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BEFORE THE ARIZONA CORPORATION COMMISSION
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COMMISSIONERS

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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
UNS ELECTRIC, INC. FOR APPROVAL OF ITS
2013 ENERGY EFFICIENCY
IMPLEMENTATION PLAN.

DOCKET NO. E-04204A-12-0219

APPLICATION

UNS Electric, Inc. ("UNS Electric" or "Company"), through undersigned counsel, and in accordance with Arizona Administrative Code R14-2-2405, hereby submits for Arizona Corporation Commission ("Commission") approval, its:

- (i) 2013 Energy Efficiency Implementation Plan ("EE Plan"); and
- (ii) UNS Electric's proposed Demand-Side Management ("DSM") Surcharge ("DSMS") tariff.

UNS Electric's EE Plan sets forth the Company's existing and proposed modifications to its Demand Side Management programs, and describes how those programs will further the Company's compliance with the requirements of the EE Standard. The EE Plan also includes a tariff for the DSMS that complies with the requirements of A.A.C. R14-2-2406(A). Additionally, because UNS Electric cannot cost-effectively meet the cumulative EE Standard set forth in A.A.C. R14-2-2404(B), the Company is requesting in its EE Plan a waiver from the 2013 EE Standard in accordance with A.A.C. R14-2-2419(B).

WHEREFORE, UNS Electric respectfully requests that the Commission issue an order on or before December 31, 2012:

- 1. Approving the EE Plan;
- 2. Approving the DSMS;

Arizona Corporation Commission

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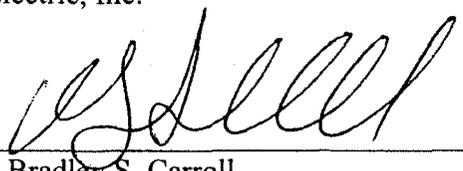
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- 3. Granting UNS Electric a waiver from the 2013 EE Standard in accordance with A.A.C. R14-2-2419(B); and
- 4. Providing such other relief as the Commission deems appropriate and in the public interest.

RESPECTFULLY SUBMITTED this 1st day of June 2012.

UNS Electric, Inc.

By 

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Original and 13 copies of the foregoing filed this 1st day of June 2012, with:

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Phoenix, Arizona 85007

Copy of the foregoing hand-delivered this 1st day of June 2012, to:

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By 

**UNS ELECTRIC, INC.
2013 ENERGY EFFICIENCY
IMPLEMENTATION PLAN**

JUNE 1, 2012

Table of Contents

I. 2013 IMPLEMENTATION PLAN EXECUTIVE SUMMARY.....1
II. INTRODUCTION.....3
III. PROGRAM PORTFOLIO OVERVIEW.....5
IV. RESIDENTIAL PROGRAMS.....9
V. COMMERCIAL AND INDUSTRIAL PROGRAMS.....16
VI. BEHAVIORAL COMPREHENSIVE PROGRAMS.....23
VII. SUPPORT PROGRAMS.....26
VIII. PORTFOLIO MANAGEMENT.....29
IX. DEMAND-SIDE TARIFF.....32
X. OTHER ADMINISTRATIVE REQUESTS.....33

- Exhibit 1 DSM Tariff Back up
Exhibit 2 Proposed New DSM Measures
Exhibit 3: DSM Tariff (Clean and Redlined)

I. 2013 Implementation Plan Executive Summary

UNS Electric, Inc. ("UNS Electric" or the "Company") hereby submits its 2013 Energy Efficiency Implementation Plan ("EE Plan") for Arizona Corporation Commission ("Commission") approval, in compliance with Arizona Administrative Code ("A.A.C") R14-2-2405. As part of its EE Plan, UNS Electric has included a short description of the existing Commission-approved Energy Efficiency ("EE") programs, the proposed new EE measures, the estimated total cost and cost per kWh reduction for each program, an estimate of the annual kilowatt hour ("kWh") and kilowatt ("kW") savings projected for each program, and how these programs contribute to the Company's 2013 EE savings goal.

As a result of the timing of the effectiveness of the EE Rules, the delay in Commission approval of the Company's 2011-2012 EE Plan, as well as other economic factors described herein, UNS Electric cannot cost-effectively meet the cumulative EE Standard set forth in A.A.C. R14-2-2404.B from 2013 through 2020. Moreover, for the same reasons, the Commission previously granted the Company a waiver of the EE Standard for 2012 in Decision No. 72747 (January 20, 2012). Accordingly, the Company requests a waiver from the 2013 EE Standard in accordance with A.A.C. R14-2-2419.B. The waiver request notwithstanding, UNS Electric will continue to strive to maximize the cost-effective savings achieved for the dollars spent. Table 1-1 illustrates the amount of compliance with the EE Standard for the years 2011-2013, with 2012 and 2013 being forecasted based upon projected participation.

Table 1-1 UNS Electric Compliance with EE Standard for Years 2011-2013

Year	Retail Sales Actual / Forecasted (MWh)	Annual Actual Savings Realized / Forecasted (MWh)	Actual Cumulative Savings Realized / Forecasted (MWh)	Cumulative Savings as % of Previous Year's Retail Sales	Energy Efficiency Standard Requirement
2010	1,857,160				
2011	1,845,315	15,005	15,005	0.81%	1.25%
2012	1,764,349	26,015	41,020	2.22%	3.00%
2013	1,774,685	44,490	85,511	4.85%	5.00%

UNS Electric has included a proposed tariff that complies with A.A.C. R14-2-2406.C. UNS Electric is requesting a small decrease to the current Demand-Side Management ("DSM") Surcharge ("DSMS") in this EE Plan. The Company estimates a 2013 EE Plan Budget total of approximately \$6.4 million. Additional details and the elements of the Company's proposed DSMS for January 1, 2013 through December 31, 2013 can be found in the attached Exhibit 1. At this time, it is anticipated that the total DSMS required to implement the 2013 EE Plan will be approximately \$0.004318/kWh based on forecasted retail sales for 2013. The rate impact to the average residential customer from the total DSMS for 2013 will be \$3.63 per month. A summary of the portfolio budget, portfolio savings, net benefits, and benefit-cost results appear in Table 1-2.

Table 1-2. Summary of Costs and Saving

Program Year	Total Program Budget	Annual Energy Savings at Generator (MWh)	Lifetime Energy Savings (MWh)	Peak Demand Savings (MW)	Total Net Benefits	Portfolio Societal Cost Test Ratio
2013	\$6,418,803	44,490	349,962	9.42	\$5,753,029	2.0

As part of UNS Electric's EE Plan, the Company is proposing to add new measures to the Efficient Products, C&I Facilities, and Schools Facilities programs, thereby enhancing these existing EE programs.

Details about these programs appear in: Section IV Residential Programs, subsection (A) Efficient Products; Section V Commercial and Industrial Programs, subsection (A) C&I Facilities; and in Exhibit 2. UNS Electric is also clarifying the availability of a Self-Direction option. A Self-Direction option is for large qualifying industrial customers who may want their DSMS contribution to be utilized for their own EE projects. Details on the Self-Direction option appear in Section V.

The following programs will continue to be administered with no modifications: Appliance Recycling, Low-Income Weatherization ("LIW"), Residential New Construction, Shade Tree, Existing Homes and Audit Direct Install, Multi-Family, Home Energy Reports, Behavioral Comprehensive, Residential Energy Efficiency Financing, Energy Code and Standards Enhancement ("ECSEP"), Bid for Efficiency ("BFE"), Retro-Commissioning ("RCx"), C&I Demand Response, and Consumer Education and Outreach ("CEO").

In addition to new measures described herein, UNS Electric is seeking approval of its proposed DSMS to recover two elements: 1) DSM program costs; and 2) the DSM performance incentive. Specifically, UNS Electric is requesting approval to collect \$7.3 million, which is comprised of \$6.4 million in DSM program costs, \$0.3 million in unrecovered historical DSM program costs, and \$0.6 million in a 2013 performance incentive based on the methodology previously approved by the Commission in Decision No. 72747 (January 20, 2012). UNS Electric is also seeking approval to shift approved EE Plan funds between all programs and, where cost-effective, to moderately increase the budgets as outlined in the 2013 EE Plan.

UNS Electric respectfully requests Commission approval of its 2013 EE Plan, as well as the implementation of the proposed DSMS, on or before December 31, 2012. UNS Electric believes this 2013 EE Plan is prudent, is necessary to the successful implementation of the EE Standard, and is in the public interest.

II. Introduction

The following is an overview of the existing EE programs for the residential, commercial and industrial (“C&I”) sectors, as well as their associated implementation costs and savings. UNS Electric has designed a comprehensive portfolio of programs to deliver electric energy and demand savings in an attempt to meet the annual EE savings goals outlined in the EE Standard. These programs include: i) incentives, direct-install, and buy-down approaches for energy efficient products and services; ii) educational and marketing approaches to raise awareness and modify behaviors; and iii) partnerships with trade allies to apply as much leverage as possible to augment the rate-payer dollars invested.

A. Implementation Plan, Goals, and Objectives

UNS Electric’s high-level efficiency-related goals and objectives for 2013 are as follows:

- Implement only cost-effective EE programs;
- Implement a diverse group of programs that provide opportunities for all customers to participate;
- Achieve a cumulative energy savings goal equal to 4.85% of 2012 retail sales (see Table 3-3);
- When feasible, maximize opportunities for program coordination with other EE programs (e.g., those administered by Southwest Gas Corporation and Arizona Public Service Company (“APS”)) to yield maximum benefits;
- Maximize comprehensive cost-effective savings opportunities;
- Utilize www.uesaz.com to provide UNS Electric customers and contractors with detailed information on the electricity savings opportunities available through the Company’s EE programs;
- Expand the EE infrastructure in the state by increasing the number of available qualified contractors through training and certification in specific fields;
- Use trained and qualified trade allies, such as electricians, HVAC contractors, builders, architects and engineers, to help expand the market for efficient technologies; and
- Inform and educate customers on how to modify behaviors to use energy more efficiently.

