

OPEN MEETING



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ORIGINAL

MEMORANDUM

Arizona Corporation Commission

DOCKETED

SEP 10 2008

TO: THE COMMISSION

FROM: Utilities Division

DATE: September 10, 2008

DOCKETED BY	
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RECEIVED

2008 SEP 10 P 4: 42

AZ CORP COMMISSION
DOCKET CONTROL

RE: UNS ELECTRIC, INC. – APPLICATION FOR APPROVAL OF ITS PROPOSED DEMAND-SIDE MANAGEMENT PORTFOLIO FOR 2008-2012 – ENERGY SMART HOMES (DOCKET NO. E-04204A-07-0365)

On June 13, 2007, UNS Electric, Inc. (“UNS Electric” or “the 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/evaluation plans for some programs.

The UNS Electric DSM Portfolio consists of seven proposed programs. The UNS Electric Energy Smart Home (“ESH”) Program is one of those seven programs and is summarized below.

Program Description

Under the UNS Electric Residential New Construction program, marketed as the Energy Smart Homes (“ESH”) program, incentives would be provided to builders to promote homes built to meet 2006 Energy Star® Home performance requirements. Planning and implementation for the ESH program began in 2007.

Goals. The ESH program would stimulate the construction of energy-efficient homes, promote the installation of high-efficiency equipment, help reduce peak demand, and help reduce overall energy consumption of both gas and electricity in new homes. The program would also assist UNS Electric in meeting the energy demands of Mohave County, where the Company anticipates high levels of growth due to the building of the Hoover Dam bypass.

The ESH program would emphasize the whole-house approach to improving health, safety, comfort, durability, and energy efficiency and would promote construction of homes meeting the 2006 Environmental Protection Agency/Department of Energy (“EPA/DOE”) Energy Star® Homes performance requirements. Program savings would be achieved through a combination of building envelope upgrades, high performance windows, controlled air filtration, upgraded heating and cooling systems, tight duct systems, installation of Energy Star® products, and upgraded water heating equipment.

Eligibility. Builders of newly-constructed single family homes in the UNS Electric service territory are eligible to participate in the program. Eligible homes include town homes, condominiums, and duplexes.

Incentives. The ESH Program would provide incentives to home builders for each qualifying new home. The table below provides the builder incentive for meeting Energy Smart Homes performance standards.

Energy Smart Homes Program Incentive

Energy Smart Homes Program	Incentive
Meets ESH and Energy Star® Homes performance standards, including testing and inspection protocol	\$400 per home

The average incremental cost of building a home to Energy Star® standards is \$963.22 in the UNS Electric territory. This figure includes the cost of energy-efficient furnaces and improvements to the thermal envelope, such as better insulation and upgraded windows. The builder would also be required to pay for the on-site testing and inspections required to earn Energy Star® certification.

Delivery Strategy

The ESH program would be delivered through Conservation Services Group (“CSG”), a non-profit implementation contractor which specializes in delivery of Energy Star New Home programs. UniSource Energy Services (“UES”) contracted with CSG to deliver the ESH programs for both UNS Electric and UNS Gas. (UES is the holding company for both UNS entities.) CSG’s website indicates that, to date, it has aided in the creation of approximately 50,000 new Energy Star homes. CSG currently administers and promotes Energy Star programs in New England, New York, New Jersey, and Oregon.

CSG would provide turn-key service for the UNS Electric ESH program, receiving the bulk of the program funding and determining budget allocations (see the Budget section). CSG would be responsible for meeting the program’s energy and demand performance goals, and for issuing the recommended incentive levels to builders. CSG would also provide regular progress reports to UES.

UES would be responsible for gathering and evaluating energy savings generated from the program and for determining whether CSG is meeting performance targets. If CSG fails to meet the required performance targets at the end of three years, UES has the option of replacing it with another IC for the remaining two years of the contract.

Marketing

Marketing and promotion to homebuyers and builders within the UNS Electric territory will be accomplished through the following means:

- Advertisements and articles published in builder trade and homebuyer publications;
- Point-of-sale materials;
- The UNS Electric website;
- UNS Electric builder training events; and
- Brochures and bill stuffers.

Program Budget

The table below provides the annual budget allocations estimated by CSG. UES (see Delivery section) would be allocated approximately 10.32 percent¹ of the budget for administration and oversight of the CSG (see the Managerial and Clerical category). UES would also be allocated approximately \$15,000, or 3.43 percent of the total budget, for marketing in addition to that done by CSG.

