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UniSourceEnergy
SERVICES



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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

ORIGINAL

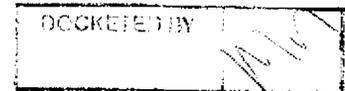
April 1, 2010

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

Arizona Corporation Commission
DOCKETED

APR -1 2010

Re: **Demand-Side Management Surcharge Rider R-2.**
Docket No. E-04204A-06-0783, Decision No. 70360



Pursuant to Decision No. 70360 (May 27, 2008) UNS Electric, Inc. ("UNS Electric") hereby submits its Demand-Side Management Surcharge ("DSMS") Rider R-2, for filing and approval. A clean and redlined DSMS Pricing Plan is attached. The purpose of this filing is to seek Commission approval to revise the DSMS effective June 1, 2010. The requested DSMS is \$0.001037 per kWh and will replace the current rate of \$0.000768 per kWh, which was effective on customer bills beginning July 1, 2009.

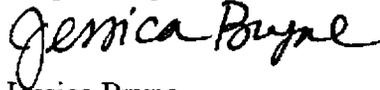
The proposed DSMS of \$0.001037 consists of program-to-date expenditures and 2010 budgeted costs. The program-to-date expenditures and 2010 budgeted costs consist of costs for the following: Education and Outreach Program; Low-Income Weatherization Program; Energy Smart Homes Program; Efficient Home Cooling Program; Shade Tree Program, and Energy Star Lighting (CFL) Program; Commercial Facilities Efficiency Program; CC&B Database Development; and the UNS Electric Baseline Study. The program-to-date expenditures also contain costs for Measurement, Evaluation and Research.

UNS Electric plans to utilize cutting edge energy efficiency research as generated by groups like OPOWER to influence customer behavior with the hopes of reducing energy use. UNS Electric will continue to research other DSM programs and technologies in anticipation of increasing its existing DSM Portfolio, including a refrigerator/freezer recycling program, and a Zero-Net Energy component to the existing Energy Smart Home Program.

UNS Electric is requesting recovery of its incremental Fixed Cost Recovery Deficiency due to expansion of its DSM programs in 2010 in anticipation of enactment of the Commission's proposed Energy Efficiency Rules. UNS Electric's 2010 DSM expansion will result in an estimated additional sales reduction of 2,553,000 kWh compared to 2009, resulting in a Fixed Cost Recovery Deficiency of \$76,031. UNS Electric also plans to request recovery of its incremental Fixed Cost Recovery Deficiency above the 2009 Energy Efficiency levels due to these programs in future DSM adjustor filings.

If you have any questions, please contact me at (520) 884-3680.

Respectfully Submitted,

A handwritten signature in black ink that reads "Jessica Bryne". The signature is written in a cursive style with a large initial 'J'.

Jessica Bryne
Regulatory Services

cc: Steve Olea, ACC
Julie McNeely-Kirwan, ACC
Compliance, ACC



UNS Electric, Inc.
Rider R-2
Demand Side Management Surcharge (DSMS)

APPLICABILITY

The Demand Side Management Surcharge (DSMS) applies to all customers, except customers who take service under the Customer Assistance Residential Energy Support (C.A.R.E.S) pricing plan or Low income Medical Life Support Program (C.A.R.E.S.-M) pricing plan in all territory served by UNS Electric, Inc. as mandated by the Arizona Corporation Commission, unless otherwise specified. C.A.R.E.S. and C.A.R.E.S.-M customers are exempt from any DSM surcharges effective July 1, 2009.

RATE

The DSMS shall be applied to all monthly net bills at the following rate:

All kWh \$0.001037 per kWh

REQUIREMENTS

The UNS Electric, Inc. DSMS will be calculated and filed with the Arizona Corporation Commission (ACC) for approval on or before April 1st. The ACC will approve the surcharge to be billed to all applicable pricing plans for twelve (12) months beginning each June 1.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company, and/or the price of, or revenue from, gas sales or service sold and/or the volume of gas sales generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file from time to time with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire ElectricService Area

Tariff No.: Rider R-2 DSMS
Effective: June 1, 2010
Page No.: 1 of 1



UNS Electric, Inc.
Rider R-2
Demand Side Management Surcharge (DSMS)

APPLICABILITY

The Demand Side Management Surcharge (DSMS) applies to all customers, except customers who take service under the Customer Assistance Residential Energy Support (C.A.R.E.S) pricing plan or Low income Medical Life Support Program (C.A.R.E.S.-M) pricing plan in all territory served by UNS Electric, Inc. as mandated by the Arizona Corporation Commission, unless otherwise specified. C.A.R.E.S. and C.A.R.E.S.-M customers are exempt from any DSM surcharges effective July 1, 2009.

