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Manager,
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May 5, 2009

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

Arizona Corporation Commission
DOCKETED

MAY - 5 2009

RE: Energy Efficiency Workshop
Docket Nos. E-00000J-08-0314 & G-00000C-08-0314

DOCKETED BY 

Dear Parties to the Docket:

Tucson Electric Power Co., UNS Electric, Inc. and UNS Gas, Inc. (collectively "the Companies") support the Commission's policy goal to enhance energy efficiency. The Companies view the use of energy efficiency as a resource that, when used in conjunction with other resources, including renewables will play an important role in meeting our customers' energy needs, now and in the future. Therefore, the Companies are continuing to evaluate the use of energy efficiency measures and programs that will provide our customers with reliable and safe energy at just and reasonable rates.

The Companies are presently working on their integrated resource plans. At TEP, the Company is compiling the necessary data for an integrated resource plan for the first time since the approval of the TEP Rate Settlement. UNS Electric is addressing this issue for the first time since the Company was acquired from Citizens Utilities.

The Companies believe that the target discussed in the Energy Efficiency Workshops (15% reduction in forecasted energy sales by 2020) appears to be within the zone of reasonableness for TEP and may be for UNS Electric, but energy efficiency and its corresponding levels should be an objective that is elevated and incorporated into the individual resource plan of each Company. Moreover, the ability to successfully achieve that target is dependent upon several things that should be resolved prior to establishing the ultimate reduction requirements for each Company, such as;

1. Establishment of the integrated resource planning process and the agreement upon how energy efficiency programs and renewable resources are included within that planning process.
2. Completion of a conventional technology resource plan to establish an agreed upon base line to measure and plan reductions from ("Business As Usual Plan").
3. Establishment of how the utilities will recover energy efficiency program costs and a return on any investment.
4. Establishment of how a utility can promote reduced sales and reduced asset investment and still have a business model that provides a reasonable opportunity for earnings growth resulting in program innovations for customers and sustainability for the utility.
5. Establishment of principles that provide flexibility within the process to allow for more innovative program planning and implementation achieved through greater ability to move funds among programs and increase funds as market conditions necessitate.
6. Agreement on a uniform set of evaluations, methods and tools for the proposed standard that will produce consistent calculations between all parties on such items as total resource cost ("TRC"), utilities avoided costs, and net benefits.
7. Development of programs based on the total program cost-effectiveness as measured by the TRC test, not individual measure cost-effectiveness.
8. Inclusion of flexibility to allow the utility a broader suite of efficiency measures to market to customers, which will lead to greater participation.

Further, the Companies believe that the Energy Efficiency targets for electric and gas utilities should be tailored to each respective industry. For example, UNS Gas requests additional time to adequately consider the potential reductions that can be achieved, the available programs that can be added, and the necessary funding for Energy Efficiency programs. After amassing that information, UNS Gas will be in a position to make a recommendation as to the appropriate level of Energy Efficiency for the Company.

We are currently actively and openly participating in workshops for Energy Efficiency and the Integrated Resource Planning process. It is the intention of the Companies to make every reasonable effort to respond to inquiry and to provide analysis as it is available. The Companies will keep the Commission informed of the progress. Underlying the Companies' concern is to base their Energy Efficiency targets on data that is current and reliable. While this may require additional time, the Companies believe that in the long run it will accelerate the implementation rate of a meaningful and beneficial Energy Efficiency target.

Sincerely,



Dallas Dukes