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BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE, Chairman
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

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 THE PROPERTIES OF TUCSON ELECTRIC POWER COMPANY DEVOTED TO ITS OPERATIONS THROUGHTOUT THE STATE OF ARIZONA AND FOR RELATED APPROVALS.	Docket No. E-01933A-15-0239 Docket No. E-01933A-15-0322 **NOTICE OF FILING DIRECT TESTIMONY OF JEFF SCHLEGEL FOR SOUTHWEST ENERGY EFFICIENCY PROJECT**

Southwest Energy Efficiency Project ("SWEEP"), through its undersigned counsel, hereby provides notice that it has this day filed the attached direct testimony of Jeff Schlegel.

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Arizona Corporation Commission
DOCKETED
JUN - 3 2016
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DATED this 3rd day of June, 2016.

ARIZONA CENTER FOR LAW IN
THE PUBLIC INTEREST

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE, CHAIRMAN
BOB STUMP
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Direct Testimony of

Jeff Schlegel

Southwest Energy Efficiency Project (SWEEP)

June 3, 2016

Direct Testimony of Jeff Schlegel, SWEEP
Docket No. E-01933A-15-0322

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Introduction

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. Please describe the Southwest Energy Efficiency Project (SWEEP).

A. SWEEP is a public interest organization dedicated to advancing energy efficiency as a means to promote customer benefits, economic prosperity, and environmental protection in the six states of Arizona, Colorado, Nevada, New Mexico, Utah, and Wyoming. SWEEP works on state legislation; analysis of energy efficiency opportunities and potential; expansion of state and utility energy efficiency programs and the design of these programs; building energy codes and appliance standards; and voluntary partnerships with the private sector to advance energy efficiency. SWEEP collaborates with utilities, state agencies, environmental groups, universities, and energy specialists in the region. SWEEP is funded by foundations and the U.S. Department of Energy. I am the Arizona Representative for SWEEP.

Q. What are your professional qualifications?

A. I am an independent consultant specializing in policy analysis, evaluation and research, planning, and program design for energy efficiency programs and clean energy resources. I consult for public groups and government agencies, and I have been working in the field for over 30 years. I have testified before the Arizona Corporation Commission in many proceedings. In addition to my responsibilities with SWEEP in Arizona, I am working or have worked extensively in many states that have effective energy efficiency programs, including but not limited to California, Connecticut, Illinois, Massachusetts, Michigan, New Jersey, Pennsylvania, Vermont, and Wisconsin.

Q. What is the purpose of your testimony?

A. In my testimony, I will:

- Summarize the public interest in increasing electric energy efficiency.

- Discuss the status of Tucson Electric Power's (TEP) energy efficiency programs and the importance of being on the path to meet the energy savings levels set forth in the Commission's Electric Energy Efficiency Standard and Rule ("EEES").

- Propose that energy efficiency, as a core energy resource meeting the real energy needs of customers at lowest cost, be funded through a stable cost recovery mechanism, with cost recovery in base rates.

- Explain why SWEEP opposes TEP's proposed changes to its lost fixed cost revenue recovery (LFCR) mechanism and instead recommends implementation of full revenue per customer decoupling.

- Describe SWEEP's concerns and recommendations regarding TEP's proposed pre-paid electricity program and tariff.

The Public Interest in Increasing Electric Energy Efficiency

Q. What is the public interest in increasing electric energy efficiency?

A. Electric energy efficiency is in the public interest. Increasing energy efficiency will provide significant and cost-effective benefits for all TEP customers, the electric system, the economy, and the environment. Electric energy efficiency is a reliable energy resource that is less expensive than other available energy resources. Consequently, increasing energy efficiency will save consumers and businesses money through lower electric bills and the deferral of unnecessary, more expensive resources. As a result energy efficiency lowers total costs for customers.

Increasing energy efficiency also reduces load growth; diversifies energy resources; enhances the reliability of the electricity grid; reduces the amount of water used for power generation; reduces air pollution; creates jobs that cannot be outsourced; and improves the economy. In addition, meeting a portion of load growth through increased energy efficiency can help to relieve system constraints in load pockets. By reducing electricity demand, energy efficiency mitigates electricity and fuel price increases and reduces customer vulnerability and exposure to price volatility. Energy efficiency does not rely on any fuel and is not subject to shortages of supply, increased prices, or price volatility of energy fuels.

