SIERRA CLUB

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE PROPOSED MODIFICATIONS TO THE ELECTRIC ENERGY EFFICIENCY STANDARDS RULES - ARTICLE 24	Docket No. RE-00000A-24-0025

Sierra Club Exceptions to Recommended Opinion and Order Repealing Arizona's Electric Energy Efficiency Standards

Pursuant to Arizona Administrative Code R14-3-110(B), Sierra Club respectfully files the following exceptions to the Administrative Law Judge's Recommended Opinion and Order ("ROO") in Docket No. RE-00000A-24-0025, which would repeal Arizona's Electric Energy Efficiency Standards ("EES").[1] Sierra Club filed detailed comments with the Arizona Corporation Commission ("Commission") on October 1, 2024, September 12, 2025, and December 4, 2025 opposing the Commission's proposal to repeal the EES.[2] Those prior comments are incorporated by reference. For the reasons explained in those previous comments, the Commission should not repeal the EES.

The Commission's decision to repeal the EES will hurt millions of Arizonans. The energy efficiency standards have been effective and successful: they save money for ratepayers by requiring utilities to offer cost-effective programs that conserve energy and lower electric bills. Deleting the EES would be a step backwards for Arizona ratepayers and is likely to lead to higher utility bills.

The revised economic impact statement ("EIS") provided with Commission Decision 81496 identifies many of the harms of repealing the EES.[3] It finds that repealing the EES is likely to result in "**higher energy consumption and long-term utility bill increases**" for residential customers, as utilities would have less incentive to invest in energy efficiency programs that save customers

[1] A.A.C. §§ R14-2-2401–R14-2-2419.

[2] Docket Nos. RE-00000A-24-0025, Sierra Club, Comments Regarding Proposed Repeal of Electric Energy Efficiency Standards and Renewable Energy Standard and Tariff (Oct. 1, 2024), *available at* https://docket.images.azcc.gov/E000038933.pdf?i=1754437533993; Dkt. No. RE-00000A-24-0025, Sierra Club Comments Regarding the Corporation Commission's Proposed Repeal of Arizona's Electric Energy Efficiency Standards (Sept. 12, 2025), *available at* https://docket.images.azcc.gov/E000046378.pdf?i=1764634580937; Dkt. No. RE-00000A-24-0025, Sierra Club Comments on Notice of Proposed Rulemaking to Repeal Arizona's Electric Energy Efficiency Standards (Dec. 4, 2025), *available at* https://docket.images.azcc.gov/E000048042.pdf?i=1781978620509, provided as Attachment A hereto.

[3] Decision No. 81496, Ex. B, Memorandum from Jill Stevenson to Utilities Division, Economic, Small Business, and Consumer Impact Statement: Electric Energy Efficiency Standards (August 27, 2025) (hereinafter "Revised EIS").

money.[4] It likewise finds that commercial and industrial customers would face higher energy costs as a result of the EES repeal.[5] The EIS notes that reducing investment in energy efficiency may lead utilities to build expensive new generation infrastructure, increasing costs to customers.[6] Finally, the EIS shows that by undermining new investments in energy efficiency, repealing the EES would hurt numerous small businesses, likely leading to job losses, and would harm Arizona's economy.[7]

The Commission's proposal in this proceeding is far too broad and heavy-handed. Instead of updating the energy efficiency targets in A.A.C. § R14-2-2404, the Commission is proposing not only to repeal those efficiency standards, but also to repeal the entirety of Article 24, which includes many other provisions. Instead of a targeted, surgical approach, the Commission is proposing the wholesale destruction of Arizona's entire framework for energy efficiency regulation.

Repealing the EES would reduce transparency and weaken oversight of utilities' demand side management ("DSM") programs by eliminating important reporting requirements and program criteria. The EES requires utilities to file DSM implementation plans at least every two years, as well as annual DSM progress reports.[8] Repealing the EES would delete these reporting requirements, as the NOPR acknowledges.[9] The Commission also proposes to delete the rules setting out criteria for Commission review and approval of utilities' DSM programs,[10] cost effectiveness of DSM programs,[11] and utility monitoring of DSM measures.[12] This would leave the Commission and the public with much less information about utilities' energy efficiency activities and progress, and their spending on DSM and energy efficiency programs, making oversight much more difficult.

