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COCONINO COUNTY
Sustainable Economic Development INITIATIVE

August 31, 2010

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

Re: Docket No. G-04204A-08-0571

Dear ACC Docket Control:

Enclosed, please find SEDI's response to the proposed Residential Energy Efficiency Financing Pilot Program Description and Proposal filed by UNS Gas on July 31, 2010 as Docket No. G-04204A-08-0571. I have enclosed the original Response and 13 copies.

This response from SEDI has been sent via email with the enclosed cover letter to all of the ACC Commissioners.

Best Regards,

Jaina Moan
SEDI Program Coordinator

Encs: Cover letter from SEDI to Commissioners,
SEDI Response to Filing by UNS Gas, Inc. of their Residential Energy Efficiency financing Pilot Program Description and Proposal, Docket No. G-04204A-08-0571

COCONINO COUNTY
Sustainable Economic Development
INITIATIVE

August 31, 2010

VIA EMAIL

Arizona Corporation Commissioners
Kristen K. Mayes – Chairman, kmayes@azcc.gov
Gary Pierce, gpierce@azcc.gov
Paul Newman, pnewman@azcc.gov
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Bob Stump, bstump@azcc.gov

Re: Docket No. G-04204A-08-0571

Dear ACC Commissioners:

The attached document is filed in response to the proposed Residential Energy Efficiency Financing Pilot Program Description and Proposal filed by UNS Gas on July 30, 2010 as Docket No. G-04204A-08-0571. This response from SEDI is intended to advise the Commissioners about what we believe are the weak elements of the program proposed by UNS Gas, and to provide the Commissioners with our recommendations for how to strengthen these programmatic elements in ways that will give the program a much greater chance of success and still permit an October program launch.

If you have any questions about the recommendations in this document, please do not hesitate to contact us.

Best Regards,

Ronald Hubert

Ron Hubert
President and Chairman of the Board

Carl Taylor

Carl Taylor
Past President

Marshall Whitmire

Marshall Whitmire
Executive Director

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Enc: SEDI Response to UNS Proposal, mailed for filing September 01, 2010, Original Response + 13 copies mailed to ACC Docket Control for filing

cc (via email): Jeff Schlegel, Cynthia Zwick, Linda Douglas Worthy, Michael Patten, Philip J. Dion, Melody Gilkey, Daniel Pozefsky, Nicholas Enoch, Dwight Nodes, Janice Alward, and Steve Olea

Sustainable Economic Development Initiative (SEDI)

Response to Filing by

UNS Gas, Inc.

of their

Residential Energy Efficiency

Financing Pilot Program

Description and Proposal

Docket No. G-04204A-08-0571

TABLE of CONTENTS

1. Executive Summary

The UNS Gas proposed Residential Energy Efficiency Financing Pilot Program can provide substantial benefits to customers through cost savings, and to the larger community through jobs, reduced emissions, and greater energy independence. This financing program can achieve these benefits by facilitating the implementation of energy efficiency measures without up-front capital investments by the property owner, and with the energy savings covering the loan payments.

While the Sustainable Economic Development Initiative (SEDI) believes the proposal filed by UNS Gas has several positive features and represents a serious effort to design a workable program, SEDI believes the program has several weaknesses that undermine its effectiveness and ultimate success. Our recommendations for improvements to this program are listed below, along with the page numbers where more complete descriptions of the rationale behind these recommendations can be found.

1. To better match the revolving loan fund to potential demand, the Commission should authorize and order UNS Gas to increase the loan loss reserve to make additional funding available each time a $1,000,000 tranche in loan funding is lent out, even if it is well before the completion of the first year pilot. (5-6)

2. We suggest the Commission authorize this automatic ramp up in funding to a maximum of $10,000,000 per year, which would be large enough to support an ambitious marketing and education program, but still would provide funding for only 2% of UNS Gas customers. (6)

3. We recommend the Commission order UNS Gas to provide bill payment histories to the loan underwriter so that more borrowers can qualify for energy efficiency financing under this program. (7)

4. We recommend the Commission order a change in the rules limiting service disconnection to permit service disconnection for non-payment of an energy efficiency loan. This would allow more UNS Gas customers to qualify for energy efficiency loans, and it would likely also result in lower interest rates over the life of this program. Lower interest rates would result in lower interest buy-down costs to UNS Gas, and ultimately, less cost to ratepayers. (7-8)

