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BEFORE THE ARIZONA CORPORATION COMMISSION

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KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

Arizona Corporation Commission
DOCKETED

JUN - 5 2009

DOCKETED BY nl

IN THE MATTER OF THE APPLICATION
OF UNS GAS, INC. FOR APPROVAL TO
REVISE ITS DSM SURCHARGE
BEGINNING JUNE 1, 2009

DOCKET NOS. G-04204A-06-0463
G-04204A-06-0013
G-04204A-05-0831

DECISION NO. 71105
ORDER

Open Meeting
May 27 and 28, 2009
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

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

2. On March 24, 2009, UNS Gas filed an application for approval to reset its demand-side management ("DSM") adjustor rate, in accordance with Decision No. 70011.

3. The UNS Gas DSM adjustor mechanism allows the Company to recover the cost of its DSM¹ programs; the adjustor rate is based on projected spending for the Company's DSM programs. Funding for these programs is collected based on the adjustor rate approved by the Commission. Under- or over-collections are then "trued-up" at the next adjustor rate reset,

¹ For natural gas, DSM is the planning, implementation, and evaluation of programs to reduce energy consumption ("therms") in a cost-effective manner.

1 meaning that the negative or positive balances are taken into account when the new adjustor rate is
2 set.

3 4. Decision No. 70011, on May 27, 2008, established the DSM adjustor and set the
4 current adjustor rate at \$0.0026 per therm. Also pursuant to Decision No. 70011, UNS Gas was to
5 file an application by April 1st of each year for Commission approval to reset the adjustor rate,
6 with the new rate to take effect on June 1st of each year.

7 5. The Company is requesting an increase of \$0.0050 in the adjustor rate, from the
8 current \$0.0026 per therm to \$0.0076 per therm. The increase is based on the projected 2009
9 budget for UNS Gas's DSM portfolio and includes an under-collected balance of \$23,524 from
10 2008.

11 6. Currently, the UNS Gas DSM programs include the following: (i) the Low-Income
12 Weatherization Program; (ii) the Energy Smart Homes Program; (iii) the Efficient Home Heating
13 Program; and (iv) C&I Facilities Gas Efficiency Program. The proposed budget includes
14 downward adjustments for some programs due to the current economic climate.

15 7. The adjustor rate proposed by the Company also includes amounts for one item not
16 yet approved by the Commission – \$21,282 (or 14%)² of the cost of the proposed Baseline Study
17 for UNS Gas. The application requesting approval for recovery for the Baseline Study was filed
18 with the Commission on March 17, 2009.

19 8. The table below details UNS Gas's proposed costs for 2009 and 2008 actual
20 expenditures.

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28 ²The \$21,282 (14%) was originally based on a preliminary budget for the baseline study. Although the overall budget was later modified, the Company has indicated that \$21,282 remains the appropriate spending level for the 2009-2010 program year.

Program	2009 Budget	2008 Expenditures
Residential Efficiency Programs		
Low-Income Weatherization	\$127,149	\$94,376
Energy Smart Homes	\$327,822	\$93,018
Efficient Home Heating	\$217,907	\$86,357
Non-Residential Efficiency Programs		
C&I Facilities Gas Efficiency	\$190,674	\$51,162
Program Totals	\$863,551	\$324,912
Measurement, Evaluation and Research ³	-0-	\$90,059
UNS Gas Baseline Study	\$21,282	-0-
Totals, with MER, Study costs	\$884,833	\$414,971 ⁴
Amount under-collected for 2008	\$23,524	n/a
Total proposed to be collected through DSM Adjustor for 2009	\$908,357	n/a

9. Staff review of the UNS Gas semi-annual DSM progress report for the period July through December 2008 indicates that participation in two programs, the Smart Homes Program and the C&I Facilities Gas Efficiency Program, is currently very low. Participation in the Smart Homes program has been affected by the overall housing slump, and also by the Company's difficulty in recruiting builders in its territory, many of whom are already enrolled in the Arizona Public Service ("APS") program. With respect to the C&I Facilities Gas Efficiency Program, participation has been impacted by the recession, by the higher cost of high efficiency equipment, and because high efficiency equipment is often unavailable.

10. As a result, UNS Gas is taking steps to improve participation: To improve participation in the Smart Homes Program, the Company is partnering with mortgage brokers and lenders who have specialized loan programs for energy efficient or green buildings, and is exploring a partnership with APS to share implementation and make better use of marketing dollars. To improve participation in the C&I Facilities Gas Efficiency Program, the Company is working to improve marketing, including contacts with contractors, equipment manufacturers and

³ The budget for Measurement, Evaluation and Research includes costs for developing a database to track program participation and savings.