The EES have provided enormous benefits to Arizona ratepayers and businesses, incentivizing utility investment in cost-effective energy efficiency and DSM programs and reducing costs for customers. Rather than eliminating the EES, the Commission should strengthen and expand these common-sense standards so that ratepayers can continue to benefit from programs that lower their electric bills. Without the EES, the utilities may lack the incentive to continue offering robust energy efficiency programs, and the Commission will not have the information it needs for effective oversight of those programs.

The Commission should not repeal the EES and should not adopt the ROO as proposed. However, if the Commission does decide to repeal the energy efficiency targets in A.A.C. § R14-2-2404, the Commission should still preserve the remaining sections of the rules (A.A.C. §§ R14-2-2401 through 2403 and R14-2-2405 through 2419), which include important provisions governing DSM implementation plans, annual progress reports, Commission review of DSM programs, monitoring and reporting, and consumer protections.

[4] *Id.* at 5.
[5] *Id.*
[6] *Id.* at 7.
[7] *Id.* at 6-9.
[8] A.A.C. §§ R14-2-2405, R14-2-2409.
[9] Decision No. 81496, Ex. A, NOPR § 9.
[10] A.A.C. § R14-2-2407.
[11] A.A.C. § R14-2-2412.
[12] A.A.C. § R14-2-2415.

Thank you for your consideration.

Respectfully submitted on June 22, 2026.

__*/s/ Sandy Bahr*____________
Sandy Bahr
Director
Sierra Club Grand Canyon Chapter

__*/s/ Ylenia Aguilar*__________
Ylenia Aguilar
Senior Campaign Organizer
Sierra Club Beyond Coal Campaign

Attachments:

Attachment A: Sierra Club's December 4, 2025 Comments on Proposed EES Repeal

ATTACHMENT A

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE PROPOSED MODIFICATIONS TO THE ELECTRIC ENERGY EFFICIENCY STANDARDS RULES - ARTICLE 24	Docket No. RE-00000A-24-0025

Sierra Club Comments on Notice of Proposed Rulemaking to Repeal Arizona's Electric Energy Efficiency Standards

Sierra Club provides the following comments on the Arizona Corporation Commission's ("Commission") proposal to repeal the Electric Energy Efficiency Standards ("EES"),[1] as set forth in Commission Decision 81496 in Docket No. RE-00000A-24-0025 and in the Notice of Proposed Rulemaking ("NOPR") published on October 24, 2025.[2]

Sierra Club strongly opposes the proposed repeal of the EES, which would hurt millions of Arizonans. Arizona's energy efficiency standards have been effective and successful: they save money for ratepayers by requiring utilities to offer cost-effective programs that conserve energy and lower electric bills. Deleting the EES would be a step backwards for Arizona ratepayers and is likely to lead to higher utility bills.

The revised economic impact statement ("EIS") provided with Commission Decision 81496 identifies many of the harms of repealing the EES.[3] It finds that repealing the EES is likely to result in "**higher energy consumption and long-term utility bill increases**" for residential customers, as utilities would have less incentive to invest in energy efficiency programs that save customers money.[4] It likewise finds that commercial and industrial customers would face higher energy costs as a result of the EES repeal.[5] The EIS notes that reducing investment in energy efficiency may lead utilities to build expensive new generation infrastructure, increasing costs to customers.[6] Finally, the

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[1] A.A.C. §§ R14-2-2401−R14-2-2419.

[2] Dkt. No. RE-00000A-24-0025, Commission Decision No. 81496 (Ariz. Corp. Comm'n Sept. 26, 2025), *available at* https://docket.images.azcc.gov/0000215253.pdf?i=1764634580937; Dkt. No. RE-00000A-24-0025, Notice of Filing Publication (Ariz. Corp. Comm'n Nov. 25, 2025), *available at* https://docket.images.azcc.gov/E000047793.pdf?i=1764634580937.

[3] Decision No. 81496, Ex. B, Memorandum from Jill Stevenson to Utilities Division, Economic, Small Business, and Consumer Impact Statement: Electric Energy Efficiency Standards (August 27, 2025) (hereinafter "Revised EIS").

[4] *Id.* at 5.

[5] *Id.*

[6] *Id.* at 7.

