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BEFORE THE ARIZONA CORPORATION COMMISSION

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SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF
UNS GAS, INC. FOR THE ESTABLISHMENT
OF JUST AND REASONABLE RATES AND
CHARGES DESIGNED TO REALIZE A
REASONABLE RATE OF RETURN ON THE
FAIR VALUE OF THE PROPERTIES OF UNS
GAS, INC. DEVOTED TO ITS OPERATIONS
THROUGHOUT THE STATE OF ARIZONA.

DOCKET NO. G-04204A-08-0571

**STAFF'S NOTICE OF FILING
LATE FILED EXHIBIT**

The Utilities Division of the Arizona Corporation Commission ("Staff") hereby files the late filed exhibit in the above-referenced matter. Attached are Arizona Unemployment Statistics for the years 2005-2009; July 2009 Foreclosure Rates for Coconino, Santa Cruz, Yavapai and Mohave Counties; UNS Disconnections 2006-2009; and Summary of Kansas Efficiency Program and Arizona State Energy Office programs.

RESPECTFULLY SUBMITTED this 1st day of September, 2009.

Robin R. Mitchell, Attorney
Kevin O. Torrey, Attorney
Linda Fisher, Attorney
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
(602) 542-3402

Original and thirteen (13) copies
of the foregoing were filed this
1st day of September, 2009 with:

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

Arizona Corporation Commission

DOCKETED

SEP - 1 2009

DOCKETED BY

1 Copy of the foregoing mailed
this 1st day of September, 2009 to:

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4 Phillip J. Dion
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8 Tucson, Arizona 85701

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Phoenix, Arizona 85016

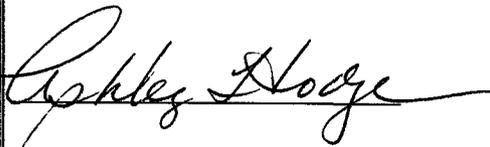
19 

EXHIBIT 1

**KANSAS / ARIZONA ENERGY
PROGRAM**

I. Efficiency Kansas

Efficiency Kansas is a \$34 million revolving loan program funded by American Recovery and Reinvestment Act ("ARRA") and operated by the Kansas State Energy Office (a division of the Kansas Corporation Commission).

- The aim of the program is to produce cost-effective energy savings using a sustainable source of financing; as loans are repaid the loan fund will be replenished.
- Efficiency Kansas offers 100% financing for conservation and efficiency improvements to existing homes and small businesses, with a \$20,000 cap for homes and \$30,000 for businesses. (The average residential project is estimated at \$5,000-\$6,000.)
- The funds are available either through utilities that have elected to offer a program similar to the existing Midwest HowSmart program, or through banks partnering with the State Energy Office. In some areas of the state only the banking option may be available.
- Interest on the linked deposits is 0%, meaning the money is provided to partnering banks on a no-interest basis; however, banks are responsible for repaying the principal if a borrower defaults. Loans to borrowers must be at a fixed interest rate of no more than 4% through 2010, when the State Energy Office may adjust the interest rate for future loans based on market conditions. (Existing loans would not be affected by any changes.)
- Energy audits and customized energy conservation plans are required for each structure. A \$350 rebate is offered to defray the cost of the energy audit. (The State Energy Office confirmed that \$350 is the average cost of energy audits.)
- Training scholarships (\$1,500) are offered to cover the tuition for energy auditor training. Housing and living expenses are not covered. The State Energy Office stated that the training takes a week, but requires that participants have a background in construction.

Program Status/Ramp Up

The program manual is dated July 13, 2009. The Kansas State Energy Office confirmed that the program was recently established. Currently, only one banking partner is listed on the State Energy Office website, but the State Energy Office confirmed that two more banks have signed up following meetings with the State Energy Office which began last week. The State Energy Office has not yet posted a list of approved Energy Auditors, but applications have been submitted. The State Energy Office stated that the public is expressing a high level of interest in this program; calls expressing interest are received

every day. (The Efficiency Kansas email list already has 335 contacts listed, both individual and businesses.)