B. Planning Process

UNS Electric’s portfolio of programs refocuses elements of the nation’s most successful EE programs into programs specifically designed to meet the Company’s customer needs. Evaluations, program plans, and EE-potential studies were used to develop specific programs for UNS Electric. UNS Electric also used a benchmarking process to review the most successful EE programs from across the country, with a focus on successful Southwestern programs to help shape the portfolio.

C. Portfolio Risk Management

As of May 2012, the Arizona economy remains in the midst of recovering from a severe economic recession. In this economic environment, UNS Electric’s customers have had less motivation to incur the additional up-front expense of installing more energy efficient and long-term cost-effective measures. Even with very short pay-back periods, it will likely continue to present a challenge. UNS Electric recognizes this dilemma and has developed a portfolio of programs to provide for participation at multiple levels. By proposing a multi-faceted and broad portfolio of programs that offers something for all ratepayers, UNS Electric will attempt to capitalize on the sectors of the market who want to invest in EE, at whatever cost point they can afford. In balance, this will allow the Company to attempt to meet the Commission’s aggressive EE Standard.

UNS Electric used the following strategies to minimize the risks and produce the lowest cost associated with its portfolio of EE programs:

- Implemented “tried and true” cost-effective programs that have been successfully applied by other utilities in the Southwest and across the country; and
- Implemented cost-effective programs through a combination of third-party Implementation Contractors and utility staff. UNS Electric designs programs on the most cost-effective basis.

III. Program Portfolio Overview

As demonstrated in Table 3-1, UNS Electric's portfolio of programs can be divided into residential, commercial, behavioral, and support sectors. Administrative functions provide support across all program areas. Information on existing program design and proposed new measures are located in Section IV through Section VII.

Table 3-1. UNS Electric Portfolio of Programs

PROGRAM NAME	NEW OR EXISTING	DESCRIPTION
Residential Sector		
Appliance Recycling	Existing (no modifications proposed)	Removes and recycles inefficient refrigerators and freezers
Low-Income Weatherization	Existing (no modifications proposed)	Assists in making low-income homes more energy efficient
Existing Homes and Audit Direct Install	Existing (no modifications proposed)	Promotes EE in existing homes
Residential New Construction	Existing (no modifications proposed)	Promotes the building of more energy efficient new homes
Shade Tree	Existing (no modifications proposed)	Promotes planting of desert-adapted shade trees in locations designed to enhance EE
Multi-Family	Existing (no modifications proposed)	Promotes direct install of energy efficient measures at apartment complexes consisting of more than four dwellings
Efficient Products	Existing (with additional measures proposed)	Promotes customer purchases of CFLs, advanced power strips, and energy efficient pool pumps and timers
Commercial Sector		
C&I Facilities	Existing (with additional measures proposed)	Persuades business customers to install EE equipment at their facilities and encourages contractors to promote the program
Schools Facilities	Existing (with additional measures proposed)	Similar to the C&I Facilities program, but with a separated budget specifically for school facilities
Bid for Efficiency	Existing (no modifications proposed)	Customers of project sponsors develop a holistic EE project then bid competitively for incentives within program guidelines
Retro-Commissioning	Existing (no modifications proposed)	Promotes existing facilities to use a systematic approach to identify building equipment or processes that are not achieving optimal performance or results
C&I Demand Response	Existing (no modifications proposed)	A third party implementation contractor negotiates load reduction agreements with multiple customers and aggregates those customers to provide UNS Electric with a guaranteed load reduction upon request
Behavioral Sector		
Home Energy Reports	Existing (no modifications proposed)	Energy reports comparing a customer's energy usage to that of their neighbors with similar sized homes using comparable heating and cooling equipment
Behavioral Comprehensive	Existing (no modifications proposed)	A variety of educational and behavioral programs, including K-12 student education, direct canvassing, community education, and CFL giveaways

Support Sector		
Consumer Education & Outreach	Existing (no modifications proposed)	Consumer education designed to increase participation in the UNS Electric, Inc. EE programs and promote changes in behavior to increase EE
Residential Energy Financing	Existing (no modifications proposed)	Low interest unsecured loans to help customers install EE measures in existing homes
Energy Codes & Standards Enhancement	Existing (no modifications proposed)	Seeks to improve the level of compliance with existing local building energy codes and appliance standards and supports the periodic updating of these codes and standards
Program Development and Support	Existing (tracks with portfolio program requirements)	Costs for program design and development, and resources necessary to meet the reporting requirements of the EE Standards

A. 2013 Savings, Budgets, Benefit-Cost Results

This EE Plan presents a continuing portfolio of investments consistent with the requirements of the EE Standard, however UNS Electric will continue to monitor projected program funding and participation. The Company anticipates future adjustments in the forecasted investment levels. Additionally, incentive levels and other program elements will be reviewed and modified on an annual basis to reflect changes in market conditions or implementation processes, in order to maximize cost-effective savings. Such modifications will be reported in the annual reports submitted to the Commission. Table 3-2 shows a summary of the costs and energy savings, total net benefits, and the benefit-cost ratio using the Societal Cost Test for the 2013 EE Plan portfolio.

Table 3-2. Summary of Costs and Savings

Program Year	Total Program Budget	Annual Energy Savings at Generator (MWh)	Lifetime Energy Savings (MWh)	Peak Demand Savings (MW)	Total Net Benefits	Portfolio Societal Cost Test Ratio
2013	\$6,418,803	44,490	349,962	9.42	\$5,753,029	2.0

As noted in Table 3-3, the 2013 EE Standard is 5.00% energy savings as a percent of sales of the previous calendar year. The delay in approval of the Company's 2011-2012 EE Plan caused a delay in expanding existing EE programs and implementing new programs. As a result some EE savings that could have been achieved in 2012, will not be achieved until 2013. The EE Standard is cumulative; therefore any delay in achieving energy savings results in the Company having to catch up in later years. In addition, the Arizona economy remains in the midst of recovering from a severe economic recession. Due to these factors, UNS Electric's 2013 EE Plan is not projected to meet the 2013 Standard; therefore, the Company requests a waiver from the 2013 EE Standard in accordance with A.A.C. R14-2-2419.B.

Table 3-3. UNS Electric Compliance with EE Standard for Years 2011-2013

Year	Retail Sales Actual / Forecasted (MWh)	Annual Actual Savings Realized / Forecasted (MWh)	Actual Cumulative Savings Realized / Forecasted (MWh)	Cumulative Savings as % of Previous Year's Retail Sales	Energy Efficiency Standard Requirement
2010	1,857,160				
2011	1,845,315	15,005	15,005	0.81%	1.25%
2012	1,764,349	26,015	41,020	2.22%	3.00%
2013	1,774,685	44,490	85,511	4.85%	5.00%

UNS Electric, Inc. 2013 Energy Efficiency Implementation Plan

Table 3-4 provides cost and savings details per program for 2013. Table 3-5 shows the program budgets by expense category.

Table 3-4. 2013 Costs and Savings by Program

Program Name	Annual Energy Savings at Generator (MWh)	Coincident Demand Savings at Generator (MW)	Total Program Budget	Cost per Lifetime kWh Saved (\$/kWh)	Cost per First Year kWh Saved (\$/kWh)
Residential Sector					
Efficient Products	15,744	1.92	\$1,116,400	\$0.01	\$0.07
Appliance Recycling	1,795	0.20	\$308,168	\$0.03	\$0.17
Residential New Construction	239	0.10	\$238,745	\$0.03	\$1.00
Existing Homes and Audit Direct Install	642	0.30	\$730,709	\$0.07	\$1.14
Shade Tree	122	0.00	\$41,757	\$0.02	\$0.34
Low-Income Weatherization	365	0.03	\$395,748	\$0.05	\$1.08
Multi-Family	462	0.02	\$77,602	\$0.02	\$0.17
Subtotal	19,369	2.56	\$2,909,129	\$0.02	\$0.15
Commercial Sector					
C&I Facilities	4,975	0.44	\$938,431	\$0.01	\$0.19
Bid for Efficiency - Pilot	1,771	0.13	\$391,486	\$0.02	\$0.22
Retro-Commissioning	1,992	0.15	\$340,794	\$0.02	\$0.17
Schools Facilities	3,098	0.10	\$325,388	\$0.01	\$0.11
C&I Demand Response	3,529	5.53	\$395,053	\$0.02	\$0.11
Subtotal	15,365	6.35	\$2,391,152	\$0.01	\$0.16
Behavioral Sector					
Home Energy Reports	8,302	0.38	\$295,259	\$0.04	\$0.04
Behavioral Comprehensive Program	1,454	0.13	\$229,697	\$0.02	\$0.16
Subtotal	9,756	0.51	\$524,956	\$0.03	\$0.05
Support Sector					
Consumer Education and Outreach	0	0.00	\$156,677	N/A	N/A
Residential Energy Financing	0	0.00	\$275,133	N/A	N/A
Energy Codes & Standards Enhancement	0	0.00	\$18,447	N/A	N/A
Program Development, Analysis, and Reporting Software	0	0.00	\$143,308	N/A	N/A
Subtotal	0	0.00	\$593,566	N/A	N/A
Portfolio Total	44,490	9.42	\$6,418,803	\$0.02	\$0.14