Proposed ESH 20092 Program Budget

	Dollar Amount	Percentage of Total Budget
Funding allocated to UES		
Managerial & Clerical (UES) ³	\$45,097	10.32%
Marketing (UES)	\$15,000	3.43%
Funding allocated to CSG		
Labor Costs	\$135,284	30.96%
Incentives	\$200,000	45.76%
Printing Costs	\$3,500	0.80%
Advertising/Media Buys	\$5,000	1.14%
Travel	\$12,840	2.94%
IT Data Tracking Hardware/Software	\$1,000	0.23%
Telephone/Postage	\$1,500	0.34%
Office Space Expenses	\$500	0.11%
Other	\$500	0.11%
Other-Contracting Expenses allocated to CSG	\$0	0.00%
Funding allocated to Evaluation, Monitoring and Verification ("EM&V")		
EM&V/Research Activity	\$15,120	3.46%
EM&V Overhead	\$1,680	0.38%
Total Annual Budget	\$437,021	100.00%

¹The UES administrator's duties would include working with the IC on program design, marketing and administration. The UES administrator would assist the IC with training for builders and raters, monitor the ongoing costs and benefits, and prepare internal and ACC reports on program progress.

² 2009 would be the first full year for the ESH program as implemented by CSG.

UNS Electric has indicated that its in-house administrator for the ESH program is funded through the DSM adjustor. Staff recommends that UNS Electric's semi-annual DSM reports include an attestation from a Company officer that labor and other expenses charged to the ESH program are not being recovered in base rates.

Program Participation

UNS Electric states that 200,000 new homes are planned in Mohave County during the next 20-30 years, with expansion primarily due to the planned 2010 completion of the Hoover Dam bypass. The bypass will significantly decrease travel time between Las Vegas and Mohave County, with most of the increased demand for housing projected to occur in the Kingman area. The UNS Electric program would also be active in the Santa Cruz area and in Nogales, Tubac, and the Rio Rico areas. Annual growth in the UNS Electric territory was originally estimated at 5,435 units⁴ per year from 2008 to 2012. Although the housing market has experienced a downturn, the Company anticipates higher participation in later years and has retained its five-year goal of approximately 2,700 homes.

Staff recommends that the number of houses completed under the program be tracked and reported in the Company's semi-annual DSM reports. Both annual and to-date numbers should be supplied.

Cost-Effectiveness

Staff has calculated the benefit-cost ratio of the ESH program at 1.35, taking into account both electric and gas savings. Staff determines cost-effectiveness using the Societal Cost Test, comparing the incremental measure and program costs against avoided utility costs (including therm savings over the life of the measure and avoided capacity costs). The Societal Cost Test includes a consideration of avoided environmental impacts, which are quantified, but not monetized. Under this test, a program's incremental benefits to society must exceed the incremental cost of having the program in place, in order for the program to be considered cost-effective. The ESH program is cost-effective before taking into account the environmental savings discussed in the next section.

Projected Environmental Savings

The projected environmental savings from the ESH program are provided in the table below. This number represents the estimated lifetime savings from all the Energy Star homes projected to be built over the five-year course of the ESH program. Staff notes that the projected environmental savings listed below reflect a twenty-year lifespan for the homes built under this program and that longer lifespans would produce higher savings.

⁴ "Unit" includes single-family homes, condominiums, town homes, apartments and mobile homes.

UNS ELECTRIC ESH Program: Estimated Lifetime Environmental Savings (from kWh)

Type of Emission	UNS Electric Environmental Factors	Environmental savings (lbs.)
SOx	0.78 lbs./MWh	49,583
NOx	2.52 lbs./MWh	160,192
CO2 (kWh savings)	1,626 lbs./MWh	103,361,717
CO2 (therm savings)	11.8 lbs./therm	45,662,579

Estimated Energy Savings

The ESH program would save an estimated 3,869,710 therms and 63,568,092 kWh over the lifetime of the measures installed from 2008 through 2012.

