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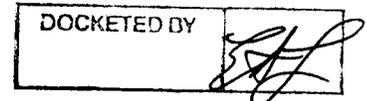
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AZ CORP COMMISSION
DOCKET CONTROL
October 10, 2013

Arizona Corporation Commission
DOCKETED

OCT 10 2013

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



Re: Notice of Filing – UNS Electric, Inc.’s ZEH Pilot Program Filing
Decision No. 71641, Docket No. E-04204A-07-0365

Arizona Corporation Commission Decision No. 71641 (April 14, 2010) approved UNS Electric Inc.’s (“UNS Electric” or the “Company”) Zero-Net Energy Homes (“ZEH”) Pilot Program. The ZEH Program was developed as an expansion of UNS Electric’s existing Residential New Construction Program (Tier I), incorporating two new Tiers: Tier II-Energy Efficient Home Construction and Tier III-Near Zero-Net Energy Homes. Decision No. 71641, Findings of Fact No. 23 (page 11, lines 14-17) requires “...forty-two months after the date of a Decision in this matter, UNSE file, for Commission approval, an application to continue, modify, or terminate the ZEH Pilot Program.”

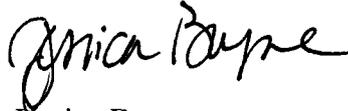
Since Tiers II and III were added UNS Electric had its 2011-2012 Energy Efficiency Implementation Plan approved by Decision No. 72747 (January 20, 2012). In that Decision, the Commission considered the ZEH Program cost-effective, pending action on the Company’s forty-two month filing (FOF No. 67, Decision No. 72747). In the Company’s recently filed Implementation Plan, it stated that it would monitor the cost-effectiveness of the Program. UNS Electric did monitor the cost-effectiveness of Tiers II and III and recommends the following:

- 1) Discontinue offering Tier III of the ZEH Program as approved in Decision Nos. 71641 and 72747 because it is not cost-effective and participation has been slow to develop. There were only six (6) homes built to zero-net energy standards (Tier III) from April 2010 through the date of this filing.
- 2) Continue to offer separate incentives for builders to participate at either the Tier I or Tier II level of the Residential New Construction Program through the end of 2013. In 2014, the Company will remove the tiered structure from the Residential New Construction Program and only one incentive level will be offered to new customers, due to increasing Energy Star standards.

UNS Electric anticipates that the Arizona Corporation Commission Staff’s report and Proposed Order on its 2013-2014 Energy Efficiency Implementation Plan (“EE Plan”), filed June 1, 2012 in Docket No. E-04204A-12-0219, will recommend the discontinuation of tiered incentives, thus making the Residential New Construction Program a non-tiered one. This report

and Proposed Order should be filed shortly to coincide with the Company's pending Settlement Agreement in Docket No. E-04204A-12-0504. If the approved EE Plan has discontinued tiered incentives, no further action will be taken in this docket.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessica Bryne". The signature is written in a cursive, flowing style.

Jessica Bryne
Regulatory Services

cc: Barbara Keene, ACC
Compliance Section, ACC