

TEDCO ENERGY SERVICES, Inc.

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April 26, 2004

California Public Utility Commission
C/o Filing Clerk
505 Van Ness Ave.
San Francisco, CA 94102

**Subject: Opening Comments of TEDCO Energy Services on Proposals for
Administrative Structures, R.01-08-028**

Dear Commissioners:

TEDCO Energy Services (TEDCO), a party to the above listed docket, would like to express our strong support for the proposal of the California Coalition for Energy Efficiency (CCEE) for an administrative structure based upon an open Standard Offer Process. While we are admittedly a small Amarillo (Texas) company, we think that our personal experience may be of some interest in your own evaluations.

Based upon our own experience and that of numerous other small EE companies and contractors, the Standard Offer Program approach provides existing small companies with great opportunities to enter the EE market and to greatly expand the number and types of organizations providing EE services.

TEDCO, formed in 2002, is an Amarillo-based Texas energy efficiency services provider (EESP) dealing in the hard-to-reach, residential and small commercial standard offer programs. We are affiliated with the family-owned TEDCO Buildings Construction Company, which has been located in Amarillo for 20 years.

TEDCO Buildings first learned about the Texas Standard Offer Program by doing some subcontracting work for others in late 2001. As we learned about the procedures,

we realized that this could be a good way to transform ourselves and to provide additional needed services in a part of rural Texas that had few energy efficiency providers. We began TEDCO Energy with some rather small projects to test the concept. After we quickly became familiar and comfortable with taking responsibility for sponsoring and operating our own programs and being paid strictly upon the basis of the success of our energy savings, we have now added several major projects in the Texas Panhandle. We have used this experience with rural energy efficiency to expand our services to other previously underserved areas of rural Texas in the Midland-West Texas region and in the even more rural Abilene-Lubbock corridor for two other utility SOPs.

The Texas Panhandle area (mostly served by Xcel Energy) now has several other local EE firms that are also active with the Standard Offer Programs, some new start-ups and some having expanded their services to include energy efficiency benefits. These include former TEDCO employees, former utility employees, consultants, air-conditioning contractors, lighting and appliance firms, etc.

The ease of entry, the simplicity of the proposal process, the ability to “test” the concept with small programs, the ability to bid into the program at numerous times encourage companies and organizations to provide services. In the late 1990s, Xcel Energy (our local utility) conducted a DSM bidding process which had no local winners. For several years while those programs were ongoing, Xcel Energy’s major programs were closed off to new or local service providers, effectively monopolized by four out-of-state companies. Since the Standard Offer began, the local EE industry has blossomed. Xcel, one of the smallest of Texas utilities, reports more than 30 EE firms are participating in their Standard Offer Programs, many of them local firms. And even several of the programs sponsored by out-of-state firms (including several from California) are being implemented by local firms now that there is a local infrastructure to support their efforts.

The same pattern is being repeated in the other two utility service areas in which we are now active, with more local companies and a greater local infrastructure,

especially in the residential and small commercial and hard-to-reach markets where knowledge of local markets gives local firms a serious advantage over larger firms from outside the region. We expect that this is true throughout Texas.

From reading the various Commission decisions and filings, we know that California has experienced some problems with providing energy efficiency services to its more rural communities. Until the Standard Offer Program approach was adopted, Texas had a similar problem. Big contactors tended to concentrate in the larger urban areas and win the bids and take advantage of the various utility programs when they were offered. In the rural areas, the contractors tended to be smaller and not able to win large complicated bids, nor were we able to participate in “standard” programs with their excessive paper work. We could not (would not?) devote the labor time needed to learn those procedures for a small number of jobs. Standard Offer Programs seem to have turned that around. We can bid on the size program we want and can handle, the paperwork is simple and minimal, and we can implement those measures that we know and that will save energy, rather than those that someone’s consultant has decided we should do. It has been a boon to rural contactors and rural utility customers. We think this will be duplicated in California.

Admittedly, TEDCO Energy Services hopes to establish ourselves in rural California should this go forward. (It may be seem strange to us to now be one of those “out-of-state” firms.) However, there is more than enough need for EE in rural areas to accommodate many providers. And we think that our example and our plan to use local hires and subcontractors will quickly expand the EE marketplace for other local companies in rural California.

On the topic of utility administration, we find ourselves on the fence. We have had excellent relations and cooperation with two of our utility administrators (particularly Xcel Energy). Based upon our experience, utility administration can be compatible with a good standard offer program. The key, in our opinion, is that the administrator cannot also be an implementer/sponsor, perhaps favoring its own programs. We think it is to be

expected that a program designer will always see their own programs as superior. Why design an inferior program? As long as the selection of the implementers and the selection of the actual programs to be implemented are not under the control of the administrator, we believe that a utility can undertake such typical administration duties as contract administration and inspections and verification of savings. However, we would oppose this if the utility were also an implementer or designer of programs.

Respectfully,

Patricia Mills
President
TEDCO Energy Service
April 26, 2004

CERTIFICATE OF SERVICE

I hereby certify that I have this day, April 26, 2004, served a copy of the foregoing document “**Opening Comments of TEDCO Energy Services on Proposals for Administrative Structures, R.01-08-028.**” A copy was served via e-mail to all known parties of record in R.01-08-028.

/s/ Patty Mills

Patricia Mills, President