

# OPEN MEETING



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**ORIGINAL**

## MEMORANDUM

Arizona Corporation Commission

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2008 APR 22 P 4: 18

AZ CORP COMMISSION  
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: April 22, 2008

DOCKETED BY	MM
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RE: UNS ELECTRIC, INC.'S – APPLICATION FOR APPROVAL OF ITS PROPOSED LOW-INCOME WEATHERIZATION PROGRAM WITHIN ITS DEMAND-SIDE MANAGEMENT PORTFOLIO FOR 2008-2012 (DOCKET NO. E-04204A-07-0365)

On June 13, 2007, UNS Electric, Inc. (“UNS Electric” or “Company”) filed an application for approval of its proposed Demand-Side Management (“DSM”) Program Portfolio. On November 14, 2007, UNS Electric filed a revised Portfolio Plan, modifying the delivery mechanism and the measurement and evaluation plans, for some programs. The Program Portfolio consists of seven proposed programs. The Low-Income Weatherization (“LIW”) program is addressed below.

### Program Description

Summary. The existing Low-Income Weatherization (“LIW”) program was designed to conserve energy and lower utility bills for UNS Electric households with limited incomes. UNS Electric proposes to enhance the LIW program and move it into the Company’s DSM Portfolio. Proposed changes include an expanded set of efficiency measures and tracking to establish and verify energy savings realized by the program. Also proposed is an annual budget increase (from \$70,000 to \$105,000) and an increased per-residence spending limit (from \$1,600 to \$2,000).<sup>1</sup>

Goals. The primary goal of the LIW Program is to fund weatherization of low-income homes, and reduce energy costs and improve comfort and safety for low-income customers. The LIW Program also conserves energy, and reduces both electric and gas consumption. Under the enhanced program, UNS Electric proposes to increase the number of homes weatherized and/or the extent of repair completed at each home.

Eligibility. The LIW Program is available to UNS Electric residential customers with household incomes less than or equal to 150 percent of the federal poverty guidelines. (For 2008, 150 percent of the federal poverty guidelines would be \$15,600 for a one person household and \$33,300 for a four person household). The LIW program is the only UNS Electric DSM program with income requirements.

In the UNS Electric territory, homes eligible for the LIW program consist primarily of older homes, including mobile homes and single-family homes constructed of slump block

<sup>1</sup> With an increase from \$1,600 to \$2,000, the UNS Electric per-residence spending limit would match the per-residence spending limit for the UNS Gas LIW program.

and/or homes with wood frame construction. Homes are prioritized based on factors that include the following:

- No heat in the winter, or no cooling in the summer;
- Elderly or minors in the household;
- Physical handicaps or illness; and
- Number of people in the household.<sup>2</sup>

Health and Safety Measures. UNS Electric regards customers' health and safety as a priority over energy savings. Community action agencies are allowed to use up to 25 percent of the UNS Electric funding for health and safety measures. Health and safety measures are not considered weatherization, but may be required in order to allow effective weatherization and to protect customers. Examples of these measures include work required to address rotting wood, mold or unsanitary conditions, lack of ventilation or potential fire hazards.

Staff acknowledges the importance of health and safety measures, but recommends that DSM funding be utilized whenever possible for weatherization activities that conserve energy. In cases where alternate funding sources are available, those funds should be utilized for any non-weatherization activities before DSM funding is tapped. DSM funding used for any health and safety measure should be counted against the 25 percent cap and reported in the UNS Electric semi-annual DSM filing.

Weatherization Measures. Under the LIW Program, weatherization would be done in accordance with the Weatherization Assistance Program ("WAP"). WAP is funded by the U.S. Department of Energy and administered by the Arizona Department of Commerce Energy Office ("AEO"). The major weatherization measures would generally fall into four categories:

- Duct repair;
- Pressure management/infiltration control;
- Attic insulation; and
- Repair or replacement of non-functional or hazardous appliances.

With respect to the last item, neither installation of new equipment nor repair of non-functioning equipment would be DSM measures, because either would result in *more* energy use, not less. In cases where non-functioning equipment is replaced, only the incremental cost of installing high-efficiency equipment (rather than standard equipment) can be considered DSM spending. Staff recommends that other costs of repair and replacement be counted against the 25 percent cap on health and safety spending.

