



0000123056

ORIGINAL

RECEIVED

2011 FEB 11 A 11:42

Arizona Corporation Commission

DOCKETED

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

FEB 11 2011

February 9, 2011

DOCKETED BY

- Gary Pierce, Chairman
- Brenda Burns, Commissioner
- Sandra D. Kennedy, Commissioner
- Paul Newman, Commissioner
- Bob Stump, Commissioner

RE: APS Home Energy Information Pilot Program – Docket No. E-01345A-10-0075

Dear Commissioners:

APS has requested approval to implement a voluntary Pre-Pay Pilot program as a component of its Home Energy Information Pilot Program (HEI Pilot). Staff has recommended that the Commission defer the consideration of the Pre-Pay Program to a separate docket as it is not a DSM program. I am writing to support the staff's position and ask that the Commission defer consideration and implementation of a Pre-Paid Program for a separate docket.

Pre-paid programs in existence in Arizona and elsewhere have not provided any comprehensive data to indicate that the driver behind any energy savings in a pre-paid program is in fact a conscious decision to conserve energy. Rather, the data provided and the discussion referred to in an article submitted by RUCO, focus almost exclusively on the financial impacts and rationale for participating in these programs. I have also attached a full copy of the article by Rebecca Smith of the Wall Street Journal, dated June 19, 2007.

Jennie King with SRP is quoted in the attached article as saying that SRP has observed a conservation effect among its prepaid customers, with a 12% reduction in average bills. It's not due to disconnections, "because most prepaid customers never suffer disconnections." In more recent conversations with SRP staff, it has been indicated that in reality disconnections among prepaid customers is a common occurrence. There is also a reference in the article to the fact that customers like the prepaid program because it allows them to pay for their electricity in increments as small as \$1 or \$5. I would suggest to you that utility customers who value the ability to pay for their electricity in \$1 or \$5 increments, are doing so because they simply cannot afford to pay in larger amounts, and are carefully using their money where and when it is most needed.

February 9, 2011

Page Two

The article also indicates that the reason customers like the Pre-Paid option is that they don't have to pay late or disconnect fees, large deposits to establish or re-establish service and that they have control over their energy use. I would agree that a coincident affect of the Pre-Paid meter program is that individuals participating in these programs pay a bit more attention to their energy use, but it is not driven by a goal of saving energy, but rather a goal and need to use their personal resources as carefully as possible.

In the filing, APS makes a financial argument for the program and reduced charges for those reaching a certain dollar amount in their account, and that the customer, if disconnected, will not have to pay a deposit or reconnect fee. As soon as the customer has the money to purchase more electricity, service is restored. The Company is proposing a survey to evaluate the conservation component of the pilot which I support in concept. However, the survey sample is too small to adequately evaluate program implications as currently articulated.

If the Commission decides to move forward with the Pre-Paid Program in this docket, I respectfully request consideration be given to a number of items in order to develop a meaningful pilot. These recommendations come from a conversation with representatives of SWEEP and have been shared with APS staff.

The recommendations include:

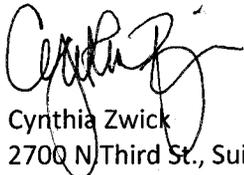
- The need for proper protections for the elderly and low income customers, ensuring that there is a meaningful outreach plan and tools in place to identify and evaluate participation by seniors and low-income customers, ensuring that the participants understand implications of their participation;
- There is a need for protections in the instance of disconnections, especially when there are severe weather events – hot and cold—and a full evaluation takes place to determine whether a full waiver of A.Z.C.C. R14-2-211 is appropriate;
- That meaningful energy conservation education is provided, along with other necessary education about the program itself to ensure customers truly become aware of their energy consumption and are managing their useage in order to conserve, and not simply for financially driven reasons; and
- That the survey tool is statistically significant, robust and truly evaluates the opportunity to determine who is using the program and to what end .

Finally, I request that the other Pilot options be made available to all residential customer classes, if they qualify for the programs, including low-income customers.

February 9, 2011
Page Three

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cynthia Zwick', with a stylized flourish at the end.

Cynthia Zwick
2700 N Third St., Suite 3040
Phoenix, AZ 85004

c Docket Control
 Parties to the Docket

Cynthia Zwick

From: Smith, Rebecca
Sent: Friday, February 04, 2011 2:17 PM
To: 'Cynthia Zwick'
Subject: RE: Pre-Paid Meter Article

New Ways to Monitor Your Energy Use --- Utilities Test Prepaid Smart Cards and High-Tech Meters To Help Consumers Keep Tabs on Cost and Consumption

By **Rebecca Smith**

1253 words

19 June 2007

The Wall Street Journal

J

D1

English

(Copyright (c) 2007, Dow Jones & Company, Inc.)

Peter and Suzanne Price haven't paid a monthly electricity bill since June 2006, but not because they're living off the grid. They're participating in a pilot program in Sacramento, Calif., that lets them buy electricity on a **prepaid** basis.

The program is part of a growing trend in which U.S. utilities are experimenting with pay-as-you-go service that is supposed to encourage energy conservation -- but also has raised fears about abrupt service shut-offs.