Q. What are the estimated costs for energy efficiency savings?

A. Energy efficiency is a reliable energy resource that costs significantly less than other resources for meeting the energy needs of customers in TEP's service territory. For example, in 2015, the cost of energy efficiency programs per

lifetime kWh saved was $0.012.[1] Notably, in its 2014 Integrated Resource Plan, TEP identifies energy efficiency as the "lowest cost resource."[2] In comparison, the levelized cost of new generation for other energy resources is substantially more:

- Natural gas combined cycle generation costs between $0.088-$0.119/kWh (or ~7-to-9-times more);
- Coal generation costs between $0.125-$0.261/kWh (or ~10-to-21-times more); and
- Nuclear generation costs $0.154/kWh (or ~12-times more).[3]

Q. Why should energy efficiency be considered in the context of the TEP rate case proceeding?

A. The Commission, in approving any order that changes or increases rates for customers, should ensure that the least cost resource – energy efficiency – is fully pursued. Consequently, in its order on the TEP rate case, the Commission should ensure that TEP is on a path to continue meeting the energy savings levels set forth in the Electric Energy Efficiency Standard and Rule ("EEES"); ensure that there is adequate funding to achieve the EEES energy savings levels and attain the associated customer and public benefits; and treat energy efficiency as the core energy resource that it is by providing a stable, long-term cost recovery mechanism and adequate funding in base rates.

The Status of TEP's Energy Efficiency Programs for Customers

Q. What energy efficiency programs and measures does TEP offer to its customers?

A. TEP offers a portfolio of programs for both residential and commercial customers. Specialized programs and offerings are available to all customer segments, including homeowners, renters, limited income customers, small businesses, schools, and large commercial and industrial ratepayers. Some of these programs, like TEP's Shade Tree program, have been offered for decades.

Several of TEP's energy efficiency programs have been recognized as national

[1] Tucson Electric Power, January-December 2015 Demand Side Management Report, March 1, 2016, Costs include the cost of rebates and incentives; training and technical assistance; consumer education; program implementation; program marketing; measurement, evaluation, and research; program development, analysis, and reporting costs; and performance incentives. Savings and expenditures for demand response programs are excluded in this calculation.
[2] Tucson Electric Power, 2014 Integrated Resource Plan, April 1, 2014. Note that TEP in its 2014 Integrated Resource Plan used a much higher levelized cost of energy efficiency of $60/MWh ($0.060/kWh), which is much higher than the current costs of energy efficiency programs.
[3] Ibid.

best practices, including TEP's Residential New Construction program, which has served as a model for other electric utilities across the county. In fact, TEP was recently highlighted as one of fourteen leading utilities in a 2016 national report by the American Council for an Energy Efficient Economy entitled, *Big Savers: Experiences and Recent History of Program Administrators Achieving High Levels of Energy Savings.*

Q. At what levels has TEP invested in energy efficiency in the past?

A. From 2011-2015 TEP invested about ~$70 million in energy efficiency.[4] The current total budget for 2016 program is ~$23 million.[5] For 2017, TEP has proposed continuation of its approved 2016 Plan without change.[6]

Q. What have TEP's EE programs accomplished?

A. TEP's cost-effective programs have delivered significant economic, energy, and environmental benefits for customers. For example, from 2011-2015, TEP reports that its energy efficiency portfolio:

- Generated net benefits exceeding $230 million dollars;
- Delivered lifetime energy savings exceeding 7,230,230MWh; and
- Saved 3,320 million gallons of water.[7]

Q. Have there been recent improvements to or expansions of TEP's energy efficiency programs?

A. Yes. Commission Decision No. 75450, dated February 11, 2016, approved several enhancements to TEP's residential and business programs. Examples of new energy efficiency measures that were approved include smart thermostats, new HVAC and lighting measures, and ENERGY STAR® equipment and appliances. In its decision, the Commission also:

- Approved a special energy efficiency pilot program for schools;
- Ordered TEP to restart its Home Energy Reports program, which should significantly expand the number of residential customers participating in programs and the amount of energy being saved by TEP.[8]

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[4] See TEP Annual Demand Side Management Reports for 2011-2015.
[5] See Arizona Corporation Commission Decision No. 75450.
[6] See letter from Tucson Electric Power in Docket E-01933A-15-0178 dated June 2, 2016.
[7] See TEP Annual Demand Side Management Reports for 2011-2015.
[8] A similar program offered by Arizona Public Service Company currently enrolls about 25% of APS' residential customers and delivered about 23% of the utility's residential savings in 2015. See Arizona Public Service Company, 2015 Demand Side Management Report. Residential customer served

- Enhanced program flexibility to allow TEP to offer approved energy efficiency measures through multiple programs without explicit Commission approval; and

- Directed TEP to consider several new and emerging technologies and strategies in its next energy efficiency plan filing.

