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AZ CORP COMMISSION
DOCKET CONTROL



February 27, 2008

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: Docket Nos. G-04204A-06-0463, G-04204A-06-0013 and
G-04204A-05-0831, Decision No. 70011

Docket Control:

Pursuant to Decision No. 70011 (November 27, 2008) UNS Gas, Inc. ("UNS Gas") hereby submits its semi-annual DSM programs report. Decision No. 70011 requires UNS Gas to file semi-annual reports March 1st and September 1st of each year in accordance with Commission Staff's recommendations. Also enclosed is an additional copy that the Company requests you date-stamp and return in the self-addressed, stamped envelope for our files.

If you have any questions, please contact me at (520) 884-3680.

Sincerely,

Jessica Bryne
Regulatory Services

Enclosures: Report

cc: Compliance, ACC
Julie McNeely-Kirwan, ACC

Arizona Corporation Commission
DOCKETED

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UNS GAS

DSM SEMI-ANNUAL PROGRESS REPORT FOR THE PERIOD: JANUARY THROUGH DECEMBER 2007

This progress report includes the following information for all UNS Gas Demand Side Management (DSM) programs that were in place during this reported period:

- A brief description of the program
- Program modifications
- Program goals and objectives
- Programs terminated
- The levels of participation
- A description of evaluation and monitoring activities and results
- kW, kWh and therm savings
- Problems encountered and proposed solutions
- Costs incurred during the reporting period disaggregated by type of cost, such as administrative costs, rebates, and monitoring
- Other significant information

Summary pages detailing the program expenses and DSM Gas and Electric Savings are provided in Tables 1 and 2.

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DSM SEMI-ANNUAL PROGRESS REPORT FOR THE PERIOD:
JANUARY THROUGH DECEMBER 2007

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DSM SEMI-ANNUAL PROGRESS REPORT FOR THE PERIOD: JANUARY THROUGH DECEMBER 2007

Table 1

DSM PROGRAM EXPENSES: JANUARY – DECEMBER 2007¹

DSM Program	Rebates & Incentives	Training & Technical Assistance	Consumer Education	Program Implementation	Program Marketing	Planning & Admin	Program Total Cost
Residential							
Low-Income Weatherization	\$69,702	\$0	\$0	\$0	\$0	\$2,203	\$71,905
Total for Residential	\$69,702	\$0	\$0	\$0	\$0	\$2,203	\$71,905
Segment Total	\$69,702	\$0	\$0	\$0	\$0	\$2,203	\$71,905

Program Costs	\$71,905
Measurement, Evaluation & Research (MER)	\$0
TOTAL	\$71,905

Definitions

Rebates & Incentives – Includes dollars that go toward customer rebates and incentives and installation of low income weatherization.

Training and Technical Assistance – Includes all dollars that are used for energy efficiency training and technical assistance.

Consumer Education – Includes dollars that are used to support general consumer education about energy efficient improvements.

Program Implementation – Program delivery costs associated with implementing the program – includes implementation contractor labor and overhead costs, as well as other direct program delivery costs.

Program Marketing – Includes all expenses related to marketing the program and increasing DSM consumer awareness (direct program marketing costs as opposed to general consumer education).

Planning and Administration – Costs to plan, develop and administer programs – includes management of program budgets, oversight of the RFP process and implementation contractor, program development, program coordination, and general overhead expenses.

Measurement, Evaluation, and Research (MER) – These activities will identify current baseline efficiency levels and the market potential of DSM measures, perform process evaluations, verify that energy efficient measures are installed, track savings, and identify additional energy efficiency research.

¹ Low-Income Weatherization is the only UNS Gas DSM program during 2007.