The actual measures installed in a specific home would be based on an on-site audit and would be required to meet WAP cost-effectiveness tests.

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<sup>2</sup> WAP rules indicate that "high energy consuming housing" is a priority, and energy consumption rises as the number of residents in a home increases.

Additional Weatherization Measures. In addition to the above major weatherization efforts, additional measures may include the following lower-cost items: (i) compact fluorescent lamps (“CFLs”) would be installed, if not already in place; (ii) water heater blankets would be installed, if appropriate under health and safety rules; (iii) low-flow shower heads and (iv) faucet aerators. (The last two items would be installed, if cost-effective and if funding is available.)<sup>3</sup>

The average cost for installing all four measures is estimated at approximately \$40 per home, or \$20 for materials and \$20 for additional labor. If all homes from both the main weatherization program and the emergency home repair component (below) received these installations the estimated cost would be 3 percent – 4 percent of the proposed initial budget.

Staff recommends that every home where CFLs are installed under the UNS Electric LIW DSM program be provided with information regarding the proper disposal of burned out or broken CFLs.

Emergency Home Repair. Agencies perform emergency repairs with funding from the Low Income Home Energy Assistance Program (“LIHEAP”), the Department of Energy (“DOE”) and the Utility Repair, Replace and Deposit Program (“URRD”). Emergency repairs performed include roofing repairs or replacement, flood-related repairs, and repair or replacement of non-functioning heating and cooling systems. The UNS Electric LIW program would not fund these emergency repairs, but would provide additional, alternative, funding for installation of the lower-cost energy efficiency measures listed in (i) through (iv), under “Additional Weatherization Measures.”

Incentives. The UNS Electric LIW program would provide funding of up to \$2,000 per house for installation of weatherization and health/safety measures. (Agencies may request a waiver of this cap on a case-by-case basis from UNS Electric.<sup>4</sup>) While the program portfolio refers to these payments as “incentives,” these payments represent reimbursements to community action agencies for completed weatherization work done on low-income homes.

### Delivery Strategy

The revised LIW program would be administered by UNS Electric, community action agencies, and the AEO. UNS Electric would provide funding to the participating community action agencies, the Western Arizona Council of Government (“WACOG”) and Southeastern Community Action Program (“SEACAP”), based on completed and documented weatherization work. WACOG and SEACAP would promote the LIW program, determine participant

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<sup>3</sup>With respect to the benefits of the four measures: (i) CFLs use approximately 75% less energy than standard bulbs, also producing less heat, which can cut cooling costs; (ii) if a water heater’s insulation has an R-value of less than R-24, a water heater blanket can reduce water heating costs by 4-9%; (iii) efficient showerheads can reduce the hot water consumed during showers by 30%; (iv) faucet aerators provide energy and water savings, and limit wastewater.

<sup>4</sup> An example of the type of situation where a waiver may be requested is when the HVAC system needs to be replaced and the home also requires major weatherization

eligibility and priority, and would provide program administration. The actual weatherization work would be done either by the agencies or their contractors. The AEO would provide an on-line process for data collection and input, while the agencies would complete the process and input the required data. The AEO would work with UNS Electric to provide the information needed to meet Arizona Corporation Commission ("ACC" or "Commission") reporting requirements.

### Marketing

The LIW Program is marketed through:

- UNS Electric employees;
- Referrals from the local Department of Economic Security ("DES");
- Health care service agencies, and individual caseworkers;
- The UNS Electric website; and
- A brochure developed by UNS Electric for use by DES and participating agencies.

UNS Electric has confirmed that the backlog of homes in its LIW program has decreased, and that, due to the housing downturn, there is no longer a shortage of the skilled workers required for weatherization work. The Company has expressed that it is willing to do more marketing if the agencies indicate that it is necessary to increase awareness of the program.

### Program Budget

The budget for the proposed low-income weatherization program is provided below. UNS Electric would retain up to 10 percent of the program budget for its internal administration of the program (see "Total Administrative Cost" in the table below). The remaining funds, would be divided between the two participating community action agencies based on the number of UNS Electric customers in the areas overseen by those agencies. The WACOG would receive 73 percent of LIW funding, while SEACAP would receive 27 percent.