5. We recommend the Commission order the UNS Gas energy efficiency financing program be made available to renters, and that energy efficiency loans be tied to the meters rather than property owner or renter. (8)

6. We recommend the Commission require UNS Gas to include a broader range of cost effective energy efficiency measures in their plan. In this way the package of measures selected will produce the greatest efficiency returns for the dollars invested. (9)

7. We urge the Commission to order UNS Gas to require an energy audit for each energy efficiency loan financed under the proposed program. This will ensure that the potential energy efficiency measures can be prioritized, and the energy efficiency financing can concentrate on the most efficient measures for each building. (9-10)

8. We recommend the Commission approve the 3% interest rate buy down offered by UNS Gas, and order UNS Gas to shop qualified lenders for better financing terms based on the revised financing program SEDI recommends (i.e., use of utility bill payment history for qualifying, allowing shut-off for loan non-payment linked to cash flow positive loans, and having the loan attached to the meter). (10)

9. We recommend this financing plan, as well as the entire energy efficiency program offered by UNS Gas, be subject to regularly scheduled reviews of its performance, with automatic extensions if the performance is satisfactory to the Commission. We recommend the first review be six months after program launch and at six month intervals thereafter until operating results justify an extension to one year intervals. We believe that both SEDI and SWEEP should be included on whatever review board may be established. (10-11)

2. Introduction

The July 30, 2010 filing of the UNS Gas proposed Residential Energy Efficiency Financing Pilot Program (ACC Docket No G-04204A-08-0571) is an important new venture into residential energy efficiency financing for UNS Gas. Such a program can create important benefits to UNS Gas and its customers. Lower energy costs will be welcomed by the company's customers, particularly during a severe recession, and especially by lower income families. Those savings will support the purchases of other products and services, helping to stimulate the local economy. UNS Gas will also gain stature for its social responsibility at no cost to shareholders as long as the program includes cost recovery and lost margin payments as is proposed.

Significant benefits from an effective UNS Gas energy efficiency program will also accrue to society as a whole. These benefits include the increase in green jobs created by installing energy efficiency upgrades; greater energy security and independence from energy sources outside the country; reduced rates of usage of a non-renewable resource; reduced pollution from burning natural gas; and lower energy costs in general because of reduced demand. Additional benefits are achieved because some of the energy efficiency measures implemented (e.g., programmable thermostats, insulation, and air sealing) will not only reduce gas usage, they will also reduce the demand for electricity, which decreases the water use and pollution associated with producing electricity from traditional energy sources.

UNS Gas shared their preliminary plan ideas with the Sustainable Economic Development Initiative (SEDI) well before the filing, which was useful because it resulted in a healthy exchange of ideas, some of which were incorporated in the proposed plan. SEDI finds, however, that the UNS Gas filing significantly overstates the level of agreement between SEDI's recommendations for the structure and provisions of a successful energy efficiency plan, and the UNS Gas plan filed on July 30, 2010. Energy efficiency financing is only one element of a successful energy efficiency plan. The critical elements of the successful energy efficiency plan recommended by SEDI are based on the experiences of numerous energy efficiency programs, including Midwest Energy's pioneering How$mart program in Kansas, New York State's Green Jobs / Green NY initiative, and the many PACE programs around the country. SEDI's program recommendations reflect the critical interdependence of elements in an effective *energy efficiency system*. Disregarding some of the key elements will result in sub-optimal program results or outright failure. These key elements are:

A. The program should be robust in size relative to the customer base.
B. The program should be accessible, convenient, and simple to all qualified participants.
C. Credit surrogates such as utility bill payment history should be used to allow additional qualified rate-payers to participate in the program.
D. The program should provide for termination of gas service for default on energy efficiency loans.
E. The loan obligations should continue with the meter so that the monthly benefits of the energy efficiency measures accrue to the person making the payments. This will encourage home owners or renters who expect to move before the loan is paid off to participate in the program.
F. Energy savings should be sufficient to cover loan payments, particularly for low income customers.
G. The program should allow all energy efficiency measures that create significant savings.
H. The program should use leverage, such as loan loss reserves, to encourage private lenders to participate in the lending, with defaults covered by the loan loss reserves.
I. Loan qualifications should be reasonable to limit defaults.
J. The program should have timely and predictable recovery of program costs and lost margin for the utility.
K. The program should have an aggressive implementation plan that draws on community action groups to educate customers and drive program demand.
L. The program should begin in the fall of 2010.
M. The program should be reviewed on a regular basis, with participation of community and advocacy groups such as SEDI, SWEEP, and others.