Monitoring and Evaluation

UNS Electric would adopt a strategy that calls for integrated data collection that is designed to provide a quality data resource for program tracking, management and evaluation. This approach would entail the following primary activities:

- **Database management** - As part of program operation, UNS Electric would collect the necessary data elements to populate the tracking database and provide periodic reporting.
- **Integrated implementation data collection** - UNS Electric would work with the implementation contractor to establish systems to collect the data needed to support effective program management and evaluation through the implementation and customer application processes. The database tracking system will be integrated with implementation data collection processes.
- **Field verification** – UNS Electric would conduct field verification of the installation of a sample of measures throughout the implementation of the program.
- **Tracking of savings using deemed savings values** – UNS Electric would develop deemed savings values for each measure and technology promoted by the program and periodically review and revise the savings values to be consistent with program participation and accurately estimated the savings being achieved by the program.

This approach will provide UNS Electric with ongoing feedback on program progress and enable program management to adjust or correct the program so as to be more effective, provide a higher level of service, and be more cost beneficial. Integrated data collection will also provide a high quality data resource for evaluation activities.

Reporting Requirement

Staff recommends that, in addition to the attestation referred to in the Budget section, the UNS Electric semi-annual DSM reports should include, at a minimum, (i) the number of Energy Star®-certified homes built; (ii) copies of marketing materials; (iii) estimated cost savings to participants; (iv) gas and electric savings as determined by the monitoring and evaluation process; (v) estimated environmental savings; (vi) the total amount of the program budget spent during the previous six months, the previous year, and since the inception of the program; (vii) any significant impacts on program cost-effectiveness; and (viii) descriptions of any problems and proposed solutions, including movements of funding from one program to another.

Staff Recommendations

Staff makes the following recommendations concerning all UNS Electric DSM programs approved by the Commission:

- Staff recommends approval of the Energy Star Home program, with the modifications recommended below.
- Staff recommends that UNS Electric's semi-annual DSM reports include an attestation from a Company officer that labor and other expenses charged to the ESH program are not being recovered in base rates.
- Staff recommends that the number of houses completed under the program be tracked and reported in the Company's semi-annual DSM reports. Both annual and to-date numbers should be supplied.
- Staff recommends that UNS Electric be allowed to shift up to 25 percent of funding between Residential sector programs, if such shifting would promote more cost-effective demand-side management. No funds are to be moved out of the LIW program.
- Staff recommends that any shifting of funds between programs in excess of 25 percent be approved by the Commission.
- Staff recommends that any increases in the overall DSM Portfolio budget in excess of 25 percent be approved by the Commission.
- Staff recommends that incentives be limited to no more than 75 percent of incremental cost, and that UNS Electric take into account any federal or state tax credits when calculating the cap.
- Staff recommends that the nature and intent of the UNS Electric DSM programs not be changed without Commission approval.

- Staff recommends that, in addition to the attestation referred to in the Budget section, the UNS Electric semi-annual DSM reports should include, at a minimum, (i) the number of Energy Star®-certified homes built; (ii) copies of marketing materials; (iii) estimated cost savings to participants; (iv) gas and electric savings as determined by the monitoring and evaluation process; (v) estimated environmental savings; (vi) the total amount of the program budget spent during the previous six months, the previous year and since the inception of the program; (vii) any significant impacts on program cost-effectiveness; and (viii) descriptions of any problems and proposed solutions, including movements of funding from one program to another.
- Staff recommends that program incentives be reviewed biannually to determine whether the incentives can be reduced or eliminated without reducing program participation.
- Staff recommends that references to the Commission in UNS Electric DSM marketing appear as “Arizona Corporation Commission”, rather than “ACC.”
- Staff recommends that UNS Electric DSM energy efficiency program standards match or exceed federal minimum energy efficiency standards. In cases where the federal minimum energy efficiency standards are increased during the life of a UNS Electric DSM program, program standards should be increased to exceed the currently applicable federal standards. In instances where exceeding current federal standards would render a program or measure less than cost-effective, the program or measure should be terminated.

for 
Ernest G. Johnson
Director
Utilities Division

EGJ:JKM:lhm\KOT

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. FOR APPROVAL)
OF ITS PROPOSED DEMAND-SIDE)
MANAGEMENT PORTFOLIO FOR 2008-)
2012 – ENERGY SMART HOMES)

DOCKET NO. E-04204A-07-0365
DECISION NO. _____
ORDER

Open Meeting
September 23 and 24, 2008
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Electric, Inc., (“UNS Electric” or “the 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, including the Residential New Construction program summarized below.