EIS shows that by undermining new investments in energy efficiency, repealing the EES would hurt numerous small businesses, likely leading to job losses, and would harm Arizona's economy.[7]

The Commission's proposal in this proceeding is far too broad and heavy-handed. It would be understandable if the Commission wanted to update the energy efficiency targets in A.A.C. § R14-2-2404, which set standards through 2020. But instead, the Commission is proposing not only to repeal those standards, replacing them with nothing, but also to repeal the entirety of Article 24, which includes many other provisions. Instead of a targeted, surgical approach, the Commission is proposing the wholesale destruction of Arizona's entire framework for energy efficiency regulation.

Repealing the EES would reduce transparency and weaken oversight of utilities' Demand Side Management ("DSM") programs by eliminating important reporting requirements and program criteria. Currently, the EES requires utilities to file DSM implementation plans at least every two years, as well as annual DSM progress reports.[8] Repealing the EES would delete these reporting requirements, as the NOPR acknowledges.[9] The Commission also proposes to delete the rules setting out criteria for Commission review and approval of utilities' DSM programs,[10] cost effectiveness of DSM programs,[11] and utility monitoring of DSM measures.[12] This would leave the Commission and the public with much less information about utilities' energy efficiency activities and progress, and their spending on DSM and energy efficiency programs, making oversight much more difficult.

The Commission should not repeal the EES. However, if the Commission decides to repeal the energy efficiency targets in A.A.C. § R14-2-2404, the Commission should preserve the other sections of the rules, including the requirement that utilities file DSM implementation plans, as well as the rules' other important monitoring and reporting provisions and consumer protections.[13]

I. Background

Sierra Club has long been involved in development of the EES, participating in the extensive public process, including public workshops, open meetings, and public comments. Since the EES was adopted in 2010, Sierra Club has advocated for effective implementation of the standard to benefit ratepayers.

On February 6, 2024, the Commission directed Staff to initiate the process of repealing the EES. Staff issued a memorandum on August 21, 2024 which proposed to entirely delete the EES. Staff also provided a draft Economic, Small Business and Consumer Impact Statement which purported to analyze the impacts of the repeal. On October 1, 2024, Sierra Club filed comments opposing the repeal of the EES and identifying numerous deficiencies in the draft EIS provided by

[7] *Id.* at 6-9.
[8] A.A.C. §§ R14-2-2405, R14-2-2409.
[9] Decision No. 81496, Ex. A, NOPR § 9.
[10] A.A.C. § R14-2-2407.
[11] A.A.C. § R14-2-2412.
[12] A.A.C. § R14-2-2415.
[13] A.A.C. §§ R14-2-2401−R14-2-2403; R14-2-2405−R14-2-2419.

Staff.[14] Other stakeholders also filed comments opposing the EES repeal and raising concerns about the resulting costs to consumers, businesses and utilities.

On September 3, 2025, Staff issued a Recommended Opinion and Order ("ROO") that recommends that the Commission entirely delete the EES, replacing them with nothing at all.[15] Staff's ROO attaches a revised EIS, dated August 27, 2025, that purports to analyze the impacts of the repeal.[16] On September 12, 2025, Sierra Club submitted comments on the ROO, again opposing the proposed repeal of the EES and highlighting remaining flaws in the revised EIS.[17] Other stakeholders also submitted comments reiterating the harmful impacts of the EES repeal. Sierra Club and other stakeholders made oral comments at the Commission's September 17, 2025 meeting.

On September 17, 2025, the Commission voted to proceed with its proposal to repeal the EES and to direct Commission staff to file a NOPR in the *Arizona Administrative Register*. The Commission's written Decision 81496 was issued on September 26, 2025. The Commission's decision did not respond to any of the stakeholder concerns about the harms of repealing the EES. Decision 81496 attached a copy of the revised EIS, but it did not address any of the deficiencies in the revised EIS that had been identified by Sierra Club and other stakeholders.

The NOPR to repeal the EES was published in the *Arizona Administrative Register* on October 24, 2025. One month later, on November 25, 2025, the Commission filed notice of the publication of the NOPR in Docket No. RE-00000A-24-0025.[18] The NOPR requests that public comments on the proposed EES repeal be filed with the Commission by December 4, 2025. Sierra Club timely submits these comments within the deadline set by the Commission.

