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UniSourceEnergy
SERVICES

2008 APR -1 A 10: 01

AZ CORP COMMISSION
DOCKET CONTROL

April 1, 2008

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

Re: **Demand Side Management Surcharge ("DSMS") Rate Rider RR-2.**
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 DSMS, Rider RR-2, for filing and approval.

The purpose of this filing is to seek Commission approval to revise the DSMS established in the above referenced decision, effective June 1, 2008. The requested DSMS is \$.0026 per therm and will replace the current rate of \$.0025 per therm, which was effective on customer bills beginning December 1, 2007. The 2007 DSM costs include program implementation for Low-Income Weatherization for costs effective December 1, 2007, as well as program design, evaluation for measure level, and portfolio level cost-effectiveness analysis. The estimated 2008 DSM costs are included at the same funding level set forth in Decision No. 70011.

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

Respectfully Submitted,

Jessica Bryne
Regulatory Services

cc: Ernest Johnson, ACC
Bob Gray, ACC
Julie McNeely-Kirwan, ACC
Compliance, ACC

Arizona Corporation Commission
DOCKETED

APR -1 2008

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**UNS GAS
COMPUTATION OF DSM SURCHARGE
EFFECTIVE JUNE 1, 2008 to MAY 31, 2009**

G:\RATES\DSM Adjustor\UNSG\2008\UNSG DSM Surcharge (4-01-2008).xls]Calc Summary

<u>Rate Calculation</u>	<u>UNS GAS</u>	
(a) Current Expenditures (2007)	\$57,542	Source: DSM Costs Summary 2007
(b) Actual Billed: December-07	<u>(\$27,365)</u>	Source: DSM Revenue (GL)
(c) Under (Over) Collected	\$30,177	(a) + (b)
(d) Forecasted Program Expenditures:	\$ 343,400	Approved Decission No. 70011
(e) Under (Over) Collected (above)	\$30,177	(c)
(f) Total Amount Owed:	<u><u>\$ 373,577</u></u>	(d) + (e)
(g) Forecasted Retail Sales (including unbilled therms) TME May 31, 2009	142,167,747	Source: Forecasted Therms
(h) DSM ADJUSTOR CHARGE EFFECTIVE JUNE 1, 2008 (\$/therm)	<u><u>\$0.0026</u></u>	(f) / (g)

UNS Gas DSM Costs 2007

	LIW ¹	Internal Planning, Development and Evaluation ²	External Planning, Development and Evaluation ³
Jan	\$0.00	\$0.00	\$0.00
Feb	\$0.00	\$0.00	\$0.00
Mar	\$0.00	\$0.00	\$0.00
Apr	\$0.00	\$0.00	\$6,988.62
May	\$0.00	\$0.00	\$5,831.25
Jun	\$0.00	\$0.00	\$5,082.50
Jul	\$0.00	\$0.00	\$510.00
Aug	\$0.00	\$0.00	\$1,522.50
Sep	\$0.00	\$0.00	\$8,619.00
Oct	\$0.00	\$0.00	\$8,865.00
Nov	\$0.00	\$0.00	\$4,961.25
Dec	\$1,149.68	\$7,865.74	\$6,146.25
Totals	\$1,149.68	\$7,865.74	\$48,526.37
Grand Total			<u><u>\$57,541.79</u></u>

Notes:

- 1 LIW- 2007 Low Income Weatherization (LIW) Costs starting December 2007 to coincide with collection of UNS Gas DSM adjustor. This total includes LIW costs for UNS personnel plus \$303.10 and \$846.58 for LIW agency payments. Both were not included in the CARES agency for 2008 UNS Gas rate case.
- 2 Internal Planning, Development, and Evaluation - internal labor for UES and TEP personnel for planning, evaluation, development, ACC reporting, answering data requests at the Portfolio level.
- 3 External Planning, Development, and Evaluation - consultant costs (Summit Blue) for program design, evaluation, development, and technical assistance with Program Portfolio development.

UNS Gas - DMS Revenue

Transaction Detail-All Sources: GL Period Name: DEC-07, JAN-08, FEB-08, Co: 032, Subaccount: 5700, Account: 43000, 40290, GI Je Name NOT LIKE 'J838%',

GL Period	Acct	Sub Acct	Query Source	GI Je Source	GI JE Name	Net Amount
DEC-07	40290	5700	General Ledger	Spreadsheet	J832 Estimated NSP/Tranpo Revenue USD	(8,072.18)
	43000	5700	General Ledger	Spreadsheet	J832 Estimated NSP/Tranpo Revenue USD	(9.90)
	40290	5700	General Ledger	Customer Information	Revenue USD	(19,283.20)
Sum						(27,365.28)

2008-2012 Portfolio Budgets

Program / Year	2008	2009	2010	2011	2012	Total Cost
Residential Efficiency Programs						
Low Income Weatherization	\$113,400	\$116,802	\$120,306	\$123,915	\$127,633	\$602,056
Energy Smart Homes	\$420,000	\$432,600	\$445,578	\$458,945	\$472,714	\$2,229,837
Efficient Home Heating	\$300,000	\$309,000	\$318,270	\$327,818	\$337,653	\$1,592,741
Residential Subtotal	\$833,400	\$858,402	\$884,154	\$910,679	\$937,999	\$4,424,634
Commercial & Industrial Efficiency Programs						
C&I Facilities Gas Efficiency	\$200,000	\$206,000	\$212,180	\$218,545	\$225,102	\$1,061,827
C&I Subtotal	\$200,000	\$206,000	\$212,180	\$218,545	\$225,102	\$1,061,827
Total	\$1,033,400	\$1,064,402	\$1,096,334	\$1,129,224	\$1,163,101	\$5,486,461

\$ 343,400.00

LIW plus 25% of other programs

Test year therms

138,233.864

Initial DSM Adjustor

\$ 0.0025

FORECASTED SALES (THERMS)

	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	TOTAL
Total Sales (Therms)	3,445,770	3,370,254	3,497,219	3,923,515	6,766,948	12,056,650	20,710,941	19,343,853	15,994,214	13,934,778	8,268,867	5,357,575	116,670,684
Total Transport (Therms)	1,647,481	1,595,959	1,594,934	1,631,440	2,436,505	1,993,977	2,864,040	2,654,669	2,276,459	2,249,211	2,658,227	1,894,261	28,497,163
Totals	5,093,251	4,966,213	5,092,154	5,554,955	9,203,453	14,050,626	23,574,981	21,998,522	18,270,673	16,183,989	10,927,094	7,251,836	142,167,747

Data delivered from Forecasting: J. Bowman and D. Shinkel