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May 27, 2011

Arizona Corporation Commission
Docket Control
Phoenix, AZ

Re: Dissent
GRAHAM COUNTY UTILITIES, INC.
G-02527A-09-0088, et al.

I am docketing this letter to explain why I dissented from the Commission's decision in this matter. In my opinion, the Commission's failure to approve the demand side management ("DSM") plan submitted by Graham County Utilities, Inc. ("Graham" or "Company") will deprive Graham's customers of a much-needed benefit: the opportunity to take advantage of programs that will reduce their energy use and the associated costs. These opportunities are especially important to customers living in rural areas.

I want to applaud the Company for submitting a DSM plan to benefit its customers. This action was commendable, especially because the recently approved Energy Efficiency ("EE") Rules do not apply to Class B utilities, such as Graham. I realize that Graham had been ordered in its last rate case (before the adoption of the EE Rules) to propose a DSM program. But in light of the outcome of the EE rulemaking, the Company might have sought to have that order amended (pursuant to A.R.S. § 40-252). Instead, Graham complied with that decision and submitted a workable DSM proposal. It signaled to me that Graham was willing to move forward with its customers' best interests at heart.

I believe that it is in the public interest for all utilities—even Class B utilities—to offer modest DSM programs so that customers statewide will have the opportunity to reduce their energy use and associated costs. I emphatically agree with the Southwest Energy Efficiency Project ("SWEEP") that all utilities—regardless of size—should offer some level of DSM service so that their customers can mitigate rising energy costs.

In these difficult economic times, I know that it is challenging to find resources for programs; however, I truly believe—and research has demonstrated—that DSM programs pay great dividends beyond their initial costs. Furthermore, there were suggestions offered to address Staff's concerns regarding the costs of administering the DSM programs and of effectively reaching Graham's customers; unfortunately, those suggestions were not adopted.

I encourage Graham to continue to seek ways to offer DSM programs to its members, and I hope that those who do not yet fully embrace energy efficiency will come to appreciate the customer benefits associated with these programs.

A handwritten signature in cursive script, appearing to read "Sandra D. Kennedy". The signature is written in dark ink and is positioned above the typed name.

Sandra D. Kennedy
Corporation Commissioner
Graham County Utilities, Inc.
G-02527A-09-0088, et al.