Program Description

3. Under the UNS Electric Residential New Construction program, marketed as the Energy Smart Homes (“ESH”) program, incentives would be provided to builders to promote homes built to meet 2006 Energy Star® Home performance requirements. Planning and implementation for the ESH program began in 2007.

1 **Delivery Strategy**

2 9. The ESH program would be delivered through Conservation Services Group
 3 (“CSG”), a non-profit implementation contractor which specializes in delivery of Energy Star New
 4 Home programs. UniSource Energy Services (“UES”) contracted with CSG to deliver the ESH
 5 programs for both UNS Electric and UNS Gas. (UES is the holding company for both UNS
 6 entities.) CSG’s website indicates that, to date, it has aided in the creation of approximately
 7 50,000 new Energy Star homes. CSG currently administers and promotes Energy Star programs in
 8 New England, New York, New Jersey, and Oregon.

9 10. CSG would provide turn-key service for the UNS Electric ESH program, receiving
 10 the bulk of the program funding and determining budget allocations (see the Budget section). CSG
 11 would be responsible for meeting the program’s energy and demand performance goals, and for
 12 issuing the recommended incentive levels to builders. CSG would also provide regular progress
 13 reports to UES.

14 11. UES would be responsible for gathering and evaluating energy savings generated
 15 from the program and for determining whether CSG is meeting performance targets. If CSG fails
 16 to meet the required performance targets at the end of three years, UES has the option of replacing
 17 it with another IC for the remaining two years of the contract.

18 **Marketing**

19 12. Marketing and promotion to homebuyers and builders within the UNS Electric
 20 territory will be accomplished through the following means:

- 21 • Advertisements and articles published in builder trade and homebuyer publications;
- 22 • Point-of-sale materials;
- 23 • The UNS Electric website;
- 24 • UNS Electric builder training events; and
- 25 • Brochures and bill stuffers.

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1 **Program Budget**

2 13. The table below provides the annual budget allocations estimated by CSG. UES
 3 (see Delivery section) would be allocated approximately 10.32 percent¹ of the budget for
 4 administration and oversight of the CSG (see the Administrative Costs category). UES would also
 5 be allocated approximately \$15,000, or 3.43 percent of the total budget, for marketing in addition
 6 to that done by CSG.

7 **Proposed ESH 20092 Program Budget**

	Dollar Amount	Percentage of Total Budget
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 23 14. UNS Electric has indicated that its in-house administrator for the ESH program is
 24 funded through the DSM adjustor. Staff has recommended that UNS Electric's semi-annual DSM
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 27 ¹The UES administrator's duties would include working with the IC on program design, marketing and administration. The UES administrator would assist the IC with training for builders and raters, monitor the ongoing costs and benefits, and prepare internal and ACC reports on program progress.

28 ² 2009 would be the first full year for the ESH program as implemented by CSG.

1 reports include an attestation from a Company officer that labor and other expenses charged to the
2 ESH program are not being recovered in base rates.

3 **Program Participation**

4 15. UNS Electric states that 200,000 new homes are planned in Mohave County during
5 the next 20-30 years, with expansion primarily due to the planned 2010 completion of the Hoover
6 Dam bypass. The bypass will significantly decrease travel time between Las Vegas and Mohave
7 County, with most of the increased demand for housing projected to occur in the Kingman area.
8 The UNS Electric program would also be active in the Santa Cruz area and in Nogales, Tubac, and
9 the Rio Rico areas. Annual growth in the UNS Electric territory was originally estimated at 5,435
10 units⁴ per year from 2008 to 2012. Although the housing market has experienced a downturn, the
11 Company anticipates higher participation in later years and has retained its five-year goal of
12 approximately 2,700 homes.

13 16. Staff has recommended that the number of houses completed under the program be
14 tracked and reported in the Company's semi-annual DSM reports. Both annual and to-date
15 numbers should be supplied.

16 **Cost-Effectiveness**

17 17. Staff has calculated the benefit-cost ratio of the ESH program at 1.35, taking into
18 account both electric and gas savings. Staff determines cost-effectiveness using the Societal Cost
19 Test, comparing the incremental measure and program costs against avoided utility costs
20 (including therm savings over the life of the measure and avoided capacity costs). The Societal
21 Cost Test includes a consideration of avoided environmental impacts, which are quantified, but not
22 monetized. Under this test, a program's incremental benefits to society must exceed the
23 incremental cost of having the program in place, in order for the program to be considered cost-
24 effective. The ESH program is cost-effective before taking into account the environmental savings
25 discussed in the next section.