UNS Electric, Inc. 2013 Energy Efficiency Implementation Plan

Table 3-5. 2013 Program Budgets by Category

Program	Incentives	Program Delivery	Program Marketing	Utility Program Administration	Evaluation	Total Budget
Residential Sector						
Efficient Products	\$706,101	\$316,060	\$51,108	\$10,615	\$32,517	\$1,116,400
Appliance Recycling	\$40,200	\$209,595	\$24,980	\$21,541	\$11,853	\$308,168
Residential New Construction	\$82,500	\$115,520	\$19,802	\$11,741	\$9,183	\$238,745
Existing Homes and Audit Direct Install	\$436,750	\$231,763	\$33,426	\$7,488	\$21,283	\$730,709
Shade Tree	\$7,500	\$24,264	\$1,588	\$7,188	\$1,216	\$41,757
Low-Income Weatherization	\$360,000	\$13,003	\$3,730	\$7,488	\$11,527	\$395,748
Multi-Family	\$14,725	\$46,301	\$6,103	\$7,488	\$2,985	\$77,602
Subtotal	\$1,647,776	\$956,507	\$140,736	\$73,548	\$90,562	\$2,909,129
Commercial Sector						
C&I Facilities	\$587,929	\$281,529	\$14,115	\$18,769	\$36,089	\$938,431
Bid for Efficiency - Pilot	\$240,000	\$94,439	\$40,133	\$1,857	\$15,057	\$391,486
Retro-Commissioning	\$198,000	\$93,026	\$34,923	\$1,737	\$13,107	\$340,794
Schools Facilities	\$154,222	\$138,139	\$8,771	\$11,741	\$12,515	\$325,388
C&I Demand Response	\$0	\$383,546	\$0	\$0	\$11,506	\$395,053
Subtotal	\$1,180,152	\$990,680	\$97,941	\$34,104	\$88,275	\$2,391,152
Behavioral Sector						
Home Energy Reports	\$198,000	\$62,182	\$0	\$23,721	\$11,356	\$295,259
Behavioral Comprehensive Program	\$108,845	\$80,277	\$20,000	\$11,741	\$8,835	\$229,697
Subtotal	\$306,845	\$142,459	\$20,000	\$35,462	\$20,191	\$524,956
Support Sector						
Consumer Education and Outreach	\$0	\$137,000	\$0	\$16,605	\$3,072	\$156,677
Residential Energy Financing	\$40,059	\$183,849	\$34,314	\$10,615	\$6,297	\$275,133
Energy Codes & Standards Enhancement	\$0	\$7,123	\$0	\$10,615	\$710	\$18,447
Program Development, Analysis, and Reporting Software	\$0	\$143,308	\$0	\$0	\$0	\$143,308
Subtotal	\$40,059	\$471,280	\$34,314	\$37,834	\$10,079	\$593,566
Total	\$3,174,831	\$2,560,926	\$292,991	\$180,948	\$209,106	\$6,418,803
Percent of Cost by Category	49%	40%	5%	3%	3%	100%

IV. Residential Programs

The following section presents updates of UNS Electric’s residential programs, specifically on new measures and proposed changes consistent with requirements of A.A.C. R-14-2-2407. This section also presents a summary discussion of UNS Electric’s residential programs.

A. Efficient Products

UNS Electric is requesting budget approval and approval to offer additional measures in 2013.

Program Description

The Efficient Products program (formerly called CFL Buy-Down program) was re-named to recognize that it will serve as the delivery channel to address other efficient products beyond compact fluorescent light bulbs (“CFLs”) that are rebated through the major retail channels including online purchases and rebates. This program promotes the purchase of energy efficient retail products through in-store buy-down promotions and the promotion of EE products in general. This program has been in existence since 2008, but was recently updated and approved by the Commission in Decision No. 72747 (January 20, 2012).

Program Objectives and Rationale

The new measures will offer residential customers additional opportunities to reduce their energy consumption. It will also further the transformation of the market through retail partnerships, training of retail staff, and increased stocking and selection for efficient retail products.

New Measures for 2013

Table 4-1 presents new measures to be incentivized by the program in 2013.

Table 4-1. Measure Efficiencies, Incentive Level, Participation, and Benefit-Cost¹

Program Measures	Base Efficiency	High Efficiency	Avg. Incentive Per Unit	Estimated Participation	Societal Cost Test (Industry)	Staff's Cost Test
Residential 2x Incandescent	79W	50W	\$0.33	4,800	2.12	2.12
ENERGY STAR® Central Air Conditioner / Heat Pump	13 SEER	14.5 SEER	\$300	100	1.26	1.20
ENERGY STAR® Clothes Washer	Conventional	Energy Star rated	\$150	800	1.91	1.03
ENERGY STAR® Dishwasher	Conventional	Energy Star rated	\$10	700	2.64	2.09
ENERGY STAR® Refrigerator	Conventional	Energy Star rated	\$25	900	1.99	1.70
ENERGY STAR® Room Air Conditioner	Conventional	Energy Star rated	\$30	300	1.58	1.28
Heat Pump Water Heater	.90 EF	2.35 EF	\$400	25	1.31	1.11

¹ Additional detail on lifetime energy savings, societal benefits/costs, and environmental benefits of new measures is included in Exhibit 2.

Delivery and Marketing Strategy

No significant changes are anticipated in the implementation, approach, or delivery strategy for Efficient Products program. An online rebate is to be implemented for other efficient products including those previously approved, as well as for the new measures listed above. Advances in online rebate technology have lowered processing costs and extended rebate availability for previously hard to reach areas and consumers.

The program is primarily marketed through mass-market channels (e.g., radio, newspaper, website, etc.) or through education and training of participating retailers.

Cost-Effectiveness

In Decision No. 72747 (January 20, 2012), the Commission determined the program to be cost-effective. UNS Electric will continue to monitor the cost-effectiveness of the program.

Measurement, Evaluation, and Research Plan

The Measure, Evaluation, and Research ("MER") Plan is consistent with the previously filed strategy; however, it will incorporate review of the new measures and delivery tactics.

Other Information

The lifespan of CFLs was re-evaluated in 2011 as part of the MER for the CFL Buy-down program for the 2010 program year. CFL lifetimes were reduced from previous assumptions, and the changes have been incorporated into the saving and cost-effective calculations in the current Efficient Products program. The Company believes this satisfies the requirement to do so in Decision No. 72747.

B. Appliance Recycling

UNS Electric is requesting budget approval to continue this program with no additional modifications.

Program Description

The Appliance Recycling program was approved in Decision No. 72747 (January 20, 2012). The program launched in May of 2012. The program targets the removal and recycling of operable, but redundant, refrigerators and freezers. An appliance recycling contractor provides turnkey implementation services that include verification of customer eligibility, scheduling of pick-up appointments, appliance pick-up, and recycling services.

Program Objectives and Rationale

The objective of the program is to produce long-term electric energy savings in the residential sector by permanently removing operable, but redundant, refrigerators and freezers from the power grid and recycling them in an environmentally safe manner.

New Measures for 2013

No new measures are included for 2013.

Delivery and Marketing Strategy

The program delivery strategy consists of a third party Implementation Contractor ("IC") who will provide implementation services, including eligibility verification, and scheduling of pick-ups and delivery to proper disposal and recycling centers. The IC will also coordinate prompt processing of incentive payments.

The program is primarily marketed through mass-market channels (e.g. radio, newspaper, website, etc.) and through brochures. Materials carry a strong consumer education message and leverage the ENERGY

STAR[®] brand. The program will also be marketed at retail point-of-sale to increase customer awareness of the program.

Cost-Effectiveness

In Decision No. 72747 (January 20, 2012), the Commission determined the program to be cost-effective. UNS Electric will continue to monitor the cost-effectiveness of the program.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

C. Residential New Construction

UNS Electric is requesting budget approval to continue this program with no additional modifications.

Program Description

This is an existing program that has been ongoing since 2008, with a recent updated Commission approval in Decision No. 72747 (January 20, 2012). The goal of the program is to award larger incentives to more energy efficient homes. To qualify for an incentive, homes must be tested by an approved energy rater, and meet one of the three tiers based on a Home Energy Rating System ("HERS") Index score. On the HERS index scale, a score of 100 is considered the average efficiency of baseline new construction. A HERS index score of 0 represents a home that produces all of its energy through on-site generation from renewable energy. Therefore, the lower the HERS score, the more efficient the home. Tier 1 requires a minimum HERS of ≤ 85 , Tier 2 requires a minimum HERS of ≤ 70 , and Tier 3 requires a minimum HERS of ≤ 45 . The incentive for Tier 1 is \$400, Tier 2 is \$1,500, and Tier 3 is \$3,000.

Program Objectives and Rationale

The objectives of the program are to promote energy efficient building practices. This is accomplished through builder training, customer awareness, and the promotion and use of renewable technologies.

New Measures for 2013

No new measures are included for 2013.

Delivery and Marketing Strategy

UNS Electric provides program management oversight and marketing. A third party IC is responsible for recruitment, training, and mentorship of participating builders, sub-contractors, data tracking, rebate processing and technical support. The IC is also responsible for recruitment of independent, RESNET approved, home energy raters. The IC provides outreach to targeted builders, conducts builder training on marketing ENERGY STAR[®] homes and on the ENERGY STAR[®] performance standard, and mentors participating builders and raters.

The program is marketed to select builders primarily through direct business-to-business contacts. The program is also marketed to consumers at home shows and other events focused on home-building, as well as advertised through mass-market and targeted media outlets.

Cost-Effectiveness

In Decision No. 72747 (January 20, 2012), the Commission determined the program to be cost-effective. UNS Electric will continue to monitor the cost-effectiveness of the program.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

D. Existing Homes and Audit Direct Install

UNS Electric is requesting budget approval to continue this program with no additional modifications.

Program Description

The program started in 2008 as the Residential HVAC Retrofit program. It was expanded and re-named as the Existing Homes and Audit Direct Install program in December 2010 to include additional retrofit measures and an onsite audit component. The program is targeted to existing homes in need of EE improvements. The program has two components: the first component is an initial energy audit, which includes direct installation of CFLs and advanced power strips; and the second component is the installation of building envelope air-sealing, duct sealing or high-efficiency HVAC equipment through Building Performance Institute ("BPI") certified contractors. The program was recently updated and approved by the Commission in Decision No. 72747 (January 20, 2012).

