

30 Q. Is SWEEP's proposed two-part approach in the public interest?
31

32 A. Yes. Under Part A of this two-part approach, the TEP customers would begin to
33 benefit from increased energy efficiency programs in 2007 (and would not have to
34 wait for years). Also, the TEP system would begin to acquire additional cost-
35 effective energy efficiency resources in 2007. By providing interim approval of six
36 energy efficiency programs for TEP that were already approved for APS, the
37 Commission would be acting reasonably and prudently, in the public interest, to
38 increase cost-effective energy efficiency programs to benefit TEP customers in a
39 timely manner, based on programs the Commission has reviewed extensively, has
40 found to be significantly cost-effective, and has approved for the APS service
41 territory.

² Energy efficiency is one type of DSM program, consistent with the discussions in the DSM workshops and the definitions in the Staff Report on Demand Side Management Policy, February 7, 2005. SWEEP uses the words "energy efficiency" as a distinct subset of "DSM" throughout its testimony.

1
2 Simply put, the perfect should not be the enemy of the good. It is both essential and
3 prudent to make progress soon and start the ramp up to a full, comprehensive
4 portfolio of energy efficiency and DSM programs for TEP by implementing six
5 additional energy efficiency programs already approved by the Commission for APS.
6 The interim approval in this proceeding of the six additional programs, and their
7 subsequent implementation in the field in the TEP service territory, should not be
8 delayed further. The Commission should not wait until after the general rate case, or
9 until after the development and Staff review of a full, comprehensive DSM portfolio
10 plan. The time to make progress and begin the ramp up is now, with interim
11 approval in this proceeding.
12
13

14 **Part A: Interim Approval of the Interim DSM Plan and Tariff**
15

16 Q. Could you provide some additional details on your Part A proposal, regarding
17 Commission interim approval of an interim DSM plan and a DSM tariff?
18

19 A. Yes.
20
21

22 Q. When should the Commission issue its first interim order related to Part A?
23

24 A. The Commission should issue the first interim order after the hearing and briefs in
25 this proceeding. It is not necessary for the Commission to wait for the ultimate
26 resolution of all issues in this proceeding before issuing the first interim order
27 directing TEP to file the interim DSM plan, for subsequent Commission review.
28 Time is of the essence, and the ramp up should begin in 2007.
29
30

31 Q. How should the interim DSM plan and interim programs be funded?
32

33 A. First, the existing TEP DSM programs and energy education efforts should continue
34 to be funded in the current manner, i.e., through funding in base rates. Second, as
35 part of the interim DSM plan, TEP should file a DSM tariff for funding and cost-
36 recovery of the reasonable and prudent costs of the six additional programs in the
37 interim DSM plan. The TEP DSM tariff filing should include adequate information
38 and documentation for Commission review and approval, and it should provide the
39 same type and level of information required in the Renewable Energy Standard and
40 Tariff (REST) Rule for the REST tariff.
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- Q. Would Commission interim approval provide value to customers?
- A. Yes. In this case the Commission would be providing interim approval for energy efficiency and DSM programs that were found by the Commission to be cost-effective, which by definition means that the programs and associated funding would provide positive net benefits, increased financial value, and lower total costs for customers.
- Q. When should the DSM adjustor mechanism be considered? What about other funding and cost-recovery mechanisms?
- A. Consistent with the testimony of TEP, Staff, and RUCO, the DSM adjustor mechanism, as well as other potential funding and cost-recovery mechanisms that SWEEP mentioned in direct testimony, should be considered in the general rate case.
- Q. How much funding should the Commission provide through interim approval?
- A. The Commission should provide interim approval for \$10 million annually for the six additional energy efficiency programs, not including the current funding TEP has for its existing DSM programs. The existing TEP DSM programs and energy education efforts should continue to be funded in the current manner, i.e., through funding in base rates. The total DSM funding (the sum of funding in base rates and the DSM tariff funding) should be allocated to residential vs. non-residential programs proportionally based on load and the relative contributions to the total DSM funding pool.
- Q. Which programs should TEP be required to include in the interim DSM plan?
- A. First, TEP should include the four existing TEP programs (residential new home construction, low income weatherization, shade trees, and on-line energy audits) plus the relevant customer education efforts in the interim DSM plan – supported with the current DSM funding as described above.
- Second, TEP should include six energy efficiency programs previously approved by the Commission for the APS service territory. The two additional residential programs that should be included are the Consumer Products program and the Existing Homes/HVAC program. Four additional non-residential programs should be