**Proposed Low-income Weatherization 2008 Budget**

Managerial and Clerical	\$5,460
Overhead	\$546
<b>Total Administrative Cost</b>	<b>\$6,006</b>
Support Activity Labor	\$3,000
Rebate Processing and Inspection	\$2,552
<b>Total Direct Implementation (minus incentives)</b>	<b>\$5,552</b>
Financial Incentives <sup>5</sup>	\$89,242
<b>Total Incentives</b>	<b>\$89,242</b>
EM&V <sup>6</sup> /Research Activity	\$3,780
EM&V Overhead	\$420
<b>Total EM&amp;V</b>	<b>\$4,200</b>
<b>Total Program Budget</b>	<b>\$105,000</b>

**2008-2012 Program Budgets**

Year	2008	2009	2010	2011	2012
<b>Total Budget</b>	<b>\$105,000</b>	<b>\$108,150</b>	<b>\$111,395</b>	<b>\$114,736</b>	<b>\$118,171</b>

The year-by-year budget shown in the table above includes a 3 percent annual increase, to compensate for inflation.

LIW Spending in 2007

The actual amount UNS Electric reported in LIW DSM spending was \$67,034. Of that amount, \$54,348 was spent for weatherization, and \$4,708 was spent to administer the 2007 LIW program. An additional \$7,978 was spent to cover UNS Electric's in-house labor costs to plan and develop the enhanced LIW program that is now part of the UNS Electric's proposed DSM programs.

Staff recommends that UNS Electric retain no more than 10 percent of LIW funding without prior Commission approval for its internal administration of the program.

Staff recommends that UNS Electric ensure that its in-house labor costs are recovered either from base rates or from the DSM adjustor once it is in place, but not from both.

<sup>5</sup> This refers to the amount paid to community action agencies for weatherization and health and safety activities. Staff does not consider these payments to be incentives.

<sup>6</sup> Evaluation, Measurement and Verification.

### **Participation**

Thirty-six homes were weatherized under the existing program in 2007, at a total cost of \$54,348, or an average of \$1,509 per home: \$54,348 represents 86 percent of the \$63,000 allocated to the participating action agencies. The Company has indicated that the under-spending was due to the absence of a weatherization staffer at SEACAP for most of 2007. (WACOG spent its full allocation.) SEACAP now has a weatherization staffer in place and has indicated to UNS Electric that it would be able to spend all of its funding this year, including the increase arising from a larger budget. (Funds allocated but not spent are not rolled forward; UNS Electric reports the actual program spending.) With a budget increase from \$70,000 to \$105,000, UNS Electric projects that approximately 50 low-income homes would be weatherized under its LIW program in 2008.

### **Monitoring and Evaluation**

Working with AEO, UNS Electric would track, manage and evaluate the program, adopting a strategy of integrated data collection that would include the following activities:

- **Database management** – participating agencies would collect data and AEO would provide period reporting.
- **Implementation of integrated data collection** – UNS Electric and AEO would establish a system of data collection to support program management and evaluation;
- **Field verification** – the AEO or its contractor would verify the installation of a sample of measures.
- **Tracking of savings using deemed savings values** – AEO would establish the savings for each measure and technology and would periodically review and revise the savings based on bill analysis.

This approach would provide UNS Electric with ongoing feedback on program progress and enable management to adjust or correct programs to be more effective and more cost beneficial.

### **Reporting Requirements**

UNS Electric files semi-annual reports concerning its DSM programs. Staff recommends that the Company continue to do so. For the LIW program, these should include, at a minimum (i) the number of homes weatherized; (ii) the percentage of the overall LIW budget spent on health and safety spending; (iii) the amount of LIW funding retained by UNS Electric for administration, planning, development, or any other purpose; (iv) copies of new or revised marketing materials; (v) estimated cost savings to participants; (vi) gas and electric savings as determined by the monitoring and evaluation process; (vii) the total amount of the program

budget spent during the previous six months, the previous year and since the inception of the program; (viii) any significant impacts on program cost-effectiveness; and (ix) descriptions of any problems and proposed solutions, including movements of funding from one program to another.