Program Objectives and Rationale

The program's objective is to achieve energy and demand savings from the installation of energy efficient measures. The program additionally focuses on best building and science principles in an effort to refocus the building industry on energy efficient practices. The program invests in training and mentorship for participating contractors to integrate the "house as a system" philosophy, building science, and BPI certification into their general building practices. UNS Electric launched a Residential Financing Pilot program in the spring of 2012 as another mechanism for promoting this program (See Section VII: Support Programs, subsection (C) Residential Energy Efficiency Financing).

New Measures for 2013

No new measures are included for 2013.

Delivery and Marketing Strategy

UNS Electric provides program management oversight and marketing. A third party IC is responsible for: i) recruitment, training, and mentorship of participating contractors; ii) data tracking; iii) rebate processing; and iv) technical support. In 2012 the program shifted the energy auditing function from program staff to the program's BPI certified contractors to match the delivery model established by the Company.

UNS Electric provides program marketing and customer awareness-building through website promotion, community interest groups, mass-market channels (e.g., radio, newspaper, etc.), brochures, bill inserts, high bill inquiries, trade ally marketing efforts, contractor enrollment, and training.

Cost-Effectiveness

In Decision No. 72747 (January 20, 2012), the Commission determined the program to be cost-effective. UNS Electric will continue to monitor the cost-effectiveness of the programs as part of its MER plan.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

E. Shade Tree

UNS Electric is requesting budget approval to continue this program with no additional modifications.

Program Description

The program promotes energy conservation and environmental benefits by incentivizing customers to plant desert-adapted trees in targeted locations where the trees will provide shade to habited dwellings,

thus reducing HVAC load. The program started in 2008, and was recently updated and approved by the Commission in Decision No. 72747 (January 20, 2012).

Program Objectives and Rationale

The primary objective of the program is to promote the strategic planting of trees to provide shade, thereby reducing the cooling load of homes and associated energy usage. The program also educates school-age children and the public on the conservation and environmental benefits of planting trees.

New Measures for 2013

No new measures are included for 2013.

Delivery and Marketing Strategy

Program delivery is provided by UNS Electric staff and consists of a customer purchasing the qualifying tree(s), completing an application, and returning the application to UNS Electric; after which, a credit of \$15 per tree is applied to their electric account.

UNS Electric is looking to utilize a different marketing strategy in an attempt to improve customer subscription to the Shade Tree program. The Company will investigate alternative methods of marketing, such as, partnering with community organizations, boy scouts, or other associations. UNS Electric may also attempt to host independent sessions where the Company invites customers to drive to one location and pick up trees. UNS Electric employees currently inform customers about the program during speaking engagements and outreach presentations. Other marketing efforts may include website promotion, newspaper advertising, planting and care brochures, presentations at schools, and tree care workshops.

Cost-Effectiveness

In Decision No. 72747 (January 20, 2012), the Commission determined the program to be cost-effective. UNS Electric will continue to monitor the cost-effectiveness of the program.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

F. Low-Income Weatherization

UNS Electric is requesting budget approval to continue this program with no additional modifications.

Program Description

The LIW program helps conserve energy and lower utility bills in UNS Electric households with limited incomes. Weatherization measures fall into four major categories: i) duct repair; ii) pressure management/infiltration control; iii) attic insulation; and iv) repair or replacement of non-functional or hazardous appliances. Weatherization is conducted in accordance with the Weatherization Assistance Program ("WAP"), a program funded by the U.S. Department of Energy. Household income and participation guidelines will be consistent in an on-going manner with current policy criteria used by the Governor's Office on Energy Policy ("GOEP"). The program started in 2008, and was recently updated and approved by the Commission in Decision No. 72747 (January 20, 2012).

Program Objectives and Rationale

The main objectives of the program are to lower low-income customer's energy consumption in conjunction with GOEP and WAP rules, as well as to increase the number of homes weatherized annually. Program funds provide up to \$3,000 per residence to be used for energy efficient weatherization measures, equipment replacement and/or repair, etc. Community action agencies are

allowed to use up to 25% of their annual budget for Health and Safety related repairs. Agencies may request a waiver of the \$3,000 limitation on a case-by-case basis.

New Measures for 2013

No new measures included for 2013.

Delivery and Marketing Strategy

The program is delivered by Western Arizona Council of Governments ("WACOG") and Southeastern Arizona Community Action Program ("SEACAP"). Both are State-approved weatherization agencies, providing program administration, planning, promotion, coordination, participant eligibility and priority, as well as labor, materials, equipment and tracking software. Funding is provided to all agencies from UNS Electric upon documentation of work completed.

Due to the popularity of the program, DSM revenues are not allocated for advertising and promotion. Program promotion occurs mainly through community action agency partners that deliver presentations to community organizations, by leaving information at neighborhood community and recreation centers, and/or by responding to calls directed from UNS Electric. UNS Electric also promotes the program through its website and provides information during speaking engagements and outreach presentations.

Cost-Effectiveness

In Decision No. 72747 (January 20, 2012), the Commission determined the program to be cost-effective. UNS Electric will continue to monitor the cost-effectiveness of the program.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

G. Multi-Family

UNS Electric is requesting budget approval to continue this program with no additional modifications.

Program Description

The Multi-Family program was approved by the Commission in Decision No. 72747 (January 20, 2012). The program targets multi-family buildings with 5 dwelling units or more to install CFLs and low-flow water devices. Additionally, multi-family facility managers are encouraged to partake in the C&I Facilities program, which promotes measure installation for the common areas.

Program Objectives and Rationale

The EE potential in the multi-family housing market remains largely underutilized and represents a significant potential to increase the Company's program portfolio. Because of various market barriers, such as split incentives, capital constraints, and lack of awareness, EE improvements typically fall far below on a multi-family housing unit's priority list. Through the direct installation and renovation/rehabilitation implementation framework, this program fills the gap and provides substantial energy savings.

The objectives of the program are: i) to reduce peak demand and overall energy consumption in the multifamily housing market; ii) to promote EE retrofits for both dwelling units and common areas; and iii) to increase overall awareness about the importance and benefits of EE improvements to the landlord and property ownership community.

New Measures for 2013

No new measures are included for 2013.

Delivery and Marketing Strategy

Program delivery is provided by UNS Electric staff. To encourage EE upgrades in new construction, major renovation and rehabilitation projects, as well as EE retrofits of existing structures, the program will initially offer the following delivery tracks:

- A direct installation of selected low-cost EE improvements in existing complexes; and
- Common area EE improvements in existing complexes will be handled through the C&I Facilities program.

As the program develops, UNS Electric will examine a third track to encouraging more dwelling unit EE improvements in existing complexes that are not part of major renovation/rehabilitation projects.

Marketing and communications strategies include notifying complex managers and owners through updates to the website, training seminars, call center on-hold messages, direct mail promotion, outreach to rental housing industry associations, and working with contractors and industry specialists. Primary emphasis is placed on low-income, subsidized housing complexes and on larger, older, and less efficient complexes.

Cost-Effectiveness

In Decision No. 72747 (January 20, 2012), the Commission determined the program to be cost-effective. UNS Electric will continue to monitor the cost-effectiveness of the program.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

V. Commercial & Industrial Programs

The following section is an update of UNS Electric’s previously approved C&I programs. It specifically focuses on new measures and proposed changes consistent with the requirements in A.A.C. R14-2-2407. This section also presents a summary of UNS Electric’s C&I programs.

The tables below present the average incentive levels anticipated for the new measures. The incentive levels represent the weighted result of the average incentive for a measure, which varies depending on the tons or horsepower of the equipment being rebated. The public incentives for these measures may vary around the average due to the size of the equipment being considered. Overall, the incentive levels have been designed to not exceed 75% of incremental costs; however, direct-install measures for schools may be rebated up to 90% or, at times, 100% of incremental cost.

A. C&I Facilities

UNS Electric is requesting budget approval and approval to offer additional measures in 2013.

Program Description

The program offers incentives for a select group of retrofit and replace-on-burnout (“ROB”) EE measures in existing facilities. Eligible participants include small and large commercial customers. The program offers incentives for the installation of EE measures including: lighting equipment and controls; HVAC equipment; motors and motor drives; compressed air; and refrigeration measures. In order to increase program participation, UNS Electric is requesting approval to remove the \$10,000 incentive cap and the restriction that only two large commercial customers can participate at the limit of \$50,000 incentive cap each year. The limiting components of the current program restrict customer participation and prevent UNS Electric from reaching participation goals. The program started in 2008 and was recently updated and approved by the Commission in Decision No. 72747 (January 20, 2012).

Program Objectives and Rationale

The C&I Facilities program is designed to address barriers of entry for this market segment, including addressing the issues of limited investment capital, limited awareness of energy cost savings, and required short-term payback. The program’s purpose is to persuade small business customers to install high-efficiency equipment at their facilities and encourage contractors to promote the program.

New Measures for 2013

Table 5-1 presents new measures to be incentivized by the program in 2013.

Table 5-1. Measure Efficiencies, Incentive Level, Participation, and Benefit-Cost²

Program Measures	Base Efficiency	High Efficiency	Avg. Incentive	Estimated Participation	Societal Cost Test (Industry)	Staff's Cost Test
Canopy LED	458W	108W	\$100 per fixture	350	2.07	1.83
Refrigerated Case LED	T12/T8 Fluorescent	LED	\$30 per fixture	700	1.36	1.29
Computer Power Monitoring System	No power monitoring	Installed system	\$8 per computer	50	2.10	2.07

² Additional detail on lifetime energy savings, societal benefits/costs, and environmental benefits of new measures is included in Exhibit 2.

