TEP RPAC Meeting Minutes – June 4, 2026

Facilitators:

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Meeting Purpose:

Continue the RPAC process leading to the 2026 Integrated Resource Plan.

Meeting Focus:

- Customer Energy Optimization Programs
- Market Potential Study Results
- Base Case Modeling Results and Resource Portfolios

Key Themes and Topics Discussed:

1. Introductions

2. Stakeholder Representation:
    - TEP
        - Resource Planning
        - Business Development
        - Communications
        - Corporate Environmental Services
        - Customer Energy Programs
    - Education
        - Tucson Unified School District
        - University of Arizona
    - Local government
        - City of Tucson
        - Pima County
    - Military
        - Davis-Monthan AFB
    - Customer advocacy groups
        - AZ PIRG
        - Interfaith Community Services
    - Renewable energy and environmental groups
        - The Nature Conservancy

3. IRP Schedule Update with proposed delay of IRP timeline:
    - IRP filing by October 30, 2026.
    - Stakeholder comments due January 28, 2027.
    - TEP responses by May 27, 2027.
    - Proposed Order by August 30, 2027.
    - Expectation is that all utilities are aligned on the same IRP timeline.

<u>Customer Energy Optimization and Market Potential Study</u>

4. Customer Energy Optimization (CEO) Programs:
    - Defined as customer-facing tools to influence energy usage.
    - Core program areas include:
        - Energy Efficiency – HVAC upgrades, insulation, and lighting.
        - Demand Response – thermostat programs (Smart Rewards) and battery discharge programs.
        - Electric Vehicle and Managed Charging – shift charging away from peak.
        - Emerging Technologies and Outreach – education and innovation pilots.
        - CEO programs are being positioned as grid resources comparable to traditional generation.

5. Market Potential Study:
    - Evaluated technical, economic, and achievable potential.
    - Trends included:
        - Decline in lighting savings due to LED saturation.
        - Future savings driven by HVAC systems, heat pumps, and Smart thermostats.
        - Increasing importance of load flexibility.

6. Demand Response and Virtual Power Plant:
    - Aggregating customer devices (thermostats, batteries, EVs).
    - Creating dispatchable load flexibility.
    - Shift or reduce load during peak periods.
    - More efficient homes may translate into higher DR participation.

<u>IRP Preliminary Base Case Results</u>

7. Base Case Resource Planning Results:
    - Near-term additions include solar and storage and battery storage deployments.
    - Mid-term (2030+) include natural gas additions selected by the Aurora model.
    - Retirement of some coal/legacy assets.
    - Solar and storage dominate early additions.
    - Gas is selected later for reliability and capacity needs.
    - No wind additions are selected in the Base Case as it is not cost-effective in the model.

8. System Planning Concerns:
    - Industrial load growth (data centers).
    - Inflation and cost pressures.
    - Policy uncertainty (tax credits, environmental regulations).
    - Planning constraints including maintaining an approximate 18% Planning Reserve Margin.
    - Balancing cost vs. reliability and policy goals.

Stakeholder Questions

Customer Programs and Technology

- Why were certain measures such as water efficiency and advanced energy monitoring not emphasized?
    - These measures are usually given less weight in the planning model because they provide smaller or less predictable energy savings compared to more traditional programs like HVAC upgrades.
    - Savings from advanced monitoring and behavior-driven tools are harder to quantify and verify, reducing confidence for inclusion in planning models.

Role of Customer Programs as a Resource

- Are energy efficiency and demand response being treated as real system resources?
    - Yes, this is a core strategic objective. TEP is modeling EE and DR alongside generation resources and is running long-term potential studies through 2041. TEP recognizes that real-world constraints, including policy, cost-effectiveness, and adoption rates limit achievable potential.

Demand Response as Reliable Capacity

- Can demand response be relied upon as a firm capacity for large customers like data centers?
    - DR is an important tool in considering large customer impacts, but it isn't something we can treat as firm, dependable capacity or fully build into our resource portfolios because of its inherent uncertainty.
    - Our long-term resource plans rely on accurate 15-year forecasts, and we don't have clear visibility into whether additional large loads will materialize. Since we also can't assume those customers will be available or willing to participate in DR programs, that creates a fundamental planning challenge.

Cost Pressure and Infrastructure Investment

- How are rising costs and infrastructure needs impacting planning decisions?
    - There is a convergence of costs including aging infrastructure replacement, new technology deployment, inflation and rising capital costs, and fuel and delivery cost uncertainty. This is increasing rate pressure and reinforcing the need for cost transparency and careful prioritization.

Natural Gas Dependence and Risk

- What role does natural gas play and what concerns exist?
    - Natural gas is a practical "bridge" resource that supports reliability and affordability, while emerging technologies, such as long-duration energy storage, continue to develop at scale. Resource planning appropriately considers potential tradeoffs, including fuel price variability, environmental considerations, and infrastructure impacts such as pipeline development. As a result, natural gas is incorporated as part of a balanced transition strategy in a diversified resource portfolio rather than a sole solution.

Planning Reserve Margin and Reliability Risk

- Why maintain an approximate 18% Planning Reserve Margin and can it be reduced?
    - The PRM ensures reliability during peak demand and lowering PRM would mean accepting higher outage risk. This may be influenced by the Western Resource Adequacy Program and regional accreditation rules in the future.

Load Growth Uncertainty

- How does large new load, especially data centers, affect planning?
    - This load is a major driver of future demand forecasts and adds uncertainty because the timing and scale is sometimes unclear. Demand in the Base Case is modeled using data center load that is under contract.

Next Steps:

- Complete portfolios and run additional scenarios and sensitivities.
- Prepare IRP filing and align with updated schedule.
- An additional RPAC meeting will be added to the schedule in August.
- The July stakeholder meeting will be rescheduled for September.

These notes aim to encapsulate the discussions and outline the next steps for effective collaboration moving forward in the RPAC process.