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Arizona Corporation Commission

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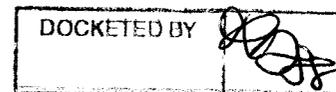
January 3, 2012

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Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

AZ CORP COMMISSION
DOCKET CONTROL



RE: KEMA Services Inc. comments on Exception(s)-Response to Recommended Order filed by Tucson Electric Power docket E-01933A-11-0055

Dear Arizona Corporation Commissioners:

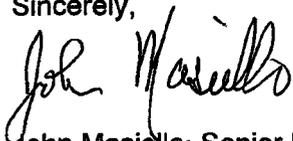
KEMA Services Inc. (KSI) is providing this letter in response to the Commission Staff's Recommended Order and Opinion issued to Tucson Electric Power (TEP) on November 16, 2011. As the implementation contractor for three commercial energy efficiency programs KEMA is concerned that any reduction or interruption in demand side management programs could have negative impacts on achieving future state energy goals. KEMA has been the implementer for TEP's commercial and industrial incentive programs since May 2008. Nationally, KEMA is implementing energy efficiency programs for over 15 large utility companies and in 2011 has helped save over 1500 GWh annually in electricity. In addition to TEP and Unisource, we serve as the implementation contractor for Arizona Public Service, Public Service of New Mexico, and NV Energy in the southwestern US.

KEMA's focus is on large business, new construction, and small business programs. These programs offer incentives to all eligible nonresidential customers. Since its inception, the rebates paid through these programs total \$8,925,000 corresponding to an annual energy savings total of 100,575,000 KWh. With an estimated cost savings to businesses of over \$10,000,000 per year and will continue to grow for the life of the energy efficiency measures.

In addition to helping customers save on their electric bills, these programs contribute to the support and growth of our local business community. Given current economic challenges, these programs have been received very well, becoming solidly integrated into many contractors' business plans. Business owners are also able to benefit directly and immediately from the savings derived from the installation of new energy saving equipment, as well as, gaining the benefits of improved lighting quality and better-managed occupant comfort. Contractors that install energy efficiency measures over time have become trade allies of TEP. These registered allies help promote the programs to all eligible electric customers. At present, we have 86 companies registered as trade allies. Trade allies for TEP's small business program are typically smaller companies themselves with fewer than 10 employees. These trade allies will be especially impacted by any change in program goals.

KEMA strongly believes in the value that energy efficiency rebate programs bring to all stakeholders. We recognize that without these programs many businesses will be negatively impacted and electric users will be further strained by these difficult economic times. We look forward to the energy efficiency programs continuing uninterrupted and to assisting TEP in meeting its challenges of 22% by the year 2020.

Sincerely,



John Masiello, Senior Principal
KEMA Services, Inc.
155 Grand Avenue, Suite 500
Oakland, CA 94612