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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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**COMMISSIONERS**

- KRISTIN K. MAYES - CHAIRMAN
- GARY PIERCE
- PAUL NEWMAN
- SANDRA D. KENNEDY
- BOB STUMP

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DEC 10 2010

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

DOCKETED BY *[Signature]*

IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. G-04204A-08-0571  
 UNS GAS, INC. FOR APPROVAL OF ITS )  
 PROPOSED ENERGY EFFICIENCY )  
 FINANCING PILOT PROGRAM. )  
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**UNS GAS, INC'S  
EXCEPTIONS TO THE  
PROPOSED ORDER**

UNS Gas, Inc. ("UNS Gas" or "Company"), through undersigned counsel, hereby submits its exceptions to the proposed order in this docket concerning UNS Gas's proposed Energy Efficiency Residential Financing Pilot Program ("Pilot Program"). UNS Gas appreciates the recommended approval of the Pilot Program; however, UNS Gas believes that the full costs of this Program should be covered by an increase in the Company's Demand Side Management ("DSM") adjustor. Therefore, UNS Gas takes exception to the proposed order's exclusion of (i) the recovery of revenues that will be lost through the implementation of the energy efficiency improvements financed by the Pilot Program and (ii) the costs of coordination between two utilities that provide service to the same residence and offer similar financing programs for the residents. UNS Gas requests that the proposed order be amended to provide for recovery of those costs through the DSM adjustor. Proposed language for an amendment to is attached to these exceptions.

**A. Recovery of Lost Revenues.**

The purpose of the Pilot Program is to assist residential customers in financing energy efficiency improvements. Those improvements will reduce the gas usage at those residences and will reduce the Company's revenues. Given that there will be numerous loans under the Pilot

1 Program, the Company requested recovery of the estimated \$22,422 in lost revenues resulting  
2 from the increased energy efficiency financed under the Pilot Program.

3 The proposed order recommends rejection of the lost revenue recovery. However,  
4 recovery of such revenues is equitable and allows the Company to reach its approved revenue  
5 requirement set in its recently-concluded rate case. Although the Arizona Corporation  
6 Commission ("Commission") appears to be on the verge of adopting a decoupling policy, UNS  
7 Gas has no opportunity to recover the revenues lost under the Pilot Program because it will not  
8 have another rate case order for some time. Allowing recovery of the lost revenues under the  
9 DSM adjustor provides a way to bridge the gap until UNS Gas's rate design can be modified to  
10 mitigate lost revenues from energy efficiency requirements and programs. Otherwise, the  
11 Commission is precluding the Company from reaching its approved revenue requirement.

12 **B. Recovery of Joint Utility Coordination Costs.**

13 In the proposed Pilot Program, UNS Gas sought recovery of the costs of "Joint Utility  
14 Coordination Transfers" in the amount of \$50,000. UNS Gas included the Joint Utility  
15 Coordination Transfers at the suggestion of SWEEP because some energy efficiency measures  
16 (e.g., duct sealing, air sealing and insulation) are common to both electric and gas retrofit  
17 programs and produce reduction of both electricity and gas consumption. SWEEP requested  
18 Arizona utilities to develop a coordinated effort that would prevent customers from requesting two  
19 separate loans to complete energy efficiency retrofits. In discussions, the utilities agree they could  
20 develop an agreement where the cost of the interest rate buy-down and the cost of the loan loss  
21 reserve could be 'shared' by two utilities when it is possible to also share energy efficiency  
22 savings. The Pilot Program coordination expense reflects anticipated funds that would be  
23 provided to other utilities under such coordination.

24 The proposed order rejects any coordination funding. However, such funding will  
25 maximize the effectiveness and efficiency of financing programs. UNS Gas is requesting approval  
26 now to avoid potential delays in funding once the coordination is operational. If no coordination  
27 occurs, UNS Gas can factor that into the annual resetting of the DSM adjustor. By including the

1 cost in the budget now, the Commission will encourage and facilitate the coordination between  
2 utilities and increase the effectiveness and efficiency of the Pilot Program. It will also reduce  
3 customer confusion when faced with two different energy efficiency financing programs. UNS  
4 Gas believes it is important to provide some level of funding to allow for Joint Utility  
5 Coordination Transfers.

6 WHEREFORE UNS Gas requests that the Commission amend the proposed order to allow  
7 recovery of lost revenues and coordination costs through the DSM adjustor as part of the Energy  
8 Efficiency Residential Financing Pilot Program.

9 RESPECTFULLY SUBMITTED this 10<sup>th</sup> day of December 2010.

10 UNS Gas, Inc.

11  
12  
13 By 

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26 Attorneys for UNS Gas, Inc.  
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1 Original and 13 copies of the foregoing  
filed this 10<sup>th</sup> day of December, 2010, with:

2  
3 Docket Control  
4 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

5 Copy of the foregoing hand-delivered/mailed  
this 10<sup>th</sup> day of December, 2010, to:

6  
7 Chairman Kristen K. Mayes  
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Phoenix, Arizona 85007

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By 

**PROPOSED LANGUAGE FOR AMENDMENT**

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Page 11, line 15, **INSERT:**

“25. We agree with Staff’s recommendations regarding the proposed Energy Efficiency Residential Financing Pilot Program except that we believe that the budget for the EERFP Program should include: (i) recovery of lost revenues resulting from the energy efficiency improvements financed under the EERFP Program and (ii) funds to provide for the coordination between utilities related to Joint Utility Coordination Transfers.”

**DELETE** Page 12, lines 5 through 8.

**DELETE** Page 13, lines 1 through 2 and **INSERT:**

“IT IS FURTHER ORDERED that the proposed EERFP Program as discussed above be approved as a pilot program until further Order of the Commission.”