Mr. Price, a retired computer programmer, drops by the office of his local utility, the Sacramento Municipal Utility District, every six to eight weeks and pays enough to cover a month or two of service. The credit is loaded on a smart card that he uses to download information into his home electric meter. The couple keeps track of the credit balance with the help of a small electronic display, located in the kitchen, which talks to the meter.

On a recent June morning, Mr. Price pushed buttons to see what the display box could tell him about his energy use. It said his 1,650-square-foot stucco home was using nine cents of electricity an hour. The home, built in 1969, had used \$1.02 of power so far that day, \$2.61 a day earlier and \$62.52 the prior month. Most importantly, it said he had enough credit remaining for about 28 days of use. "It tells you things you couldn't have known before," Mr. Price says of the box.

A half-dozen utilities are trying **prepaid** programs now, but that could accelerate quickly if Texas utility regulators approve rules this summer allowing it. Experimentation with **prepaid**-service meters is part of a broader trend that is changing the electric meter from a dumb recorder of kilowatt hours consumed into a conservation tool capable of helping people monitor their use and which will allow utilities to talk directly to customers.

Billions of dollars are being spent by utilities to install advanced meters that track the amount of energy consumed at different times of the day, a capability that is expected to lead to rate plans that include higher prices when wholesale energy costs are higher and cheaper prices at times of slack demand.

But it's also possible that utilities trying to reduce carbon-dioxide emissions from power plants in response to looming global warming legislation could use the meters to encourage conservation. If more people paid for electricity in advance, like they do for gasoline, they might want to make it stretch further.

Salt River Project, a Phoenix utility with the largest **prepaid** program in the U.S., said it has observed a conservation effect among its **prepaid** customers, with a 12% reduction in average bills. It's not due to disconnections, says customer-service analyst Jennie King, "because most **prepaid** customers never suffer disconnections."

In the next few years, some experts expect **prepaid** electric service to become a standard feature of U.S. utilities, as it already is in the U.K., China and South Africa.

Some customers, however, are wary that the **prepaid** service could leave them in a lurch if they are late on their bills. Steven Smalley, another participant in the Sacramento program and a retired employee of the state's foster-care system, says his electricity was cut off after he lost track of his account balance. "Now I worry about being shut off," he says. "It was so much easier to just write a check once a month."

Mr. Smalley says he doesn't like going to the utility office to reload his smart card. A utility manager said he agrees that broader deployment hinges on giving consumers a way to deposit money in their accounts via telephone or the Internet, options not currently available under the tiny pilot program.

The maker of the meter used by the Sacramento Municipal Utility District, Ampy Technology Inc. of Peterborough, England, is working on a meter that will have the two-way communication capability needed for remote payments, such as over the Internet. A company spokeswoman said it's not far off.

One reason **prepaid** service is gaining support among utilities is because it can help relieve an accounts-receivable problem when customers consume more energy than they can afford. With **prepaid** service, the customer is in control and doesn't face a monthly surprise when the bill arrives.

If an account zeroes out, the flow of electricity stops. (Most utilities keep power flowing on nights and weekends, but people usually aren't allowed to get more than a couple of days behind before service shuts off.) Experts say people quickly learn to ration their use, just as people learn to eliminate unnecessary car trips when gasoline is expensive.

This "tough love" approach can be good for consumers, in some cases. For the first time, it gives many consumers a tool that allows them to see what electricity costs, as it's being consumed, and utilities typically eliminate an array of annoying fees. For those on **prepaid** service, there usually are no security deposits, late fees, disconnection fees or reconnection fees.

"We have some customers who owe us \$1,000 or more," says Hugh Fowler, a customer service manager at the Sacramento district. "But none of our **prepaid** customers is behind."

Salt River Project says it has 55,000 of its 920,000 metered customers on **prepaid** service. It initially offered the program to customers who were having trouble paying their bills. As an alternative to being shut off, customers were given the option of **prepaid** service, and the standard security deposit of \$240 was waived.

Now, some people are asking for **prepaid** meters because they can buy electricity in increments as small as \$1 or \$5 at some 62 kiosks in the Phoenix area. "We think this gives people their dignity back," says Ms. King. "It gives them more control over their use and payment than they ever had before."

So far, it's mostly municipal utilities that are offering **prepaid** service, in part because they do not need approval from state utility commissions to bypass the usual rules governing disconnections. Customer-owned utilities typically report to local elected officials, not state utility commissions.

The Texas Public Utility Commission is creating rules for **prepaid** service, exposing differences about what consumer protections should apply. Many states restrict shut-offs for nonpayment, for example, during periods of extreme heat or cold. Thus, utility regulators will need to decide whether **prepaid** customers should retain that protection. The commission is expected to take up the issue in late July.

TXU Corp., a Dallas-based utility, thinks power sellers should be allowed to shut off service at night, provided a payment kiosk is within five miles of a customer's home, and keep it off until a **prepaid** account has \$50 or more. Some competitors think that's too harsh.

Watching the Meter

Some of the advantages of **prepaid** electricity meters for consumers:

- Helps you keep better tabs on energy use
- Eliminates unpleasant surprises like big monthly bills
- Puts an end to big security deposits, late fees

Some disadvantages:

- Abrupt shut-off of power if your prepayments run out
- Many programs require you to make payment in person to reload smart card

License this article from Dow Jones Reprint Service