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**ORIGINAL OPEN MEETING AGENDA ITEM**

**BEFORE THE ARIZONA CORPORATION COMMISSION**

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**COMMISSIONERS**  
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2013 MAR 25 P 3:36 Arizona Corporation Commission

**DOCKETED**

CORP COMMISSION  
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MAR 25 2013

DOCKETED BY *JLM*

IN THE MATTER OF THE APPLICATION OF  
UNS GAS, INC. FOR APPROVAL OF ITS  
2011-2012 GAS ENERGY EFFICIENCY  
IMPLEMENTATION PLAN.

DOCKET NO. G-04204A-11-0149  
**EXCEPTIONS OF UNS GAS, INC.**

UNS Gas, Inc. ("UNS Gas" or the "Company"), through undersigned counsel, hereby submits its Exceptions to the Proposed Order prepared by the Arizona Corporation Commission's ("Commission") Utilities Division ("Staff"), filed on March 13, 2013 ("Proposed Order").<sup>1</sup> These Exceptions address (i) two of Staff's recommendations regarding the proposed Solar Water Heating program and (ii) the need to file a 2014-2015 Implementation Plan by June 1, 2013. As discussed below, Staff's recommendations regarding the proposed Solar Water Heating program will hinder UNS Gas's ability to make this program successful and ultimately reduce UNS Gas's ability to meet the Gas Energy Efficiency Standards ("GEES"). UNS Gas has provided proposed amendment language below for both issues.

**I. SOLAR WATER HEATING PROGRAM.**

**A. Overview.**

UNS Gas has proposed a Solar Water Heating program. Gas-fired water heaters are a primary use of gas for many UNS Gas customers and solar water heaters reduce the amount of gas those customer use – which is the goal of the GEES. The type of solar water heating system that UNS Gas will subsidize is the same type of system that electric utilities currently subsidize under their Renewable Energy Standard and Tariff ("REST") plans. Staff recommends a condition that

<sup>1</sup> UNS Gas previously filed exceptions on October 31, 2012 in response to the original Proposed Order filed on October 19, 2012. These Exceptions replace UNS Gas's previous exceptions.

1 would preclude a customer from receiving an incentive for Solar Water Heating from more than  
2 one utility, which is inconsistent with the Solar Hot Water Heating program approved for  
3 Southwest Gas, whose customers are eligible to receive applicable EE and REST incentives.  
4 Staff also recommends a condition that would preclude UNS Gas from counting the energy  
5 savings if an electric utility pays a REST incentive for a solar water heating system in order to  
6 avoid “double-counting”. The combination of these conditions will limit the ability of UNS Gas  
7 to meet the GEES. Staff has reviewed the Solar Water Heating program and has recommended  
8 approval of the program subject to several conditions. Unfortunately, two of those conditions  
9 create significant obstacles that effectively eliminate the Solar Water Heating program as a viable  
10 GEES program for UNS Gas. The other gas utility in Arizona that offers a Solar Water Heating  
11 program (Southwest Gas) is not burdened with such conditions nor is there any explanation or  
12 justification in Staff’s Memorandum or the Proposed Order for the recommendation for the  
13 Commission to treat UNS Gas and its customers differently than Southwest Gas regarding this  
14 program. As a result, UNS Gas is precluded from implementing a program that is being used  
15 successfully by another (much larger) Arizona gas utility to meet the GEES. Moreover, the  
16 inability of UNS Gas to count these lost gas sales, will result in an adverse financial impact on the  
17 Company because UNS Gas will not be able to recover its related lost fixed cost revenues  
18 associated with these energy savings.

19 **B. Specific Exceptions.**

20 **1. Restriction on receiving incentives from two utilities.**

21 In Finding of Fact No. 60 at page 17, lines 6-11, Staff recommends a condition that would  
22 preclude a customer from receiving an incentive for Solar Water Heating from more than one  
23 utility. However, given the difference in potential incentives between UNS Gas (\$699) and the  
24 average electric utility (\$1,350), UNS Gas simply will not have any participation in its program.  
25 The condition entirely guts a key mechanism for UNS Gas to reduce one of the primary uses of  
26 gas in its service area, thus making it more challenging for UNS Gas to meet the GEES.  
27

1 This condition also is unfair to UNS Gas in comparison to other gas utilities. Southwest  
2 Gas has a Commission-approved Renewable Energy Technology (“RET”) Solar Water Heating  
3 program that does not have such a restriction. In fact, Southwest Gas is currently paying  
4 incentives for systems in Tucson Electric Power Company’s (“TEP’s”) service territory where  
5 customers use gas as the primary water heating source and continue to use gas fuel as the back-up  
6 heating source. These incentives are being paid even though these customers are also collecting  
7 an incentive from TEP as part of TEP’s approved REST program.

