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BEFORE THE ARIZONA CORPORATION COMMISSION
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KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

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

SWEEP COMMENTS ON THE STAFF
TRANSMITTAL MEMORANDUM
AND RECOMMENDED ORDER:
SMALL BUSINESS PROGRAM

The Southwest Energy Efficiency Project (SWEET) herein submits its comments on Commission Staff's transmittal memorandum and Recommended Order, dated July 7, 2010, regarding the Tucson Electric Company (TEP) request for additional funding for its Non-Residential Small Business Program, filed in Docket No. E-01933A-07-0401.

SWEET urges the Commission to (1) approve the proposed increase in the overall budget, and (2) amend the Recommended Order by deleting the Staff-proposed cap on Implementation Contractor payments and Staff-proposed adjustments to the Implementation Contractor budget.

SWEET Supports the TEP Request for an Increase in the Overall Budget

SWEET agrees with Staff and supports the proposed increase in the overall budget for the Small Business Program. This budget increase is in the public interest and is needed to respond to the high customer response and participation in the program. The program is cost-effective and the increased funding would assist additional small business customers to increase their energy efficiency and reduce their energy costs.

SWEET Opposes the Staff-Proposed Cap on Implementation Contractor Payments and the Staff-Proposed Adjustments to the Implementation Contractor Budget

SWEET opposes the Staff-proposed cap on Implementation Contractor payments and the Staff-proposed adjustments to the Implementation Contractor budget. SWEET urges the Commission to amend the Recommended Order by deleting these provisions.

The Small Business Program is a relatively new energy efficiency program in a hard-to-reach customer segment. The Implementation Contractor (IC) is crucial to the effectiveness of the program, and the IC was selected through a competitive bidding process. As Staff noted: "In communications with Staff, TEP explained that its initial estimate for implementation was low and that the Company originally intended to run its non-residential portfolio in-house, but

1 determined that it did not have the resources or experience to implement complex,
2 comprehensive non-residential programs. Using a competitive bidding process, the Company
3 hired an IC and re-allocated most of the in-house administrative budget originally intended for
4 TEP to the IC, reflecting the shift of responsibilities to the IC.” Staff Memo, page 2.

5
6 Staff also noted that the IC uses locally hired employees and performs a long list of tasks to
7 implement the program, assist customers, and coordinate with contractors. See the list of IC
8 tasks and responsibilities in the Staff Memo, page 2. Staff acknowledged that the budget
9 increase for the IC is proportionate to the requested increases for other budget categories,
10 including the incentives for customers. Staff Memo, page 2.

11
12 Staff “remains concerned” about the amount of program funding allocated to the IC, but Staff did
13 not identify a specific concern with the tasks assigned to the IC or the budget that TEP proposed
14 was necessary to perform the assigned tasks.

15
16 SWEEP supports TEP’s hiring of an implementation contractor, staffed with locally hired
17 employees, to perform the tasks listed in the Staff Memo. While Arizona utilities may need to
18 increase internal staffing during the ramp up to higher levels of energy efficiency, SWEEP
19 recommends that most of the growth in jobs be achieved in the market, with the hiring of
20 implementation contractors as well as program installation contractors and vendors. Also, the IC
21 was selected through a competitive bidding process, and SWEEP supports competitive
22 solicitations. It is not necessary to adjust the IC budget derived through this bidding process.

23
24 SWEEP does not recommend a cap on IC expenses. SWEEP believes it is necessary for TEP, as
25 the program administrator, to have adequate flexibility to achieve the energy savings and other
26 program goals approved by the Commission. This will be even more important in the ramp up to
27 achieve the Energy Efficiency Standard in the pending Energy Efficiency Rule. If Staff are
28 concerned about certain components of program budgets, SWEEP suggests that instead of a cap,
29 Staff could convene a workshop on energy efficiency program budgets prior to the next round of
30 Energy Efficiency Implementation Plans to discuss budgets and budgeting guidelines. Note that
31 SWEEP supports tracking of the IC expenses, as Staff proposed.

32
33 SWEEP recommends that the Recommended Order be revised as follows:

34 Page 3, line 24, **DELETE** the remainder of Finding of Fact 8 after “overall budget be approved...”

35 Page 5, lines 3-4, **DELETE** the phrase “but that payments to the Implementation Contractor not exceed
36 25 percent of the total Small Business program budget.”

37 38 **Conclusion**

39
40 SWEEP urges the Commission to (1) approve the proposed increase in the overall budget for the
41 Small Business Program, and (2) amend the Recommended Order by deleting the Staff-proposed
42 cap on Implementation Contractor payments and the Staff-recommended adjustments to the
43 Implementation Contractor budget.

44
45 Thank you for the opportunity to submit these comments on the Recommended Order.