Delivery and Marketing Strategy

The “up-stream” market program offers incentives directly to pre-qualified installing contractors who provide turn-key installation services to customers. This is intended to reduce the time of payback to one year or less. The program also provides consumer and trade allies with educational and promotional pieces designed to arm decision makers in the small business market with the ability to make informed choices.

The marketing strategy includes education seminars tailored to the small business market, major media advertising, website promotion, outreach and presentations at professional and community forums, and direct outreach to customers.

Cost-Effectiveness

In Decision No. 72747 (January 20, 2012), the Commission determined the program to be cost-effective. UNS Electric will continue to monitor the cost-effectiveness of the program.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

Other Information

Since 2008, many cost-effective measures have been approved by the Commission for the C&I Facilities program. Unless otherwise indicated by the Commission, UNS Electric is taking the position that all previously approved C&I measures are also approved for inclusion in the Schools Facilities program. Schools are a subset of C&I customers and UNS Electric wants to ensure that incentives are available for the same cost-effective measures for all C&I customers.

B. Bid for Efficiency Pilot Program

UNS Electric is requesting budget approval to continue this program with no additional modifications.

Program Description

The BFE Pilot program was approved by the Commission in Decision No. 72747 (January 20, 2012). The program is designed to take an innovative approach to EE by using elements of competition and the potential for high rewards to enhance customer interest. BFE involves a pool of funds that are bid on through unique proposals, including costs, savings and incentives, which are unique to that project. UNS Electric selects winning applicants based on specified criteria. The BFE concept has been successfully deployed in other jurisdictions.

BFE participants and project sponsors include commercial customers, Energy Service Companies (“ESCOs”) or other aggregators who organize proposals that involve multiple sites. The BFE Pilot program offers solutions to the typical customer barriers to entry; such as small savings levels at multiple sites, longer payback periods, and organizing implementation contractors, as well as offering a simplified application process. Results will be verified through MER activity.

UNS Electric proposes to increase the program size during 2013. Pilot program results will be evaluated after 2013. If the market response and measure savings indicate the program is cost effective, UNS Electric will offer the full program in its 2015 EE Implementation Plan.

Program Objectives and Rationale

BFE encourages customers and project sponsors to think creatively and to develop projects designed to optimize system energy use as a whole, rather than considering the energy usage of each individual piece of equipment. The program fosters customer-driven project activity (e.g., customers select appropriate

measures and professionals to implement measures), and encourages the implementation of comprehensive, multi-measure projects.

New Measures for 2013

No new measures are included for 2013.

Delivery and Marketing Strategy

The program is delivered through an IC. UNS Electric markets the program directly to key customers and aggregators. Particular emphasis is paid to key market sectors such as grocery and convenience stores. UNS Electric, and/or its IC, conducts informational meetings with potential participants and project sponsors to explain the program rules and encourage participation.

Cost-Effectiveness

In Decision No. 72747 (January 20, 2012), the Commission determined the program to be cost-effective. UNS Electric will continue to monitor the cost-effectiveness of the program.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

C. School Facilities

UNS Electric is requesting budget approval and approval to offer additional measures in 2013.

Program Description

The UNS Electric School Facilities program was approved in Decision No. 72747 (January 20, 2012). The program is open to participation by all existing school facilities in the UNS Electric service territory, including charter schools. The program utilizes the same delivery method and pay incentives for the same DSM measures as the UNS Electric C&I Facilities program, but with a separate budget reserved for schools. Incentives for this program are generally greater than the C&I Facilities Efficiency program as follows:

- The program offers incentives for a select group of retrofit and ROB EE measures in existing school facilities. The efficiency measures include high-efficiency lighting equipment upgrades, high-efficiency HVAC equipment, lighting controls, programmable thermostats, and selected refrigeration measures; and
- The direct install component utilizes an on-line proposal generation and project tracking application to reduce the transaction costs. Incentives for DSM measures are identical to the incentive structure in the C&I Facilities program; however, UNS Electric pays up to 100% of incremental costs for schools. The program has a separate incentive budget reserved exclusively for school use. If schools oversubscribe the budget, they will be allowed to request participation in the C&I Facilities program, which only pays up to 85% of incremental cost.

Program Objectives and Rationale

The primary goal of the program is to encourage schools in UNS Electric's service territory to install EE measures in existing facilities. More specifically, the program is designed to:

- Encourage schools to install high-efficiency lighting equipment and controls, HVAC equipment, and energy-efficient refrigeration system retrofits;
- Encourage contractors to promote the program and provide turn-key installation services to schools;
- Assure the participation process is clear, easy to understand and simple; and

- Increase the awareness and knowledge of school facility managers and other decision makers on the benefits of high-efficiency equipment and systems.

New Measures for 2013

The proposed new measures for the Schools Facilities program are identical to the new measures proposed for the C&I Facilities program (listed above in Section V: Commercial & Industrial Programs, A. C&I Facilities).

Delivery and Marketing Strategy

UNS Electric has assigned an in-house program manager to oversee the program, provide guidance on program activities consistent with UNS Electric's goals and customer service requirements, and provide a contact point for schools. The IC is responsible for the application and incentive processing, monitoring the installation contractors, participation tracking and reporting, and overall quality control and management of the delivery process.

The marketing and communications strategy is designed to inform schools of the availability and benefits of the program and how they can participate. The strategy includes specific outreach to schools and contractors who retrofit schools. An important component of the marketing plan is content on and functionality of the UNS Electric website, which directs schools to information about the program.

Cost-Effectiveness

In Decision No. 72747 (January 20, 2012), the Commission determined the program to be cost-effective. UNS Electric will continue to monitor the cost-effectiveness of the program.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

Other Information

In Decision No. 72747 (January 20, 2012), the Commission approved many cost-effective measures for the Schools Facilities program. Unless the Commission indicates otherwise, UNS Electric is taking the position that all previously approved Schools Facilities measures are also approved for inclusion in any of the C&I Facilities program. Schools are a subset of C&I customers, and UNS Electric wants to ensure that incentives are available for the same cost-effective measures for all C&I customers.

D. Retro-Commissioning

UNS Electric is requesting budget approval to continue this program with no additional modifications.

Program Description

The RCx program was approved by the Commission in Decision No. 72747 (January 20, 2012). The program uses a systematic approach to identify building equipment and processes that are not achieving optimal efficiency in existing facilities. Eligible program applicants receive free screening energy audits. Participants also receive training to ensure proper operating and maintenance practices over time.

Program Objectives and Rationale

The RCx program seeks to generate significant energy savings by retrofitting existing C&I facilities. The program delivers customer benefits by lowering energy bills and improving building performance and occupant comfort while reducing maintenance calls. The program develops an RCx contractor pool, and enables UNS Electric to build relationships with C&I customers, thus leading to other areas of participation in UNS Electric's portfolio of EE programs. RCx programs in other utility service territories have delivered average energy savings in the range of 5-15% per facility, and measures implemented as a result of the program's activity typically pay for themselves in less than two years.

New Measures for 2013

No new measures are included for 2013.

Delivery and Marketing Strategy

The RCx program is marketed using traditional forms of media (e.g., print, web, newsletters, etc.), as well as targeted direct mail and outreach to engineering and trade associations. UNS Electric and the IC also reach out directly to contractors who currently are, or could be, practicing in this area. The UNS Electric website has been updated to include information and links for participation. UNS Electric account managers have been utilized to reach out to larger customers to encourage participation.

Cost-Effectiveness

In Decision No. 72747 (January 20, 2012), the Commission determined the program to be cost-effective. UNS Electric will continue to monitor the cost-effectiveness of the program.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

E. C&I Demand Response

UNS Electric is requesting budget approval to continue this program with no additional modifications.

Program Description

The C&I Demand Response program was approved in Decision No. 72747 (January 20, 2012). This is a C&I load curtailment program. Customers are compensated with incentives for their participation at negotiated levels depending on multiple factors, including the size of the facility, amount of kW under load control, and the frequency with which the resource can be utilized.

Program Objectives and Rationale

C&I load represents approximately 14 percent of the system's demand during peak hours in the late afternoon and evening hours during summer months. Modification to controls for chillers, rooftop AC units, lighting, fans, and other end uses can reduce power demand at peak times. In addition, the program may be used to support standard benefits of demand-response programs, which include: i) avoided firm capacity required to meet reserve requirements; ii) reduced or avoided open-market power purchases during periods of high energy prices; iii) and greater grid stability and reduction in outages due to reduced grid demand.

New Measures for 2013

No new measures are included for 2013.

Delivery and Marketing Strategy

The program is delivered on a turnkey basis by a third-party IC, who negotiates load reduction agreements with multiple customers. The IC then aggregates these customers to provide UNS Electric with a confirmed and guaranteed load reduction capacity, while maintaining a degree of flexibility in how the curtailments are achieved. Since the demand response aggregator is obligated to provide the required megawatts of load curtailment, the process is similar to a power purchase agreement.

Recruitment is targeted to help ensure that customers invited to participate are able to provide reliable and significant load control reductions.