II. Kansas HowSmart Program

The Kansas HowSmart program is a utility program run by Midwest Energy. It provides money for thermal shell and heating and cooling energy efficiency improvements for utility customers. (Other measures may be financed, but must be permanent parts of a structure, rather than appliances such as washers and dryers.) Customers do not pay upfront for the improvements. Instead, the improvements are paid for through charges on their utility bills, which must be less than the estimated savings associated with the efficiency improvements. (As of November 2008 the average HowSmart charge was \$39.60 per month, while the average estimated savings were \$49.00 per month.) Energy audits are required, but are free so long as customers complete improvements within six months. Current interest rates are 4% over 15 years for residential customers and 7.24% over 10 years for commercial customers.

III. Arizona Department of Commerce, Energy Office

The State Energy Office states that the \$281,000 block grant applied for by Coconino County may include a proposal to use part of the grant for a revolving energy loan program that is one of the 14 options for projects that can be funded by block grants. The application is pending. The \$281,000 is completely separate from the funding referred to below. With respect to this funding, counties and cities, etc., work directly with the DOE. For the funding referred to below, entities work with the State.

Based on a conversation with the state's Energy Office, Arizona will ultimately receive \$55.4 in ARRA funding to expand the existing State Energy Program (SEP). \$22.2 of that was awarded on 6/24/09. Of the total \$55.4 million ARRA funding, \$2 million is proposed for revolving energy loans.

The \$55.4 to expand SEP is part of the total \$176 million in ARRA funding allocated to Arizona's Energy Office (EO) and to local and tribal governments for promoting energy efficiency and renewable energy through three programs already established by federal law. The three programs are 1) State Energy Program (SEP) (discussed above); 2) Weatherization Assistance Program (WAP); and 3) Energy Efficiency Block Grant Program (EECGB). Only state, tribal and local governments may apply for the new WAP and EECGB funding, and only states are eligible for SEP funding.

Program information that is available on the EO's website suggests that it does not, or at least does not contemplate applications by utilities, with one exception; under SEP, there is a proposed sub-program entitled "Distributed Energy Leadership," which would be open to the utilities and designed to increase or match the incentives they provide for distributed solar PV, solar water heating, wind and CHP.

Aside from the \$176 million allocated to Arizona for the EO's three programs, there are many ARRA energy- and energy efficiency-related "Funding Opportunities" listed on the website (fedconnect.net) that the Department of Energy uses to advertise available federal funding. Although many of these are open to application by essentially any public or private domestic entity (presumably including public service corporations here in Arizona), the funding opportunities' subject matter appears to be of only very limited applicability to the activities of a gas utility. Among the ARRA funding opportunities that are not related to SEP, EECGB or WAP, there is one entitled "State Energy Efficient Appliance Rebate Program," which is open only to states, territories and DC. The deadline for filing applications under this opportunity is October 15, 2009.

EXHIBIT 2

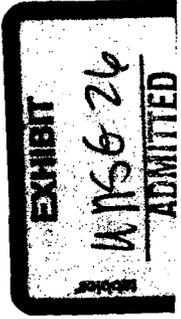
**UNS GAS
DISCONNECTION**

UNS GAS DISCONNECT NUMBERS 2006 THRU 2009

UNS Gas	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
# Disconnect Orders Worked	0	0	0	351	698	625	372	344	348	280	277	150	3445
	352	345	243	0	0	965	921	684	476	377	308	253	4,924
	401	413	703	911	633	512	578	547	363	422	253	327	6,063
	665	355	775	878	582	684	404						4,343

* No Disconnects January - March, 2006 due to ACC imposed moratorium.

