

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMMISSION

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2010 JUL 20 P 3:45

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
TUCSON ELECTRIC POWER COMPANY FOR  
APPROVAL OF ITS REQUEST FOR  
ADDITIONAL FUNDING FOR ITS SMALL  
BUSINESS PROGRAM.

DOCKET NO. E-01933A-07-0401

TUCSON ELECTRIC POWER  
COMPANY'S EXCEPTIONS TO  
RECOMMENDED ORDER RE:  
SMALL BUSINESS PROGRAM

TEP, through undersigned counsel, hereby requests the Commission to amend the recommended order to eliminate the proposed cap of 25% of program budget on payments to the Implementation Contractor ("IC") for TEP's Small Business Program ("Program"). This inflexible cap may adversely affect TEP's ability to realize its energy efficiency savings goals for this Program and potentially other energy efficiency programs, not only for 2010 but also in ensuing years when the prospective Electric Energy Efficiency Rules ("Rules") take effect.

An inflexible cap is problematic for several reasons. First, as Staff acknowledges, this particular Program "requires daily contacts between the IC and contractors" and that the Program also "addresses a hard-to-reach customer segment, and is experiencing unexpectedly high levels of participation." These circumstances require that TEP have sufficient funding to meet both the operational challenges and the Program demand. An arbitrary cap interferes with TEP's ability to ensure sufficient IC support for the Program. Although Staff appears to recognize the importance of the personnel employed by the IC, Staff recommends reducing the amount of money available to pay these same employees. This has the effect of possibly reducing the number of employees working for the IC, decreasing customer satisfaction and jeopardizing the ability of the IC to fulfill its contractual obligations.

Arizona Corporation Commission

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1           Second, TEP is concerned that a payment cap set in this docket will set a precedent for other  
2 Energy Efficiency (“EE”) Programs. A “uniform” cap would be problematic for EE programs. Different  
3 types of EE Programs have different implementation costs, which vary from as low as 15% to as high as  
4 85% or even greater. For example, an EE program to remove and recycle secondary refrigerators and  
5 freezers from homes may have IC costs at 60% or greater of the entire budget. Establishing an arbitrary  
6 cap for this Program potentially jeopardizes TEP’s ability to offer expanded EE programs to its  
7 customers.

8           Staff’s limited rationale for the 25% cap does not sufficiently justify imposing inflexible  
9 parameters on the emerging and evolving EE programs, particular the Program at issue here. Although  
10 Staff believes that certain per-unit costs may decrease over time, Staff only identifies marketing as a  
11 declining expense as the program matures. However, marketing is a separate budget category from IC  
12 services. With a cap there is no possibility of transferring any marketing funds to cover IC costs as  
13 needed or appropriate.

14           In previous decisions TEP has been given the latitude to transfer funds within budget categories in  
15 a specific program, with the exception of incentives. Incentives are to be maximized and should not fall  
16 below a predetermined percent of the total budget. If the IC cap is put in place, 86% of the entire program  
17 budget is locked into two budget categories. This leaves TEP with little, if any, flexibility to move only  
18 14% of the budget to areas that need funds to make the program successful. With a cap of 25% on the IC  
19 budget, TEP could not move additional funds to the IC category even if it is needed. TEP makes every  
20 effort to spend ratepayer money wisely and maximize savings, but Staff’s recommendations leave very  
21 little room for flexibility to manage the program effectively.

22           TEP suggests that the most effective way to manage funds is to have a total budget for the  
23 program and savings goals to be achieved. As in previous decisions TEP should have the latitude and  
24 flexibility to manage the budget to achieve the established goals in a cost effective manner. Locking in  
25 budget categories on an arbitrary basis is counterproductive to achieving and exceeding the goals of the  
26 program. The short history spending patterns of the program bears out the fact that maximizing incentive  
27 dollars, thus savings, is the top priority of TEP when managing DSM programs.

1           Therefore TEP again requests that the full budget amount of \$550,000 be restored to the IC to  
2 allow TEP and its IC to effectively deliver the Program. TEP requests that the proposed order be  
3 amended as follows”

- 4           1.       At page 3, line 23, **DELETE** Finding of Fact No. 8.
- 5           2.       At page 5, line 4, **DELETE** the phrase beginning with “but that payments . . . .”

6                               RESPECTFULLY SUBMITTED this 20<sup>th</sup> day of July 2010.

7   TUCSON ELECTRIC POWER COMPANY

8  
9   By \_\_\_\_\_

  
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21           Original and 13 copies of the foregoing  
22           filed this 20<sup>th</sup> day of July 2010 with:

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27           Copy of the foregoing hand-delivered/mailed  
            this 20<sup>th</sup> day of July 2010 to:

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