1 included: Non-Residential New Construction and Major Renovation, Non-Residential
2 Existing Facilities, Small Non-Residential, and Schools.³
3
4

5 Q. Why do you recommend these six energy efficiency programs that the Commission
6 has approved for APS? Are the six programs appropriate for TEP customers and the
7 TEP service territory?
8

9 A. The six programs are appropriate and applicable for the TEP service territory and
10 TEP customers. The six programs are “core” programs in SWEEP’s view,⁴ meaning
11 that they target key customer segments with many customers and opportunities for
12 increased energy efficiency, and they include measures to address common end uses
13 common in both the APS and TEP areas such as lighting, cooling/HVAC, motors and
14 drives, and industrial process, among others. As such, these programs are the energy
15 efficiency core of a comprehensive DSM portfolio. Also, it makes sense to have
16 some consistency in DSM programs between APS and TEP, and across the state in
17 general, to reduce confusion in the market among customers and market actors (i.e.,
18 contractors, vendors, retailers, builders and designers, etc.). Also, the programs are
19 approved by the Commission for APS and have been reviewed extensively by Staff
20

21 The Commission found all six of these programs to be significantly cost-effective in
22 the APS case; all of the programs had Societal Test benefit/cost ratios significantly
23 greater than 1.0, demonstrating their cost-effectiveness.
24
25

26 Q. Should TEP be able to propose modifications to the six energy efficiency programs
27 that the Commission approved for APS and that would now be applied to the TEP
28 service territory?
29

30 A. It is reasonable for TEP to identify potential improvements to the six programs and to
31 propose a small number of modifications. However, the core program designs,
32 eligible measures, and financial incentive levels should remain largely unchanged so
33 that the interim plan can be developed on time, and so that Staff can complete its
34 review without having to assess numerous program modifications. Again, the perfect
35 should not be the enemy of the good, and the priority should be to get effective and
36 cost-effective programs, which have already been reviewed by Staff and approved by
37 the Commission for APS, in the field in the TEP territory by the fall of 2007.
38
39

³ APS will be filing a 13-Month Report on its Non-Residential programs in March 2007, and TEP should review the report and consider the information, lessons learned, and any program modifications described in that report as part of its preparation and development of the TEP interim DSM plan.

⁴ SWEEP also considers residential new construction and low income to be “core” energy efficiency programs, and TEP offers these two programs currently.

1 Q. In preparing its direct and rebuttal testimony, did TEP analyze a comprehensive list of
2 energy efficiency and DSM programs?
3

4 A. No, in response to SWEEP's data request, SWEEP-TEP-1-5, TEP stated that it
5 analyzed five programs in preparing the TEP direct testimony: (1) the Time-of-Use
6 ("TOU") Program, (2) the Direct Load Control ("DLC") Program, (3) the Guarantee
7 Home Program, (4) the Shade Tree Program, and (5) the Low-Income Weatherization
8 ("LIW") Program. Three of the programs are current programs, one (TOU) is a
9 pricing approach, and the other is Direct Load Control.
10

11 According to TEP's response to SWEEP, TEP analyzed only five programs. TEP did
12 not conduct a comprehensive analysis of all or even many potential energy efficiency
13 or DSM programs. In particular, TEP did not analyze any of the six additional
14 programs that SWEEP is recommending the Commission order for TEP.
15
16

17 Q. Should the Direct Load Control (DLC) program proposed by TEP in direct testimony
18 be included in the interim DSM plan?
19

