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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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ARIZONA CORPORATION COMMISSION
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IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-04204A-07-0365
UN ELECTRIC, INC. FOR APPROVAL OF A)
PROPOSED DEMAND-SIDE MANAGEMENT)
PORTFOLIO FOR 2008-2012.)

UNS Electric, Inc. (“UNS Electric” or the “Company”), through undersigned counsel, hereby submits its request for modifications to its Demand-Side Management Commercial Facilities Efficiency Program (the “Program”). Modifications to this Program will allow for increased participation, particularly for customers taking service under the Large Power Service (“LPS”) Rate. In the Program, the per customer cap of \$10,000 is a hindrance to customers under the LPS Rate as it does not incent these customers to participate in the Program. Therefore UNS Electric requests the following modifications.

I. MODIFICATIONS.

1. A custom incentive should be added.

UNS Electric requests that a custom incentive be added to the Program. Custom incentives will encourage customers to propose innovative energy efficiency solutions not covered by the schedule of prescriptive measures. Eligible projects must compare a baseline design or system to a more energy efficient alternative and provide calculations and documentation substantiating the savings claims. Projects that are eligible for custom incentives will then be evaluated on a case-by-case basis and *each project must pass the Societal Cost and Total Resource Cost tests* based on estimated demand and energy savings, customer incremental or installed cost, and the overall life of the measure by the Implementation Contractor. UNS Electric recommends the following custom incentive:

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Custom incentive = \$0.10 per annual kWh saved

2. The custom incentive should be capped at 50% of the incremental cost.

The custom incentive should be capped at this lower percentage in order to spread the money over more projects and promote even more energy efficient programs.

3. The per customer cap should be raised.

UNS Electric requests that the per customer cap be raised from \$10,000 to \$50,000 for 500 kW customers and above (Large Power Service) so that these customers are incented to participate in the Program. This \$50,000 cap will be limited to two Large Power Service customers per year, unless sufficient funds are available at the end of the year.

II. CONCLUSION.

WHEREFORE, for all of the foregoing reasons, UNS Electric submits these modifications for the Commission's consideration.

RESPECTFULLY SUBMITTED this 8th day of August 2008.

UNS ELECTRIC, INC.

By Michelle Livengood

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Original and 13 copies of the foregoing
filed this 8th day of August 2008 with:

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

Copy of the foregoing hand-delivered/mailed
this 8th day of August 2008 to:

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By *Mary Appolite*