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DSM SEMI-ANNUAL PROGRESS REPORT FOR THE PERIOD: JANUARY THROUGH DECEMBER 2007

Table 2

DSM GAS AND ELECTRIC SAVINGS BENEFITS: JANUARY – DECEMBER 2007

UNS Gas has not historically reported savings for its Low-Income Weatherization Program. No data is available for this reporting period. *Estimated* savings for the reporting period using the Arizona Energy Office Weatherization Assistance Program (WAP) rules are listed below²:

DSM Program	Capacity Savings MW	Lifetime MWH Savings	Lifetime Therm Savings	Program Cost	Participant Benefits	Lifetime Participant Benefits
Residential						
Low-Income Weatherization	0.0012	234	317686	\$71,028	\$30,800	\$462,003
Total	0.0012	234	317686	\$71,028	\$30,800	\$462,003

² UNS Gas LIW program will utilize the AEO WAP rules beginning in 2008. There is no documentation that the homes weatherized in 2007 were completed according to WAP rules. Estimated savings are presented for illustrative purposes only.

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DSM SEMI-ANNUAL PROGRESS REPORT FOR THE PERIOD: JANUARY THROUGH DECEMBER 2007

UNS GAS LOW-INCOME WEATHERIZATION PROGRAM

Description

UNS Gas' Low-Income Weatherization Program is designed to improve the energy efficiency of homes for customers whose income falls within the defined federal poverty guidelines. By the steps taken in this Program, UNS Gas will be reducing gas and electric bills for these eligible customers. Savings from these measures will help the customers utilize their limited income for other necessary items such as rent, food or medical expenses.

Program Modifications

No modifications for this reporting period.

Program Modifications in upcoming reporting cycle

UNS Gas received ACC approval to increase the annual available funding from \$75,000 to \$113,400. Beginning in 2008, weatherization measures utilized by the agencies for each customer must pass the cost-effectiveness test detailed in the Arizona Energy Office (AEO) WAP rules. WAP rules include not only consideration of energy efficiency, but also consideration of comfort and the health and safety attributes of homes. The agencies will process the details of the repairs for each house using the AEO's online WAP database. The AEO will collect all the data submitted by the agencies and will provide UNS Gas with the necessary periodic reports.

Program Goals and Objectives

- To increase the number of homes weatherized each year.
- Lower the average household utility bills of low income customers by utilizing energy conservation measures in the weatherization process.
- Improve the quality of life for the customers by providing them with a safe and healthy home.

Programs Terminated

No programs were terminated during this reporting period.

Level of Participation

A total of 60 households received weatherization assistance during the year 2007.

Evaluation and Monitoring Activities and Results

No evaluation or monitoring is available for this reporting period. The AEO will provide evaluation and monitoring for this program starting January 2008.

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DSM SEMI-ANNUAL PROGRESS REPORT FOR THE PERIOD: JANUARY THROUGH DECEMBER 2007

kW, kWh and therm Savings

UNS Gas has not historically reported savings for its Low-Income Weatherization Program. The *estimated* savings for the reporting period using the Arizona Energy Office Weatherization Assistance Program (WAP) rules are listed below³:

No. of Homes	kW savings	kWh savings	Therm savings
60	1.2	15575	21179

Problems Encountered and Proposed Solutions

No problems were encountered during this reporting period.

Costs Incurred

Costs incurred for this program during the reporting period are listed below:

Activity	Rebates & Incentives	Training & Technical Assistance	Consumer Education	Program Implementation	Program Marketing	Planning & Admin	Program Total Cost
Weatherization	\$69,702						\$69,702
UNS Gas Program Support						\$2,203	\$2,203
Total	\$69,702	\$0	\$0	\$0	\$0	\$2,203	\$71,905

Other Significant Information

UNS Gas is adding the Low-Income Weatherization Program to the UNS Gas DSM Portfolio as approved by the ACC on February 14, 2008. UNS Gas will be assisted by the AEO in evaluation and monitoring of all weatherized homes. Beginning in 2008 more precise reporting of costs, including a separate reporting of health and safety spending is planned by UNS Gas.

³ UNS Gas LIW program will utilize the AEO WAP rules beginning in 2008. There is no documentation that the homes weatherized in 2007 were completed according to WAP rules. Estimated savings are presented for illustrative purposes only.