

OPEN MEETING AGENDA ITEM

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BEFORE THE ARIZONA CORPORATION COMMISSION

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2011 FEB 11 P 4:29

FEB 11 2011

AZ CORP COMMISSION
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IN THE MATTER OF THE
APPLICATION OF ARIZONA PUBLIC
SERVICE COMPANY FOR APPROVAL
OF A RESIDENTIAL DEMAND
RESPONSE PILOT PROGRAM

DOCKET NO. E-01345A-10-0075

**SWEEP COMMENTS ON THE
STAFF REPORT AND
RECOMMENDED ORDER**

COMMENTS OF THE SOUTHWEST ENERGY EFFICIENCY PROJECT

1 The Southwest Energy Efficiency Project ("SWEEP") appreciates the opportunity to submit
2 comments in response to the Revised Recommended Order filed by Staff on February 3, 2011,
3 regarding Arizona Public Service Company's ("APS" or "Company") Application for Approval
4 of its Residential Demand Response Pilot Program ("Pilot").
5

6 The Company's Pilot Program features a comprehensive suite of five distinct options, combined
7 with a well-designed study to evaluate the effectiveness of each option, which together will
8 provide valuable information on how best to structure demand response offerings that benefit
9 residential customers. As such, SWEEP recommends Commission approval of the Pilot Program
10 and agrees with the vast majority of Staff's report and recommendations. However, SWEEP
11 respectfully disagrees with Staff's findings with regard to the pre-payment option. Indeed, we
12 believe that pre-payment falls under the umbrella of Demand Side Management ("DSM") and
13 could be suitably included in the APS Demand Response Pilot Program and approved by the
14 Commission at this time (rather than deferred to a new proceeding) as long as:
15

- 16 1. The pre-payment option includes adequate and appropriate energy conservation
- 17 education and feedback.
- 18 2. The pre-payment option is offered and implemented only for customers for whom pre-
- 19 payment is a reasonable and an appropriate option, with adequate safeguards for low
- 20 income and elderly customers.
- 21 3. Disconnection protections with respect to extreme weather events and customers with life
- 22 threatening medical concerns (those on medical rates) remain in place in the pre-payment
- 23 option.
- 24 4. The evaluation of the pre-payment option is expanded to accurately analyze the effects of
- 25 pre-payment in the representative sample of all APS residential customers and in the
- 26 samples representing certain customer segments and sub-groups. And,
- 27 5. The results of the pre-payment option are reviewed by Commission Staff, and any
- 28 Company proposals for full implementation of pre-payment are reviewed and approved
- 29 by the Commission prior to implementation.

1
2 SWEEP has prepared Proposed Amendment #1 (attached) to address these issues.
3

4 **Pre-Payment Approaches Can be Considered DSM When They Incorporate Adequate**
5 **Energy Conservation Education and Feedback**

6 SWEEP maintains that pre-payment approaches can fall under the umbrella of DSM because
7 they can affect the timing and quantity of customer energy demand and usage as a result of
8 signals in the form of payment threshold notifications, and by increasing customers' awareness
9 of their energy use and costs. Nationally, pre-payment approaches have realized between five
10 and fifteen percent reductions in energy use when participants have increased their awareness of
11 energy consumption in relation to the timing of payment. For example, Salt River Project (SRP)
12 has a pre-payment program (M-Power) which reports energy use reductions of twelve percent.
13 However, pre-payment approaches must be well designed and implemented in order to be
14 effective and to be considered DSM strategies, as SWEEP discusses below. Pre-payment should
15 not be implemented solely as a utility revenue collection strategy that results in economic
16 hardship for customers.
17