Increasing Energy Efficiency to Reduce Utility Bills for TEP Customers

Q. What should the Commission do to increase opportunities for TEP customers to reduce their energy bills through energy efficiency?

A. In its order in the TEP rate case, the Commission should ensure that TEP is on a path to meet the energy savings levels set forth in the Commission's Electric Energy Efficiency Standard and Rule ("EEES"), and on a path to attain the associated significant public benefits. Specifically, as a rate case issue, TEP should treat energy efficiency as the core energy resource that it is by expensing the energy efficiency program funding in base rates.

Q. What energy savings levels should TEP meet, by when?

A. The Commission, in approving any order that increases rates for TEP customers, should ensure that the least cost resource – energy efficiency – is fully pursued, consistent with the Commission-adopted EEES, which established cumulative annual energy savings requirements to make certain that energy efficiency and all of its associated public interest benefits would be realized. TEP is currently meeting the EEES savings levels in terms of cumulative annual savings and should continue to meet them.

The cumulative annual energy savings requirements set forth in the EEES result in approximately the following levels of annual energy savings (expressed below as annual energy savings as a percent of retail energy sales in the prior calendar year):

- 2017: 2.50% annual savings
- 2018: 2.50% annual savings
- 2019: 2.50% annual savings
- 2020: 2.50% annual savings

Q. What should the TEP energy efficiency budget be in order to fund and fully support the achievement of the higher energy savings for the remainder of the decade?

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calculation used residential customer totals reported by Arizona Public Service in its 2014 Annual Report to the Commission.

A. SWEEP estimates that the total energy efficiency budget for 2017 should be $23 million, equivalent to the $23 million approved by the Commission in Decision No. 75450 for 2016. Budgets for each future year for the balance of the decade should be determined in future energy efficiency implementation plan proceedings.

Q. What new or additional energy efficiency programs or measures should TEP implement? And in which Commission proceeding should they be addressed?

A. Significant energy saving opportunities for TEP customers exist and remain untapped. For example, TEP should explore ways to integrate energy efficiency and demand response offerings (often called "integrated demand response") and provide additional opportunities and tailored assistance to the main types of business customers in the service territory through its non-residential programs.

These and perhaps other additional energy efficiency programs and measures, and the specific details, should be considered, analyzed, and approved during the energy efficiency implementation plan review and approval process before the Commission. The energy efficiency implementation plan process is the appropriate Commission proceeding for addressing new or expanded DSM programs. In the next section, SWEEP proposes to fund energy efficiency programs in base rates, which is an issue that should be addressed in the rate case.

The Costs of Energy Efficiency Programs Should be Recovered in Base Rates

Q. How can adequate funding to achieve higher energy savings for TEP customers be ensured? What cost recovery approach should be used?

A. TEP has positioned energy efficiency as an important, core resource to meet energy needs and load over the next decade. For example in its 2014 Integrated Resource Plan, energy efficiency contributes ~22% of TEP's future additional capacity resources from 2015-2028.[9] As a result, energy efficiency is one of TEP's fastest growing energy resources for meeting customers' energy needs and TEP-projected load growth over the next few years.

As a core resource meeting the real energy needs of customers at lowest cost, energy efficiency should be adequately funded through a stable, fully embedded funding and cost recovery mechanism. In order to provide adequate and appropriate treatment for this core, fundamental energy and capacity resource, a total of $23 million of energy efficiency program funding should be expensed in base rates. As a core resource, it is appropriate for energy efficiency cost recovery to be in base rates rather than in a separate adjustor mechanism.

[9] Tucson Electric Power, 2014 Integrated Resource Plan, April 1, 2014.

Recovery of energy efficiency program costs in base rates will help ensure that the numerous public interest benefits of this core resource will be fully realized.