II. Electric Energy Efficiency Standards Benefit Customers, Businesses, and Utilities.

Arizona's electric energy efficiency standards require utilities to implement practical, cost-effective programs that conserve energy and reduce electric bills for Arizona ratepayers. The EES have successfully driven Arizona utilities to improve energy efficiency, benefiting consumers over the last decade. The Commission should not repeal these commonsense standards.

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[14] Docket Nos. RE-00000A-24-0025, Sierra Club, Comments Regarding Proposed Repeal of Electric Energy Efficiency Standards and Renewable Energy Standard and Tariff (Oct. 1, 2024), *available at* https://docket.images.azcc.gov/E000038933.pdf?i=1754437533993.

[15] Memorandum from Ranelle Paladino and Briton A. Baxter to Docket Control, Docket No. RE-00000A-24-0025 (Ariz. Corp. Comm'n Sept. 3, 2025), *available at* https://docket.images.azcc.gov/E000046176.pdf?i=1757453774018.

[16] Decision No. 81496, Ex. B, Memorandum from Jill Stevenson to Utilities Division, Economic, Small Business, and Consumer Impact Statement: Electric Energy Efficiency Standards (August 27, 2025).

[17] Dkt. No. RE-00000A-24-0025, Sierra Club Comments Regarding the Corporation Commission's Proposed Repeal of Arizona's Electric Energy Efficiency Standards (Ariz. Corp. Comm'n Sept. 12, 2025), *available at* https://docket.images.azcc.gov/E000046378.pdf?i=1764634580937.

[18] Dkt. No. RE-00000A-24-0025, Notice of Filing Publication (Ariz. Corp. Comm'n Nov. 25, 2025), *available at* https://docket.images.azcc.gov/E000047793.pdf?i=1764634580937.

Adopted by the Commission in 2010,[19] the EES required utilities to meet cumulative annual targets for electricity savings from 2011 through 2020, with those targets gradually ramping up over time.[20] By 2020, utilities were required to achieve cumulative annual energy savings equivalent to at least 22% of the utilities' retail electricity sales for the previous year.[21] The standards call for utilities to achieve these savings by implementing cost-effective demand-side management ("DSM") and energy efficiency programs, and to provide annual reports on the results of those programs.[22]

The EES have been a resounding success. From 2010 to 2023, the EES have achieved more than 7,100 GWhs of energy-savings annually,[23] which is enough electricity to power almost one million homes per year. Energy efficiency investments not only save energy and reduce peak demand, they also help customers lower utility bills through technology upgrades to air conditioners and other home appliances, and household energy audits and retrofits.

Energy efficiency is the cheapest, most competitive energy resource option available, costing at least three or four times less than other options.[24] Energy efficiency programs are cost effective: it is much less expensive to reduce power consumption via increased efficiency than it is to spend money building new generating resources to provide an equivalent amount of power. For example, it is much cheaper to provide customers with rebates to have their air conditioners serviced or to install more efficient air conditioners than it is to generate more electricity by building new power plants.

Arizona's energy efficiency programs have yielded enormous economic benefits. From 2010 to 2023, every $1 of APS and TEP ratepayer money invested in energy efficiency in Arizona resulted in a return of approximately $4 in economic and social benefits to ratepayers.[25] Investments in energy efficiency have created more than 42,000 jobs in Arizona.[26]

Repealing the EES would harm residential customers. The revised EIS attached to Commission Decision 81496 finds that repealing the EES could lead to "long-term utility bill increases," as discussed below.[27] Utilities may discontinue popular energy efficiency programs if the Commission repeals the EES, so that customers would no longer be able to access the benefits and bill savings provided by those programs. Critically important efficiency programs that help seniors,

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[19] Decision No. 71819, Docket No. RE-00000C-09-0427 (Ariz. Corp. Comm'n Aug. 10, 2010), *available at* https://edocket.azcc.gov/search/document-search/item-detail/175950.
[20] A.A.C. § R14-2-2404.
[21] *Id.*
[22] A.A.C. §§ R14-2-2403, R14-2-2409.
[23] *See* Docket No. E-00000U-18-0055, Tucson Electric Power Company and Arizona Public Service Company Annual Demand Side Management reports from 2010 to 2023.
[24] *See* Tucson Elec. Power Co., 2017 Integrated Resource Plan at 93 (Chart 20: 2017 Levelized Cost of All Resources), (Apr. 3, 2017), *available at* https://www.tep.com/wp-content/uploads/2016/04/TEP-2017-Integrated-Resource-FINAL-Low-Resolution.pdf.
[25] *See* Docket No. E-00000U-18-0055, 2010-2023 Annual Demand Side Management reports of Tucson Electric Power Company and Arizona Public Service Company.
[26] Environmental Entrepreneurs, Arizona: Energy Efficiency Jobs in America (2023), *available at* https://e4thefuture.org/wp-content/uploads/2023/10/Arizona.pdf.
[27] *See* Revised EIS at 5.

low-income households, and other vulnerable communities reduce their utility bills could be eliminated.