* No Disconnect April - May '07 for UNS Gas and Electric due to CC&B Conversion



UNS Gas CARES Disconnections

2007

Number of CARES customers disconnected for non payment: ~~180~~* 238

Number of CARES customer-requested disconnections: ~~449~~* 1,532

In 2007, of our total disconnections for non payment orders, ~~2.6~~% were CARES.

4.8

2008

Number of CARES customers disconnected for non payment: ~~253~~ 349

Number of CARES customer-requested disconnections: ~~269~~ 1,504

In 2008, of our total disconnections for non payment orders, ~~4.1~~% were CARES.

5.7

*Note: 2007 statistics April through December due to CCB conversion.

VNSG 27 (amended)

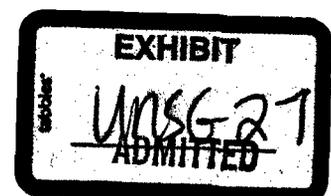


EXHIBIT 3

**ARIZONA UNEMPLOYMENT RATES
2005 - 2009**



Databases

FONT SIZE:

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From: 2005 To: 2009

include graphs

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Data extracted on: August 31, 2009 (12:51:29 PM)

Local Area Unemployment Statistics

Series Id: LASST04000003
 Seasonally Adjusted
 Area: Arizona
 Area Type: Statewide
 State/Region/Division: Arizona

Year	Period	labor force	employment	unemployment	unemployment rate
2005	Jan	2816860(B)	2689135(B)	127725(B)	4.5(B)
2005	Feb	2822367(B)	2694472(B)	127895(B)	4.5(B)
2005	Mar	2831903(B)	2700055(B)	131848(B)	4.7(B)
2005	Apr	2852450(B)	2717399(B)	135051(B)	4.7(B)
2005	May	2854994(B)	2720631(B)	134363(B)	4.7(B)
2005	Jun	2861600(B)	2727864(B)	133736(B)	4.7(B)
2005	Jul	2873981(B)	2738262(B)	135719(B)	4.7(B)
2005	Aug	2881853(B)	2746222(B)	135631(B)	4.7(B)
2005	Sep	2893188(B)	2756630(B)	136558(B)	4.7(B)
2005	Oct	2895129(B)	2759391(B)	135738(B)	4.7(B)
2005	Nov	2903387(B)	2770680(B)	132707(B)	4.6(B)
2005	Dec	2912932(B)	2781872(B)	131060(B)	4.5(B)
2006	Jan	2928464(B)	2798455(B)	130009(B)	4.4(B)
2006	Feb	2937941(B)	2812814(B)	125127(B)	4.3(B)
2006	Mar	2946552(B)	2822706(B)	123846(B)	4.2(B)
2006	Apr	2954506(B)	2829620(B)	124886(B)	4.2(B)
2006	May	2962913(B)	2839665(B)	123248(B)	4.2(B)
2006	Jun	2972022(B)	2847820(B)	124202(B)	4.2(B)
2006	Jul	2974630(B)	2852270(B)	122360(B)	4.1(B)
2006	Aug	2978605(B)	2862387(B)	116218(B)	3.9(B)
2006	Sep	2990213(B)	2871176(B)	119037(B)	4.0(B)
2006	Oct	2996884(B)	2876322(B)	120562(B)	4.0(B)
2006	Nov	3002747(B)	2884122(B)	118625(B)	4.0(B)
2006	Dec	3009059(B)	2891329(B)	117730(B)	3.9(B)
2007	Jan	3008636(B)	2892509(B)	116127(B)	3.9(B)
2007	Feb	3014597(B)	2900716(B)	113881(B)	3.8(B)
2007	Mar	3018481(B)	2905942(B)	112539(B)	3.7(B)
2007	Apr	3016165(B)	2904924(B)	111241(B)	3.7(B)
2007	May	3020728(B)	2912226(B)	108502(B)	3.6(B)
2007	Jun	3026045(B)	2917343(B)	108702(B)	3.6(B)
2007	Jul	3033847(B)	2922388(B)	111459(B)	3.7(B)
2007	Aug	3040750(B)	2929640(B)	111110(B)	3.7(B)
2007	Sep	3047749(B)	2932968(B)	114781(B)	3.8(B)
2007	Oct	3057839(B)	2936807(B)	121032(B)	4.0(B)
2007	Nov	3070937(B)	2942729(B)	128208(B)	4.2(B)
2007	Dec	3076355(B)	2944715(B)	131640(B)	4.3(B)
2008	Jan	3081403(B)	2945782(B)	135621(B)	4.4(B)
2008	Feb	3085076(B)	2944876(B)	140200(B)	4.5(B)
2008	Mar	3090448(B)	2945931(B)	144517(B)	4.7(B)
2008	Apr	3098178(B)	2947730(B)	150448(B)	4.9(B)
2008	May	3113180(B)	2951468(B)	161712(B)	5.2(B)
2008	Jun	3127865(B)	2955664(B)	172201(B)	5.5(B)
2008	Jul	3146036(B)	2966373(B)	179663(B)	5.7(B)
2008	Aug	3158696(B)	2971019(B)	187677(B)	5.9(B)

