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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

COMMISSIONERS

- KRISTEN K. MAYES, Chairman
- GARY PIERCE
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- BOB STUMP

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. G-02527A-09-0088
 GRAHAM COUNTY UTILITIES, INC. FOR A)
 RATE INCREASE)

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. G-02527A-09-0032
 GRAHAM COUNTY UTILITIES, INC. GAS)
 DIVISION FOR APPROVAL OF A LOAN)

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-02527A-09-0201
 GRAHAM COUNTY UTILITIES, INC. WATER)
 DIVISION FOR A RATE INCREASE)

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. W-02527A-09-0033
 GRAHAM COUNTY UTILITIES, INC. WATER)
 DIVISION FOR APPROVAL OF A LOAN)

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-01749A-09-0087
 GRAHAM COUNTY ELECTRIC)
 COOPERATIVE, INC. FOR APPROVAL OF A)
 LOAN GUARANTEE)

Graham County Utilities, Inc. ("GCU") hereby files its Demand-Side Management ("DSM") plan and programs for its Gas Division in compliance with Decision No. 71690 dated May 3, 2010.

RESPECTFULLY SUBMITTED this 30th day of August, 2010.

Arizona Corporation Commission

DOCKETED

AUG 30 2010

By

John V. Wallace
 Grand Canyon State Electric Cooperative Assn., Inc.
 Consultant for Graham County Utilities, Inc.

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Original and nineteen (13) copies filed
this 30th day of August, 2010, with:

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Graham County Utilities, Inc.
Gas Division
Demand-Side Management (DSM) Plan
Docket No. G-02527A-09-0088
Decision No. 71690

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I. BACKGROUND

Graham County Utilities, Inc. ("GCU") is a rural gas (Class B) and water (Class C) distribution cooperative headquartered in Pima, Arizona. GCU provides service to approximately 5,255 gas customers and 1,173 water customers in Graham County.

As part of a recent finance and rate case (Docket No. G-02527A-09-0088), GCU Gas Division was ordered by the Commission in Decision No. 71690 to "file with Docket Control as a compliance item in this Docket, proposed DSM programs for its Gas Division for Commission approval." The DSM program is to be filed no later than September 1, 2010. In addition the order authorized "that a DSM adjustor mechanism, as described herein is hereby established to allow recovery of DSM costs in the event the Commission approves DSM programs." GCU was also ordered to "file an annual report and an application for the true-up and reset of the DSM charge on July 1st of each year."

Pursuant to these requirements, GCU submits this DSM plan for the Gas Division for Commission approval.

II. DSM ADJUSTOR MECHANISM

GCU proposes the following customer DSM charges to support the programs as outlined herein:

- A fixed charge of \$0.35 per month for residential customers.
- A fixed charge of \$1.50 per month for all non-residential customers.

Based on the number of gas bills sent out from July of 2009 to June of 2010, the total dollar amount to be collected under the DSM program for the year would be \$25,079. The chart below illustrates the amount that would be collected by customer class for a one year period.

<u>Class</u>	<u>Fixed Charge Per Month</u>	<u># of Bills Per Year</u>	<u>Total \$ Per Year</u>
Residential	\$ 0.35	57,746	\$20,211.10
Non-Residential	\$ 1.50	3,245	\$ 4,867.50
			<u>\$25,078.60</u>

GCU has purposely designed the DSM charge to be a fixed charge per month as opposed to a fixed rate per therm with caps because of software limitations in its' CIS billing software program. GCU is limited on the number of charges it can have that are calculated on a per unit basis. If GCU were to design a DSM charge based on a per therm calculation then it would be required to purchase new software at a cost estimated to be over \$200,000.

In order to work around this problem, GCU has elected to use a fixed charge amount which will still achieve its' DSM collection goal while avoiding the additional time and expense of implementing a new billing software program.

III. GCU GAS DIVISION DSM PLAN

GCU's DSM proposed plan contains two main parts:

- 1) Weatherization Program
- 2) Natural Gas Energy Efficiency Education and Advertisement

GCU believes that these two programs would be the most cost effective way to reduce demand and save consumers on their gas utility bill. The programs would be funded by the consumers through the DSM adjustor mechanism.

