

OPEN MEETING AGENDA ITEM



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AZ CORP COMMISSION

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September 17, 2012

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Gary Pierce, Chairman
Bob Stump, Commissioner
Sandra D. Kennedy, Commissioner
Paul Newman, Commissioner
Brenda Burns, Commissioner
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 8007

Arizona Corporation Commission
DOCKETED

SEP 17 2012

DOCKETED BY *JM*

**Re: Tucson Electric Power Company's 2011-2012 Energy Efficiency Implementation Plan – Request for Consideration and Approval Prior to September 30, 2012
Docket No. E-01933A-11-0055**

Dear Commissioners:

Tucson Electric Power Company (“TEP” or “Company”) has reviewed the Arizona Corporation Commission’s (“Commission”) Open Meeting agenda for September 19/20, 2012 and was surprised and disappointed to see that the Recommended Opinion and Order (“ROO”) for the Company’s Application for Approval of its 2011-2012 Energy Efficiency Implementation Plan (“2011-2012 Plan”) is not on the agenda for Commission consideration. This matter has been pending before the Commission for over 19 months, and any further delay of the approval of the 2011-2012 Plan will only serve to continue to deny TEP’s customers the cost-effective energy efficiency programs that they overwhelmingly support and deserve. As a result of the delay, the delicate balance underlying the update to the 2011-2012 Plan (“Updated Plan”) that TEP and the other parties jointly support will be upset as the economics of the Updated Plan will no longer work. This is because critical elements of the Updated Plan include the proposed budget and associated Demand Side Management Surcharge (“DSMS”) that must be implemented no later than October 1, 2012. The purpose of this letter is to respectfully request that the Commission schedule this matter for consideration at the September 19/20 Open Meeting or, in the alternative, at a Special Open Meeting to be held before the end of September 2012.

In the spirit of compromise, and in order to overcome the obstacles that had delayed this matter, TEP, AECC, RUCO, SWEEP, and EnerNoc (collectively "Parties") jointly supported the Updated Plan during the hearing in this matter. The Parties understood and the evidence demonstrated that this interim plan was designed to address a unique situation for TEP created by the adoption of the EE Rules during TEP's rate freeze, and that the interim plan will not set precedent for future filings. It is simply a short "bridge" that allows TEP to move forward with cost-effective energy efficiency programs for its customers until the conclusion of its pending rate case in 2013.¹

At the public comment session on the Updated Plan, the Tucson community overwhelmingly supported the Updated Plan and reiterated its desire for expanded cost-effective energy efficiency programs in TEP's service area. The Administrative Law Judge ("ALJ") that presided over the hearing on the Updated Plan noted in the ROO that:

The public comments received in this docket are testimonials to the value of the programs and to the devastating effects on jobs in the community and on families' attempts to save money and protect the environment that arise from cutting DSM and Energy Efficiency spending back to 2010 levels.²

After a two-day evidentiary hearing, the ALJ issued a ROO recommending that the Commission approve the Updated Plan.

Finally, as noted in the ROO,³ TEP worked in good faith with the Governor's Energy Office for the State of Arizona to be awarded a grant from the U.S. Department of Energy for Smart Grid Data Access in the amount of \$500,000 for the study of savings potential from the installation of residential in-home displays. As a condition of the grant, TEP is required to provide matching funds that the Company intended to provide from the Updated Plan's proposed budget and DSMS.⁴

Request for Consideration

Despite the lengthy and extensive amount of process that this application has been afforded, it now appears that the Updated Plan will not be approved prior to October 1, 2012. Any further delay will upset the economics of the agreed upon Updated Plan as it will increase the surcharge to TEP's customers, which may not be acceptable to all of the Parties that supported the Updated Plan. From TEP's perspective, unnecessarily delaying consideration and approval of the Updated Plan leads to an even more confiscatory impact than TEP is willing to endure based on a timely approval of the Updated Plan.⁵

Moreover, it is TEP's customers who have suffered the most by this delay as they will continue to be indefinitely denied the cost-effective energy efficiency programs that they have repeatedly requested.

¹ Docket No. E-01933A-12-0291.

² ROO at page 30, lines 2-5.

³ ROO at page 14, Finding of Fact No. 43.

⁴ See Attachment A.

⁵ It should be noted that in agreeing to compromise and "live with" the Updated Plan as a bridge mechanism, TEP will receive millions of dollars *less* than what it requested in its initial 2011-2012 Plan that the Company believes it is entitled to recover as a result of the Commission's adoption of the EE Rules.

Accordingly, the Company respectfully requests that the Commission consider the ROO at the September 19/20 Open meeting. In the alternative, TEP requests that a Special Open Meeting be scheduled prior to the end of September 2012.

Sincerely,



Paul J. Bonavia
Chairman and Chief Executive Officer

Cc: Docket Control (14 copies)
Ernest G. Johnson, Executive Director
Parties of Record

Attachment A

ASSISTANCE AGREEMENT

1. Award No. E-OE0000613		2. Modification No.	3. Effective Date 08/20/2012	4. CFDA No. 81.122
6. Awarded To EXECUTIVE OFFICE OF THE STATE OF ARIZONA Attn: TRAVIS PRICE 700 WEST WASHINGTON SUITE 101 PHOENIX AZ 850072812		5. Sponsoring Office Electricity Dlvr & Reliability		7. Period of Performance 08/20/2012 through 11/19/2013
8. Type of Agreement <input type="checkbox"/> Grant <input checked="" type="checkbox"/> Cooperative Agreement <input type="checkbox"/> Other		9. Authority See Page 2		10. Purchase Request or Funding Document No. 12OE000394
11. Remittance Address EXECUTIVE OFFICE OF THE STATE OF ARIZONA Attn: TRAVIS PRICE 700 WEST WASHINGTON SUITE 101 PHOENIX AZ 850072812		12. Total Amount Govt. Share: \$500,000.00 Cost Share : \$918,250.00 Total : \$1,418,250.00		13. Funds Obligated This action: \$500,000.00 Total : \$500,000.00
14. Principal Investigator Linda Brumm / 602-771-1146 brumm@az.gov		15. Program Manager Ryan M. Watson Phone: 304-285-5252		16. Administrator U.S. DOE/NETL Morgantown Campus 3610 Collins Ferry Road PO Box 880 Morgantown WV 26507-0880
17. Submit Payment Requests To Payment - Direct Payment from U.S. Dept of Treasury		18. Paying Office Payment - Direct Payment from U.S. Dept of Treasury		19. Submit Reports To See Reporting Requirements Checklist
20. Accounting and Appropriation Data				
21. Research Title and/or Description of Project STATE OF ARIZONA - POWER PARTNERS				
22. Signature of Person Authorized to Sign		25. Signature of Grants/Agreements Officer Signature on File		
23. Name and Title		24. Date Signed	26. Name of Officer Susan Miltenberger	27. Date Signed 08/17/2012