The Demand Side Management (DSM) adjustor mechanism should still remain intact, but it should be used as an adjustor to recover or refund any energy efficiency funding amounts above or below the $23 million in base rates, needed to implement energy efficiency programs to meet the energy savings levels established by the EEES. In this way, the DSM adjustor mechanism would serve as a flexible means of accounting and adjusting for the market realities of actual energy efficiency spending not necessarily being exactly what was projected in the implementation plan budgets. The planned level of funding for energy efficiency programs would be recovered in base rates.

Q. Has the Commission allowed energy efficiency program funding to be expensed in base rates previously?

A. Yes. In Commission Decision No. 67744, approving the settlement agreement to increase Arizona Public Service Company (APS) rates in 2005, an annual $10 million allowance for DSM costs was approved for inclusion within base rates. In 2006, the year directly following that decision, the Company spent $10.6 million on energy efficiency programs. Thus the $10 million of funding in base rates equated to more than 90% of energy efficiency program expenditures in that year.

Q. Would recovery of energy efficiency program costs in base rates decrease transparency for customers?

A. Absolutely not. All energy resources should be treated equally in terms of disclosure. Recovering energy efficiency program costs through base rates would be consistent with the treatment of other energy resources, whose costs are not expressly identified by the current bill format.

A. Does SWEEP have general recommendations for improving transparency for customers through the bill?

A. Yes. SWEEP believes that the customer bill itself should be simplified so that information is readily accessible and easy to understand for customers. There are two objectives here: providing a simple bill to customers, and providing useful and transparent information to customers.

Q. How can these two objectives be achieved without burdening or confusing customers?

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

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

AND

2. Providing supplemental information on utility costs and energy resources to customers at all times via the web and quarterly or annually via a bill insert, email, and/or other communication – and not on the customer bill itself. This information could include a simple graphic that illustrates how each rate dollar is spent. If such a graphic were included, however, the costs associated with each and every energy resource would also need to be clearly delineated. In addition, all regular bills sent to customers would direct customers to the location on the web where utility and energy resource costs, as well as the energy resource mix, would reside, with a phone number customers could call for specific details.

Proposed Changes to the Lost Fixed Cost Revenue Recovery Mechanism

Q. Please summarize the Company's proposed changes to the Lost Fixed Cost Revenue Recovery (LFCR) mechanism.

A. The Company is proposing several significant changes to the LFCR mechanism. These changes include (among other changes to the LFCR proposed by the Company):

- Recovering generation cost components and 100% of the demand charge (this value currently is 50%);
- Applying the LFCR as a single rate on customers' bills instead of splitting it into two separate rates for energy efficiency and distributed generation;
- Changing the 1% year-over-year cap to a 2% year-over-year cap; and
- Allowing the recovery of any lost revenues resulting from any alternative generation service rider that may be approved (with a proposed limit of 30 MW for this rider).

Q. What are the Company's stated reasons behind these proposed changes?

A. TEP witness Jones asserts these changes are necessary for the Company to collect generation related lost revenues from energy efficiency and distributed

generation, and to increase the amount of lost revenue recovery the Company would collect from customers.

Q. Do you support any of the proposed changes listed above?

A. No. The Commission should take great caution in reviewing the Company's proposal and should not approve any changes that increase the amount of lost revenue recovery collected from customers compared to the existing LFCR mechanism. The changes proposed by Mr. Jones will greatly increase the dollar amount collected in this charge. SWEEP does not support the inclusion of generation costs and the other 50% of the demand charge in the LFCR. SWEEP recommends the current practice of two separate rates for energy efficiency vs. distributed generation LFCR components. Doubling the 1% cap to 2% would significantly increase the amount collected from customers.

Q. Do you recommend the Commission approve lost revenue recovery for the company's alternative generation rider?

A. Definitely not. I am not aware of any arrangement elsewhere in the country where one group of customers is forced to pay for lost revenues related to another customer purchasing wholesale power at a lower cost. The lost revenues to the Company in a program with a projected cap of 30 MW of peak demand could be substantial. The Alternative Generation Service Rider is a concession on the part of the Company to approve a merger. The cost of this concession should not be borne by customers of TEP, but should be shouldered by the shareholders.