(1) Weatherization Program: This program would include an incentive of up to \$250 per customer to pay for materials used to weatherize a home or business in GCU's service territory. The program would pay for materials such as caulking, weather-stripping and insulation to help reduce the amount of thermal energy need to heat the premises. Only GCU members using gas service would have the opportunity to participate in this program. Based on a budget of \$21,317 for the Weatherization Program, GCU anticipates that it will be able to help weatherize up to 213 homes per year with an average incentive of \$100 per home.

GCU plans to administer the program through a third-party non-profit organization that specializes in these programs. GCU has been in contact with an organization called SEACUS (Southeastern Arizona Community Unique Services), which has a program called "Helping Hands". Another option would be to work with the local Community Action organization to help administer the program. These organizations already have programs to help weatherize homes. GCU's program would be an additional source of funding to maintain these programs. Another benefit of working with a third-party is that these organizations already have the means to qualify low-income applicants so that the program will benefit those that need it most. No matter which organization GCU partners with, the following rules will apply:

- GCU will only pay for material costs after proper documentation (i.e., receipts, etc.) have been received. GCU will not pay for third-party administration costs.
- There will be a cap of \$250 per household so that the funds can be used to benefit more people.
- The organization must have an application process so that low-income applicants receive the majority of the funds.
- Only GCU members are eligible for the program.

The amount of energy that could be saved by this program could be significant. Various organizations estimate different amounts of savings can be achieved through caulking, weather-stripping and insulation. The following is a list of the percentage savings by activity type and the source it came from.

<u>NAME</u>	<u>PROGRAM</u>	<u>% SAVINGS</u>	<u>SOURCE</u>
Sempra Energy	Caulking & Weather-stripping	5%	www.sempra.com
Sempra Energy	Insulation	25%	www.sempra.com
Bonneville Power Administration	Caulking & Weather-stripping	Up to 30%	www.bpa.gov
Austin Energy	Attic Insulation	Up to 40%	www.austinenergy.com
The California Energy Commission	Caulking & Weather-stripping	30%	www.energy.ca.gov

Based on a savings estimate of 20% per household, GCU believes that it will save approximately 11,623 therms or 0.44% per year. The chart below shows how the estimated savings were calculated.

Average Incentive Amount per Household	# of Homes	Ave Winter Usage (Therms)	Total Program Usage Per Month (Therms)	# of Heating Months	Total Winter Usage (Therms)	% Savings Estimate	Total Winter Heating Savings (Therms)
\$ 100.00	213.17	68.16	14,528.65	4.00	58,114.60	20%	11,622.92

2009 Sales (Therms): 2,671,279
 Projected % Savings Total Per Year: 0.44%

(2) Natural Gas Energy Efficiency Education and Advertisement: Part of the budget includes some funds to help promote the program and educate our members on the benefits of natural gas energy efficiency. GCU proposes a budget of \$1,254 or 5% of the total collection for this purpose.

Some of the ways that GCU plans to educate members about gas energy efficiency and the weatherization program is through direct mailers, bill stuffers, information on GCU's website, radio and newspaper advertisements, and handouts available at the main office, annual meetings, and the county fair. By educating our members on the benefits of energy efficiency, GCU hopes to maximize the participation level in the weatherization program and inform customers of other low cost or no cost ways of saving energy. GCU would also propose that any amount not used in the education and advertising budget to be available for the weatherization program if necessary.

IV. ESTIMATED BUDGET

Based on the proposed DSM adjustor mechanism and the proposed programs, GCU's estimates the following annual budget:

<u>Program</u>	<u>Amount</u>	<u>%</u>
Estimated Annual Collected DSM Funds	\$ 25,078.60	
Weatherization Program	\$(21,316.81)	85%
Education & Advertising	\$(1,253.93)	5%
Administration/R&D	\$(2,507.86)	10%