The critical systemic elements that are either missing or inadequate in the UNS Gas plan as filed are described in the following sections.

3. Scale of the Financing Plan

The financing plan is not ambitious enough to justify the level of customer education and marketing necessary to produce sufficient demand to ensure success. The pilot program offers a very modest commitment of only $100,000 to a loan loss reserve to support only $1,000,000 in financing for the first year. Based on the filing, that commitment would fund only 344 loans, assuming an average loan size of

$2,905. This is approximately 0.2% of the UNS Gas customer base of approximately 135,000. A much larger loan commitment is required to generate, motivate and sustain the neighborhood education and marketing effort necessary to make this program successful.

UNS Gas is not being unreasonable in their concern about the risks of piloting a more ambitious program prior to demonstrated customer enthusiasm and enrollment in the program. On the other hand, starting with too little could doom the program to insignificance and failure. A more ambitious program is clearly justified in this case. For example, building on the groundwork established by SEDI last year in supporting the City of Flagstaff's energy efficiency program, we could deploy (in a matter of weeks) a large and extensive community-wide education, outreach, and enrollment effort for a UNS Gas program. Such a marketing and education program would include several elements, such as dozens of Northern Arizona University (NAU) students going door to door educating the public and urging enrollment in the program; cooperating with the City of Flagstaff, Coconino County, and the Northern Arizona Council of Governments' (NACOG) current retrofit programs to host "house meetings" in retrofitted homes where UNS Gas customers would be informed about the UNS energy efficiency program; and cooperating with schools, religious institutions, community centers, and various NGO's to host education and outreach activities at events which draw substantial numbers of people.

We are confident that our established network can solicit and effectively mobilize the energies, capacities, and resources of myriad individuals and organizations within our network to work on this initiative. Yet, we can only do so if the loan pool is sufficiently large to accommodate the enrollment of many hundreds more households than planned for the pilot. If we exhaust the pilot loan pool in short order, potential customers will be disappointed because additional enrollment opportunities could be delayed until the next year. Moreover, our own initiatives will find themselves in an untenable 'starting and stopping' position when demand exceeds supply.

UNS Gas indicates in this filing that they plan to use "community interest groups such as SEDI" to assist in program marketing and demand generation, but make no mention in the program budgets of providing compensation to these organizations for their work. While organizations such as SEDI can usually draw on their own institutional capacities to make some high-level, demand-building efforts, these organizations have very limited budgets and there are rarely sufficient funds to undertake the on-the-ground marketing and education efforts necessary for a program such as the one proposed to succeed. Accordingly, SEDI urges that budgeting be provided to fund these community interest group marketing activities.

Fortunately, the Commission can authorize UNS Gas to begin the pilot program at the proposed low level of funding and still make the significant commitment required for a successful marketing program. To do so, we recommend the Commission authorize and order UNS Gas to increase the loan loss reserve by another $100,000 to make an additional $1,000,000 in loan funding available each time a $1,000,000 tranche in loan funding is used up, even if it is well before the completion of the first year pilot. This automatic increase in the loan loss reserve would involve an automatic increase in the DSM adjustor to cover that increase.

This "automatic ramp-up" approach would ensure that there would always be adequate loan loss reserves available to support additional loan funding in response to market demand. Based on the UNS Gas filing's description of their financing structure, the PA Treasury will securitize and sell their warehoused energy efficiency loans to investors in $1,000,000 tranches, so there always should be adequate loan funding available from PA Treasury. We suggest the Commission authorize this automatic ramp up in funding to a maximum of $10,000,000 per year, which would be large enough to support an ambitious marketing and education program, but still would provide funding for only 2% of UNS Gas customers. As a comparison, Midwest Energy's program in Kansas has created $35 million in loan funding, and New York's program is leveraging over $100 million in public funds to generate several hundred million more dollars of private capital for energy efficiency and renewable energy loans.

Within several years, the proposed automatic ramp-up feature will likely become unnecessary as incoming loan payments will be of sufficient volume to replenish the fund without additional loan loss reserves. This approach effectively creates a workable match between supply and demand for energy efficiency loan funding, thereby minimizing the risk of over commitment by UNS Gas while still being sufficiently ambitious for effective marketing, and responsive to the demands for energy efficiency financing.