RATE

The DSMS shall be applied to all monthly net bills at the following rate:

All kWh	\$0.0010370768 per kWh
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REQUIREMENTS

The UNS Electric, Inc. DSMS will be calculated and filed with the Arizona Corporation Commission (ACC) for approval on or before April 1st. The ACC will approve the surcharge to be billed to all applicable pricing plans for twelve (12) months beginning each June 1.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company, and/or the price of, or revenue from, gas sales or service sold and/or the volume of gas sales generated or purchased for sale and/or sold hereunder.

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The standard Rules and Regulations of the Company as on file from time to time with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire ElectricService Area

Tariff No.: Rider R-2 DSMS
Effective: ~~Junely 1, 201009~~
Page No.: 1 of 1

UNS ELECTRIC, INC.
COMPUTATION OF DSM SURCHARGE
EFFECTIVE JUNE 1, 2010 to MAY 31, 2011

<u>Rate Calculation</u>	<u>UNS Electric</u>	
(a) Program Budget To-date:	\$1,889,088	Source: UNSE
(b) Program Collection To-date:	<u>\$1,766,535</u>	Source: DSM Revenue (GL)
(c) Under (Over) Collected	\$122,553	(a) - (b)
(d) Program Expenditures (2010)	\$1,731,584	
(e) Under (Over) Collected (above)	\$122,553	(c)
(f) Total Budget to be Collected:	<u><u>\$1,854,137</u></u>	(d) + (e)
(g) Forecast Retail Sales Twelve Month End May 31, 2011	1,787,691,701	Source: Sales
(h) DSM SURCHARGE EFFECTIVE JUNE 1, 2010	<u><u>\$0.001037</u></u>	(f) / (g)
(i) Current rate through May 31, 2010	\$0.000768	
(j) Change in rate	\$0.000269	(h) - (i)

UNSE 2010 Budgets for Adjustor

Program	2010 Budget	2009 Expenditures
Education and Outreach	\$ 127,308	\$ 114,423
Residential Efficiency Programs		
Low-Income Weatherization	\$ 111,395	\$ 92,447
Energy Smart Homes	\$ 222,789	\$ 175,707
Efficient Home Cooling	\$ 159,135	\$ 141,047
Shade Tree Program	\$ 65,000	\$ 28,749
Energy Star lighting (CFL)	\$ 350,200	\$ 296,180
Residential Subtotal	\$ 908,519	\$ 734,130
Non-Residential Efficiency Programs		
Commercial Facilities Efficiency	\$ 424,360	\$ 431,947
Program Totals	\$ 1,460,186	\$ 1,280,500
Measurement, Evaluation & Research ⁽¹⁾	\$ -	\$ 106,640
CC&B Database Development	\$ 60,000	\$ 42,985
UNSE Baseline Study	\$ 135,367	\$ 6,653
Sub-total	\$ 1,655,553	\$ 1,436,777

Fixed Cost Recovery Shortfall² \$ 76,031

Total \$ 1,731,584

(1) Measurement, Evaluation and Research costs include costs for program design, evaluation, and technical assistance. The projected costs for 2010 are included in the individual program budgets.

(2) Fixed Cost Recovery Shortfall: Projected lost fixed costs due to ramp up of DSM Activities in 2010. Ramp up is required to prepare for enactment of EE rules in 2011. 2,553,000 kWh @ \$.06

**UNS Electric Forecasted Sales June 2009 - May 2010
Sales (MWh)**

Year	Residential	Commercial	Industrial	Mining	Other	Total Sales (MWh)
Jun-10	77,010	59,147	19,132	12,790	154	168,233
Jul-10	104,780	64,027	20,020	15,080	167	204,074
Aug-10	111,003	63,907	20,707	14,530	166	210,312
Sep-10	78,907	56,536	20,177	13,420	169	169,209
Oct-10	48,881	49,816	22,317	15,720	196	136,929
Nov-10	46,634	47,896	21,159	15,070	212	130,971
Dec-10	66,075	45,744	24,345	16,040	226	152,429
Jan-11	71,772	45,680	25,888	11,030	236	154,606
Feb-11	53,567	42,080	20,768	10,180	197	126,793
Mar-11	46,197	46,664	22,589	13,480	203	129,133
Apr-11	46,830	47,322	21,640	15,120	175	131,086
May-11	64,574	53,102	22,470	13,760	155	154,061
						1,867,836

A

2009 CARES Sales (MWh)

76,564

B

Total 2009 UNSE Sales (MWh)

1,784,402

C

Percent of Cares to Total 2009 Sales

4%

D=B/C

Total Sales to Remove for Cares Exclusion (MWh)

80,144

E=A * D

Total Sales (MWh)

1,787,692

F=(A - E)