Repealing the long-established EES would also harm Arizona businesses, which need stable and predictable energy efficiency policies. In order to make investments, businesses need regulatory certainty and consistent policies that keep costs low. Inconsistent policies increase risks and costs, and are bad for business. Repealing the rules after more than a decade sends the wrong message, and may dissuade businesses from making investments and creating jobs in Arizona.

In light of the EES's success and the substantial benefits of energy efficiency programs for Arizona ratepayers, the Commission should not repeal the standards. Instead, the Commission should strengthen and extend the standards, so that ratepayers can continue to benefit from cost-effective programs that lower their electric bills and the Commission can maintain effective oversight of those programs.

III. The Revised EIS Shows the Harmful Impacts of Repealing the EES.

The revised "Economic, Small Business and Consumer Impact Statement" attached to Commission Decision 81496 includes new analysis that expands on the draft EIS. The revised EIS identifies many of the harmful impacts of repealing the EES for utility customers, small businesses, local governments, and Arizona's economy.

The revised EIS acknowledges that "energy efficiency remains a cost-effective tool for managing load growth, reducing system costs, and enhancing customer affordability."[28] It concludes that repealing the EES "could lead to **lower investment levels**, **uneven access across customer classes, and higher utility bills over time**."[29]

The revised EIS finds that repealing the EES could harm "the pace, consistency, and accountability of energy efficiency investment in Arizona."[30] It explains that the "scale and consistency" of energy efficiency investment "may decline without the structure and accountability provided by the EES rules. Federal incentives and market demand will continue to play a role, but state-level standards remain an important driver of long-term savings, equity, and grid reliability."[31]

The revised EIS finds that at best, the EES repeal could result in "minor" or "modest short-term savings," including the possibility of "slightly lower utility bills in the short term" for some customers if utilities were to choose to remove energy efficiency surcharges from customer bills.[32] However, this alleged short-term benefit is likely illusory, as utilities are not required to remove energy efficiency surcharges from customer bills even if the EES is repealed: the EIS acknowledges that "the surcharges could continue without the rules."[33] Moreover, the EIS finds that repealing the EES is likely to result in "**higher energy consumption and long-term utility bill increases**" for

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[28] *Id*. at 4.
[29] *Id*. at 2.
[30] *Id.*
[31] *Id.*
[32] *Id.* at 5, 6, 8.
[33] *Id.* at 5.

customers, as utilities reduce investment in efficiency programs that reduce customer bills.[34] Instead, utilities may prioritize spending on expensive new generation which increases costs for customers but allows utilities to earn higher profits.

The revised EIS identifies many substantial costs and harms that would result from repealing the EES, including costs to ratepayers and the general public, utilities, the energy efficiency sector, small businesses, local governments, and the economy:

Costs to Residential Utility Customers:[35]

- Without continued investment in efficiency programs, residential customers would face "higher energy consumption and long-term utility bill increases," as older appliances and systems remain in use without upgrades or incentives.
- Repealing the EES would "eliminate access to consistent, statewide EE programs, resulting in confusion, uneven availability," and "service gaps across utility territories."
- Low- and moderate-income households, especially in rural areas, would be "disproportionately affected by the loss of subsidized programs, rebates, and technical support designed to reduce energy burden and improve affordability."

Costs to the General Public:[36]

- Over time, a reduction in energy efficiency efforts would impact overall grid reliability by increasing system strain during periods of peak demand.
- Higher peak demand may require additional infrastructure investment or the use of less efficient peaking resources, which would lead to increased utility costs.
- A decline in efficiency-related emissions reductions would contribute to increased air pollution, with associated public health and environmental consequences.
- Affordability and energy equity would worsen for vulnerable populations that lack resources to pursue energy efficiency upgrades independently.

