

OPEN MEETING



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ORIGINAL

MEMORANDUM

RECEIVED

TO: THE COMMISSION

2010 MAY 11 P 4: 33

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DATE: May 11, 2010

RE: UNS GAS, INC. - APPLICATION FOR APPROVAL TO REVISE ITS DSM SURCHARGE BEGINNING JUNE 1, 2010 (DOCKET NOS. G-04204A-06-0463, G-04204A-06-0013, AND G-04204A-05-0831)

On April 16, 2009, UNS Gas, Inc. ("UNSG" or "the Company") filed a revised application for approval to reset its demand-side management ("DSM") adjustor rate, in accordance with Decision No. 70011. The revised application included an increase of \$100,000 to UNSG's proposed Low-Income Weatherization Program pursuant to Decision No. 71623, filed April 14, 2010. The UNSG DSM adjustor mechanism allows the Company to recover the cost of its DSM programs; the adjustor is based on projected spending for the Company's DSM¹ 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, meaning that the negative or positive balances are taken into account when the new adjustor rate is set.

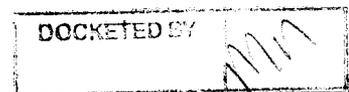
Decision No. 70011 established the DSM adjustor and set the adjustor rate to be applied on a per therm basis. Also, pursuant to Decision No. 70011, UNSG was to file an application by April 1st of each year for Commission approval to reset the adjustor rate, with the new rate to take effect on June 1st of each year. The Company is requesting an increase of \$0.000800 in the adjustor rate, from the current \$0.007600 per therm to \$0.008400 per therm. The increase is based on an under-collected balance from December 2009 and a projected 2010 budget for UNSG's DSM portfolio.

The current UNSG DSM portfolio includes the following Commission-approved programs: (1) the Low-Income Weatherization Program; (2) the Energy Smart Homes Program; (3) the Efficient Home Heating Program; and (4) the Commercial and Industrial ("C&I") Facilities Gas Efficiency Program.

Arizona Corporation Commission

DOCKETED

MAY 11 2010



¹ 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.

The table below details UNSG's 2009 actual expenditures and proposed costs for 2010:

Program	2010 Budget	2009 Expenditures
Residential Programs		
Low-Income Weatherization	\$200,000	\$138,377
Energy Smart Homes	\$311,905	\$176,252
Efficient Home Heating	\$238,703	\$151,418
Non-Residential Programs		
C&I Facilities Gas Efficiency	\$212,180	\$100,411
Programs Subtotal	\$962,788	\$566,458
Measurement, Evaluation, & Research	\$0 ²	\$114,202
Customer Care and Billing ("CC&B") Database Development	\$20,000	\$15,926
UNSG Baseline Study	\$127,718	\$5,107
Amount under-collected for 2009	\$102,721	n/a
Total	\$1,213,227	\$701,693

Staff recommends that the DSM adjustor rate be reset to include the amount under-collected for 2009 costs and UNSG's proposed 2010 budget for programs. The Company has indicated that these projections are reasonable, given the level of program activity and participation. Staff's review of UNSG's semi-annual DSM progress report for July-December 2009, filed February 26, 2010, also indicates that the level of funding proposed by the Company for its existing programs is reasonable.

Typical monthly bill impacts for Residential customers are listed below:

Average monthly usage by Season	Therms	Current Total (\$0.007600)	Monthly increase from Company proposal (\$0.000800)	Monthly total based on Company proposal (\$0.008400)
Summer	17	\$0.13	\$0.01	\$0.14
Winter	72	\$0.55	\$0.06	\$0.61

Summary of Staff Recommendations

- Staff recommends that the UNSG DSM adjustor rate be set at a level of \$0.008400 per therm, beginning June 1, 2010.

² Zero because measurement, evaluation, and research is already included in the individual program budgets.

THE COMMISSION

May 11, 2010

Page 3

- Staff recommends that UNSG file, as a compliance item in this docket, an updated Rider R-2 Demand Side Management Surcharge tariff consistent with the Decision in this case within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO:CLA:lh\MAS

ORIGINATOR: Candrea Allen

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION)
OF UNS GAS, INC. FOR APPROVAL TO)
REVISE ITS DSM SURCHARGE)
BEGINNING JUNE 1, 2010)

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

DECISION NO. _____

ORDER

Open Meeting
May 26 and 27, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Gas, Inc. ("UNSG" or "the Company") is certificated to provide natural gas service as a public service corporation in the State of Arizona.

