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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES  
Chairman

GARY PIERCE  
Commissioner

PAUL NEWMAN  
Commissioner

SANDRA D. KENNEDY  
Commissioner

Arizona Corporation Commission

DOCKETED

JUN 26 2009

BOB STUMP  
Commissioner

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

DOCKET NO. E-04204A-06-0783  
DECISION NO. 71178  
ORDER

Open Meeting  
June 23 and 24, 2009  
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 March 24, 2009, UNS Electric filed an application for approval to reset its demand-side management ("DSM") adjustor rate, in accordance with Decision No. 70360.

3. The UNS Electric DSM adjustor mechanism allows the Company to recover the cost of its DSM programs; the DSM adjustor is based on projected spending for the Company's DSM<sup>1</sup> 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,

<sup>1</sup> DSM is the planning, implementation, and evaluation of programs to shift peak load to off-peak hours, to reduce peak demand ("kW") and/or to reduce energy consumption ("kWh" or "therms") in a cost-effective manner. DSM may include energy efficiency, load management, and demand response.

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

3 4. Decision No. 70360, on May 27, 2008, established the DSM adjustor mechanism  
4 and set the current adjustor rate at \$0.000583 per kWh. Also pursuant to Decision No. 70360,  
5 UNS Electric was to file an application by April 1st of each year for Commission approval to reset  
6 the adjustor rate, with the new rate to take effect on June 1st of each year.

7 5. The Company is requesting an increase of \$0.000185 in the adjustor rate, from the  
8 current \$0.000583 per kWh to \$0.000768 per kWh. The increase is based on the projected 2009  
9 budget for UNS Electric's DSM portfolio, less an over-collected balance of \$115,857 from 2008.  
10 The budget for Measurement, Evaluation and Research includes costs for developing a database to  
11 track program participation and savings.

12 6. Currently, the UNS Electric DSM programs include the following: (i) the Education  
13 and Outreach Program; (ii) the Low-Income Weatherization Program; (iii) the Energy Smart  
14 Homes Program; (iv) the Efficient Home Cooling Program; (v) the Shade Tree Program; (vi) the  
15 Energy Star Lighting (CFL) Program; and (vii) the Commercial Facilities Program. The proposed  
16 budget includes downward adjustments for some programs due to the current economic climate.  
17 The adjustor rate proposed by the Company also includes amounts for two items not yet approved  
18 by the Commission: (i) a proposed increase<sup>2</sup> in the UNS Electric CFL program budget, which was  
19 filed with the Commission on April 9, 2009, and which is based on the program's high  
20 participation rates since inception; and (ii) \$13,633 (9%)<sup>3</sup> of the cost of the proposed Baseline  
21 Study for UNS Electric, which was filed with the Commission on March 17, 2009.

22 7. The table below details UNS Electric's proposed costs for 2009 and 2008 actual  
23 expenditures.

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27 <sup>2</sup> From the \$231,750 originally proposed for 2009 to \$340,000.

28 <sup>3</sup> The \$13,633 (9%) was originally based on a preliminary budget for the baseline study. Although the overall budget was later modified, the Company has indicated that \$13,633 remains the appropriate spending level for the 2009-2010 program year.

Program	2009 Budget	2008 Expenditures
Education and Outreach	\$130,000	\$119,277
Residential Efficiency Programs		
Low-Income Weatherization	\$117,805	\$96,171
Energy Smart Homes	\$305,444	\$89,813
Efficient Home Cooling	\$223,438	\$15,772
Shade Tree Program	\$68,285	\$2,790
Energy Star Lighting (CFL)	\$340,676	\$16,730
Non-Residential Efficiency Programs		
Commercial Facilities Efficiency	\$337,247	\$3,375
<b>Program Totals</b>	<b>\$1,522,894</b>	<b>\$343,926</b>
Measurement, Evaluation and Research	-0-	\$115,667 <sup>4</sup>
Customer Care and Billing ("CC&B") database development	-0-	-0-
UNS Electric Baseline Study allocation	\$13,633	-0-
Totals, with MER, CC&B, Study costs	\$1,536,527	\$459,593 <sup>5</sup>
Amount over-collected for 2008	(\$115,857)	
Total proposed to be collected through DSM Adjustor for 2009	\$1,420,671	

8. Staff has recommended that the DSM adjustor rate be reset to include the over-collection from 2008, \$13,633 (9%) of the Baseline Study cost, and the costs projected for existing programs for 2009, including the higher budget for the CFL program. The Company has indicated that these projections are reasonable, given the level of program activity and participation. Staff's review of UNS Electric's semi-annual DSM progress report for July-December 2008, filed April 1, 2009, also indicates that the level of funding proposed by the Company is reasonable.