Costs to Utility Companies:[37]

- Repealing the EES would create uncertainty around how energy efficiency is treated in resource planning and cost recovery proceedings.
- Utilities would experience added complexity in long-term demand forecasting and resource planning without consistent energy efficiency benchmarks.
- Repealing the EES may lead to changes in how energy efficiency programs are structured, funded, and prioritized, resulting in reduced investment or fewer offerings.

Costs to Commercial and Industrial Customers:[38]

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[34] *Id.*
[35] *Id.*
[36] *Id.* at 7.
[37] *Id.* at 4-5.
[38] *Id.* at 5-6.

- Commercial and industrial customers would face higher energy costs if they cannot participate in utility-sponsored programs that reduce energy use and operating expenses.
- The elimination of efficiency programs could result in the loss of demand response tools that help manage peak loads and control utility costs during high-demand periods.
- Without EE programs, businesses may have less control over load management strategies that previously helped smooth energy consumption and reduce spikes in demand charges.

Costs to Workers and Businesses in the Energy Efficiency Sector:[39]

- Repealing the EES would lead to reduced utility investment in energy efficiency, resulting in job losses or stagnation across a range of energy efficiency-related occupations, including contracting, installation, auditing, and engineering.

Costs to Small Businesses:[40]

- Eliminating utility-run energy efficiency programs would reduce access to financial incentives, technical support, and other resources that small businesses rely on to make energy efficiency improvements feasible.
- Small businesses involved in the energy efficiency supply chain, such as HVAC contractors, electricians, or lighting installers, would lose project opportunities and revenue tied to utility-sponsored energy efficiency initiatives.
- Overall demand for energy-efficient equipment, services, and retrofits may decline, negatively affecting small manufacturers, suppliers, and service providers.

Costs to Local Governments, Schools, and Other Public Entities:[41]

- Eliminating utility-funded energy efficiency programs would delay or prevent cost saving upgrades to public buildings and infrastructure, leading to higher long-term energy consumption, increased utility costs, and reduced energy performance in schools, libraries, and other municipal facilities.
- Public institutions would lose access to essential tools such as rebates, technical support, and shared savings models, while the absence of utility partnerships may limit their ability to leverage matching funds or qualify for federal grants.
- A reduction in public-sector energy efficiency investment would disrupt local contractor and vendor activity and weaken coordinated public investment strategies that rely on stable utility participation in energy cost management.

Costs to the Commission:[42]

- Repealing the EES would eliminate standardized energy efficiency reporting requirements for utilities, reducing the Commission's ability to consistently and rigorously monitor utility progress on energy efficiency.

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[39] *Id.* at 6.

[40] *Id.*

[41] *Id.* at 7.

[42] *Id.* at 8.

- Without formal benchmarks or required utility filings on energy efficiency, the Commission would face challenges in guiding utility planning, evaluating demand-side resource impacts, and ensuring cost-effectiveness.
- Eliminating the structured framework for energy efficiency reporting would reduce transparency, weakening public trust and stakeholder confidence in the oversight process.

Broader Economic Harms:[43]

- A decline in utility-sponsored energy efficiency programs would reduce business activity in the energy efficiency sector, including contractors, auditors, and equipment suppliers.
- Eliminating the EES "may result in fewer capital investments in high-efficiency technologies, retrofits, and upgrades" that support local economic activity.
- A long-term rise in statewide energy demand would trigger major infrastructure buildouts, increasing pressure on utility budgets and consumer bills, and dampening broader economic activity.

In sum, the revised EIS concludes that the costs of the EES repeal may include "reduced transparency, regulatory certainty, and a potential decline in the scale and consistency of energy efficiency investments—particularly among smaller or less proactive utilities," because "[w]ithout a binding framework, the incentive to invest in long-term energy savings programs may diminish, potentially leading to higher energy consumption and increased infrastructure costs."[44] The revised EIS cautions that "[t]hese broader implications, including reduced public oversight and loss of standardized program data, should be carefully considered" by the Commission.[45]

IV. The Revised EIS's Analysis of the EES Repeal Remains Flawed.

The revised EIS attached to Decision 81496 correctly identifies many of the economic, business, and consumer impacts of repealing the EES. However, the revised EIS still has several significant flaws that fail to adequately evaluate the repeal's likely impacts.