2. On April 16, 2009, UNSG filed a revised application for approval to reset its demand-side management ("DSM") adjustor rate, in accordance with Decision No. 70011. The revised application included an increase of \$100,000 to UNSG's proposed Low-Income Weatherization Program pursuant to Decision No. 71623, filed April 14, 2010. The UNSG DSM adjustor mechanism allows the Company to recover the cost of its DSM programs; the adjustor is based on projected spending for the Company's DSM¹ programs. Funding for these programs is

¹ 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 collected based on the adjustor rate approved by the Commission. Under- or over-collections are
 2 then "trued-up" at the next adjustor rate reset, meaning that the negative or positive balances are
 3 taken into account when the new adjustor rate is set.

4 3. Decision No. 70011 established the DSM adjustor and set the adjustor rate to be
 5 applied on a per therm basis. Also, pursuant to Decision No. 70011, UNSG was to file an
 6 application by April 1st of each year for Commission approval to reset the adjustor rate, with the
 7 new rate to take effect on June 1st of each year. The Company is requesting an increase of
 8 \$0.000800 in the adjustor rate, from the current \$0.007600 per therm to \$0.008400 per therm. The
 9 increase is based on an under-collected balance from December 2009 and a projected 2010 budget
 10 for UNSG's DSM portfolio.

11 4. The current UNSG DSM portfolio includes the following Commission-approved
 12 programs: (1) the Low-Income Weatherization Program; (2) the Energy Smart Homes Program;
 13 (3) the Efficient Home Heating Program; and (4) the Commercial and Industrial ("C&I") Facilities
 14 Gas Efficiency Program.

15 5. The table below details UNSG's 2009 actual expenditures and proposed costs for
 16 2010:

Program	2010 Budget	2009 Expenditures
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UNSG Baseline Study	\$127,718	\$5,107
Amount under-collected for 2009	\$102,721	n/a
Total	\$1,213,227	\$701,693

25 6. Staff has recommended that the DSM adjustor rate be reset to include the amount
 26 under-collected for 2009 costs and UNSG's proposed 2010 budget for programs. The Company
 27 _____

28 ² Zero because measurement, evaluation, and research is already included in the individual program budgets.

1 has indicated that these projections are reasonable, given the level of program activity and
 2 participation. Staff's review of UNSG's semi-annual DSM progress report for July-December
 3 2009, filed February 26, 2010, also indicates that the level of funding proposed by the Company
 4 for its existing programs is reasonable.

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

Average monthly usage by Season	Therms	Current Total (\$0.0007600)	Monthly increase from Company proposal (\$0.000800)	Monthly total based on Company proposal (\$0.008400)
Summer	17	\$0.13	\$0.01	\$0.14
Winter	72	\$0.55	\$0.06	\$0.61

10
 11 Summary of Staff Recommendations

- 12 • Staff has recommended that the UNSG DSM adjustor rate be set at a level of \$0.008400
 13 per therm, beginning June 1, 2010.
- 14 • Staff has recommended that UNSG file, as a compliance item in this docket, an updated
 15 Rider R-2 Demand Side Management Surcharge tariff consistent with the Decision in this
 16 case within 15 days of the effective date of the Decision.

17 CONCLUSIONS OF LAW

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

20 2. The Commission has jurisdiction over UNS Gas, Inc. and over the subject matter of
 21 the Application.

22 3. The Commission, having reviewed the application and Staff's Memorandum dated
 23 May 11, 2010, concludes that it is in the public interest to approve the UNS Gas, Inc. Demand-
 24 Side Management Surcharge beginning June 1, 2010, as discussed herein.

25 ORDER

26 IT IS THEREFORE ORDERED that the UNS Gas, Inc. DSM adjustor rate be and is,
 27 set at \$0.008400 per kWh, beginning June 1, 2010.

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IT IS FURTHER ORDERED that UNS Gas, Inc. file, as a compliance item in this docket, an updated Rider R-2 Demand Side Management Surcharge tariff consistent with the Decision in this case within 15 days of the effective date of the Decision.

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

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, 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 _____, 2010.

ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:CLA:lh\MAS

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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