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

Average monthly usage by Season	kWh	Monthly increase from Company proposal (\$0.000185)	Monthly total based on Company proposal (\$0.000768)
Summer	1083	\$0.20	\$0.83
Winter	665	\$0.12	\$0.51

10. In order to protect UNS Electric, Inc.'s low income residential customers from an increase in their monthly bills, we believe that any residential customer on a UNS Electric, Inc.'s low income discount rate should not be charged the DSM rate at this time. The monies that UNS

<sup>4</sup> Includes costs of developing the CC&B database.

<sup>5</sup> Total for all of 2008. \$7,282 collected through base rates prior to June 2008. Total for June-December 2008 (once the DSM Adjustor was established) was \$452,311. \$568,168 was collected through the adjustor during June-December 2008, leaving \$115,857 as the over-collected balance.

1 Electric, Inc. would otherwise recover from the low income residential customers should be  
2 retained in UNS Electric, Inc.'s DSM account and be dealt with in the Company's pending rate  
3 case. This initiative would have no effect on the DSM rate all other retail customers would pay at  
4 this time.

5 CONCLUSIONS OF LAW

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

8 2. The Commission has jurisdiction over UNS Electric and over the subject matter of  
9 the application.

10 3. The Commission, having reviewed the application and Staff's Memorandum dated  
11 May 12, 2009, and concludes that it is in the public interest to approve the UNS Electric Demand-  
12 Side Management Surcharge beginning July 1, 2009, as discussed herein.

13 ORDER

14 IT IS THEREFORE ORDERED that the UNS Electric, Inc. DSM adjustor rate be, and  
15 hereby is, set at \$0.000768 per kWh, beginning July 1, 2009.

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

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1 IT IS FURTHER ORDERED that UNS Electric, Inc. shall provide appropriate notice of  
 2 the 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.

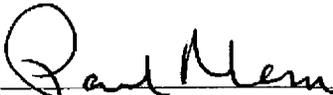
5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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

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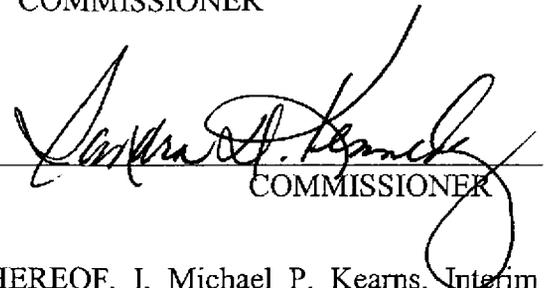
9 CHAIRMAN

COMMISSIONER

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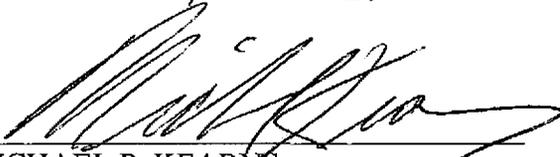
12 COMMISSIONER

COMMISSIONER



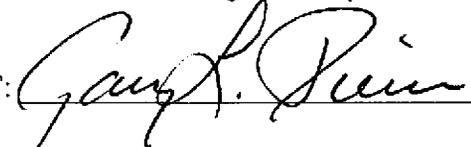
COMMISSIONER

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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 Commission to be affixed at the Capitol, in the City of  
 Phoenix, this 30<sup>th</sup> day of June, 2009.



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 19 MICHAEL P. KEARNS  
 INTERIM EXECUTIVE DIRECTOR

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 21 DISSENT: 

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 23 DISSENT: 

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