AGENDA MATERIAL
DATE 6/17/25 ITEM NO. RA65
ADD 5

MEMORANDUM

Date: June 18, 2025

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: Jan Lesher
County Administrator

Re: **Tucson Electric Power Proposed Rate Increase**

On the afternoon of Tuesday, June 17, Tucson Electric Power announced it would seek a 14% rate increase from the Arizona Corporation Commission (ACC), which raised concerns that the approval of Project Blue might have impacted the decision by TEP to request a rate increase. Attached please find a letter from Tucson Electric Power (TEP) President & CEO Susan Gray that states, "we regret that the timing of our rate application and the press release announcing it created concern. The timing was coincidental. I can assure you that Project Blue in no way influence our decision to request new rates."

President & CEO Gray also notes, in part, that "[t]he rates that TEP customers pay today are based on costs incurred in 2021. Since then, the company has invested $1.7 billion in grid upgrades and new energy resources that are already providing service to our community. On May 15, 2025, we notified the ACC in a public filing of our intent to request new rates designed to recover the costs of those investments. If our proposal is approved by the ACC, new rates would be based on costs incurred in 2024."

JKL/je

Attachment

c: Carmine DeBonis, Jr., Deputy County Administrator
Steve Holmes, Deputy County Administrator
Heath Vescovi-Chiordi, Director, Economic Development Department

TEP
Tucson Electric Power

88 East Broadway Blvd.
Tucson, AZ 85701

June 18, 2025

County Administrator Lesher,

I'd like to offer my thanks to the Pima County Board of Supervisors, your office and county staff members for your interest at this week's public meeting regarding our plan for providing electric service to Project Blue.

We're aware of concerns regarding the Board's consideration of the project on Tuesday and the timing of a press release and other communications we issued regarding our request to the Arizona Corporation Commission (ACC) for a rate review. Although TEP was not formally a party to the items before the Board on Tuesday, we attended to answer any questions about electric service to the Project Blue site.

We regret that the timing of our rate application and the press release announcing it created concern. The timing was coincidental. I can assure you that Project Blue in no way influenced our decision to request new rates.

The rates that TEP customers pay today are based on costs incurred in 2021. Since then, the company has invested $1.7 billion in grid upgrades and new energy resources that are already providing service to our community. On May 15, 2025, we notified the ACC in a public filing of our intent to request new rates designed to recover the costs of those investments. If our proposal is approved by the ACC, new rates would be based on costs incurred in 2024.

In contrast, the discussion of Project Blue's potential impact on TEP's local energy grid is entirely forward-looking. We have sought to address concerns that Project Blue could someday increase costs for other customers by explaining that its operations will in fact benefit other customers. Even so, that impact would be years away and were not factored into our rate request.

Because Project Blue would use energy at consistently high levels, its rates would more than cover its share of the infrastructure needed to serve it. Most of TEP's fixed service costs are recovered through usage-based charges, so Project Blue, and other prospective large power users, will cover a larger share of those costs, and the additional consumption will allow us to spread out those costs across more usage. This is why economic growth generally creates benefits for TEP's existing customers, while the absence of economic growth puts more rate pressure on existing customers.

Large industrial customers also contribute through rates to low-income assistance and energy efficiency programs for all customers. These programs promote bill savings and encourage conservation during peak usage periods, helping to better align overall consumption with available resources.

We appreciate your concerns. Please let me know if you have any additional questions.

Sincerely,

Susan M. Gray

Susan M. Gray
President & CEO, Tucson Electric Power