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

RE: Tucson Electric Power Company Application for Approval of Its Proposed Zero-Net Energy Homes Pilot Program (Docket Nos. E-01933A-07-0402, E-01933A-05-0650)

On March 16, 2010, Staff submitted its memo and proposed order on the matter identified above. Staff apparently recommends against approval of the proposed energy efficiency program because its costs would exceed its benefits if one ignores the costs of complying with future regulation of carbon dioxide emissions from power plants. Staff notes (page 8) that if carbon dioxide emission regulation compliance costs are considered at a low value (\$14 per ton), the program would be cost effective.

Western Resource Advocates urges the Commission to include the costs of compliance with impending carbon dioxide emission regulations. First, the range of compliance costs employed by TEP is within the range of values estimated by others.¹ Second, as Staff indicates on page 8 of its memo, the Commission has long intended to incorporate avoided environmental costs in its assessment of the cost effectiveness of energy efficiency programs. Third, energy efficient new homes are hedges against uncertain costs of future environmental regulation. And fourth, neglecting important benefits of an energy efficiency program will slow down utilities, their customers, and the Commission in transitioning to a cleaner energy future.

Rejecting TEP's proposed program on the basis of an incomplete evaluation of the benefits of the program is not in the public interest. Thank you for your consideration.

Arizona Corporation Commission

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MAR 24 2010

DOCKETED BY

Sincerely,

David Berry
Chief of Policy Analysis

¹ Synapse Energy Economics, *Synapse 2008 CO2 Price Forecasts*, July 2008, Cambridge, MA. Energy Information Administration, *Energy Market and Economic Impacts of H.R. 2454, the American Clean Energy and Security Act of 2009*, SR/OIAF/2009-05, August 2009.