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28 ⁴ "Unit" includes single-family homes, condominiums, town homes, apartments and mobile homes.

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Type of Emission	UNS Electric Environmental Factors	Environmental savings (lbs.)
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20. UNS Electric would adopt a strategy that calls for integrated data collection that is designed to provide a quality data resource for program tracking, management and evaluation. This approach would entail the following primary activities:

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- **Field verification** – UNS Electric would conduct field verification of the installation of a sample of measures throughout the implementation of the program.
- **Tracking of savings using deemed savings values** – UNS Electric would develop deemed savings values for each measure and technology promoted by the program and periodically

1 review and revise the savings values to be consistent with program participation and
2 accurately estimated the savings being achieved by the program.

3 21. This approach will provide UNS Electric with ongoing feedback on program
4 progress and enable program management to adjust or correct the program so as to be more
5 effective, provide a higher level of service, and be more cost beneficial. Integrated data collection
6 will also provide a high quality data resource for evaluation activities.

7 **Reporting Requirement**

8 22. Staff has recommended that, in addition to the attestation referred to in the Budget
9 section, the UNS Electric semi-annual DSM reports should include, at a minimum, (i) the number
10 of Energy Star®-certified homes built; (ii) copies of marketing materials; (iii) estimated cost
11 savings to participants; (iv) gas and electric savings as determined by the monitoring and
12 evaluation process; (v) estimated environmental savings; (vi) the total amount of the program
13 budget spent during the previous six months, the previous year, and since the inception of the
14 program; (vii) any significant impacts on program cost-effectiveness; and (viii) descriptions of any
15 problems and proposed solutions, including movements of funding from one program to another.

16 **Staff Recommendations**

17 23. Staff has recommended approval of the Energy Star Home program, with the
18 modifications recommended below.

19 24. Staff has recommended that UNS Electric's semi-annual DSM reports include an
20 attestation from a Company officer that labor and other expenses charged to the ESH program are
21 not being recovered in base rates.

22 25. Staff has recommended that the number of houses completed under the program be
23 tracked and reported in the Company's semi-annual DSM reports. Both annual and to-date
24 numbers should be supplied.

25 26. Staff has recommended that UNS Electric be allowed to shift up to 25 percent of
26 funding between Residential sector programs, if such shifting would promote more cost-effective
27 demand-side management. No funds are to be moved out of the LIW program.

28 . . .

1 27. Staff has recommended that any shifting of funds between programs in excess of 25
2 percent be approved by the Commission.

3 28. Staff has recommended that any increases in the overall DSM Portfolio budget in
4 excess of 25 percent be approved by the Commission.

5 29. Staff has recommended that incentives be limited to no more than 75 percent of
6 incremental cost, and that UNS Electric take into account any federal or state tax credits when
7 calculating the cap.

8 30. Staff has recommended that the nature and intent of the UNS Electric DSM
9 programs not be changed without Commission approval.

10 31. Staff has recommended that, in addition to the attestation referred to in the Budget
11 section, the UNS Electric semi-annual DSM reports should include, at a minimum, (i) the number
12 of Energy Star®-certified homes built; (ii) copies of marketing materials; (iii) estimated cost
13 savings to participants; (iv) gas and electric savings as determined by the monitoring and
14 evaluation process; (v) estimated environmental savings; (vi) the total amount of the program
15 budget spent during the previous six months, the previous year and since the inception of the
16 program; (vii) any significant impacts on program cost-effectiveness; and (viii) descriptions of any
17 problems and proposed solutions, including movements of funding from one program to another.

18 32. Staff has recommended that program incentives be reviewed biannually to
19 determine whether the incentives can be reduced or eliminated without reducing program
20 participation.

21 33. Staff has recommended that references to the Commission in UNS Electric DSM
22 marketing appear as "Arizona Corporation Commission", rather than "ACC."

23 34. Staff has recommended that UNS Electric DSM energy efficiency program
24 standards match or exceed federal minimum energy efficiency standards. In cases where the
25 federal minimum energy efficiency standards are increased during the life of a UNS Electric DSM
26 program, program standards should be increased to exceed the currently applicable federal
27 standards. In instances where exceeding current federal standards would render a program or
28 measure less than cost-effective, the program or measure should be terminated.