**Cost-Benefit Analysis**

Although Staff calculated the benefit-cost ratio of the LIW program at .94, slightly below the cost-effectiveness threshold, the program can be considered cost-effective once the projected environmental savings (which are not monetized, but which are greater than zero) are also taken into account. In the case of the LIW program, the projected cost of health and safety measures, estimated at 15 percent of the total LIW budget, would be excluded from the cost-effectiveness calculation.

Staff recommends that UNS Electric work to improve the cost-effectiveness of the UNS Electric LIW program.

**CO<sub>2</sub> Savings**

The projected CO<sub>2</sub> savings from the LIW program are provided in the table below. This number represents an estimate of the lifetime CO<sub>2</sub> savings from the homes projected to be weatherized over the five-year course of the LIW program. If more than 50 homes are weatherized per year, carbon dioxide savings are likely to be higher.

**LIW Projected Environmental Benefits, 2008 – 2012**

CO <sub>2</sub> Lifetime Savings	16,563,100	Pounds
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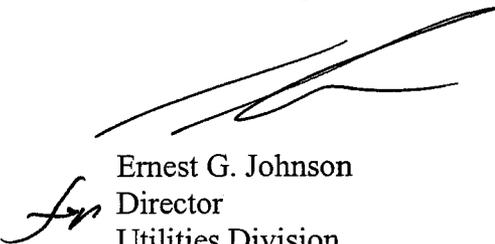
**Estimated Cost Per Therm and kWh Saved**

If 50 homes per year are weatherized in 2008, Staff's analysis indicates that the LIW program would save 2,260,000 kWh and 106,000 therms over the lifetime of the measures. Splitting program costs between electric and gas savings, Staff estimates that the cost per kWh saved would be \$0.023, while the cost per therm saved would be \$0.50.

**Summary of Staff Recommendations**

- Staff recommends that DSM funding be utilized whenever possible for weatherization activities that conserve energy. In cases where alternate funding sources are available, those funds should be utilized for any non-weatherization activities before DSM funding is tapped.
- Staff recommends that costs of repair and replacement be counted against the 25 percent cap on health and safety spending, with the exception of the incremental cost of installing high-efficiency (rather than standard) replacement equipment.

- Staff recommends that UNS Electric be allowed to shift unused funding from other Residential UNS Electric DSM programs into the LIW program where this would facilitate DSM program objectives.
- Staff recommends that every home where CFLs are installed under the UNS Electric LIW DSM program be provided with information regarding the proper disposal of burned out or broken CFLs.
- Staff recommends that no funding be shifted out of the LIW program without prior Commission approval.
- Staff recommends that UNS Electric retain no more than 10 percent of LIW funding for its internal administration of the program without prior Commission approval.
- Staff recommends that UNS Electric ensure that its in-house labor costs are recovered from base rates, or from the DSM adjustor once it is in place, but not from both.
- Staff recommends that UNS Electric work to improve the cost-effectiveness of the UNS Electric LIW program.
- Staff recommends that the Company continue to file semi-annual DSM reports, and that, for the LIW program, these should include, at a minimum (i) the number of homes weatherized; (ii) the percentage of the overall LIW budget spent on health and safety spending; (iii) the amount of LIW funding retained by UNS Electric for administration, planning, development, or any other purpose; (iv) copies of new or revised marketing materials; (v) estimated cost savings to participants; (vi) gas and electric savings as determined by the monitoring and evaluation process; (vii) the total amount of the program budget spent during the previous six months, the previous year and since the inception of the program; (viii) any significant impacts on program cost-effectiveness; and (ix) descriptions of any problems and proposed solutions, including movements of funding from one program to another.



Ernest G. Johnson  
Director  
Utilities Division

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ORIGINATOR: Julie McNeely-Kirwan

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BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
JEFF HATCH-MILLER  
Commissioner  
KRISTIN K. MAYES  
Commissioner  
GARY PIERCE  
Commissioner

IN THE MATTER OF THE APPLICATION )  
OF UNS ELECTRIC, INC.'S APPLICATION )  
FOR APPROVAL OF ITS PROPOSED )  
LOW-INCOME WEATHERIZATION )  
PROGRAM WITHIN ITS DEMAND-SIDE )  
MANAGEMENT PORTFOLIO FOR 2008- )  
2012 )

DOCKET NO. E-04204A-07-0365  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
May 6 and 7, 2008  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Electric, Inc. ("UNS Electric" or "Company") is engaged in providing electric power within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

2. On June 13, 2007, UNS Electric filed an application for approval of its proposed Demand-Side Management ("DSM") Program Portfolio. On November 14, 2007, UNS Electric filed a revised Portfolio Plan, modifying the delivery mechanism and the measurement and evaluation plans, for some programs. The Program Portfolio consists of seven proposed programs. The Low-Income Weatherization ("LIW") program is addressed below.

