

ORIGINAL

OPEN MEETING

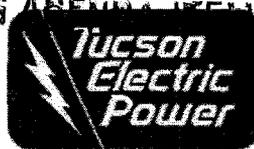


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A UniSource Energy Company
P. O. Box 711
Tucson, Arizona 85702

February 14, 2012

Arizona Corporation Commission

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Gary Pierce, Chairman
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

RE: Tucson Electric Power Company 2011-2012 Energy Efficiency Implementation Plan
(Docket No. E-01933A-11-0055)

Request to Consider this Docket at February 23, 2012 Open Meeting

Dear Chairman Pierce:

I am writing to respectfully urge the Commission to consider Tucson Electric Power Company's 2011-2012 Energy Efficiency Implementation Plan ("EE Plan") Docket at the Commission's February 23, 2012 Securities Open Meeting. It is critical, particularly with respect to TEP's compromise Modified Implementation Plan filed January 31, 2012 ("Modified Plan"), that the EE Plan be considered by the Commission before the end of this month in order for the EE Plan surcharge go into effect by March 1, 2012. Further delay will only exacerbate the issues that the Modified Plan proposal would resolve if approved by March 1, 2012.

As you know, the initial EE Plan in this docket was filed on January 31, 2011. The filing contained a request for expedited review and approval for the EE Plan to be effective on June 1, 2011.¹ As that anticipated effective date slipped, TEP filed an update to the EE Plan on August 22, 2011, to reflect a November 1, 2011 effective date. The Staff Report and Proposed Order were filed on November 16, 2011 and TEP filed its Exceptions on December 2, 2011. The matter was considered at the January 10-11, 2012 Open Meeting. The Commission continued the matter to allow further discussion between TEP, Staff, RUCO, and AECC ("Participants") to attempt to resolve some of the challenges discussed at the Open Meeting. The Company is

¹ It should be noted that A.A.C. R14-2-2406.B. requires the Commission to approve the DSM surcharge tariff contained in the EE Plan within 180 days of the filing unless the Commission suspends the deadline or adopts an alternative procedural schedule for good cause.

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appreciative of this additional time the Commission afforded the Participants to conduct further discussion and negotiation.

After that Open Meeting, the Participants met several times in person and by telephone to discuss potential resolution of the issues. TEP provided an initial compromise proposal which was then modified based on the comments of the other Participants. Suffice it to say, the negotiations produced a compromise proposal that delicately balances customer rates, TEP's cost recovery, and customer benefits from energy efficiency programs. Accordingly, we believe that TEP's Modified Plan, submitted to the Commission on January 31, 2012, has the conceptual support of all the Participants.²

One of the most difficult challenges addressed by the Modified Plan was matching the surcharge collection period with an acceptable EE Plan budget. The compromise proposal submitted by TEP was carefully crafted and is dependent on a 22-month collection period starting on March 1, 2012. If the Modified Plan is not approved to be effective March 1, then the economics of the proposal are undermined, the anticipated EE Plan surcharges to customers will further increase, and the compromise proposal becomes unworkable.³

As we have previously stated, TEP would prefer to move forward with a more robust EE Plan and views the Waiver option as a last resort. TEP made several significant concessions in developing the Modified Plan in an attempt to avoid the Waiver. However, if that Modified Plan is not in place effective March 1, it is doubtful that an acceptable compromise could be reached. Consequently, the only viable option at that point may be the Waiver.

For the foregoing reasons, TEP requests that the Commission consider the Modified Plan at its February 23, 2012 Securities Open Meeting or at a Special Open Meeting to be held before the end of February 2012 so that the Modified Plan can be effective as of March 1, 2012. Tucson Electric Power Company appreciates the Commission's consideration of this request.

Sincerely,



David G. Hutchens
President
Tucson Electric Power Company

² It is the Company's understanding that AECC and RUCO will be filing comments on the Modified Plan today and that SWEEP will not be filing written comments.

³ Each month of delay results in an increase in the customer surcharge of approximately 7% to 10% in order to fund the already reduced budget for the programs recommended by the Company and Staff.

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cc: Docket Control (Original and 13 copies)
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