8 Moreover, contrary to Staff’s concern, the incentives proposed by UNS Gas in  
9 combination with other utility incentives are not designed to pay 85% of installed system costs.  
10 The average installed cost of a Solar Water Heating system is approximately \$5,500. The average  
11 electric utility REST incentive is approximately \$1,350. Combined with a UNS Gas EE incentive  
12 of \$699, the total average incentive would be approximately \$2,049, which is less than the 50% of  
13 installed cost cap recommended by Staff for the UNS Gas incentive alone. UNS Gas will work  
14 with other electric utilities to ensure that the combined utility incentives, along with any applicable  
15 tax rebates, would not exceed 85% of installed cost, as is currently the restriction in the  
16 Commission approved Renewable Energy Credit Purchase Program (“RECPP”) for UNS  
17 Electric’s REST program.

18 In sum, if customers are only allowed to choose from either the UNS Gas incentive or the  
19 electric utility REST incentive, the customers will always choose the greater incentive from the  
20 electric utility, effectively eliminating participation in UNS Gas’ proposed Solar Water Heating  
21 Program, and dramatically reducing UNS Gas’ ability to meet the GEES. This proposed condition  
22 treats customers of UNS Gas and Southwest Gas differently, is not justified or reasonable, and  
23 should be removed.<sup>1</sup>

24  
25  
26 <sup>1</sup> However, if the Commission decides to keep the restriction on double incentives, then UNS Gas requests  
27 an increase in their allowable incentive equal to or greater than the equivalent electric utility REST  
incentive, in order to compete.



1 Cost Recovery (“LFCR”) mechanism without the ability to pay incentives on those systems and  
2 track them in its EE portfolio. That result is an unintended – and unjust - adverse economic  
3 impact that is not reasonable and has not been justified.

4 **4. Proposed Amendment Language.**

5 The Commission can address UNS Gas’s concerns with the Solar Water Heating Program  
6 with the following amendment language:

7 **DELETE** page 17, lines 6 through 11 ½ (first bullet point).

8 and

9 **DELETE** page 17, lines 14 through 16 (third bullet point).

10  
11 **II. FILING A 2014-2015 IMPLEMENTATION PLAN.**

12 **A. Overview.**

13 The Proposed Order, at page 33, lines 20-22, requires UNS Gas to file a 2014-2015  
14 Implementation Plan no later than June 1, 2013. As a practical matter, and given the timing in this  
15 docket, UNS Gas was not planning on filing a 2014-2015 Implementation Plan that is any  
16 different than the Implementation Plan approved in this docket because there would be no updates  
17 to the programs or budgets. A 2014-2015 Implementation Plan would be identical to the  
18 Implementation Plan being considered in this docket. Therefore, in order to avoid an undue waste  
19 of time and resources by the Company and the Commission, UNS Gas is requesting that the  
20 Commission approve the Implementation Plan in this docket as UNS Gas’s 2013-2015  
21 Implementation Plan and waive the requirement for UNS Gas to file a proposed 2014 -2015  
22 Implementation Plan on June 1, 2013.

23 **B. Proposed Amendment Language.**

24 The Commission can address UNS Gas’s concerns with the need to file a 2014  
25 Implementation Plan with the following amendment language:

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**INSERT** the following to the end of Finding of Fact No. 109 on page 31:

“However, in the Company’s Exceptions filed on March 25, 2013, UNS Gas indicated that it was not planning on filing a 2014-2015 Implementation Plan that is any different than the Implementation Plan approved in this docket. The Company further stated that because there would be no updates to the programs or budgets and that a 2014-2015 Implementation Plan would be identical to the Implementation Plan being considered in this docket, thereby negating the need to file a 2014-2015 Implementation. We agree with the Company that there is no need for it to file a 2014 Implementation Plan pursuant to A.A.C. R14-2-2505 and we will consider the approval herein to be for a 2013-2015 Implementation Plan.”

**DELETE** the Ordering Paragraph on page 33, lines 20-22 and **REPLACE** with:

“IT IS FURTHER ORDERED that the Energy Efficiency Implementation Plan approved by this Order is UNS Gas, Inc.’s 2013-2015 Implementation Plan and that UNS Gas, Inc. shall file its next Energy Efficiency Implementation Plan no later than June 1, 2015 for the calendar years 2016-2017.”

**Conclusion**

UNS Gas requests that the Commission amend the Proposed Order as set forth in these Exceptions.

RESPECTFULLY SUBMITTED this 25th day of March 2013.

UNS Gas, Inc.

By   
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3 Legal Department – HQE910  
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5 Tucson, Arizona 85702

6 Attorneys for UNS Gas, Inc.

7 Original and 13 copies of the foregoing  
8 filed this 25th day of March, 2013, with:

9 Docket Control  
10 Arizona Corporation Commission  
11 1200 West Washington Street  
12 Phoenix, Arizona 85007

13 Copy of the foregoing hand-delivered/mailed  
14 this 25th day of March, 2013, to:

15 Jane Rodda  
16 Administrative Law Judge  
17 Hearing Division  
18 Arizona Corporation Commission  
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23 Arizona Corporation Commission  
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