



July 20, 2017

Chairman Tom Forese  
Commissioner Bob Burns  
Commissioner Doug Little  
Commissioner Andy Tobin  
Commissioner Boyd W. Dunn

Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007-2996

**Re: Status of Tucson Electric Power's (TEP) Energy Efficiency Programs, Docket No. E-01933A-15-0178**

Dear Chairman Forese and Commissioners:

Our organizations recently joined almost 40 businesses, trade associations, and consumer groups to express our serious concerns about the suspension of and cutbacks to TEP's energy efficiency programs.<sup>1</sup> We write now to respond to a letter that TEP recently filed with the Commission.<sup>2</sup>

**TEP's customers are very interested in energy efficiency because energy efficiency helps customers reduce their electric bills, ensures a reliable electricity system at lower total system costs, and provides jobs and economic benefits for the Tucson area.** High customer interest in energy efficiency programs and services is a good thing that TEP should respond to by fully and adequately supporting their energy efficiency programs and services. TEP should not be suspending programs and slashing customer rebates and incentives. Instead, TEP should be seizing the opportunity to help customers to become more energy efficient when the customers are interested in taking action.

**During times of upward rate pressure, TEP should offer – and the Commission should support – more energy efficiency programs and services to help customers manage increased utility costs.** The Commission recently approved a significant rate increase for TEP. Customers should have adequate programs and services to help them respond to this rate increase. Limiting the availability of energy efficiency services – TEP's least cost resource – while at the same time approving a significant rate increase, puts customers at a serious

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<sup>1</sup> See: <http://docket.images.azcc.gov/0000180493.pdf>

<sup>2</sup> See: <http://images.edocket.azcc.gov/docketpdf/0000180747.pdf>

disadvantage. During times like these, TEP's energy efficiency programs should be strengthened — not weakened or suspended.

**All customers fund TEP's energy efficiency programs and should have an equal and fair opportunity to participate in the programs that they support.** By suspending programs part-way through the year, TEP is picking and choosing which customers it serves. This is very unfair. For example, a business that did a project in March 2017 received full program services, but a similar business with a project scheduled for September 2017 will receive no services because the program is suspended (TEP is not taking any new applications). Yet both customers have paid and continue to pay for the energy efficiency programs through a charge on their utility bills. And both customers have opportunities to reduce their utility costs to mitigate the significant rate increase TEP sought and the Commission approved.

**Customer projects take months or years to plan. Customers therefore need reasonable stability in program services.** When the 2016 DSM Plan was extended to 2017 without change, customers and contractors planned their projects based on the \$23 million annual budget. While it is true that TEP has recently provided notice of the changes it has implemented, that notice came way too late to be helpful to customers and contractors.

**TEP should be serving all interested customers through its energy efficiency programs in 2017, consistent with the \$23 million budget approved by the Commission.** A funding level of \$23 million is the appropriate level of investment in the customer energy efficiency programs for 2017, the same budget level the Commission approved for 2016, as demonstrated by the strong customer interest in both years. When there is high customer interest in energy efficiency, TEP and the Commission should be capturing energy and demand savings by maintaining or increasing funding – and should not be cutting available funding.

**We are concerned that over the last year TEP has focused too much of its attention on its rate case and its significant rate increase, while focusing too little attention on the cost-effective energy efficiency programs and services that customers value. We ask that the Arizona Corporation Commission act to re-balance the situation and emphasize the public and customer interests by ensuring adequate funding for the energy efficiency programs that provide value to customers, consistent with the \$23 million budget for 2017.**

Thank you for your consideration of this important matter.

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*The Tucson Emerging 2030 District is a private-public-nonprofit collaborative working to create groundbreaking high performance building districts in Tucson that aim to dramatically reduce energy and water consumption.*

*The Alliance for Industrial Efficiency is a diverse coalition of business, contractor, labor and other groups committed to advancing the deployment of combined heat and power (CHP) and waste heat to power (WHP) through state and federal policies. The Alliance represents more than 60 Arizona companies.*