Program Description

3. Summary. The existing LIW program was designed to conserve energy and lower utility bills for UNS Electric households with limited incomes. UNS Electric proposes to enhance the LIW program and move it into the Company's DSM Portfolio. Proposed changes include an

1 expanded set of efficiency measures and tracking to establish and verify energy savings realized by  
2 the program. Also proposed is an annual budget increase (from \$70,000 to \$105,000) and an  
3 increased per-residence spending limit (from \$1,600 to \$2,000).<sup>1</sup>

4       4.     Goals. The primary goal of the LIW Program is to fund weatherization of low-  
5 income homes, and reduce energy costs and improve comfort and safety for low-income  
6 customers. The LIW Program also conserves energy, and reduces both electric and gas  
7 consumption. Under the enhanced program, UNS Electric proposes to increase the number of  
8 homes weatherized and/or the extent of repair completed at each home.

9       5.     Eligibility. The LIW Program is available to UNS Electric residential customers  
10 with household incomes less than or equal to 150 percent of the federal poverty guidelines. (For  
11 2008, 150 percent of the federal poverty guidelines would be \$15,600 for a one person household  
12 and \$33,300 for a four person household). The LIW program is the only UNS Electric DSM  
13 program with income requirements.

14       6.     In the UNS Electric territory, homes eligible for the LIW program consist primarily  
15 of older homes, including mobile homes and single-family homes constructed of slump block  
16 and/or homes with wood frame construction. Homes are prioritized based on factors that include  
17 the following:

- 18             • No heat in the winter, or no cooling in the summer;
- 19             • Elderly or minors in the household;
- 20             • Physical handicaps or illness; and
- 21             • Number of people in the household.<sup>2</sup>

22       7.     Health and Safety Measures. UNS Electric regards customers' health and safety as  
23 a priority over energy savings. Community action agencies are allowed to use up to 25 percent of  
24 the UNS Electric funding for health and safety measures. Health and safety measures are not  
25 considered weatherization, but may be required in order to allow effective weatherization and to

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residence spending limit for the UNS Gas LIW program.

28 <sup>2</sup>WAP rules indicate that "high energy consuming housing" is a priority, and energy consumption rises as the number  
of residents in a home increases.

1 protect customers. Examples of these measures include work required to address rotting wood,  
2 mold or unsanitary conditions, lack of ventilation or potential fire hazards.

3 8. Staff acknowledges the importance of health and safety measures, but has  
4 recommended that DSM funding be utilized whenever possible for weatherization activities that  
5 conserve energy. In cases where alternate funding sources are available, those funds should be  
6 utilized for any non-weatherization activities before DSM funding is tapped. DSM funding used  
7 for any health and safety measure should be counted against the 25 percent cap and reported in the  
8 UNS Electric semi-annual DSM filing.

9 9. Weatherization Measures. Under the LIW Program, weatherization would be done  
10 in accordance with the Weatherization Assistance Program ("WAP"). WAP is funded by the U.S.  
11 Department of Energy and administered by the Arizona Department of Commerce Energy Office  
12 ("AEO"). The major weatherization measures would generally fall into four categories:

- 13 • Duct repair;
- 14 • Pressure management/infiltration control;
- 15 • Attic insulation; and
- 16 • Repair or replacement of non-functional or hazardous appliances.

17 10. With respect to the last item, neither installation of new equipment nor repair of  
18 non-functioning equipment would be DSM measures, because either would result in more energy  
19 use, not less. In cases where non-functioning equipment is replaced, only the incremental cost of  
20 installing high-efficiency equipment (rather than standard equipment) can be considered DSM  
21 spending. Staff has recommended that other costs of repair and replacement be counted against  
22 the 25 percent cap on health and safety spending.

