



October 31, 2017

Chairman Tom Forese
Commissioner Bob Burns
Commissioner Andy Tobin
Commissioner Boyd W. Dunn
Commissioner Justin Olson

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

Re: Business Support for Reinstating Tucson Electric Power's (TEP) Energy Efficiency Programs, Docket No. E01933A-170250

Dear Chairman Forese and Commissioners:

In June 2017, our organizations joined almost 40 businesses, trade associations, and consumer groups to urge you to restore Tucson Electric Power's (TEP) energy efficiency programs. In this letter and a follow-up letter to you, we explained the important benefits that TEP's energy efficiency programs deliver to the Tucson community. We also requested that you act expeditiously to ensure more energy efficiency programs and services are available to help customers manage increased utility costs from the recent approval of TEP's rate increase. Please see the letters attached.

The Commission now has an opportunity to reinstate and expand these important programs. We urge you to support TEP's request to fully fund its programs as part of the pending 2018 Demand Side Management Plan.

Thank you for your prompt attention to this important matter.

A handwritten signature in black ink that reads "John A. Eisele".

John Eisele
Executive Director
Tucson Emerging 2030 District
JohnEisele@2030Districts.org
520-977-0561

A handwritten signature in black ink that reads "Jennifer Kefer".

Jennifer Kefer
Executive Director
Alliance for Industrial Efficiency
jennifer@dgardiner.com

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.

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June 15, 2017

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

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Arizona Corporation Commission

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Dear Chairman Forese and Commissioners:

Re: Tucson community support for energy efficiency, and concerns with \$6 million of rollback and suspension of Tucson Electric Power's energy efficiency programs and services, Docket No. E-01933A-15-0178

As community groups, businesses, trade associations, consumer groups, and energy consumers, we know and experience firsthand how the Arizona Corporation Commission's energy policies and programs affect the cost of living and doing business in Tucson.

We strongly support programs and policies that encourage and advance energy efficiency because all Arizona consumers and businesses benefit when we eliminate energy waste.

Energy efficiency programs and investments are the lowest-cost option available – costing at least 5 times less than other alternatives according to Tucson Electric Power (TEP).¹ By investing in energy efficiency, we can reduce total energy costs for all TEP customers, mitigate the impact of fuel and electricity price increases, and build a more affordable, reliable electricity system for the businesses and citizens of Tucson and the state.

We recognize and applaud TEP's energy efficiency leadership to date. The numbers speak for themselves:

- In 2016, every \$1 invested in energy efficiency returned ~\$2.70 in benefits to ratepayers – a tremendous return on investment.²
- Energy efficiency has created more than 39,000 jobs across state, including more than 4,200 in Pima County.³ These well-paying jobs are in hands-on fields installing measures in homes or businesses and, as a result, cannot be outsourced.

¹ TEP reports that the average levelized cost for energy efficiency was \$9/MWh from 2011-2015. The next least expensive resource reported by Tucson Electric Power in its 2016 Preliminary Integrated Resource plan was \$48 or 5-times more, and other resources were even more expensive. See TEP's 2011-2015 Annual Demand Side Management Reports; and TEP's 2016 Preliminary Integrated Resource Plan.

² See TEP's 2016 Annual Demand Side Management Report.

³ See Environmental Entrepreneurs (E2), *Energy Efficiency Jobs in America*, December 2016.

- The programs are cost effective. Investing in energy efficiency by, for example, providing people with rebates to have their air conditioners tuned, is much less expensive than taking steps to generate more electricity, such as buying it at a premium on the open market or building new power plants.⁴

For these reasons, we are very concerned and surprised by plans to weaken and suspend TEP's energy efficiency programs. On May 8, 2017, TEP filed a letter with the Commission stating it has insufficient funds available (\$17 million) to continue to deliver programs at the \$23 million budget level approved by the Commission,⁵ the same budget as 2016. As a result of the \$6 million funding shortfall, TEP is suspending some programs and is no longer serving customers through important programs like its:

- **Multi-family energy efficiency program⁶** – which provides energy saving options to renters, many of whom are low-income and who face significant barriers to reducing their utility bills; and its
- **Commercial energy efficiency program⁷** – which provides comprehensive services and tools to small businesses and commercial business customers.

These developments are especially alarming given the recent approval of TEP's rate increase. During times of upward rate pressure, TEP's energy efficiency offerings are more vital than ever because they help residents and businesses control their energy costs, drive down energy bills, and redirect savings to the local economy. During times like these, TEP's energy efficiency programs should be strengthened — not weakened or suspended.

In closing, we urge you to build upon the success of TEP's energy efficiency programs and take immediate steps to fully fund the 2017 programs at the \$23 million level to serve the Tucson community. We urge you to direct TEP to retain the \$23 million budget previously approved by the Commission and set the DSM charge at the level necessary to support that budget.

We also stand ready to work with you and to provide additional information about the benefits that energy efficiency has and will continue to deliver for Tucson.

Thank you,

Alliance for Industrial Efficiency
American Council for Consumer Awareness
Antigone Books

⁴ Ibid at 1.

⁵ See: Tucson Electric Power, Notice of Spending Modifications to TEP's 2017 DSM Implementation Plan Docket No. E-01933A-15-0178, <http://docket.images.azcc.gov/0000179601.pdf>

⁶ See: <https://www.tep.com/efficiency-projects/>

⁷ See: <https://www.tepcommercialenergysolutions.com/Projects62/>

Architectural Fusion
Arizona Community Action Association (ACAA)
Arizona Interfaith Power and Light
Arizona PIRG Education Fund
Arizona Utility Ratepayers Alliance (AURA)
AARP Arizona
Borderlands Brewing
Casa Maria
Celestial Rites
Colobal Family Legal Services
Development Center for Appropriate Technology
Efficiency First Arizona (EFAZ)
Environmental Entrepreneurs (E2)
GeoInnovation, LLC
Guilin Chinese Restaurant
Lite Energy
National Association of Energy Service Companies (NAESCO)
National Electrical Manufacturers Association (NEMA)
Nest Labs
Net Zero Solar
North American Insulation Manufacturers Association (NAIMA)
Ordinary Bike Shop
Our Mother of Sorrows Church
Physicians for Social Responsibility
Polyisocyanurate Insulation Manufacturers Association (PIMA)
Revolutionary Grounds
Sheet Metal and Air Conditioning Contractors' National Association (SMACNA)
Sheet Metal and Air Conditioning Contractors' National Association - Arizona Chapter
Social Justice Council, Unitarian Universalist Church of Tucson
SW Center for Economic Integrity
Swaim Associates Architects, LTD
Tierra y Libertad
Tucson 2030 District
Tucson Bus Riders Union
Tucson Urban League
Western Grid Group

For more information, please contact: Diane E. Brown, Arizona PIRG Education Fund, (602) 252-9227 (o); (602) 318-2779 (c); dbrown@arizonapirg.org

ORIGINAL



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TUCSON
EMERGING
2030
DISTRICT


ALLIANCE
FOR INDUSTRIAL EFFICIENCY

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

Arizona Corporation Commission

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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.¹ We write now to respond to a letter that TEP recently filed with the Commission.²

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

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

² 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.

John Eisele
Executive Director
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