Cost-Effectiveness

In Decision No. 72747 (January 20, 2012), the Commission determined the program to be cost-effective. UNS Electric will continue to monitor the cost-effectiveness of the program.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

F. Self-Direction of DSM Funds for Large Industrial Customers

Consistent with A.A.C. R14.2.2401.35, the Company is clarifying the availability of a Self-Direction option for large qualifying industrial customers. Self-Direction allows participating customers to reserve their DSM contributions - less administrative and other program costs - for their exclusive use to help fund qualifying DSM projects at their own facilities. Self-Direction will be offered to the largest customers, since they have the ability and resources (technical knowledge, expertise, and funding) to implement effective EE projects, and they may desire to have the flexibility to use their DSM contributions to fund their own EE projects. The following parameters define the Self Direction option:

1. To be eligible for Self-Direction, a customer must use a minimum of 15 million kWh per calendar year, based on an aggregation of all of the customer's UNS Electric accounts.
2. Qualifying Self-Direction customers who choose to self-direct their DSM funds must elect Self-Direction by notifying UNS Electric's C&I Facilities program manager in each year that they wish to Self-Direct. Customers who elect to Self-Direct must continue to contribute their share of DSM funds through the DSMS.
3. After a customer notifies UNS Electric of their intent to Self-Direct, 85% of the customer's DSMS contribution will be reserved for tracking purposes for the customer's future EE project. The remaining 15% will be retained to cover the Self-Direction program administration, management, and MER costs.
4. Self-Direction funds will be reserved for tracking purposes for the calendar year the Self-Direction election is received by UNS Electric. Such election must be received on or before December 1st. There will be no retroactive Self-Direction funds set aside from prior budget years, since the Company's books were closed prior to the customer's election.
5. Self-Direction funds will be paid once a year in December, beginning in the year that the EE project is completed and verified. If project costs exceed the credited amount in one year, then funding will continue to be paid in December of each year until the project is 100% funded or on the tenth year of funding, whichever comes sooner.
6. If the EE project is not completed within two (2) years of the Self-Direction election date, the Self-Direction funds from the first calendar year from the Self-Direction election will not be available to the customer and will revert to the DSMS general account.
7. Qualifying customers will be required to commit all of their facilities to the Self-Direction option for the duration of the specific Self-Direction project's funding period. Customers would not be able to designate some of their accounts for Self-Direction, while allowing some of their other accounts to remain eligible for other UNS Electric commercial EE programs. Customers choosing to Self-Direct will not be permitted to participate in any other UNS Electric commercial EE program offerings for any of their accounts.
8. Aggregation would be allowed only within a given customer set of accounts, not across groups of customers. This means that groups of customers would not be able to form buying associations for the purpose of meeting the Self-Direction size criteria.

9. All Self-Direction projects must be considered to be a subset of the Company's C&I Facilities program for budgeting and energy savings purposes. The qualifying projects must be cost effective and meet the same requirements of the C&I Facilities program. Self-Direction customers would apply for the same prescriptive and custom measures as defined in the C&I Facilities program; however, annual customer incentive caps do not apply to Self-Direction funds.
10. Within two (2) years of the Self-Direction election, an EE project application must be filed. This project application will include:
 - a. Name of the retail electricity customer;
 - b. Description of the electricity conservation project(s);
 - c. Project scope of work;
 - d. Annual energy (kWh) and peak demand (kW) savings estimate;
 - e. First cost estimate;
 - f. Project schedule; and
 - g. Calculations that support or demonstrate the electricity savings and simple payback of the project.
11. UNS Electric C&I Facilities program staff will review the Self-Direction EE project and administer the Self-Direction funding and accounting. This work will include: i) verifying that the technologies meet the program specifications; ii) reviewing backup documentation that supports the savings claims; and iii) providing measurement and evaluation after the Self-Direction project is in operation. All specification documentation requirements will be identical to existing program requirements.
12. Upon completion of the final Self-Direction payment, the customer may elect to continue to Self-Direct by submitting another Self Direction application before December 1st. If the customer does not re-apply for Self-Direction, then they will be treated like all other Non-Residential customers and will be eligible to participate in the other commercial programs beginning January 1st of the year following their final Self-Direction payment.
13. All kWh energy, kW demand, and environmental savings will be reported as part of the C&I Facilities program savings and will be claimed as part of meeting the EE portfolio targets.

VI. Behavioral Comprehensive Programs

This section discusses UNS Electric’s continuing behavioral suite of programs.

A. Behavioral Comprehensive

UNS Electric is requesting budget approval to continue this program with no additional modifications.

Program Description

The Behavioral Comprehensive program is an existing program approved by the Commission in Decision No. 72747 (January 20, 2012). Technology can only achieve a finite amount of efficiency potential. The barriers to wider spread implementation of EE are sociological, not technological. Capturing full EE potential requires behavior change. All EE programs need to integrate behavior change strategies into the DSM portfolios in order to capture this. Behavioral initiatives apply to all UNS Electric customers. The focus for this effort is on behavioral change within residences.

The types of behaviors to be influenced include:

- Habitual behaviors
 - » Adjust thermostat setting
 - » Turn off unnecessary lights
- Small purchasing and maintenance behaviors
 - » Purchase and install faucet aerators and low flow shower heads
 - » Purchase and install CFLs
 - » HVAC maintenance
- Larger purchasing decisions
 - » Purchase an ENERGY STAR appliance
 - » Purchase higher EE heating and cooling system through participation in a UNS Electric DSM program

The Behavior suite of programs will use five delivery mechanisms to achieve its objectives as shown in Table 6-1.

Table 6-1. Summary of Behavioral Programs

Behavioral Programs			
1	Home Energy Reports		Comparison of energy use to that of neighbors
2	Behavior Comprehensive		
	2a	Direct Canvassing	Door to door awareness and direct install campaign
	2b	K-12 Education	Classroom education including take home direct install kits
	2c	Community Education	“Train the trainer” approach and give away direct install kits
	2d	CFL Giveaway	CFL bulb giveaways at outreach events

Program Objectives and Rationale

The main objective of the behavioral programs is to provide customers with more information, allowing them to better understand and manage residential energy usage. Several approaches have been implemented and assessed to determine the effectiveness of making this information available. Some of the programs’ major objectives include:

- Generation of significant savings for DSM portfolio objectives;
- Development of relationships with UNS Electric customers leading to other areas of participation in UNS Electric's portfolio of DSM programs;
- Promotion of efficient building operations; and
- Lowering customer's energy bills.

New Measures for 2013

No new measures are included for 2013.

Delivery and Marketing Strategy

Delivery of the program is by UNS Electric staff, except for the K-12 measure which is delivered by The Environmental Education Exchange. All UNS Electric residential customers are eligible for this program. Delivery is offered to various groups of customers as selected by UNS Electric and those who attend events.

Cost-Effectiveness

In Decision No. 72747 (January 20, 2012), the Commission determined the program to be cost-effective. UNS Electric will continue to monitor the cost-effectiveness of the program.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

B. Home Energy Reports

UNS Electric is requesting budget approval to continue this program with no additional modifications.

Program Description

UNS Electric's Home Energy Report program is an existing program approved by the Commission in Decision No. 72747 (January 20, 2012). This program is part of the overall Behavioral Comprehensive suite. The program is designed to affect: 1) habitual behaviors like turning off the lights or adjusting the thermostat; 2) maintenance behaviors such as changing furnace filters and cleaning refrigerator coils; and 3) purchasing behaviors such as buying efficient light bulbs and appliances, as well as participation in DSM programs.

The program influences behavioral change in customers to reduce their energy consumption through comparative education of their energy consumption as compared to other customers. The Home Energy Report does this through monthly or quarterly direct-mail reports on energy consumption and tips on how to save energy, at no cost to the customer. By making customers aware of their energy consumption patterns, especially in comparison with those of the other customers, it has been demonstrated to inspire behavior change toward EE.

The program is offered to a select group of residential customers, phased in at four levels. The target group of customers was chosen based on their historically higher than average energy use. This group includes customers who display an annual consumption of 15,000 kilowatt hours ("kWh") or more. In Phase 1 (2012), 15,000 customers were chosen. In Phase 2 (2013), first year program participation will be evaluated and the program refined according to findings, while in Phase 3 (2013), participation is planned to increase to 20,000 customers. Finally, in phase 4, an independent MER evaluation is planned.

Program Objectives and Rationale

The major objectives from this program are to: i) generate significant savings for DSM portfolio objectives; ii) educate and empower customers to take advantage of other DSM programs; iii) promote efficient building operations; and iv) lower energy bills for consumers.

New Measures for 2013

No new measures are included for 2013.

Delivery and Marketing Strategy

The IC will deliver a turn-key program with responsibility for all aspects of customer selection, report generation, energy savings quantification, customer communications, and reporting.

All Home Energy Report products will be automatically mailed to the target market by the IC. Thus, no direct marketing is anticipated for this program. UNS Electric will, however, jointly develop the marketing message contained in the Home Energy Reports with the contractor. The program will also be included in the integrated marketing approach developed and used for all DSM measures.

Cost-Effectiveness

In Decision No. 72747 (January 20, 2012), the Commission determined the program to be cost-effective. UNS Electric will continue to monitor the cost-effectiveness of the program.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

VII. Support Programs

Support programs cut across the other program areas and provide technical and financial support for the effective implementation of all other programs.

A. Consumer Education and Outreach

UNS Electric is requesting budget approval to continue this program with no additional modifications.

Program Description

The CEO program is intended to increase participation in the Company's other DSM/EE programs, but is also intended to effect a broader market transformation, including changes in customer's behavior. The program includes two basic educational components and a budget for program evaluation:

- General EE advertising component will cover seasonal ads that encourage energy savings through energy saving tips, marketing the on-line energy audit, and marketing other EE programs to customers;
- Time-of-Use ("TOU") education to teach residential and small commercial customers about the benefits of TOU rates and enable customers to maximize savings through load shifting; and
- Program evaluation.

The CEO program is an existing program that has been ongoing since 2008, and was recently updated and approved by the Commission in Decision No. 72747 (January 20, 2012).

Program Objectives and Rationale

The program consists of education and marketing material to inform customers about the benefits of energy conservation and how to achieve energy savings. Because the aim of this program is to change behavior, it is difficult to objectively assess cost effectiveness or measure actual energy or environmental savings.

New Measures for 2013

No new measures are included for 2013.

Delivery and Marketing Strategy

There are no significant changes in implementation approach or delivery strategy for the items in this program.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

B. Energy Codes and Standards Enhancement Program

UNS Electric is requesting budget approval to continue this program with no additional modifications.

