

**COMMISSIONERS**  
**BOB STUMP – Chairman**  
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**ARIZONA CORPORATION COMMISSION**

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CORP COMMISSION  
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February 26, 2013

Re: Energy Efficiency Rules  
Docket No: RE-00000C-09-0427

Dear Chairman Stump:

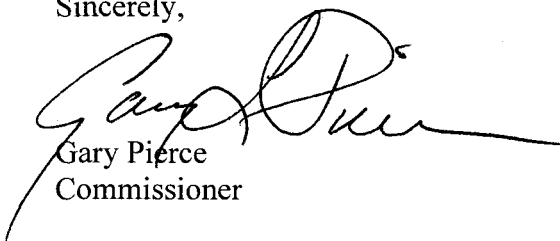
The Energy Efficiency Rules have been in effect for two years. In Decision #71819, August 2010, the Commission stated that energy efficiency, a type of demand-side management (DSM), is “cost-effective” because it is “less expensive than generating electricity and provides less impact on the environment.” I still believe that energy efficiency is a worthy resource, if it is done the right way. However, we must approve programs that are prudent and have measurable costs and benefits. With the benefit of two years’ experience, I now believe that energy efficiency, in practice, has not become the energy efficiency that we contemplated in theory. Therefore, we must re-examine the rules.

It is apparent that the 22% standard for electric companies and the 6% standard for gas companies are arbitrary, unachievable goals. Many utilities have had difficulty meeting the yearly standard targets despite the infancy of the energy efficiency standard.

In addition, commissioners have questioned the efficacy of many of the energy efficiency programs that have been charged to ratepayers. It has been hard to ascertain that the promised benefits outweigh the costs that must be borne by ratepayers. We are doing a disservice to ratepayers if we approve any further energy efficiency implementation plans unless we know exactly what the true costs are.

I believe we need to look at possibly revising the rules, or some of the rules, to improve the energy efficiency process. We must explore any possibilities and all options. As utility regulators we must ensure that we are asking the ratepayers to pay for programs that are cost-effective and beneficial.

Sincerely,

  
Gary Pierce  
Commissioner

Arizona Corporation Commission

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