20 A. If TEP can complete the development of the DLC program and prepare the necessary
21 documentation for Staff review and Commission approval, the DLC program could
22 be included in the interim DSM plan. However, the development and documentation
23 of the DLC program should not delay the filing of the interim DSM plan. Also, the
24 funding of the DLC should be in addition to the \$10 million of energy efficiency
25 program funding that SWEEP recommends for the six additional energy efficiency
26 programs.
27
28

29 Q. What about the TOU rate designs?
30

31 A. No, SWEEP recommends that pricing approaches and rate designs should be
32 addressed in the general rate case.
33
34

35 Q. What about Staff review and Commission interim approval of the interim DSM plan?
36

37 A. Staff should review the interim DSM plan and the Commission should issue a second
38 interim order approving the programs in the interim plan and the DSM tariff, with
39 both the Staff review and Commission approval completed within 60 days of TEP's
40 filing of the interim DSM plan (to be filed 60 days after the first interim order).
41

42 The timelines that I propose for Staff review and Commission approval are
43 reasonable, given that Staff has reviewed the program details as part of the APS DSM
44 proceedings, all six programs are cost-effective, the Commission has approved all six
45 programs for the APS service territory, and SWEEP is proposing interim approval.

1
2 **Part B: The DSM Portfolio Plan, SWEEP's Energy Efficiency Standard and Goals,**
3 **and the DSM Adjustor Mechanism in the General Rate Case**
4

5 Q. But I thought you wanted the Commission to adopt the SWEEP-proposed Energy
6 Efficiency Standard (EES) in this proceeding? And didn't Staff recommend the filing
7 of a comprehensive DSM portfolio plan "as soon as feasible"? (Barbara Keene direct
8 testimony, p. 4, lines 6-7.)
9

10 A. Yes to both questions. However, the Commission should not wait until 2009 or
11 perhaps later to begin to increase cost-effective energy efficiency and other DSM
12 programs for TEP customers. My proposed two-part approach would make progress
13 earlier and begin the ramp up to a full, comprehensive portfolio of energy efficiency
14 and DSM programs for TEP customers. Parallel with the ramp up, the EES could be
15 considered and a full, comprehensive DSM portfolio could be reviewed in the TEP
16 general rate case.
17
18

19 Q. What should the Commission order TEP to do in this proceeding, for Part B and for
20 preparing to address energy efficiency and DSM issues in the general rate case?
21

22 A. The Commission should direct TEP to develop and to file, in its general rate case, a
23 full, comprehensive DSM portfolio plan for Staff review and Commission approval
24 (consistent with Staff's direct testimony), a proposal for one or more funding and
25 cost-recovery mechanisms plus a review of other potential mechanisms (including
26 those mentioned in SWEEP's direct testimony), and multi-year goals for 2007-2010
27 plus a 2007-2020 forecast of energy efficiency and DSM costs and impacts, either
28 consistent with the SWEEP-proposed EES goals or based on alternate goals that TEP
29 proposes.
30
31

32 Q. When should TEP file a full, comprehensive DSM portfolio plan?
33

34 A. As soon as feasible. TEP does not have to wait until during or after the general rate
35 case. Staff believes it is necessary to wait until the general rate case for review and
36 approval of the DSM adjustor mechanism, but Staff also "encourages TEP to file such
37 a comprehensive DSM portfolio Plan as soon as feasible." (Keene direct testimony, p.
38 4, lines 6-7.)
39

SWEEP's Proposed Energy Efficiency Standard (EES)

1
2
3
4 Q. Do you want to address any EES issues in your surrebuttal testimony, given your
5 proposal above to review multi-year goals and the EES in the general rate case?
6

7 A. In the event that the Commission would prefer to address the EES in this proceeding,
8 I will address a few issues here – though I suspect that the EES will be considered or
9 considered more fully in the general rate case.
10

11
12 Q. What did you propose for the EES in your direct testimony?
13

14 A. The Commission should set TEP Demand Side Management (DSM) energy
15 efficiency program goals in the form of an Energy Efficiency Standard (EES). The
16 EES should require TEP DSM energy efficiency programs to: (1) achieve energy
17 savings equal to at least 5% of total energy resources needed to meet retail load in
18 2010, and at least 15% in 2020; and (2) reduce summer peak demand by at least 5%
19 of total capacity resources needed to meet retail peak demand in 2010, and at least
20 15% in 2020.
21