4. Plan Access

Key program elements A, B and C above all relate to the accessibility of the financing program to a broad range of UNS Gas customers. The primary logic requiring broad accessibility is that ratepayer funds are being used through the DSM adjustor to provide a loan loss reserve to offset the lender's risk for providing this energy efficiency financing. Ratepayer funds are also supporting this program's cost recovery (including interest rate buy-downs) for UNS Gas. For this reason, the broadest range of gas customers possible should be eligible. Balancing the need for broad accessibility is the normal lender's requirement for a reasonable credit risk. Broad accessibility balanced by acceptable lender risk can be achieved in several ways:

a. Because the loan loss reserve improves a lender's credit decision, a lower than normal credit rating for this type of loan is justified (in this program a FICO score above 640).

b. Lender access to a prospective borrower's bill payment history would provide additional credit information and could be used to support a loan with a FICO score somewhat lower than 640. The UNS Gas plan does not provide for giving the lender utility bill payment histories as part of the loan process. We recommend that the Commission order UNS Gas to provide bill payment histories to the loan underwriter so that more borrowers can qualify for energy efficiency financing under this program. The Midwest Energy program in Kansas, and New York's Green Jobs / Green NY program, both provide for utility bill payment histories as a credit proxy. If the bill payment history is not used to expand the number of qualified borrowers in the pilot of the

UNS Gas program, it might alternatively lower the lender's interest rate because of the reduced risk.

c. Disconnecting service for non-payment of an energy efficiency loan is another way to reduce the lender's risk and could result in broader qualification and/or lower interest rates. Service disconnection requires, however, that the energy efficiency loan payment, plus the energy bills after the efficiency upgrades, be less than the pre-upgrade energy bills. In other words, the loan must be cash flow positive to the borrower. (This issue is discussed in item 5 on pages 9 and 10 below.) Service disconnection is not onerous under cash flow positive financing because the borrower's cash flow (loan and energy payments) after the efficiency upgrades would be lower than the gas payment alone pre-upgrades. In other words, if a borrow defaults on the energy efficiency loan, he would have defaulted on his utility bill payments before the energy efficiency upgrade, and service disconnection would be an appropriate response. The UNS Gas plan does not provide for service disconnection for non-payment of energy efficiency loans on the grounds that this is "not allowed under UNS Gas Rules and Regulations or Commission rules." We recommend that the Commission order a change in these rules to permit service disconnection for non-payment of an energy efficiency loan because it would allow more UNS Gas customers to qualify for energy efficiency loans, and it would likely also result in lower interest rates over the life of this program. Lower interest rates would result in lower interest rate buy-down costs to UNS Gas, and ultimately less cost to ratepayers. The Kansas Corporation Commission set a precedent for such action when it ruled that Midwest Energy could terminate service for nonpayment of energy efficiency loans by customers enrolled in its How$mart program.

The proposed UNS Gas energy efficiency financing plan also limits access to the program to single family homeowners and owner-occupied 1 to 4 units. The plan also calls for the loan obligation to rest with the individual who originally signed the loan rather than staying with the meter. This creates two problems:

a. First, a homeowner has a disincentive to participate in this loan program if he thinks he may sell his house before the loan matures. By doing so, he would be paying all the cost for the energy efficiency improvements under the proposed plan, but would not be in the dwelling unit long enough to realize sufficient savings to cover the cost. The new owner would inherit the benefits without having to pay any costs. (For the foreseeable future, it is not likely there will be enough price elasticity in the real estate market to cover the loan pay-off by increasing the selling price of the home.) Broader access and participation requires the loan commitment stay with the gas meter.

b. Second, renters would not be covered in the program as filed by UNS Gas (with the limited exception of owner occupied 1 to 4 units where the owner makes the utility payments). Many renters do not qualify for low income energy efficiency loans or subsidies, but they often have a greater need than the average homeowner. This is because renters generally pay a higher percentage of their income for utilities than homeowners, both because their incomes are lower relative to average utility bills, and because their bills tend to be higher because they often live in older, less efficient housing stock. In the case of apartments, this housing is often lower in efficiency because apartment owners have little incentive to invest in energy efficiency measures when the resulting savings flow to the tenant. Renters are even more likely to move than a homeowner, which reinforces the need for the loans to run with the meter to provide broader access.