Program Description

The ECSEP program will strive to maximize energy savings through adherence to local building energy codes and through enhanced energy efficient appliance standards. The program will employ a variety of tactics aimed at: i) improving levels of compliance with existing building energy codes and appliance standards; and ii) supporting periodic updates to energy codes and appliance standards as warranted by market conditions. Specific program activities will depend on the needs of the local code officials. The program will include:

- Better educating local code officials and building professionals on existing standards;
- Providing documentation of the specific local benefits of code enforcement, which can promote energy code changes over time;
- Ensuring utility incentive programs align with local energy codes and appliance standards;
- Collaboration with relevant stakeholders to build a more robust community, with the goal of advancing strong, effective building energy codes and appliance standards across the local jurisdictions within UNS Electric service territories; and
- Advocating for energy code and appliance standards updates over time.

ECSEP is an existing program that was approved by the Commission in Decision No. 72747 (January 20, 2012).

Program Objectives and Rationale

Increase energy savings in new construction, and renovated buildings, in both the residential and commercial sectors through improving levels of compliance with existing building energy codes, supporting periodic energy code updates as warranted by market conditions, and advocating for higher efficiency electric appliances.

New Measures for 2013

No new measures included in the program for 2013.

Delivery and Marketing Strategy

Program activities will be selected based on previously effective approaches used in other jurisdictions, such as California and Massachusetts, as well as feedback from local code officials, and municipal leaders in locations that currently lack building codes. Once program activities are selected, program staff will maintain a consistent level of activity and engagement with relevant stakeholders. Activities might include: participation in energy code adoption committees, technical support (calculations, research, information) for code adoption committees, public testimony in support of code adoption before city councils, participation in organizations that promote increased appliance standards for EE (such as the Consortium for Energy Efficiency (“CEE”)), ensuring that ongoing DSM programs align well with energy code requirements and appliance standards, and funding for local agencies to enforce and improve energy codes and appliance standards over time.

Marketing strategy includes website promotion, direct outreach to local code officials and networks of municipal leaders who are members of committees conducting activities related to building code enhancement and communications with other UNS Electric EE program implementation staff.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

C. Residential Energy Financing Pilot Program

UNS Electric is requesting budget approval to continue this program with no additional modifications.

Program Description

The Residential Energy Financing Pilot program offers home improvement loans to UNS Electric customers seeking to finance home EE improvements promoted through the Existing Homes and Audit Direct Install program. The program is primarily delivered through participating contractors who receive training and support from UNS Electric and the program lender, Vantage West Credit Union. The

Residential Energy Financing Pilot program is an existing program approved by the Commission in Decision No. 72747 (January 20, 2012).

Program Objectives and Rationale

The program's objective is to offer low interest, unsecured loans for up to \$10,000. The program is designed to provide customers with the capital needed to make cost-effective EE upgrades to their homes and expand the pool of customers that can afford to participate in utility EE programs.

New Measures for 2013

No new measures are included in the program for 2013.

Delivery and Marketing Strategy

A utility program manager coordinates the fund transfers and provides overall management, marketing oversight, and planning and tracking of customers and contractor participation between the lender and UNS Electric customers. Marketing is primarily delivered by participating contractors who receive training and support from UNS Electric and the program lender, Vantage West Credit Union. Direct program marketing also occurs through the UNS Electric and Vantage West Credit Union websites, and distribution of one or more of the following: program promotional flyers, bill inserts and group email notifications, and contractor training. Additional methods of program outreach and marketing will be refined after the program's launch during the 2012 program year.

Measurement, Evaluation, and Research Plan

The MER plan is consistent with the previously filed strategy.

VIII. Portfolio Management

UNS Electric will serve as the program administrator for the EE Portfolio. To expedite the launch of programs, and to take advantage of the positive experiences from other jurisdictions, UNS Electric plans to implement programs through a combination of third-party ICs and utility staff. UNS Electric designs programs on the most cost-effective basis utilizing ICs when they provide the lowest cost per kWh and, likewise, utilizing UNS Electric staff when their use provides the lowest cost per kWh. ICs will be selected through a competitive request for proposal process for delivery of programs.

UNS Electric anticipates providing high-level administrative, contract management, program design and marketing oversight of the selected ICs. A portfolio of this size and scope will require careful management oversight. UNS Electric will have a dedicated group of EE program staff overseeing third-party implemented programs and promotion of cross-sector education and awareness activities.

UNS Electric will also develop a comprehensive tracking database to ensure accurate and comprehensive recording of all program participation. Additionally, the database will allow UNS Electric to research and track participation by customer class and geographic area, and also to identify trends and untapped opportunities to further the program's goals. UNS Electric staff will also take primary responsibility for general EE education and awareness strategies and activities, including maintaining the Company's website, utilizing online energy audit software, and distributing mass-market general education and efficiency awareness promotions.

In summary, UNS Electric will provide comprehensive program contract oversight, strategic planning, including management, financial planning and budgeting, as well as:

- High-level guidance and direction to the ICs, including review and revision of proposed annual implementation plans and proposed milestones. The Company will additionally engage with the contractor team on a daily basis when working through strategy and policy issues;
- Review and approval of IC invoices and ensure program activities are within budget and on schedule;
- Review of IC operational databases for accuracy, ensuring incorporation of data into UNS Electric's comprehensive portfolio tracking database to be used for overall tracking and regulatory reporting;
- Review of measure saving estimates maintained by the IC;
- Oversight and coordination of evaluation, measurement, and verification of ICs;
- Public education and outreach to community groups, trade allies, and trade associations;
- Provide guidance and direction on new initiatives or strategies proposed by the ICs;
- Communicate to ICs the other UNS Electric initiatives that may provide opportunities for cross-program promotion;
- Review and approve printed materials and advertising plans from ICs;
- Create and provide collateral material for advertising on programs delivered by the utility;
- Evaluate portfolio and program effectiveness, and recommend modifications to programs and approach as needed; and
- Perform periodic review of program metrics, conduct investment analysis, and review evolving program design.

A. Marketing and Outreach Strategy

The marketing and outreach strategy for this portfolio of programs will encourage participation among customers, key market players, and trade allies. The objective of the marketing and communications strategy is to make customers and key market actors aware of the Company's program offerings and benefits, and to influence their decision to use more energy efficient options making when purchasing or installing energy systems or equipment.

The specifics of the marketing strategy will depend on the program and the demographics of the group being engaged. Depending on the market to be reached, marketing will generally include a mix of broadcast, Internet, print media, radio, direct contact, direct mail, bill inserts, or presentations. The program descriptions describe the proposed marketing approach for each program.

Additionally, UNS Electric will work with regional, state, and national programs and partners to optimize cooperative marketing programs and campaigns. Marketing efforts will be designed to dovetail with other statewide or regional efficiency programs and campaigns, including those offered by APS.

B. Tracking and Reporting

UNS Electric plans to build a comprehensive internal tracking and reporting system to record all activities from the portfolio of programs. Data tracking systems are being used successfully in numerous other states, and UNS Electric intends to benefit from their experiences. ICs will be responsible for tracking and reporting EE program activities by entering details of each project into the comprehensive data tracking system. The system will allow customized reporting to meet any reporting requirements in a quick, transparent and accurate manner.

C. Midstream Adjustments

While this plan presents detailed information on approach, EE measures and proposed incentive levels, unforeseen changes in the market condition, may require regular review and revisions of portions of this plan to reflect this new information. As such, adjustments to these programs may be necessary. When this is the case, the Company will update the Commission in a timely manner and give the Commission opportunity to provide input.

D. Inter-Utility Coordination

UNS Electric will work with APS and other utilities to maximize the effectiveness of the programs; in particular, where gas and electric services overlap, regular communication and coordination will be necessary. This collaboration will involve working together to identify savings opportunities, as well as providing consistent messaging and parallel programs to reduce confusion and difficulty for customers and trade allies. UNS Electric intends to continue collaboration with others to provide cohesive marketing messages, as well as designing incentive programs, incentive forms and incentive levels that are easily transferable with adjacent utilities.

E. Leveraging Other Efficiency Initiatives

Within Arizona, several entities and initiatives are promoting EE including: the state government; Southwest Energy Efficiency Project ("SWEEP"); U.S. Environmental Protection Agency and U.S. Department of Energy's "ENERGY STAR[®]" brand; and Federal tax credits. UNS Electric and its implementation contractors will work diligently to remain aware and up to date, and to cooperate with efficiency efforts being directed at Arizona energy users. Wherever feasible, co-marketing efforts will be employed in an attempt to send a clear and consistent message on the benefits of EE and the resources available to help achieve it. Additionally, UNS Electric is planning to utilize the successful experiences in other states by joining CEE and E-Source, which will provide UNS Electric program managers with information and contacts to assist in the continuous program design and delivery improvements of the portfolio.

F. Trade Ally Coordination

Trade allies are essential to effective implementation of any EE program. Trade allies are considered program partners and will be regularly informed of the UNS Electric program's progress. Open communication from trade allies about what is working and what is not in the field is essential. To ensure good two-way communication, the Company will emphasize coordination, listening sessions, and frequent communications with these key partners to advance program goals. A schedule of meetings, workshops, educational seminars, program update breakfasts, and clear and concise program descriptions will be distributed to the trade allies at the program kick off meetings. Ongoing training and program updates also will be a key part of program delivery.

IX. Demand-Side Tariff

UNS Electric seeks approval of its proposed DSMS to recover two elements: i) DSM program costs; and ii) DSM performance incentives. Specifically, UNS Electric is requesting approval to collect \$7.3 million: \$6.4 million in 2013 DSM program costs; \$0.3 million in unrecovered historical DSM program costs; and \$0.6 million in a 2013 performance incentive.³ UNS Electric also seeks approval to shift approved EE Plan funds between programs, and to moderately increase the budgets outlined in the 2013 EE Plan where cost-effective. UNS Electric anticipates any DSMS adjustment to start January 1, 2013.