22 Note that the goals and related provisions of the SWEEP-proposed EES are for
23 energy efficiency programs, as a subset of DSM, and not for the total DSM portfolio.
24
25

26 Q. What would be the benefits of achieving the EES goals?
27

28 A. Achieving the goals of the Energy Efficiency Standard would save consumers and
29 businesses over \$450 million in net economic benefits (benefits minus costs) during
30 2007-2020, eliminate the need for about 500 MW of new power plants by 2020 and
31 the associated power line and pipeline infrastructure costs, provide 530 GWh of
32 cumulative annual energy savings in 2010 and over 2,200 GWh in 2020, reduce
33 average annual load growth in retail energy and summer peak demand by 35% (from
34 3.4% to 2.2%), reduce electricity price spikes and the risks of fuel price volatility, and
35 reduce air pollution and the carbon emissions that cause global warming.
36

37 Essentially, the EES would result in a 500 MW “energy efficiency power plant” that
38 would provide over \$450 million of net economic benefits to consumers, instead of
39 building conventional power plants that would cost more and expose consumers to
40 higher electricity prices, use precious water, and harm the environment.
41
42

1
2 Q. Are the goals of the EES reasonable and achievable?
3

4 A. Yes, despite Mr. Pignatelli's erroneous assertions (Pignatelli Rebuttal Testimony,
5 pgs. 73-75), the proposed EES goals are both reasonable and achievable. The goals
6 are reasonable and achievable considering the low level of energy efficiency activities
7 in Arizona in the past, the need to ramp up energy efficiency efforts in the early years,
8 the high rate of load growth in the TEP service territory, the significant energy
9 efficiency potential in new construction, and the historical energy efficiency
10 performance in leading states.
11

12 One example of an error by Mr. Pignatelli: In his rebuttal testimony (Pignatelli
13 Rebuttal, p. 75, lines 4-11) he raised concerns about states (Texas and Pennsylvania)
14 that were not even included in the list of leading states in my direct testimony.
15

16
17 Q. Should an EES implementation plan for the TEP service territory be developed?
18

19 A. Yes. TEP should file an implementation plan to achieve the goals of the EES,
20 covering the 2007-2020 program years, as well as a full, comprehensive DSM
21 portfolio plan as part of its general rate case filing during 2007. The EES
22 Implementation Plan should be developed by TEP with input from and review by a
23 Collaborative DSM Working Group, which should include Staff and interested
24 parties.
25

26 The EES Implementation Plan should include the historical DSM results for 2005-
27 2006, a program-detail forecast for existing and new Commission-approved DSM
28 energy efficiency programs in 2007-2010, and a less-detailed portfolio cost and
29 savings forecast for 2011-2020.
30

31 As noted previously, the Commission should direct TEP to develop and to file, in its
32 general rate case, multi-year goals for 2007-2010 plus a 2007-2020 forecast of energy
33 efficiency and DSM costs and impacts, either consistent with the SWEEP-proposed
34 EES goals or based on alternate goals that TEP proposes.
35

36
37 **Technical, Program, and Funding Issues Raised in the TEP Rebuttal**
38

39 Q. Do you have concerns about the cost-effectiveness analysis described in Mr.
40 Pignatelli's direct and rebuttal testimony?
41

42 A. Yes. First, Mr. Pignatelli focuses largely or solely on reducing rates rather than on
43 reducing total customer costs and customer bills. While some DSM and energy
44 efficiency programs may have a small near-term rate impact, the reduction of total
45 costs and customer bills is the bottom line that matters to customers.

1
2
3 Second, TEP did not use the Societal Test, which is the cost-effectiveness test
4 approved by the Commission for analyzing DSM programs, and it is the test used to
5 review and approve the APS DSM programs. Also, TEP emphasized the RIM test in
6 Mr. Pignatelli's direct and rebuttal testimony, which is a test that is not approved by
7 the Commission. The RIM test should not be used in Arizona, and it certainly should
8 not be used to the exclusion of Commission-approved tests. Therefore TEP's cost-
9 effectiveness analysis is incomplete and in error.

