

ORIGINAL

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS
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Arizona Corporation Commission

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JUL 24 2008

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IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-01933A-07-0401
TUCSON ELECTRIC POWER COMPANY'S)
REQUEST FOR APPROVAL OF ITS DEMAND-) TEP'S COMMENTS ON STAFF'S
SIDE MANAGEMENT SMALL BUSINESS) REPORT AND PROPOSED
PROGRAM) ORDER

Tucson Electric Power Company ("TEP" or the "Company"), through undersigned counsel, hereby submits its comments to the Arizona Corporation Commission ("Commission") Staff's Report and Recommended Opinion and Order ("ROO") for the TEP Small Business Program ("Program"). TEP generally supports the conclusions reached by Commission Staff and appreciates Staff's effort and diligence in analyzing the Program. However, in order to generate participation in the Program and to achieve the savings and cost-benefit outlined, TEP is offering the following comments and modifications.

I. COMMENTS AND MODIFICATIONS.

A. Ordering Paragraph No. 2, page 13, line 14: "IT IS FURTHER ORDERED that incentive payments shall be capped at no more than 90% of the cost of a measure."

In TEP's experience, lower incentives reduce program participation. TEP proposes that incentives be designed to offset up to 100% of the project installation costs in order to encourage and maintain Program participation. This is particularly important with small businesses, the key targets for this Program. Additionally, if incentives are capped too low, contractors may simply raise their prices to cover the reduced incentive.

1 In Findings of Fact No. 36, page 11, line 11, please **delete** "90 percent" and **insert** "100
2 percent". In Ordering Paragraph No. 2, page 13, line 14, please **delete** "90%" and **insert** "100
3 percent".

4 **B. Ordering Paragraph No. 3, page 13, line 16: "IT IS FURTHER ORDERED**
5 **that, in calculating the 90 percent cap on incentive payments, any applicable energy**
6 **efficiency rebates and incentives, including federal, state, and local tax credits that are being**
7 **offered for energy efficiency improvements shall be taken into account. The amounts of any**
8 **rebates, incentives, and credits shall be subtracted from the incremental cost of the**
9 **equipment."**

10 In TEP's experience with its existing programs, lower incentives reduce program
11 participation. TEP believes that Staff's requirement to cap the rebate and incentive is costly and
12 may reduce the success of the implementation of the Program. In addition to the aforementioned
13 constraint, delays in incentive payments would also exist and in some cases, force the customer to
14 wait until the business' fiscal year-end tax return is prepared prior to receiving any incentives or
15 benefits from participation in the Program. Again, additional customer participation requirements
16 and consequent delays to align with Federal tax policy may present undue burdens and hurdles to
17 customers, thereby reducing program participation. TEP recommends that no rebates, incentives,
18 or credits be subtracted from the incremental cost of the equipment.

19 Please **delete** Findings of Fact No. 37, page 11, lines 13-17. Please **delete** Ordering
20 Paragraph No. 3, page 13, lines 16-20.

21 **C. Ordering Paragraph No. 7, page 14, line 1: "IT IS FURTHER ORDERED**
22 **that, at a minimum, reporting for the Tucson Electric Power Company Small Business**
23 **Program shall include:"**

24 Commission Staff's reporting requirements request more customer-specific information, as
25 opposed to additional overall program results. Consistency in reporting requirements from
26 program to program would be beneficial from both a time and expense perspective. For example,
27 requirement "a" requires more work on the part of the installing contractor. In TEP's experience,

1 each time an additional requirement is imposed upon contractors, their participation in the
2 Program becomes less likely.

3 TEP recommends that requirement "a" be removed from the Order and conforming
4 changes made to the reporting requirements "b" through "q" to reflect the reporting requirements
5 in the TEP DSM Non-Residential Existing Facilities Program, approved by Decision No. 70403
6 (July 3, 2008).

7 In Findings of Fact No. 44, page 12, line 6, and Ordering Paragraph No. 7, page 14, line 1
8 please **replace** "a." through "q." in its entirety with the following:

- 9 a. the number of participants;
- 10 b. the number and type of measures installed;
- 11 c. the average cost of the installed measures;
- 12 d. descriptions of the program marketing;
- 13 e. copies of new or revised marketing materials;
- 14 f. estimated cost savings to participants;
- 15 g. energy savings as determined by the monitoring and evaluation process;
- 16 h. the total amount of the program budget spent during the previous six months, the
17 previous year and since inception;
- 18 i. any significant impacts on program cost-effectiveness;
- 19 j. environmental savings; and
- 20 k. descriptions of any problems and proposed solutions, including movements of
21 funding from one program to another.

22 **II. CONCLUSION.**

23 WHEREFORE, for all of the foregoing reasons, TEP submits these comments and
24 modifications for the Commission's consideration.

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RESPECTFULLY SUBMITTED this 24th day of July 2008.

TUCSON ELECTRIC POWER COMPANY.

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Original and 13 copies of the foregoing
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