

OPEN MEETING AGENDA ITEM



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January 6, 2012

Commissioner Gary Pierce, Chairman
Commissioner Bob Stump
Commissioner Sandra D. Kennedy
Commissioner Paul Newman
Commissioner Brenda Burns
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

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Re: *In the Matter of the Application of Tucson Electric Power Company for Approval of its 2011-2012 Energy Efficiency Implementation Plan: Docket No. E-01933A-11-0055*

Dear Commissioners:

I am writing on behalf of AIC's approximately 6,000 investor-members to urge you to modify the Proposed Order in this docket.

AIC believes the Proposed Order as submitted by Staff is patently unfair to the company's shareholders. It requires Tucson Electric Power Company ("TEP") to engage in expensive energy efficiency projects targeted at lowering sales *without compensating the company for a large portion of its unrecoverable fixed costs*, resulting from compliance with the Commission's energy efficiency mandates.

Unless the Commission grants TEP a fixed cost recovery mechanism like the one proposed by TEP in its exceptions to the Proposed Order, or a waiver from complying with the Commission's energy efficiency mandates, TEP will experience a revenue loss of about \$39 million through 2013 due solely to the energy efficiency mandates.

The Staff's Proposed Order requires TEP to comply with the energy efficiency targets as mandated by the EE rules, but refuses to grant any lost fixed cost recovery mechanism outside a rate case. This position is clearly unfair to and confiscatory for TEP, because under the terms of the rate moratorium in its 2008 rates Settlement Agreement, TEP is precluded from filing a rate case until mid-2012. New rates can't take effect any sooner than 2013. The Commission Staff is well aware of the rate moratorium and the confiscatory position its recommendation creates for TEP, because Staff was a signatory to the 2008 Settlement Agreement.

In closing, AIC urges the Commission to avoid placing what amounts to an unfunded mandate on TEP. Rather, the Commission should, at a minimum and as a matter of fundamental fairness, grant the company a waiver from the EE rules as requested in TEP's exceptions.

Very truly yours,

Gary Yaquinto

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