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Attorneys for Southwest Energy Efficiency Project

BEFORE THE ARIZONA CORPORATION COMMISSION

7
8 GARY PIERCE, Chairman
9 BOB STUMP
10 SANDRA KENNEDY
11 PAUL NEWMAN
12 BRENDA BURNS

11 IN THE MATTER OF THE APPLICATION)
12 OF ARIZONA PUBLIC SERVICE COMPANY)
13 FOR A HEARING TO DETERMINE THE FAIR)
14 VALUE OF THE UTILITY PROPERTY OF THE)
15 COMPANY FOR RATEMAKING PURPOSES,)
16 TO FIX A JUST AND REASONABLE RATE)
17 OF RETURN THEREON, TO APPROVE RATE)
18 SCHEDULES DESIGNED TO DEVELOP SUCH)
19 RETURN.)

DOCKET NO. E-01345A-11-0224

**NOTICE OF FILING
DIRECT TESTIMONY ON
RATE DESIGN OF
SOUTHWEST ENERGY
EFFICIENCY PROJECT**

18 Southwest Energy Efficiency Project ("SWEEP"), through its undersigned counsel,
19 hereby provides notice that it has this day filed the direct testimony of Jeff Schlegel
20 regarding rate design in connection with the above-captioned matter.
21

22 ///
23 ///
24 ///
25 ///

Arizona Corporation Commission

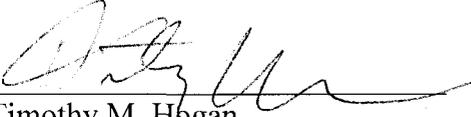
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DATED this 2nd day of December, 2011.

ARIZONA CENTER FOR LAW IN
THE PUBLIC INTEREST

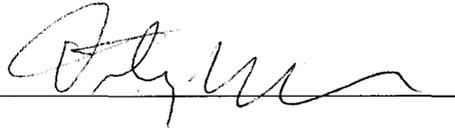
By 
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Attorneys for Southwest Energy Efficiency
Project

ORIGINAL and 13 COPIES of
the foregoing filed this 2nd day
of December, 2011, with:

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

COPIES of the foregoing
Electronically mailed this
2nd day of December, 2011 to:

All Parties of Record



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, CHAIRMAN
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

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.

Docket No. E-01345A-11-0224

Rate Design Direct Testimony of

Jeff Schlegel

Southwest Energy Efficiency Project (SWEEP)

December 2, 2011

**Rate Design Direct Testimony of Jeff Schlegel, SWEEP
Docket No. E-01345A-11-0224**

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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 are you testifying?

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

Q. Have you filed direct testimony in this docket previously?

A. Yes. I filed direct testimony on behalf of SWEEP on November 18, 2011.

Q. What is the purpose of your rate design direct testimony?

A. In my rate design testimony, I will address four issues:

1. Which customer rate classes should be excluded from full decoupling or lost revenue recovery mechanisms;
2. Increasing the basic service charge is not in the interest of customers;
3. Other DSM energy efficiency funding and cost-recovery mechanisms; and
4. Providing customers with useful information about utility costs and resources.

1 recovered through customer rates over time, thereby reducing the customer rate
2 impacts of the programs in the early years of the Energy Efficiency Standard (EES).
3 For example, the Commission could spread the additional DSM costs to ratepayers
4 across several years (e.g., 5 years) in a manner that acknowledges that the energy
5 efficiency benefits are achieved and experienced by customers over several years.
6

7 Q. Could a combination of DSM funding and cost-recovery mechanisms be used?
8

9 A. Yes. For example, the APS DSM energy efficiency program funding could consist of
10 a significant portion of the funding in base rates (as stated in my direct testimony), a
11 portion recovered through the DSM adjustment mechanism, and a portion capitalized
12 or amortized over five years or more.

13 **Providing Customers with Useful Information about Utility Costs and Resources**
14

15 Q. What objectives should be considered when redesigning the customer bill and
16 providing useful information to customers?
17

18 A. As I testified in my direct testimony, customers should be provided with useful
19 information on utility costs and resources so that customers can fully understand how
20 their money is being allocated and spent, and on which resources and costs. The
21 customer bill itself should be simplified so that information is readily accessible and
22 easy to understand for customers. There are two objectives here: providing a simple
23 bill to customers, and providing useful and transparent information to customers.
24

25 Q. How can these two seemingly contradictory objectives be achieved without burdening
26 or confusing customers?
27

28 A. These two crucial objectives – transparency and simplicity – could be achieved
29 without burdening customers by:
30

- 31 1. Simplifying the regular bill by presenting fewer cost categories and treating all
32 energy resources equally in terms of disclosure (for example, not including the
33 DSM adjustor as a line item on the bill, which would be consistent with the
34 treatment of other energy resources, whose costs are not expressly identified by
35 the current bill format).
36

37 AND
38

- 39 2. Providing supplemental information on utility costs and energy resources to
40 customers at all times via the web and quarterly or annually via a bill insert,
41 email, and/or other communication – and not on the customer bill itself. This
42 information would include a graphic similar to the pie graph presented by APS
43 witness Don Robinson that illustrates how each rate dollar is spent. If such a
44 graphic were included, however, the costs associated with each and every energy
45 resource would also need to be clearly delineated. In addition, all regular bills

1 sent to customers would direct customers to the location on the web where utility
2 and energy resource costs, as well as the energy resource mix, would reside, with
3 a phone number customers could call for specific details.
4

5 **Conclusion**

6
7 Q. Does this conclude your rate design testimony?

8
9 A. Yes.