

**ROSHKA DEWULF & PATTEN**

ROSHKA DEWULF & PATTEN, PLC  
ATTORNEYS AT LAW  
ONE ARIZONA CENTER  
400 EAST VAN BUREN STREET  
SUITE 800  
PHOENIX, ARIZONA 85004  
TELEPHONE NO 602-256-6100  
FACSIMILE 602-256-6800

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AZ CORP COMMISSION  
DOCKET CONTROL

January 31, 2012

Arizona Corporation Commission

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Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

RE: TUCSON ELECTRIC POWER COMPANY - 2007 RATE CASE  
DOCKET NO. E-01933A-07-0402/E-01933A-05-0650

To Parties to Tucson Electric Power Rate Case:

Tucson Electric Power is sending you this letter to provide notice of proposals in its Energy Efficiency Implementation Plan ("EE Plan") Docket (Docket No. E-01933A-11-0055) that affect TEP's Demand Side Management programs, including its performance incentives, and DSM surcharge. In the EE Plan Docket, TEP is proposing changes to its DSM portfolio in order to meet the requirements of the Commission's recently-adopted Electric Energy Efficiency Rules ("EE Rules"), A.A.C. R14-2-2401, *et seq.* As part of its EE Plan, TEP is proposing a new performance incentive as provided in A.A.C. R14-2-2411. A performance incentive has been a component of the DSM surcharge since the TEP Rate Case Settlement. TEP believes that this performance incentive provides more appropriate incentives for DSM program implementation and management in light of the aggressive requirements of the new EE Rules.

TEP is also providing notice that it is proposing to increase the DSM surcharge, as it has done several times since the DSM adjustor was approved in the TEP Rate Case, to reflect the additional costs of TEP's expanded DSM portfolio and the new performance incentive.

TEP believes that the new EE Rules and the terms of the TEP Rate Case Settlement, which provides flexibility (pursuant to Section 9.7 of the Rate Case Settlement Agreement) regarding changes to the DSM surcharge, is consistent with TEP's proposals in the EE Plan Docket.

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Docket Control  
January 31, 2012  
Page 2

The Commission may consider TEP's proposed EE Plan at its next Open Meeting (February 14-15, 2012). Although TEP's proposals have been available on the Commission's e-Docket, TEP will provide copies of its proposed EE Plan upon request.

Please do not hesitate to contact Phil Dion or me if you have any questions.

Sincerely,



Michael W. Patten

MWP:mi

cc: Docket Control (Original and 13 copies)  
Jane Rodda, Hearing Division  
Janet Wagner, Legal Division  
Steve Olea, Utilities Division

C. Webb Crockett  
Jeffrey Schlegel  
Jodi Jerich

All Parties to the Energy Efficiency Docket  
All Parties to the Rate Case Docket