First, the revised EIS still provides only qualitative analysis. Like the draft EIS, the revised EIS still makes no attempt to quantify the economic and consumer benefits that the EES have delivered for utility customers over its lifetime or the costs that would result from repealing the EES. The EIS should include quantitative dollar-value estimates of economic costs and benefits associated with the EES repeal. The EIS must answer several critical questions: How much may customer utility bills increase in the long term as a result of the repeal? What is the value of the rebates and other consumer benefits that will be lost? How much more will customers have to pay to purchase and install more efficient technologies in their homes? How many jobs will be lost in the energy efficiency sector, and what is the dollar value of the economic impact on small businesses? The EIS does not answer these questions. Without quantified dollar values, there is no basis for the Commission's conclusion that any claimed benefits of repealing the EES outweigh the costs.

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[43] *Id.* at 8-9.

[44] *Id.* at 9.

[45] *Id.*

Second, in evaluating the probable impacts of the EES repeal, the authors of the revised EIS state that they interviewed APS and TEP,[46] but it does not appear that the authors spoke with any other Arizona utilities, or with cooperatives such as AEPCO. This oversight is particularly important because the revised EIS suggests that the impacts of the EES repeal may be most significant for smaller utilities, rural customers, and rural businesses.[47] Given that finding, it is troubling that the EIS authors only interviewed two of Arizona's largest utilities, without speaking with others –like rural electric cooperatives– that may be more heavily impacted.

Third, the revised EIS suggests that the harmful impact of the EES repeal may be limited because of continued availability of federal energy efficiency incentives authorized under the federal Inflation Reduction Act.[48] The EIS fails to acknowledge that several federal incentives for energy efficient homes and commercial buildings have been terminated or phased out earlier as a result of federal legislation passed in July 2025, which repealed many parts of the Inflation Reduction Act.[49] This oversight is strange, because the revised EIS is dated August 27, 2025, almost two months after the enactment of federal legislation on July 4, 2025 which weakened or repealed many Inflation Reduction Act incentives. The revised EIS should consider the impact of this new federal legislation. The termination of prior federal efficiency incentives makes state policies such as the EES even more important and increases the likelihood that the EES repeal will do greater harm in Arizona.

V. Commission Decision 81496 Is Not Supported by Evidence or Analysis and Contradicts the Conclusions of the Revised EIS.

Commission Decision 81496 does not provide any analysis to support its conclusion that the EES should be repealed. The Decision simply adopts Staff's conclusory assertion that the "probable benefits" of the EES repeal "outweigh the probable costs" of the repeal.[50] But the Decision does not identify which benefits or costs it is referring to, and the Commission cites no evidence to support its conclusion that the alleged benefits of repeal exceed the costs. Similarly, where the NOPR calls for the "agency's justification and reason why a rule should be . . . repealed," the Commission summarily concludes without evidence that "[t]he costs associated with repealing the [EES] rules are expected to be minimal, thus the benefits will outweigh the costs."[51] Again, the Commission does not identify the benefits or costs or cite any supporting evidence for this claim.

Decision 81496 and the NOPR contain no meaningful analysis of the impacts of the EES repeal. The Commission's only discussion of the probable impacts of eliminating the EES is limited to a few sentences contained in the Decision and NOPR. Here, the Commission asserts that "[a] repeal of the rules does not require Electric EE to cease. Electric Utilities are always able to submit

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[46] *Id.* at 3, 9.
[47] *Id.* at 3, 5, 9.
[48] *See id.* at 1.
[49] Pub. L. No. 119-21, 139 Stat. 72 (July 4, 2025) §§ 70505, 70507, 70508; *see also* Internal Revenue Service, FAQs for modification of sections 25C, 25D, 25E, 30C, 30D, 45L, 45W, AND 179D under Public Law 119-21 (Aug. 21, 2025), *available at* https://www.irs.gov/newsroom/faqs-for-modification-of-sections-25c-25d-25e-30c-30d-45l-45w-and-179d-under-public-law-119-21-139-stat-72-july-4-2025-commonly-known-as-the-one-big-beautiful-bill-act-obbb.
[50] Decision 81496 at 7, Staff Analysis & Recommendations ¶22, *id*. at 8, Conclusions of Law ¶2.
[51] *Id*., Ex. A, NOPR § 6.

applications for cost-effective EE and DR programs."[52] Simply asserting that some level of investment in energy efficiency programs will continue to be possible and that utilities will not be compelled to abolish those programs does not address the question of how much energy efficiency programs may be reduced as a result of the EES repeal, the resulting costs to consumers and businesses, or whether those costs are outweighed by any meaningful benefits. The revised EIS concludes that repealing the EES would reduce incentives for utility investment in energy efficiency,[53] but Decision 81496 and the NOPR ignore the consequences of this reduced investment.