⁴ \$391,447 of this amount was collected through the DSM adjustor, leaving a balance of \$23,524 to be collected in 2009.

1 wholesalers/distributors. The Company is also considering changes to the C&I Facilities Gas
2 Efficiency Program, including additional energy efficiency measures and higher incentives.

3 11. Staff recommends that the DSM adjustor rate be reset at the \$0.0076 per therm
4 level proposed by the Company; this includes the projected budgets for 2009, \$21,282 (14%) of
5 the Baseline Study cost for UNS Gas, and the under-collection for 2008. Staff also recommends
6 that the Company include information on its efforts to improve participation for all its programs in
7 its next semi-annual report. In addition, Staff recommends that, when appropriate, the Company
8 file applications to modify programs in order to improve program participation and performance.

9 12. Typical monthly bill impacts for Residential customers are listed below:

Average monthly usage by Season	Therms	Monthly increase from Company proposal (\$0.0050)	Monthly total based on Company proposal (\$0.0076)
Summer	22	\$0.11	\$0.17
Winter	67	\$0.34	\$0.51

13 13. In order to protect UNS Gas, Inc.'s low income residential customers from an
14 increase in their monthly bills, we believe that any residential customer on a UNS Gas, Inc.'s low
15 income discount rate should not be charged the DSM rate at this time. The monies that UNS Gas,
16 Inc. would otherwise recover from the low income residential customers should be retained in
17 UNS Gas, Inc.'s DSM account and be dealt with in the pending rate case. This initiative would
18 have no effect on the DSM rate all other retail customers would pay at this time.

19 CONCLUSIONS OF LAW

20 1. UNS Gas is an Arizona public service corporation within the meaning of Article
21 XV, Section 2, of the Arizona Constitution.

22 2. The Commission has jurisdiction over UNS Gas and over the subject matter of the
23 application.

24 3. The Commission, having reviewed the Company's Application and Staff's
25 Memorandum dated May 12, 2009, concludes that it is in the public interest to approve the UNS
26 Gas Demand-Side Management Surcharge beginning June 1, 2009, as discussed herein.

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ORDER

IT IS THEREFORE ORDERED that the UNS Gas, Inc. DSM Adjustor rate be, and hereby is, set at a level of \$0.0076 beginning June 1, 2009.

IT IS FURTHER ORDERED that the Company shall include information on its efforts to improve participation for all its programs in its next semi-annual DSM report.

IT IS FURTHER ORDERED that, when appropriate, the Company file applications to modify programs in order to improve program participation and performance.

IT IS FURTHER ORDERED that any residential customer on a UNS Gas, Inc. low income discount rate shall not be charged the Demand-Side Management rate and the monies that UNS Gas, Inc. would otherwise recover from the low income residential customers shall be retained in UNS Gas, Inc.'s Demand-Side Management account and be dealt with in the pending rate case.

1 IT IS FURTHER ORDERED that UNS Gas, Inc. shall provide appropriate notice of the
2 Commission's consideration of this matter (exempting low income customers for DSM and
3 recovery of DSM funds not paid by low income customers) to its customers and all parties of
4 record in its last permanent rate case.

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

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

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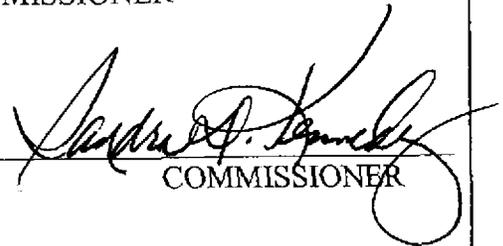
9 CHAIRMAN

COMMISSIONER

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12 COMMISSIONER



COMMISSIONER



COMMISSIONER

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14 IN WITNESS WHEREOF, I, MICHAEL P. KEARNS, Interim
15 Executive Director of the Arizona Corporation Commission,
16 have hereunto, set my hand and caused the official seal of this
17 Commission to be affixed at the Capitol, in the City of
18 Phoenix, this 5TH day of JUNE, 2009.

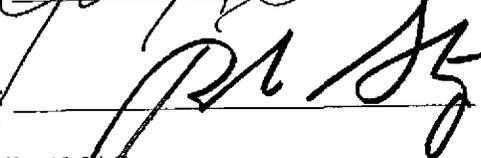


19 MICHAEL P. KEARNS
20 INTERIM EXECUTIVE DIRECTOR

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22 DISSENT:



23 DISSENT:



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1 SERVICE LIST FOR: UNS GAS, INC.

2 DOCKET NOS: G-04204A-06-0463, G-04204A-06-0013 and G-04204A-05-0831

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