2008	Sep	3166594(B)	2975200(B)	191394(B)	6.0(B)
2008	Oct	3172773(B)	2977490(B)	195283(B)	6.2(B)
2008	Nov	3172433(B)	2970905(B)	201528(B)	6.4(B)
2008	Dec	3179315(B)	2969944(B)	209371(B)	6.6(B)
2009	Jan	3156606	2936269	220337	7.0
2009	Feb	3157285	2922952	234333	7.4
2009	Mar	3137010	2892458	244552	7.8
2009	Apr	3153411	2912106	241305	7.7
2009	May	3152711	2894129	258582	8.2
2009	Jun	3145412	2871004	274408	8.7
2009	Jul	3153726(P)	2862826(P)	290900(P)	9.2(P)

B : Reflects revised population controls, model reestimation, and new seasonal factors.
P : Preliminary.

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EXHIBIT 4

**JULY 2009 FORECLOSURE
COCONINO, MOHAVE, SANTA CRUZ
& YAVAPAI COUNTIES**

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Coconino County, AZ

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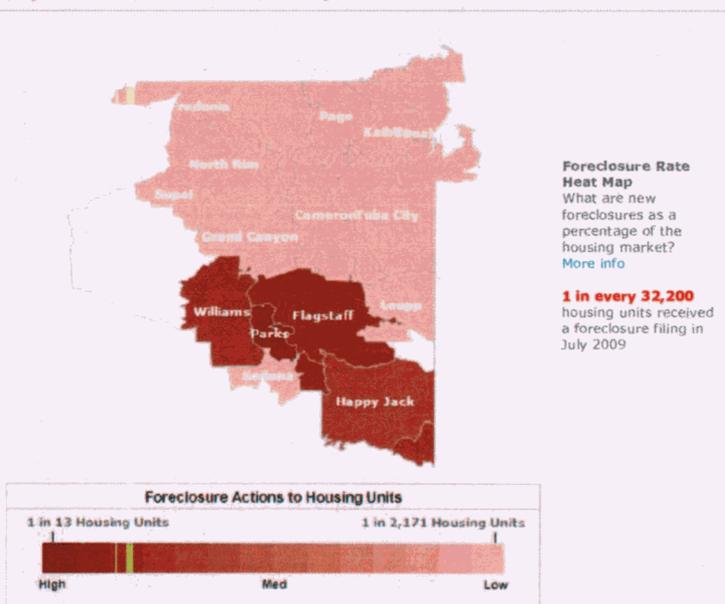
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Coconino County, AZ Real Estate Trends