For these reasons, we recommend the Commission order the UNS Gas energy efficiency financing program be made available to renters, and that the loan be tied to the meters rather than property owner or renter. Service disconnection should make such loans bankable. This will make the proposed energy efficiency financing program more successful, and improve the most energy inefficient properties for the lowest cost. This would also allow many renters who earn too much to participate in subsidized programs to qualify for energy efficiency upgrades.

5. The Cash Flow Positive Loans, Efficiency Measures, and Efficiency Audit Nexus

To create the participation necessary for program success and for energy efficiency loans to be broadly accessible, it is critical that loans be structured so that they are cash flow positive. That means the monthly loan payment, plus the post-upgrade energy costs, must be less than the pre-upgrade energy bills. California's energy efficiency and renewable energy program dramatically accelerated its participation when cash flow positive loan terms became available. Several elements of the energy efficiency financing system are very important for the program to achieve this cash flow positive goal.

a. First, the UNS Gas program should include a broader list of energy efficiency measures in its program. The proposed pilot plan adds a number of cost-effective energy efficiency measures to those currently approved under the Commission-required cost effectiveness test. However, there are a number of measures not included that are highly cost effective. Examples of such measures include programmable thermostats (a 20% or more reduction in heating costs with reasonable setbacks, if used), water heater blankets, hot water pipe insulation (at least at the water heater and for readily accessible piping runs), and low-flow shower heads. While the cost of these items is relatively small, their contribution to energy efficiency is high. While these items do not add enough cost to warrant a loan program on their own, combining them with the more costly measures will produce the greatest efficiency returns for the dollars invested, and will more likely achieve a positive cash flow for the UNS Gas customer.

b. Second, an energy audit should be required for every energy efficiency upgrade financed so the potential measures can be rationally prioritized, and the energy efficiency financing can concentrate on the most efficient measures for each building. An audit will indicate the likely savings from each measure that could be undertaken. The audit ensures that the most efficient measures for each dwelling are added to the project only up to the point at which the loan can remain cash flow positive. As UNS Gas points out in their filing, it cannot guarantee that a specific loan will be cash flow positive, but there is a good chance that most loans will be so if an energy audit is used to select the measures that will provide the best returns on investment. The audit costs should be paid by the customer if no energy efficiency upgrades are done, or included in the loan if energy efficiency measures are implemented, as is the case with the Efficiency Kansas program.

In addition, the most appropriate measures and the resulting financing requirements will necessarily vary from high mountain communities (Flagstaff), or medium level locations (Prescott), to the state's desert communities (Tucson) because of differences in the amount of gas saved by energy efficiency for cold weather heating. An energy audit would be very useful to determine which energy efficiency efforts to include in a loan to make it cash-flow positive in each location.

UNS Gas expressed concern that audits should not be required because they were unnecessary if a customer simply wanted to replace a furnace or water heater. We believe this program's rate-payer underwritten loan funds should not be used simply to replace a furnace or water heater the customer would have to purchase anyway. UNS Gas might want to provide an incentive for the customer to replace a furnace or water heater with the most energy efficient model, but then only the increment over the cost of a unit comparable to the one being replaced should be included in the financing, and potentially somewhat more as an incentive to choose the higher efficiency alternative. When the entire cost of replacing a unit is financed, it is very costly for the energy savings that the replacement provides, making it much more difficult to achieve a positive cash flow arrangement. Because the efficiency increment would be a relatively small amount, additional energy efficiency measures could be included in any loan.

For these reasons, we urge the Commission to order UNS Gas to include a requirement for an energy audit for each energy efficiency loan financed under the proposed program.

6. Financing Rates

We also recommend the Commission approve the 3% interest rate buy down option proposed by UNS Gas. According to the program budget provided in this filing, this buy down would cost each ratepayer approximately $1.00 per year, but the lower interest rates would produce significantly greater access to the program, and would allow more energy efficiency measures to be included in financing that was cash flow positive. Also, based on the experience of other city and state energy efficiency loan programs, if the UNS Gas program is revised as recommended, the lenders should experience only 1% to 3% loan losses, and financing rates should then be reduced over time, requiring lower or no buy downs. We regret that this buy down is necessary to create greater customer access to this financing plan. Many energy efficiency and renewable energy financing plans around the country have structured their plans so that lenders can provide financing at much lower rates than those proposed in this financing program. While it is too late to seek lower cost financing alternatives and still meet the target of a fall launch for this program, we strongly urge the ACC to direct UNS Gas to shop the revised financing plan that we are recommending (i.e., using utility payment histories for qualifying, allowing shut-off for loan non-payment linked to cash flow positive loans, and having the loan attached to the meter) with qualified lenders with the intent of substituting lower rate financing to their customers as soon as possible.

