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**BEFORE THE ARIZONA CORPORATION COM  
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CORP COMMISSION  
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IN THE MATTER OF THE APPLICATION OF  
TUCSON ELECTRIC POWER COMPANY FOR  
THE ESTABLISHMENT OF JUST AND  
REASONABLE RATES AND CHARGES  
DESIGNED TO REALIZE A REASONABLE  
RATE OF RETURN ON THE FAIR VALUE OF  
ITS OPERATIONS THROUGHOUT THE STATE  
OF ARIZONA.

DOCKET NO. E-01933A-12-0291

**SUMMARY OF TESTIMONY  
OF THE SOUTHWEST  
ENERGY EFFICIENCY  
PROJECT (SWEEP)**

Summary of Testimony

in Partial Opposition to the Proposed Settlement Agreement

**Jeff Schlegel**

**Southwest Energy Efficiency Project (SWEEP)**

March 5, 2013

Arizona Corporation Commission  
**DOCKETED**  
MAR 5 2013  
DOCKETED BY *JSM*

**Summary of Jeff Schlegel's Testimony on Behalf of SWEEP**

In my testimony in partial opposition to the Settlement Agreement, I will:

1. State that SWEEP is in partial opposition to the proposed Settlement Agreement because of two provisions: (a) The proposed lost fixed cost revenue (LFCR) recovery mechanism, which inadequately reduces utility disincentives to energy efficiency, and therefore results in fewer opportunities for customers to reduce their energy bills; and (b) The significant increase in the residential monthly basic service charge, which is an increase of more than 40% for many customers, and which will limit the ability of customers to reduce their utility bills.
2. Describe how the Tucson Electric Power (TEP) Company's 2012 Integrated Resource Plan demonstrates a need for increased energy efficiency resources, and in so doing, address some of the issues raised by Commissioner Pierce in his letter dated February 1, 2013, regarding energy efficiency, TEP's need for future resources, and the TEP 2012 Integrated Resource Plan. Without energy efficiency, TEP would have a significant remaining resource requirement that it would need to meet, and TEP would need to meet this remaining requirement by investing in other more costly energy resources, resulting in higher total costs for customers. The need to invest in cost-effective energy efficiency is completely justified based on TEP's actual customer needs as established and documented in TEP's 2012 IRP.
3. Support the energy efficiency provisions in the Settlement Agreement that would restore energy efficiency programs and ensure that TEP customers receive energy efficiency services to reduce their utility bills, consistent with the resource need documented in the TEP 2012 Integrated Resource Plan.
4. State SWEEP's continued support for energy efficiency program cost recovery using either amortization or expensing, and comment on some related issues raised in Commissioner Pierce's letter dated February 1, 2013.
5. Summarize how the proposed Settlement Agreement limits the Commission from fully exploring the policy options for addressing utility financial disincentives to energy efficiency, including limiting the Commission's consideration of full revenue decoupling, and describe why full revenue decoupling is a superior option for the treatment of utility financial disincentives to energy efficiency compared to LFCR.
6. Recommend that the Commission substitute full revenue decoupling in place of the lost fixed cost revenue recovery mechanism proposed in the Settlement Agreement because full revenue decoupling more completely and effectively reduces utility company disincentives for the support of activities that eliminate energy waste and reduce utility bills, while lost fixed cost revenue recovery does not.
7. Describe why the Settlement Agreement's proposal to significantly increase the monthly basic service charge is not in the interest of customers. For the vast majority of residential customers the increase will be greater than 40% (a \$3 per month increase, from \$7 to \$10 per month). This increase will limit the ability of customers to reduce their utility bills.
8. Clarify that the energy efficiency cost recovery approach proposed in the Settlement Agreement is not ratebasing and will not result in large earnings or a high return on investment for TEP (SWEEP Responsive Testimony).
9. Note that there is nothing in the proposed cost recovery approach per se that should cause TEP to seek a waiver from the Commission's Energy Efficiency Rule or justify Commission approval of a waiver or exemption from the Rule (SWEEP Responsive Testimony).