Q. Do you have a recommendation to address TEP witness Jones' concerns?

A. Yes. As an alternative to the LFCR approach, the Company should propose a full revenue decoupling mechanism to ensure full recovery of authorized revenues. Full revenue decoupling with a symmetrical adjustment of over- or under-recovered revenues reduces risk for TEP and its customers simultaneously. Revenue decoupling will also reduce the economic disincentive for the Company to promote conservation and energy efficiency, as noted by Mr. Jones.[10]

Lost fixed cost revenue recovery mechanisms have many flaws and problems. These problems include: a reliance on evaluation or estimates to substantiate lost revenue claims, maintaining complex lost revenue tracking systems to ensure the Company is collecting the correct amount of lost revenues, the one-sided nature of the LFCR mechanisms (they only result in a charge to customers and do not provide for a credit to customers if the Company collects actual revenues higher than authorized revenues), and the risk of the Company over earning Commission authorized revenues.

[10] *See* Jones direct at 29, lines 23-25.

Decoupling to Reduce the Financial Disincentive to Electric Utility Support of Energy Efficiency

Q. Does TEP experience a financial disincentive to its support of energy efficiency when its customers respond and become more energy efficient?

A. Yes. Traditional utility regulation links the utility's financial health to volumetric sales of electricity, resulting in a utility financial disincentive to support energy efficiency and other demand-side resources that reduce sales. Energy savings by TEP customers (which are beneficial for customers, the economy, the utility system, and the environment) result in lower revenues for the Company and the under-recovery of Commission-authorized utility fixed costs. In general, this financial disincentive can reduce utility support and enthusiasm for cost-effective resources such as energy efficiency programs that minimize the long-term costs of providing service. It could also impede potentially crucial utility support for building energy codes and other policies that reduce utility bills for customers and serve societal interests.

Q. Should a decoupling mechanism for TEP be implemented to reduce the financial disincentive and encourage TEP to support additional increases in energy efficiency through programs and other initiatives such as support of building energy codes?

A. Yes. The financial interest of TEP should be better aligned with the interests of its customers by reducing financial disincentives to utility support of energy efficiency, thereby resulting in more energy savings and larger reductions in customer energy bills.

SWEEP supports decoupling mechanisms to address issues related to energy efficiency, e.g., when such mechanisms would be effective in substantially increasing customer energy efficiency and reducing the financial disincentive to electric utility support of increased energy efficiency.

SWEEP is not in favor of decoupling solely or primarily as a mechanism for the utility to recover its fixed costs. Therefore in SWEEP's view, the implementation of decoupling is premised on substantial increases in customer energy efficiency, for which the decoupling mechanism would reduce the financial disincentive to the utility of such increased energy efficiency. Because the EEES will deliver substantial energy efficiency savings for TEP customers, decoupling in this situation is justified.

Q. Does full decoupling completely and effectively reduce Company disincentives for the support of activities that eliminate energy waste, including activities not directly linked to the Company's energy efficiency programs?

A. Yes. Full decoupling completely and effectively reduces Company disincentives for the support of activities that eliminate energy waste. As such, full decoupling is important not only for full utility support of energy efficiency programs but also for activities that reduce sales but are not or may not be directly linked to the Company's portfolio of energy efficiency programs. This could include utility support for building energy codes; appliance standards; energy education and marketing; state and local government energy conservation efforts; and federal energy policies.

Q. Why is full revenue decoupling a policy option worthy of Commission consideration?

A. As I testified above, the financial interest of TEP should be better aligned with the interests of its customers by reducing financial disincentives to utility support of energy efficiency, thereby resulting in more energy savings, total lower costs for customers, and larger customer energy bill reductions. Full revenue decoupling completely and effectively reduces utility company disincentives for the support of activities that eliminate energy waste. As such, full revenue decoupling is important not only for full, enthusiastic utility support of energy efficiency programs but also for activities that reduce sales but are not or may not be directly linked to the Company's portfolio of energy efficiency programs.

Q. Why is full revenue decoupling a superior option for the treatment of utility financial disincentives to energy efficiency than the Company's LFCR mechanism?

A. The Company's LFCR mechanism inadequately reduces utility disincentives to energy efficiency, and therefore results in fewer opportunities for customers to reduce their energy bills. Consequently, it discourages Company support of building energy codes, appliance efficiency standards, and state initiatives and legislation. The LFCR mechanism also represents an automatic rate increase. In contrast, because full revenue decoupling allows for rate adjustments in both a positive and negative direction, decoupling could result in either a credit or a charge on the customer bill.