7. Performance Review

In addition to the key elements of an effective energy efficiency plan mentioned above, any plan should provide a scheduled review of performance, with automatic extensions if the performance is satisfactory to the Commission. The only program factors that are to be evaluated in the UNS Gas proposal relate to the financing program. Financing is only one portion of the total program, and the entire rate-payer financed program should be periodically reviewed. The financing program could work well for the lenders, but the overall energy efficiency program might still produce small incremental energy savings, cost borrows more per month than they saved, and suffer from low overall demand. We recommend that the entire energy efficiency program be reviewed regularly, with the first review six months after program launch to allow adequate ramp up time, and continuing at six month intervals thereafter until the program has enough operating history to warrant extending the review to one year intervals. We believe that both SEDI and SWEEP should be included on whatever review board may be established. Should these non-profits be included on the review board, and also compensated for marketing and education support for this program, they would naturally be recused from any evaluation of the program's marketing or education components.

8. Program Launch

We believe it is very important that this program be launched in the fall of 2010. Most, if not all, of the plan improvements recommended by SEDI should not delay the plan's approval and implementation. If making any of the recommended improvements would cause a significant delay, we suggest that the implementation of those recommendations be delayed until the plan is launched and then be added as soon as possible as implementation progresses. Changes that would reduce lender risk, for example, should be easy for the lender to accept. The lender might not be willing to reduce the loan rate at first, but revising loan rates based on default experience is a reasonable expectation from lenders.

9. Summary of Recommendations

In summary, the following are SEDI's recommendations for strategic adjustments. Following each recommendation are the page numbers where readers can find the rationale for that recommendation.

1. To better match the revolving loan fund to potential demand, the Commission should authorize and order UNS Gas to increase the loan loss reserve to make additional funding available each time a $1,000,000 tranche in loan funding is lent out, even if it is well before the completion of the first year pilot. (5-6)

2. We suggest the Commission authorize this automatic ramp up in funding to a maximum of $10,000,000 per year, which would be large enough to support an ambitious marketing and education program, but still would provide funding for only 2% of UNS Gas customers. (6)

3. We recommend the Commission order UNS Gas to provide bill payment histories to the loan underwriter so that more borrowers can qualify for energy efficiency financing under this program. (7)

4. We recommend the Commission order a change in the rules limiting service disconnection to permit service disconnection for non-payment of an energy efficiency loan. This would allow more UNS Gas customers to qualify for energy efficiency loans, and it would likely also result in lower interest rates over the life of this program. Lower interest rates would result in lower buy-down costs to UNS Gas, and ultimately, less cost to ratepayers. (7-8)

5. We recommend the Commission order the UNS Gas energy efficiency financing program be made available to renters, and that energy efficiency loans be tied to the meters rather than property owner or renter. (8)

6. We recommend the Commission require UNS Gas to include a broader range of cost effective energy efficiency measures in their plan. In this way the package of measures selected will produce the greatest efficiency returns for the dollars invested. (9)

7. We urge the Commission to order UNS Gas to require an energy audit for each energy efficiency loan financed under the proposed program. This will ensure that the potential energy efficiency measures can be prioritized, and the energy efficiency financing can concentrate on the most efficient measures for each building. (9-10)

8. We recommend the Commission approve the 3% interest rate buy down offered by UNS Gas, and order UNS Gas to shop qualified lenders for better financing terms based on the revised financing program SEDI recommends (use of utility bill payment history for qualifying, allowing shut-off for loan non-payment linked to cash flow positive loans, and having the loan attached to the meter). (10)

9. We recommend this financing plan, as well as the entire energy efficiency program offered by UNS Gas, be subject to regularly scheduled reviews of its performance, with automatic extensions if the performance is satisfactory to the Commission. We recommend the first review

be six months after program launch and at six month intervals thereafter until operating results justify an extension to one- year intervals. We believe that both SEDI and SWEEP should be included on whatever review board may be established. (10-11)

10. The key elements of a successful plan, of course, include timely and predictable recovery of program costs and lost margin for the utility. We understand that a docket on decoupling is proceeding, and UNS Gas has indicated their preference to achieve their decoupling of this and other impacts on sales and margins in that docket. (5)