A. Program Cost Recovery

UNS Electric is requesting approval to collect \$6.4 million in 2013 DSM program costs, and \$0.3 million in unrecovered historical DSM program costs. Pursuant to A.A.C. R14-2-2410.A, a utility may recover the costs that it incurs in planning, designing, implementing, and evaluating a DSM program or measure. R14-2-2410.D also allows utilities to recover DSM costs concurrently, on an annual basis, with spending for a DSM program or DSM measure.

B. DSM Performance Incentive

UNS Electric is requesting approval to collect \$0.6 million in DSM Performance Incentives. This Performance Incentive is consistent with the Performance Incentive approved by the Commission for the years 2011 and 2012 in Decision No. 72747 (January 20, 2012). The Performance Incentive is defined as 10% of calculated net benefits, or 10% of DSM spending, whichever is less. The DSM spending does not include the LIW program, CEO program, or any Demand Response programs. In addition, the energy savings from the ECSEP will not be included in the net benefits calculation for the purposes of calculating the Performance Incentive.

C. Total DSM Surcharge

The total DSMS requested in this EE Plan is comprised of: program cost recovery; unrecovered historical DSM program costs; and utility performance incentive. The Company's proposed total DSMS for 2013 is \$.004318/kWh, compared to the 2012 DSMS of \$.004382. The 2013 surcharge will contribute \$3.63 per month to the average residential customer bill, compared to \$3.68 from the 2012 DSMS. UNS Electric is requesting approval to collect costs as shown below in Table 9-1. Additional detail is included in Exhibit 1. All detailed calculations will be proved to Commission Staff electronically.

Table 9-1. 2013 DSMS Costs

Cost Category	Costs
2013 Program Costs	\$6,418,803
Historical under-collection through 2011	\$283,113
2013 Performance Incentive	\$586,707
2013 DSMS Total Collection	\$7,288,623
Current DSMS	\$0.004382
Proposed DSMS	\$0.004318
Change in DSMS	(\$0.000064)

³ Decision No. 72747 (January 20, 2012) included a DSMS adjustment that contained a portion of the under-collection of historical DSM expenses through 2011. This DSMS request includes a final true-up of unrecovered costs through 2011.

X. Other Administrative Requests

Flexibility

In an effort to maintain participation in highly successful EE programs, UNS Electric requests approval from the Commission for the flexibility to shift approved funds between programs and to moderately increase the budgets outlined in the 2013 EE Plan when it would be cost-effective to do so. Flexibility of this sort has proven to be valuable in the implementation of the Renewable Energy Standards and Tariff program. UNS Electric believes its implementation is equally important for EE. In order to effectively and smoothly implement the EE Standard, utilities must be able to accept customer applications in each of the EE programs even when an individual program may, at the time, be oversubscribed. This type of flexibility is also necessary to maximize participation in the highly successful C&I programs that UNS Electric staff administers. In order to facilitate this necessary flexibility, UNS Electric respectfully requests Commission approval of the following language in its EE Plan approving Decision:

“UNS Electric will be allowed to shift up to 25% of approved funds from Residential to Commercial or from Commercial to Residential programs as deemed necessary based on program activity, and UNS Electric will be allowed the option of increasing up to 25% of the total Energy Efficiency budget where cost-effective, to continue participation until approval of the next regularly scheduled Energy Efficiency Implementation plan.”

In addition, UNS Electric agrees to evaluate program progress and requirements associated with shifting funds from one program to another, and to provide updates to the Commission whenever requested.

Exhibit 1

Exhibit 1 – DSMS Backup

Table 1: 2013 Program Budgets

DSM Program	Budget
Residential Sector	
Efficient Products	\$1,116,400
Appliance Recycling	\$308,168
Res. New Construction	\$238,745
Existing Homes and Audit Direct Install	\$730,709
Shade Tree	\$41,757
Low Income Weatherization	\$395,748
Multi-Family	\$77,602
Subtotal	\$2,909,129
Commercial Sector	
Commercial Facilities Efficiency	\$938,431
Bid For Efficiency (Pilot)	\$391,486
Retro-Commissioning	\$340,794
Schools Facilities	\$325,388
C&I Demand Response	\$395,053
Subtotal	\$2,391,152
Behavioral Sector	
Home Energy Reports	\$295,259
Behavioral Comprehensive	\$229,697
Subtotal	\$524,956
Support Sector	
Consumer Education & Outreach	\$156,677
Residential EE Financing	\$275,133
Energy Codes & Standards Enhancement	\$18,447
Program Development, Analysis, and Reporting Software	\$143,308
Subtotal	\$593,566
Portfolio Total	\$6,418,803

Table 2: DSMS Historical Under-collection

DSM Program Expenses vs. Surcharge Balance	2008	2009	2010	2011	Total
DSM Program Expenses	\$461,445	\$1,436,777	\$1,784,322	\$2,113,396	\$5,795,940
DSM Surcharge Collection	\$568,168	\$1,198,367	\$1,595,795	\$1,752,607	\$5,114,937
Annual Carry Over Balance	(\$106,723)	\$238,410	\$188,527	\$360,789	\$681,003
Total Carry Over Balance					\$681,003

Exhibit 1 – DSMS Backup

Table 3: 2013 DSMS Collection

Cost Category	Costs
UNSE DSM Budget 2013	\$6,418,803
DSM Surcharge Undercollection	\$681,003
Undercollection included in 2012 DSMS adjustment	(\$397,890)
2011 Performance Incentive	\$191,462
2011 Performance Incentive included in 2012 DSMS adjustment	(\$191,462)
2013 Performance Incentive	\$586,707
Total DSM Expenses to be recovered in 2013	\$7,288,623

Table 4: 2013 DSMS

	DSMS
Current 2012 DSMS	\$0.004382
Proposed 2013 DSMS	\$0.004318
Net Change from Current DSMS	(\$0.000064)

Exhibit 2

Exhibit 2 – Proposed New DSM Measures

Table 1: Proposed New DSM Measures, Societal Benefits, Societal Costs, Benefit-Cost Ratio, Environmental Benefits

Program Measures	Total Number of projected units - 2013	Societal Benefits	Societal Costs	Societal Net Benefits	Societal Cost Test (Industry)	Staff's Cost Test	Lifetime Energy Savings (MWh)	CO ₂ (Metric Tons)	SO _x (Metric Tons)	NO _x (Metric Tons)	Water (Gallons)
Residential Sector											
Residential 2x Incandescent	4,800	\$8,582	\$4,051	\$4,531	2.12	2.12	253	102.83	0.00	0.01	65,452
ENERGY STAR Central Air Conditioner	100	\$74,525	\$59,361	\$15,164	1.26	1.20	1,119	455.49	0.00	0.06	289,916
ENERGY STAR Clothes Washer	800	\$401,690	\$210,474	\$191,216	1.91	1.03	5,484	2,231.54	0.01	0.31	1,420,363
ENERGY STAR Dishwasher	700	\$27,814	\$10,519	\$17,295	2.64	2.09	631	256.65	0.00	0.04	163,354
ENERGY STAR Refrigerator	900	\$62,689	\$31,564	\$31,126	1.99	1.70	1,358	552.68	0.00	0.08	351,781
ENERGY STAR Room Air Conditioner	300	\$26,923	\$16,994	\$9,929	1.58	1.28	593	241.44	0.00	0.03	153,672
Heat Pump Water Heater	25	\$33,001	\$25,155	\$7,846	1.31	1.11	724	294.53	0.00	0.04	187,467
Commercial Sector											
Canopy LED	350	\$447,163	\$216,346	\$230,816	2.07	1.83	10,690	4,350.07	0.02	0.60	2,768,795
Refrigerated Case LED	700	\$142,596	\$104,704	\$37,893	1.36	1.29	3,200	1,302.03	0.01	0.18	828,738
Computer Power Monitoring System	50	\$1,769	\$842	\$927	2.10	2.07	48	19.62	0.00	0.00	12,486

Exhibit 3

UNS Electric, Inc.

Rider R-2

**Demand Side Management Surcharge
(DSMS)**

Clean Version



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 surcharge.

RATE

The following DSM Surcharge is effective January 01, 2013. The DSMS shall be applied to all monthly net bills except for C.A.R.E.S. customer at the following rate:

All kWh @ \$0.004318 per kWh

REQUIREMENTS

The UNS Electric, Inc. DSMS will be calculated and filed with the Arizona Corporation Commission (ACC) for approval on or before June 1st. The ACC will approve the surcharge to be billed to all applicable pricing plans for twelve (12) months beginning each January 1. These requirements are pursuant to the rule making on Electric Energy Efficiency as approved in Decision No. 71819.

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: Kentton C. Grant
Title: Vice President of Finance and Rates
District: Entire Electric Service Area

Tariff No.: Rider R-2 DSMS
Effective: January 01, 2013
Page No.: 1 of 1

UNS Electric, Inc.

Rider R-2

**Demand Side Management Surcharge
(DSMS)**

Redlined Version



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 surcharge.

RATE

The following DSM Surcharge is effective January 0123, 20132. The DSMS shall be applied to all monthly net bills except for C.A.R.E.S. customer at the following rate:

All kWh @ \$0.0043184382 per kWh

REQUIREMENTS

The UNS Electric, Inc. DSMS will be calculated and filed with the Arizona Corporation Commission (ACC) for approval on or before June 1st. The ACC will approve the surcharge to be billed to all applicable pricing plans for twelve (12) months beginning each January 1. These requirements are pursuant to the rule making on Electric Energy Efficiency as approved in Decision No. 71819.

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: Kentton C. Grant
Title: Vice President of Finance and Rates
District: Entire Electric Service Area

Tariff No.: Rider R-2 DSMS
Effective: January 0123, 20132
Page No.: 1 of 1