23 11. The actual measures installed in a specific home would be based on an on-site audit  
24 and would be required to meet WAP cost-effectiveness tests.

25 12. Additional Weatherization Measures. In addition to the above major weatherization  
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1 installed, if appropriate under health and safety rules; (iii) low-flow shower heads and (iv) faucet  
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3 13. The average cost for installing all four measures is estimated at approximately \$40  
4 per home, or \$20 for materials and \$20 for additional labor. If all homes from both the main  
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15 these emergency repairs, but would provide additional, alternative, funding for installation of the  
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18 16. Incentives. The UNS Electric LIW program would provide funding of up to \$2,000  
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26 Program Budget

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2008-2012 Program Budgets

Year	2008	2009	2010	2011	2012
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5 **Participation**

6           26.     Thirty-six homes were weatherized under the existing program in 2007, at a total  
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10 its full allocation.) SEACAP now has a weatherization staffer in place and has indicated to UNS  
11 Electric that it would be able to spend all of its funding this year, including the increase arising  
12 from a larger budget. (Funds allocated but not spent are not rolled forward; UNS Electric reports  
13 the actual program spending.) With a budget increase from \$70,000 to \$105,000, UNS Electric  
14 projects that approximately 50 low-income homes would be weatherized under its LIW program in  
15 2008.

16 **Monitoring and Evaluation**

17           27.     Working with AEO, UNS Electric would track, manage, and evaluate the program,  
18 adopting a strategy of integrated data collection that would include the following activities:

19           28.     Database management – participating agencies would collect data and AEO would  
20 provide period reporting.

21           29.     Implementation of integrated data collection – UNS Electric and AEO would  
22 establish a system of data collection to support program management and evaluation;

23           30.     Field verification – the AEO or its contractor would verify the installation of a  
24 sample of measures.

25           31.     Tracking of savings using deemed savings values – AEO would establish the  
26 savings for each measure and technology and would periodically review and revise the savings  
27 based on bill analysis.

28 ...

1           32.     This approach would provide UNS Electric with ongoing feedback on program  
2 progress and enable management to adjust or correct programs to be more cost-effective.

3     **Reporting Requirements**

4           33.     UNS Electric files semi-annual reports concerning its DSM programs. Staff has  
5 recommended that the Company continue to do so. For the LIW program, these should include, at  
6 a minimum (i) the number of homes weatherized; (ii) the percentage of the overall LIW budget  
7 spent on health and safety spending; (iii) the amount of LIW funding retained by UNS Electric for  
8 administration, planning, development, or any other purpose; (iv) copies of new or revised  
9 marketing materials; (v) estimated cost savings to participants; (vi) gas and electric savings as  
10 determined by the monitoring and evaluation process; (vii) the total amount of the program budget  
11 spent during the previous six months, the previous year and since the inception of the program;  
12 (viii) any significant impacts on program cost-effectiveness; and (ix) descriptions of any problems  
13 and proposed solutions, including movements of funding from one program to another.

14     **Cost-Benefit Analysis**

15           34.     Although Staff calculated the benefit-cost ratio of the LIW program at .94, slightly  
16 below the cost-effectiveness threshold, the program can be considered cost-effective once the  
17 projected environmental savings (which are not monetized, but which are greater than zero) are  
18 also taken into account. In the case of the LIW program, the projected cost of health and safety  
19 measures, estimated at 15 percent of the total LIW budget, would be excluded from the cost-  
20 effectiveness calculation.

21           35.     Staff has recommended that UNS Electric work to improve the cost-effectiveness of  
22 the UNS Electric LIW program.

23     **CO2 Savings**

24           36.     The projected CO2 savings from the LIW program are provided in the table below.  
25 This number represents an estimate of the lifetime CO2 savings from the homes projected to be  
26 weatherized over the five-year course of the LIW program. If more than 50 homes are  
27 weatherized per year, carbon dioxide savings are likely to be higher.

28     ...