18 Therefore, in order to be considered DSM, it is imperative that pre-payment approaches
19 incorporate adequate and appropriate energy conservation education and usage feedback so that
20 customers increase their awareness of their energy consumption and energy costs, comprehend
21 their usage patterns, and understand their options to reduce energy use and costs. For this reason,
22 should the Commission approve the inclusion of the pre-payment option within the Pilot
23 Program with cost recovery through the DSMAC, SWEEP recommends that the Commission
24 require adequate educational information and feedback approaches as part of the pre-payment
25 option, and that prior to implementation, interested stakeholders be given a reasonable
26 opportunity to review and comment on the educational information and feedback approaches to
27 be provided to customers. We urge the Commission to adopt Proposed Amendment #1, attached
28 herein, which addresses SWEEP's recommendations on this issue.
29

30 **Clear Information and Adequate Customer Protections Are Essential**

31 Pre-payment programs can provide benefits to customers, but they can also pose significant risk
32 to elderly and low income customers in particular because of the immediate electrical service
33 cutoff provision for nonpayment and because customers who do not have steady incomes or do
34 not fully understand the consequences of nonpayment can find themselves in situations where
35 they are disconnected from power frequently. Consequently, SWEEP asserts that should the pre-
36 payment option of the Pilot Program be approved by the Commission and offered by APS, it
37 should only be implemented for customers for whom pre-payment is a reasonable and an
38 appropriate option. Accordingly, SWEEP recommends that:
39

- 40 • Before enrolling, each interested customer should be provided with clear information
41 describing the rules and requirements of the pre-payment option and should confirm his
42 or her understanding of this information.
43
44

- 1 • Before Pilot launch, the Company should work with interested stakeholders (like the
2 Arizona Community Action Association, AARP, RUCO, and SWEEP) to ensure that
3 appropriate protections are in place for customers, particularly for low income and
4 elderly customers.
5
- 6 • Disconnection protections with respect to extreme weather events and customers with
7 life-threatening medical considerations (those on medical rates) should remain in place
8 and not be waived through the waiver of other disconnection provisions proposed. And,
9
- 10 • Disconnection histories should be well documented and easily accessible so that
11 customers seeking bill assistance can provide those histories as part of the application
12 process when applying for bill assistance.
13

14 SWEEP urges the Commission to adopt Proposed Amendment #1 which is consistent with our
15 position on the above issues.
16

17 **Sample Size of Study Examining Pre-payment Option Should be Expanded**

18 If the pre-payment option of the Pilot is approved for inclusion, SWEEP believes that the sample
19 size of the pre-payment study should be expanded significantly. A larger sample size would
20 ensure that the study can accurately analyze the effects of pre-payment for APS residential
21 customers overall and for certain customer segments and sub-groups, using demographic and
22 economic data, to better determine how and why the pre-payment option achieves its effects and
23 whether pre-payment is an appropriate application for some customer segments, including
24 elderly and low income customers. SWEEP proposes that the Commission adopt Proposed
25 Amendment #1, which addresses this and prior raised issues.
26

27 **If These Concerns are Addressed, the Pre-payment Option Should be Approved Now**

28 SWEEP believes that the aforementioned concerns should be addressed by the Commission
29 through the adoption of Proposed Amendment #1, and then (and only then) the Commission
30 should approve the pre-payment option now as part of the Pilot and not move the pre-payment
31 option to a separate proceeding. Indeed, we believe that all of these and any other issues can be
32 addressed through the collaborative efforts of the Company and community stakeholders in the
33 period immediately prior to the Pilot launch. Additionally, the Company needs to continue to
34 make headway in developing and implementing new DSM programs in order to actively involve
35 its customer base in such efforts.
36

37
38 Respectfully submitted this 11th day of February 2011 by:
39
40

41 _____
42 Jeff Schlegel & Ellen Zuckerman
43 Southwest Energy Efficiency Project
44
45

1 ORIGINAL and thirteen (13) copies filed this 11th day of February 2011, with:

2

3 Docket Control

4 ARIZONA CORPORATION COMMISSION

5 1200 West Washington Street

6 Phoenix, Arizona 85007

7

8 COPIES of the foregoing sent via email and/or mail this 11th day of February 2011, to:

9

10 All Parties of Record

11

1 **Arizona Public Service Company Application for Approval of a**
2 **Residential Demand Response Pilot Program**
3 **Docket No. E-01345A-10-0075**