CONCLUSIONS OF LAW

1
2 1. UNS Electric is an Arizona public service corporation within the meaning of Article
3 XV, Section 2, of the Arizona Constitution.

4 2. The Commission has jurisdiction over UNS Electric and over the subject matter of
5 the application.

6 3. The Commission, having reviewed the application and Staff's Memorandum dated
7 September 10, 2008, concludes that it is in the public interest to approve the UNS Residential New
8 Construction program.

ORDER

9
10 IT IS THEREFORE ORDERED the Energy Star Home program Tree program be, and
11 hereby is approved, with the modifications discussed herein.

12 IT IS FURTHER ORDERED that UNS Electric, Inc.'s semi-annual DSM reports include
13 an attestation from a Company officer that labor and other expenses charged to the ESH program
14 are not being recovered in base rates.

15 IT IS FURTHER ORDERED that the number of houses completed under the program be
16 tracked and reported in UNS Electric, Inc.'s semi-annual DSM reports. Both annual and to-date
17 numbers should be supplied.

18 IT IS FURTHER ORDERED that UNS Electric, Inc. be allowed to shift up to 25 percent of
19 funding between Residential sector programs, if such shifting would promote more cost-effective
20 demand-side management. No funds are to be moved out of the LIW program.

21 IT IS FURTHER ORDERED that any shifting of funds between programs in excess of 25
22 percent be approved by the Commission.

23 IT IS FURTHER ORDERED that any increases in the overall DSM Portfolio budget in
24 excess of 25 percent be approved by the Commission.

25 IT IS FURTHER ORDERED that incentives be limited to no more than 75 percent of
26 incremental cost, and that UNS Electric, Inc. take into account any federal or state tax credits when
27 calculating the cap.

28 ...

1 IT IS FURTHER ORDERED that the nature and intent of the UNS Electric, Inc. DSM
2 programs not be changed without Commission approval.

3 IT IS FURTHER ORDERED that, in addition to the attestation referred to in the Budget
4 section, the UNS Electric, Inc. semi-annual DSM reports should include, at a minimum, (i) the
5 number of Energy Star®-certified homes built; (ii) copies of marketing materials; (iii) estimated
6 cost savings to participants; (iv) gas and electric savings as determined by the monitoring and
7 evaluation process; (v) estimated environmental savings; (vi) the total amount of the program
8 budget spent during the previous six months, the previous year and since the inception of the
9 program; (vii) any significant impacts on program cost-effectiveness; and (viii) descriptions of any
10 problems and proposed solutions, including movements of funding from one program to another.

11 IT IS FURTHER ORDERED that program incentives be reviewed biannually to determine
12 whether the incentives can be reduced or eliminated without reducing program participation.

13 IT IS FURTHER ORDERED that references to the Commission in UNS Electric, Inc.
14 DSM marketing appear as "Arizona Corporation Commission", rather than "ACC."

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1 IT IS FURTHER ORDERED that UNS Electric, Inc. DSM energy efficiency program
 2 standards match or exceed federal minimum energy efficiency standards. In cases where the
 3 federal minimum energy efficiency standards are increased during the life of a UNS Electric DSM
 4 program, program standards should be increased to exceed the currently applicable federal
 5 standards. In instances where exceeding current federal standards would render a program or
 6 measure less than cost-effective, the program or measure should be terminated.

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

8

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

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CHAIRMAN

COMMISSIONER

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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.

22

 BRIAN C. McNEIL
 EXECUTIVE DIRECTOR

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DISSENT: _____

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DISSENT: _____

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EGJ:JMK:lhmkOT

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1 SERVICE LIST FOR: UNS Electric, Inc.
2 DOCKET NO. E-04204A-07-0365

3 Ms. Michelle Livengood, Esq.
4 Unisource Energy Services
5 One South Church, Suite 200
6 Tucson, Arizona 85701

7 Mr. Daniel Pozefsky
8 Chief Counsel
9 Residential Utility Consumer Office
10 1110 West Washington Street, Suite 220
11 Phoenix, Arizona 85007

12 Mr. Ernest G. Johnson
13 Director, Utilities Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007

17 Ms. Janice M. Alward
18 Chief Counsel, Legal Division
19 Arizona Corporation Commission
20 1200 West Washington Street
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