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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR APPROVAL OF ITS PROPOSED DEMAND-SIDE MANAGEMENT PROGRAM PORTFOLIO PLAN 2008-2012.	DOCKET NO. E-04204A-07-0274 **UNS GAS' COMMENTS ON STAFF'S REPORT AND PROPOSED ORDER**

UNS Gas, Inc. ("UNS Gas"), through undersigned counsel, hereby respectfully submits its comments on the Arizona Corporation Commission's ("Commission") Staff Report and Proposed Order for UNS Gas' proposed Demand-Side Management Program Portfolio Plan 2008-2012 ("DSM Portfolio"). UNS Gas generally supports the conclusions reached by Commission Staff and appreciates Commission Staff's effort and diligence in analyzing the DSM Portfolio. UNS Gas would like to make a few minor clarifications and modifications, however, as follows:

I. CLARIFICATIONS.

In Finding of Fact No. 110 Staff states:

> Staff has recommended that incentives to participants in the EHH, ESH, and C&I programs be limited to no more than 75 percent of incremental costs, and that UNS Gas include any federal or state tax credits when calculating the 75 percent cap on incentives as a percentage of incremental cost. The Commission has approved caps on incentives for the DSM programs of Arizona Public Service Company.

UNS Gas agrees to a percentage cap on the incremental cost of the measure so the customer is taking some ownership interest in the energy efficiency measure. Administration of the proposed cap is difficult on a per-customer basis, however, due to income status, business

status (such as governmental or non-profit) and the timing of filing for tax rebates. This may prove to be a disincentive for participants for a relatively small dollar incentive amount; the gathering of information for the paperwork to apply for the incentive may be more costly than the incentive is worth. UNS Gas proposes to administer this requirement globally, rather than for each individual customer. For example, if an HVAC system has an incremental cost of $200 for a higher-efficient unit, and the federal and state rebates total $50 for that unit, UNS Gas will then adjust its incentives to be no more than $100 per customer.

In Finding of Fact No. 124 Staff states:

> Staff has recommended that incentives be capped at $8,000 per customer, per year, with the exception of school districts. (In this context "customer" means an individual or entity paying gas bills for one or more locations or accounts.) Staff recommends that school district incentives be capped at $25,000 per district, per year.

UNS Gas agrees with Commission Staff regarding the per-customer and per-school district incentive dollar limits. However, UNS Gas recommends that the definition of a "customer" change, for a few reasons. First, it is currently very difficult in UNS Gas' Customer Care and Billing system ("CC&B") to determine if one entity or one individual pays for more than one bill. This could lead to a "gaming" of the system whereby a customer could change his name in the CC&B to circumvent the $8,000 limit on the UNS Gas incentives.

Second, there is a potential equity problem. If one customer owns three restaurants, that customer would be required to split the $8,000 of energy efficiency improvements into three locations. Another customer who owns only one restaurant with energy saving opportunities similar to the first customer's, however, would have available to him the full $8,000 to spend on a single location. UNS Gas therefore proposes that the definition of a "customer" (for the purposes of a limit on rebates) be defined as "an individual or entity paying gas bills for only one address or

one location." UNS Gas believes this change will be more equitable and will allow for easier tracking of incentive payments.

II. CONCLUSION.

UNS Gas requests that the Commission consider its comments relative to Finding of Fact Nos. 110 and 124, as discussed herein.

WHEREFORE, for all of the foregoing reasons, UNS Gas respectfully submits these comments for the Commission's consideration.

RESPECTFULLY SUBMITTED this 7th day of February 2008.

UNS GAS, INC.

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