4 **SWEEP Proposed Amendment #1**

5 At Page 8, Line 1 INSERT New Finding of Fact:

6
7 “The Commission finds that inclusion of the pre-payment option within the Residential Demand
8 Response Pilot Program is contingent upon it meeting the following criteria:

- 9
- 10 1. It includes adequate and appropriate energy conservation education and feedback;
 - 11 2. It is offered and implemented for customers for whom pre-payment is a reasonable and
12 an appropriate option, with adequate safeguards for low income and elderly customers;
 - 13 3. It maintains disconnection protections with respect to extreme weather events and
14 customers with life threatening medical concerns (i.e. those on medical rates);
 - 15 4. It accurately analyzes the effects of pre-payment for the population of APS residential
16 customers and in certain customer segments and sub-groups; and
 - 17 5. Its results are reviewed by Commission Staff, and any Company proposals for full
18 implementation are reviewed and approved by the Commission prior to implementation.”

19 At Page 11, Line 9 INSERT New Ordering Paragraphs:

20
21 IT IS FURTHER ORDERED that the pre-payment option shall include adequate and appropriate
22 energy conservation education and feedback on customer energy usage to ensure that the pre-
23 payment option is not just pre-payment but is truly focused on (a) helping customers better
24 understand and gain awareness of their energy consumption, and (b) providing information on
25 options to reduce their energy use and energy costs. SWEEP and other interested stakeholders
26 shall be given a reasonable opportunity to review and comment on the educational information
27 and feedback approaches to be provided to customers prior to APS’ implementation of the pre-
28 payment pilot.

29
30 IT IS FURTHER ORDERED that the pre-payment option of the pilot shall be offered and
31 implemented only for customers for whom pre-payment is a reasonable and appropriate option,
32 and only after each such customer is provided clear information describing the rules and
33 requirements of the pre-payment option and the customer confirms his or her full understanding
34 of such rules and requirements. APS shall ensure that appropriate protections are in place for
35 elderly and low-income customers, in particular. ACAA, AARP, RUCO, SWEEP and other
36 interested stakeholders shall be given a reasonable opportunity to review and comment on the
37 information to be provided to customers and the appropriate protections and screening tools
38 employed for elderly and low income customers prior to APS’ implementation of the pre-
39 payment pilot.

40
41 IT IS FURTHER ORDERED that disconnection protections with respect to extreme weather
42 events and customers with medical concerns (those on medical rates) shall remain in place and
43 are not waived through the waiver of other disconnection provisions proposed for the pilot. In
44 addition, APS shall document disconnections and provide documentation of disconnection

1 history to low income customers so that customers applying for bill assistance can provide such
2 documentation to groups such as ACAA as part of the application process.

3
4 IT IS FURTHER ORDERED that the evaluation of the pre-payment option of the pilot shall be
5 expanded to include a minimum sample size of 600 customers to represent the population of
6 APS residential customers overall, rather than the 200 customers proposed by APS, plus
7 adequate sample sizes to reliably represent low income and elderly customer segments as crucial
8 sub-groups in the analysis. A larger sample size is necessary to ensure that the study can
9 accurately analyze the effects of pre-payment for APS residential customers overall and for
10 certain customer segments and sub-groups, using demographic and economic data, to better
11 determine how and why the pre-payment option achieves its effects and whether pre-payment is
12 an appropriate application for some customer segments, including elderly and low income
13 customers. If necessary, elderly and low income customer segments shall be over-sampled in the
14 study to ensure adequate sample sizes for the reliable analysis of the effects and research
15 questions for these customer segments.

16
17 IT IS FURTHER ORDERED that Commission Staff shall review the results of the pre-payment
18 option of the pilot and any APS proposals for full implementation of a pre-payment program or
19 program element, and the Commission shall review and approve any such proposals for full
20 implementation of a pre-payment program or program element prior to implementation by APS.

21
22 Make all conforming changes.