The NOPR notes that "retail electric utility customers who implement energy efficiency measures would no longer receive the reductions in electricity use and related bill savings resulting from implementing new measures,"[54] but makes no attempt to quantify those lost savings or associated bill increases. And while the NOPR asserts that customers "would have lower utility bills due to no longer having to pay for the cost of the energy efficiency programs through the utility surcharge,"[55] the NOPR provides no evidence for this. Critically, the Commission does not evaluate whether customers' reduced access to energy efficiency programs would result in long-term net bill increases that offset any short-term customer savings from the removal of the surcharge.

The Commission's assertions in the NOPR that "costs associated with repealing the [EES] rules are expected to be minimal" and that "the benefits will outweigh the costs"[56] are also not supported by the revised EIS. The revised EIS does not conclude that the costs of the EES repeal would be minimal, as the Commission claims, or that the repeal would provide sufficient benefits to outweigh the costs. On the contrary, the revised EIS finds that the *benefits* of the EES repeal would be "minor," "modest," or slight.[57] Moreover, the revised EIS identifies many substantial costs that may result from the EES repeal, including long-term increases in utility bills, as discussed above in Section III, and concludes that "energy efficiency remains a cost-effective tool for managing load growth, reducing system costs, and enhancing customer affordability."[58] Based on this discussion, the revised EIS's conclusions are inconsistent with the Commission's conclusions about relative costs and benefits. Moreover, as noted above, the revised EIS does not quantify the economic costs or benefits of the EES repeal, so it cannot provide any support for the Commission's conclusion that the claimed benefits of the repeal "outweigh" the costs.

Finally, the NOPR inaccurately asserts that the EES repeal would have "no probable impact on state revenues," wrongly attributing that conclusion to the revised EIS.[59] On the contrary, the revised EIS finds that the proposed EES repeal could impact state revenues via a "decline in utility-sponsored energy efficiency programs," which "could reduce taxable business activity in the [energy efficiency] sector."[60] The revised EIS also notes that the EES repeal may cause the state to "miss out

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[52] Decision 81496 at 2, ¶ 5; *see also id*. Ex. A, NOPR §§ 6, 9(ii).
[53] Revised EIS at 2.
[54] Decision 81496, Ex. A, NOPR § 9(iv).
[55] *Id.*
[56] *Id.* § 6.
[57] *See* Revised EIS at 5, 6, 8.
[58] *Id.* at 4.
[59] Decision 81496, Ex. A, NOPR § 9(iv).
[60] *Id.*, Ex. B, Revised EIS at 8.

on opportunities to attract or qualify for certain federal funding streams," that the repeal may "result in fewer capital investments in high-efficiency technologies, retrofits, and upgrades" which "often support taxable economic activity."[61] The NOPR misrepresents the revised EIS's conclusions.

VI. Conclusion

The Commission should not repeal the EES, which have provided enormous benefits to Arizona ratepayers and businesses, incentivizing utility investment in cost-effective energy efficiency and DSM programs and reducing costs for customers. Rather than eliminating the EES, the Commission should strengthen and expand these common-sense standards so that ratepayers can continue to benefit from programs that lower their electric bills. Without the EES, the utilities may lack the incentive to continue offering robust energy efficiency programs, and the Commission will not have the information it needs for effective oversight of those programs.

We ask the Commission not to repeal the EES and instead adopt updated standards that protect ratepayers and support Arizona businesses. However, if the Commission does decide to repeal the energy efficiency targets in A.A.C. § R14-2-2404, the Commission should still preserve the remaining sections of the rules (A.A.C. §§ R14-2-2401 through 2403 and R14-2-2405 through 2419), including important provisions governing DSM implementation plans, annual progress reports, Commission review of DSM programs, monitoring and reporting, and consumer protections.

Thank you for considering these comments.

Respectfully submitted on December 4, 2025.

__*/s/ Sandy Bahr*______________
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[61] *Id*. at 9.