1           **37.    LIW Projected Environmental Benefits, 2008 - 2012**

2           CO2 Lifetime Savings	16,563,100	Pounds
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4           **Estimated Cost Per Therm and kWh Saved**

5           38.    If 50 homes per year are weatherized in 2008, Staff's analysis indicates that the  
6 LIW program would save 2,260,000 kWh and 106,000 therms over the lifetime of the measures.  
7 Splitting program costs between electric and gas savings, Staff estimates that the cost per kWh  
8 saved would be \$0.023, while the cost per therm saved would be \$0.50.

9           **Summary of Staff Recommendations**

10          39.    Staff has recommended that DSM funding be utilized whenever possible for  
11 weatherization activities that conserve energy. In cases where alternate funding sources are  
12 available, those funds should be utilized for any non-weatherization activities before DSM funding  
13 is tapped.

14          40.    Staff has recommended that costs of repair and replacement be counted against the  
15 25 percent cap on health and safety spending, with the exception of the incremental cost of  
16 installing high-efficiency (rather than standard) replacement equipment.

17          41.    Staff has recommended that UNS Electric be allowed to shift unused funding from  
18 other Residential UNS Electric DSM programs into the LIW program where this would facilitate  
19 DSM program objectives.

20          42.    Staff has recommended that every home where CFLs are installed under the UNS  
21 Electric LIW DSM program be provided with information regarding the proper disposal of burned  
22 out or broken CFLs.

23          43.    Staff has recommended that no funding be shifted out of the LIW program without  
24 prior Commission approval.

25          44.    Staff has recommended that UNS Electric retain no more than 10 percent of LIW  
26 funding for its internal administration of the program without prior Commission approval.

27          45.    Staff has recommended that UNS Electric ensure that its in-house labor costs are  
28 recovered from base rates, or from the DSM adjustor once it is in place, but not from both.



1           IT IS FURTHER ORDERED that costs of repair and replacement be counted against the  
2 25 percent cap on health and safety spending, with the exception of the incremental cost of  
3 installing high-efficiency (rather than standard) replacement equipment.

4           IT IS FURTHER ORDERED that UNS Electric, Inc. be allowed to shift unused funding  
5 from other Residential UNS Electric DSM programs into the LIW program where this would  
6 facilitate DSM program objectives.

7           IT IS FURTHER ORDERED that every home where CFLs are installed under the UNS  
8 Electric LIW DSM program be provided with information regarding the proper disposal of burned  
9 out or broken CFLs.

10          IT IS FURTHER ORDERED that no funding be shifted out of the LIW program without  
11 prior Commission approval.

12          IT IS FURTHER ORDERED that UNS Electric, Inc. retain no more than 10 percent of  
13 LIW funding for its internal administration of the program without prior Commission approval.

14          IT IS FURTHER ORDERED that UNS Electric, Inc. ensure that its in-house labor costs  
15 are recovered from base rates, or from the DSM adjustor once it is in place, but not from both.

16          IT IS FURTHER ORDERED that UNS Electric, Inc. work to improve the cost-  
17 effectiveness of the UNS Electric LIW program.

18          IT IS FURTHER ORDERED that UNS Electric, Inc. continue to file semi-annual DSM  
19 reports, and that the LIW program reports include, at a minimum (i) the number of homes  
20 weatherized; (ii) the percentage of the overall LIW budget spent on health and safety spending;  
21 (iii) the amount of LIW funding retained by UNS Electric, Inc. for any purpose; (iv) copies of new  
22 or revised marketing materials; (v) estimated cost savings to participants; (vi) gas and electric

23 ...  
24 ...  
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26 ...  
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1 savings as determined by the monitoring and evaluation process; (vii) the total amount of the  
 2 program budget spent during the previous six months, the previous year, and since the inception of  
 3 the program; (viii) any significant impacts on program cost-effectiveness; and (ix) descriptions of  
 4 any problems and proposed solutions, including movements of funding from one program to  
 5 another.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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10 CHAIRMAN COMMISSIONER

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13 COMMISSIONER COMMISSIONER COMMISSIONER

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IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
 Director of the Arizona Corporation Commission, have  
 hereunto, set my hand and caused the official seal of this  
 Commission to be affixed at the Capitol, in the City of  
 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

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\_\_\_\_\_  
 BRIAN C. McNEIL  
 Executive Director

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DISSENT: \_\_\_\_\_

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DISSENT: \_\_\_\_\_

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EGJ:JMK:ihm\KT

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