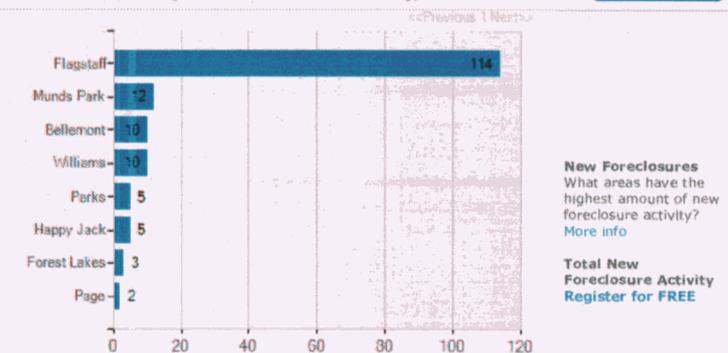
717 Foreclosure Homes

July 2009 Foreclosure Rate Heat Map



Foreclosure Activity Counts - Coconino County, AZ

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Foreclosure Activity and Home Price Index - Coconino County, AZ

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Foreclosure Properties



**N Pawnee St
Flagstaff, AZ 86001**
\$88,317
0 bd, 1 ba, 756 sqft
[See Details >](#)



**N Smokerise Dr
Flagstaff, AZ 86004**
\$247,500
0 bd, 2 ba, 1630 sqft
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[View more properties in this area](#)

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Coconino County, AZ Values

Est. Median Home Value **\$258,874**

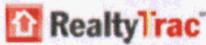
12-month Change **-15.16**

Household Count **19,886**

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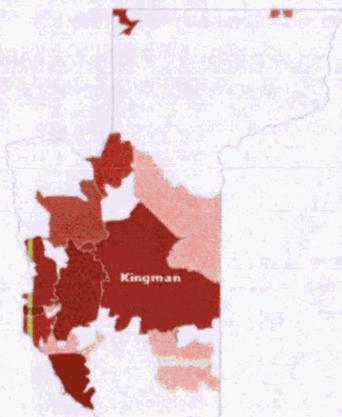
[Foreclosure Home](#) > [U.S.](#) > [Arizona](#) > [Mohave County](#)

Mohave County, AZ Real Estate Trends

3,594 Foreclosure Homes | **\$130,012** Average Foreclosure Sales Price

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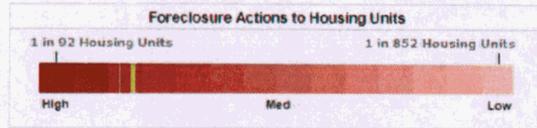
July 2009 Foreclosure Rate Heat Map



Foreclosure Rate Heat Map

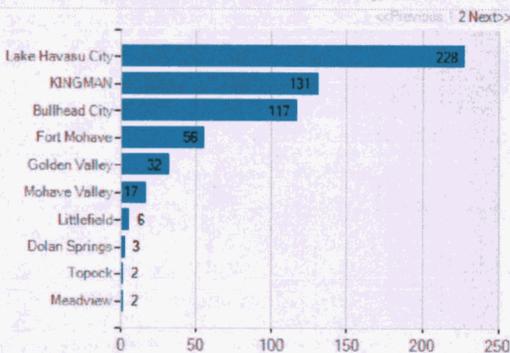
What are new foreclosures as a percentage of the housing market?
[More info](#)

1 in every 12,183 housing units received a foreclosure filing in July 2009



Foreclosure Activity Counts - Mohave County, AZ

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New Foreclosures
What areas have the highest amount of new foreclosure activity?
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Foreclosure Activity and Home Price Index - Mohave County, AZ

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Foreclosure Properties

There are no available properties in your area. Please select another area or start a new search.