10
11 Finally, the more Mr. Pignatelli is concerned about any near-term rate impacts from
12 DSM programs, the more TEP should consider an amortization or capitalization
13 mechanism (as SWEEP mentioned as an option in my direct testimony).
14
15

16 Q. Did Mr. Pignatelli make erroneous statements about the cost and cost-effectiveness of
17 energy efficiency and DSM programs?
18

19 A. Yes, I believe so. But rather than dueling over statements in testimony, I respectfully
20 suggest that TEP analyze the costs and benefits of the DSM programs I have
21 proposed, and check with other utilities in the southwest, including with APS and
22 Nevada Power. Then, and I believe only then, will TEP be adequately informed
23 about the costs and cost-effectiveness of DSM. As noted previously, TEP analyzed
24 only five programs, and did not analyze any of the energy efficiency programs I
25 proposed – and therefore TEP is certainly not fully informed about the programs I
26 have proposed.
27
28

29 Q. Is Mr. Pignatelli also confused about the benefits of DSM and energy efficiency
30 programs being limited to "...the value of incremental energy production costs only?"
31 (Pignatelli Rebuttal, p. 72, line 23.)
32

33 A. Yes, apparently so. As SWEEP has noted, as Staff has reviewed and analyzed, and as
34 the Commission has acted on in other proceedings, energy efficiency programs
35 provide capacity benefits by reducing peak demand, by providing energy savings, and
36 also by relieving pressure on the transmission and distribution infrastructure. These
37 benefits have been recognized in analyzes before the Commission.
38

39 Also, the energy efficiency programs that SWEEP focuses on, targeted to end uses
40 such as residential cooling, commercial lighting, and commercial HVAC, generally
41 provide a higher reduction in peak demand than in energy use.
42
43
44
45

1 Q. In his rebuttal, did Mr. Pignatelli invite you to propose specific energy efficiency
2 programs?

3
4 A. Yes, he did, and I have taken him up on his offer. In the near term, as noted
5 previously, I propose that the Commission order TEP to implement six energy
6 efficiency programs that the Commission has approved for APS. SWEEP also plans
7 to propose additional programs as part of the TEP general rate case.
8

9
10 Q. In the past, have you presented TEP with specific energy efficiency programs or
11 program elements that would be economically viable if offered to TEP customers?
12

13 A. Yes, on many occasions, including in direct meetings with TEP staff and
14 management, over the last few years, I have presented TEP with specific energy
15 efficiency programs and program elements. Mr. Pignatelli's statement that "To date,
16 Mr. Schlegel has not presented TEP with any specific energy efficiency program or
17 program elements that would be economically viable if offered to TEP customers" is
18 completely untrue.
19

20 For whatever reason, TEP has chosen not to bring to the Commission the proposals I
21 have made to TEP directly. To assert that the inaction of TEP management regarding
22 cost-effective programs and program elements is somehow my fault ("Mr. Schlegel
23 hasn't presented TEP with any programs...") is misleading, at best, and fails to place
24 the blame for such inaction where it duly belongs – on the shoulders of TEP.
25

26 Such inaction on the part of TEP management is the reason why the Commission
27 must order TEP to move forward with the six additional energy efficiency programs I
28 recommended, in this proceeding. The TEP customers and ratepayers deserve the
29 opportunity to participate in and benefit from the energy efficiency programs.
30

31
32 Q. Are there other approaches to achieving energy savings and peak demand reductions
33 that SWEEP recommends?
34

35 A. Yes. SWEEP supports complementary approaches such as pricing and rate designs,
36 including inverted tier and TOU rate designs, to encourage energy efficiency and
37 reduce peak demand. SWEEP supports these approaches as complements to effective
38 energy efficiency policies and programs, not as replacements for cost-effective utility
39 DSM energy efficiency programs. SWEEP suggests that pricing proposals and rate
40 designs should be addressed in the general rate case.
41

42
43 Q. Does that conclude your surrebuttal testimony?
44

45 A. Yes.