The LFCR does nothing to reduce TEP's financial incentive to encourage customers to use more electricity – and the more customers waste energy, the more TEP revenues and earnings increase. Also, under the LFCR, as the Arizona economy recovers and electric demand increases, TEP revenues and earnings could also increase. Specifically, TEP could retain all revenues higher than the authorized revenue levels, which would result in higher earnings. TEP would also retain all revenues higher than the authorized revenue levels from increased electrification and electric vehicles. In contrast, full decoupling would provide a credit to customers for any revenues higher than authorized revenues (determined as authorized revenue per customer multiplied by the number of customers).

Q. What action does SWEEP recommend?

A. SWEEP recommends that TEP develop and file a proposal for full revenue per customer decoupling in this rate case, which the parties and Commission should consider in this proceeding.

TEP's Proposed Prepay Electricity Tariff and Program

Q. Has TEP proposed a prepay electricity program and tariff?

A. Yes. TEP witness Smith stated that TEP will propose an optional prepay program in its energy efficiency docket as a part of its portfolio of programs. TEP has also included a Prepay Energy Service (PES) tariff in its rate case application.

Q. Does SWEEP have concerns about prepay electricity programs?

A. Yes. SWEEP has several significant concerns about these prepay programs and tariffs. Prepay efforts may provide benefits to customers, but they can also pose significant risk to elderly and limited-income customers in particular because of the immediate electrical service cutoff provision for nonpayment and because customers who do not have steady incomes or do not fully understand the consequences of nonpayment can find themselves in situations where they are disconnected from power frequently. Thus it is imperative that prepay programs and tariffs only be implemented for customers for whom pre-payment is a reasonable and an appropriate option. Adequate consumer protections are essential. It is important that pre-payment programs and tariffs are not implemented solely as a utility revenue collection strategy that results in economic hardship for customers.

Q. Does SWEEP agree with the consumer protections that TEP recommends?

A. TEP's proposed consumer protections represent a good start. They also align with several of the recommendations that SWEEP proposed previously and that the Commission adopted for APS' pilot program.[11] However, SWEEP recommends that the Company be required to work closely with interested stakeholders (like the Arizona Community Action Association, AARP, the Residential Utility Consumer Office, and SWEEP) to ensure that additional appropriate protections are identified and implemented for customers, particularly for limited-income and elderly customers. Notably, the Commission required a similar stakeholder process for APS when it approved the utility's pilot program.[12] SWEEP participated in that stakeholder process; and that process led to the identification of several important consumer-related issues and protections that the utility had not previously addressed.

[11] See Arizona Corporation Commission Docket E-01345A-10-0075.
[12] See Arizona Corporation Commission Decision No. 72214.

Q. Does SWEEP believe that TEP's proposed prepay program should qualify as energy efficiency under the EEES?

A. It is premature at this time to make this determination. A pre-payment approach that is part of a comprehensive strategy focused primarily on customer information and education, and that encourages changes in behavior and equipment operations to reduce utility bills, may fall under the umbrella of DSM. However it is imperative that pre-payment approaches incorporate adequate and appropriate energy conservation/management education and usage feedback so that customers increase their awareness of their energy consumption and energy costs, comprehend their usage patterns, and understand their options to reduce energy use and costs.

SWEEP has had significant concerns about the level of education and communication provided by APS' pilot offering. SWEEP has also questioned the reliability of the energy savings that APS has reported. For these reasons, SWEEP has not been able to support the APS prepay program as an energy efficiency program.

Q. What does SWEEP recommend with respect to this issue?

A. SWEEP recommends that the issue of the prepay program be addressed as part of TEP's energy efficiency implementation plan process. The energy efficiency implementation plan process is the appropriate proceeding to address new DSM programs, not the rate case.

Q. Does SWEEP have any recommendations on TEP's proposed Prepay Energy Service (PES) tariff?

A. Yes. SWEEP will address its recommendations on the Prepay tariff in its rate design testimony due on June 24, 2016.

Conclusion

Q. Does this conclude your testimony?

A. Yes. Thank you for the opportunity to provide my testimony on behalf of SWEEP.