Mohave County, AZ Values

Est. Median Home Value **\$140,976**

12-month Change **-29.65**

Household Count **63,148**

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Coconino County, AZ

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Santa Cruz County, AZ Real Estate Trends

517 Foreclosure Homes

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July 2009 Foreclosure Rate Heat Map



Tubac

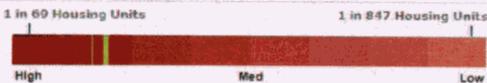
1 foreclosure properties
1 in every 755 housing units

Foreclosure Rate Heat Map

What are new foreclosures as a percentage of the housing market?
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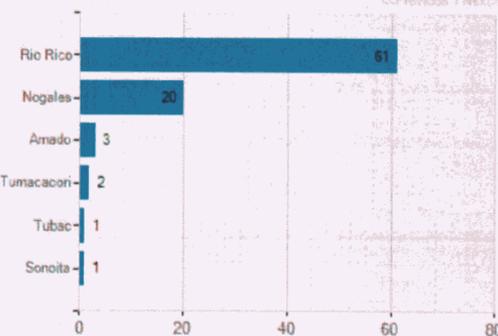
1 in every 4,371 housing units received a foreclosure filing in July 2009

Foreclosure Actions to Housing Units



Foreclosure Activity Counts - Santa Cruz County, AZ

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New Foreclosures

What areas have the highest amount of new foreclosure activity?
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Foreclosure Activity and Home Price Index - Santa Cruz County, AZ

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Foreclosure Properties

- Paseo Mascota**
Rio Rico, AZ 85648
\$222,758
0 bd, 0 ba, 2942 sqft
[See Details >](#)
- Camino Oceano**
Rio Rico, AZ 85648
\$20,606
0 bd, 0 ba, 0 sqft
[See Details >](#)
- W Western Ave**
Nogales, AZ 85621
\$78,684
0 bd, 0 ba, 0 sqft
[See Details >](#)
- Circulo Camacho**
Rio Rico, AZ 85648
\$1,856
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Coconino County, AZ SEARCH ▶

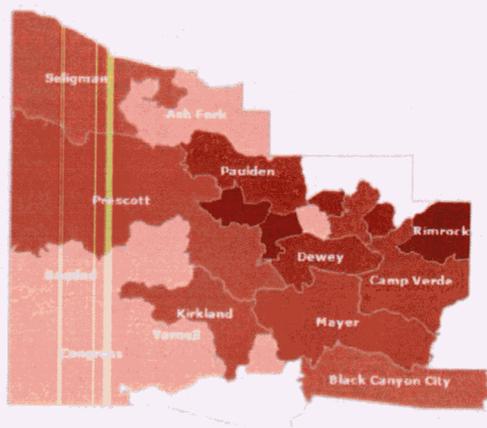
Foreclosure Home ▶ U.S. ▶ Arizona ▶ Yavapai County

Yavapai County, AZ Real Estate Trends

3,052 Foreclosure Homes | **\$201,029** Average Foreclosure Sales Price

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July 2009 Foreclosure Rate Heat Map



Foreclosure Rate Heat Map

What are new foreclosures as a percentage of the housing market?
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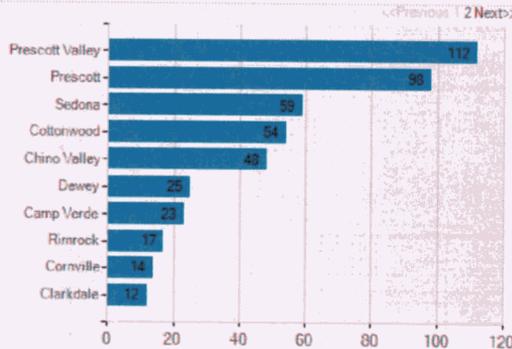
1 in every 20,211 housing units received a foreclosure filing in July 2009

Foreclosure Actions to Housing Units



Foreclosure Activity Counts - Yavapai County, AZ

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New Foreclosures

What areas have the highest amount of new foreclosure activity?
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Yavapai County, AZ Values

Est. Median Home Value **\$198,263**
12-month Change **-22.32**
Household Count **52,844**

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