



BEFORE THE ARIZONA CORPORATION COMMISSION

1  
2 MARC SPITZER  
Chairman  
3 WILLIAM A. MUNDELL  
Commissioner  
4 JEFF HATCH-MILLER  
Commissioner  
5 MIKE GLEASON  
Commissioner  
6 KRISTIN K. MAYES  
Commissioner  
7

Arizona Corporation Commission  
**DOCKETED**  
MAR 23 2004

DOCKETED BY [Signature]

8 IN THE MATTER OF THE UNS GAS,  
9 INC. - PURCHASED GAS ADJUSTOR  
10 SURCHARGE  
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DOCKET NOS. E-01032C-00-0751 -  
G-01032A-02-0598 -  
E-01933A-02-0914 -  
E-01032C-02-0914 -  
G-01032A-02-0914 -  
G-01032E-03-0515 -

DECISION NO. 66861

ORDER

Arizona Corporation Commission  
**DOCKETED**

MAR 23 2004

DOCKETED BY [ ]

15 Open Meeting  
16 March 17, 2004  
Phoenix, Arizona

17 BY THE COMMISSION:

FINDINGS OF FACT

19 1. UNS Gas, Inc. ("UNS") is engaged in providing natural gas service within portions  
20 of Arizona, pursuant to authority granted by the Arizona Corporation Commission  
21 ("Commission").

22 2. UNS' acquisition of the natural gas utility assets of Citizens Communications  
23 Company ("Citizens") was approved by the Commission in Decision No. 66028 (July 3, 2003).  
24 This Decision contained a variety of conditions, including requirements for UNS to conduct a  
25 variety of customer outreach activities.

26 3. In Decision No. 64054 (September 27, 2001), the Commission approved a  
27 purchased gas adjustor ("PGA") surcharge for Citizens' Northern Arizona Gas Division  
28 ("NAGD") and Santa Cruz Gas Division ("SCGD"). This PGA surcharge was variable, with the

1 combination of the monthly PGA rate and the PGA surcharge equaling \$0.3435 per therm for the  
2 NAGD and \$0.2671 per therm for the SCGD for a 24 month period beginning with the October  
3 2001 billing cycle or until the PGA bank balance reached zero, whichever came sooner.

4 4. In Decision No. 65384 (November 13, 2002), the Commission approved a reduction  
5 in the PGA surcharge to \$0.3258 per therm for the NAGD and \$0.2326 per therm for the SCGD.  
6 This Decision also implemented a "surcharge holiday" wherein the PGA surcharge was not  
7 applied to customer bills in January and February 2003 and was halved on customer bills in  
8 December 2002 and March 2003. The PGA surcharge would expire after September 2003 or when  
9 the PGA bank balance reached zero, whichever came sooner.

10 5. In Decision No. 66341 (September 30, 2003), the Commission approved a revision  
11 of the PGA surcharge to \$0.1155 per therm, with the PGA surcharge in effect until the PGA bank  
12 balance reached zero. This Decision also implemented a circuit-breaker mechanism which  
13 exempted residential usage above 140 percent of average residential consumption during the  
14 December through March period from the PGA surcharge. This Decision contained requirements  
15 for UNS to conduct a variety of customer outreach activities.

16 6. On February 19, 2004, the Commission held an open meeting to receive public  
17 input and discuss UNS PGA surcharge issues. On February 24 and 26, 2004, the Commission held  
18 open meetings in Prescott to receive public input and discuss UNS PGA surcharge issues.

19 7. On March 12, 2004, consistent with A.R.S. § 40-252, the Commission held an open  
20 meeting to discuss UNS PGA surcharge issues and proposals to address the issues. As a  
21 procedural matter, at the March 12<sup>th</sup> open meeting, the Commission approved a series of items to  
22 be included in a proposed order for Commission consideration at an open meeting on March 17,  
23 2004. These items were:

24 A. The currently effective PGA surcharge of \$0.1155 per therm will remain in effect  
25 for all months through the October 2004 billing cycle, at which time the surcharge  
shall terminate.

26 B. The circuit-breaker mechanism threshold will be lowered to 125 percent of average  
27 monthly residential usage and will be applied at this level to customer bills in  
28 March and April 2004. The 125 percent threshold for March usage is 108 therms  
for northern Arizona customers and 88 therms for Santa Cruz County customers.

1 The 125 percent threshold for April is 76 therms for northern Arizona customers  
2 and 60 therms for Santa Cruz County customers.

3 C. The PGA surcharge will not be applied to any usage by customers served under the  
4 CARES tariff, beginning with the April 2004 billing cycle.

5 8. Staff is directed to evaluate through a study any potential unintended consequences  
6 of the circuit-breaker mechanism. The study should analyze possible inequities resulting from the  
7 circuit-breaker mechanism, such as those which may exist between small and large natural gas  
8 users. The study should also address how the circuit-breaker mechanism may impact energy  
9 conservation, such as the price signals consumers are sent and their effect on conservation. The  
10 study should include options for potential action by the Commission to deal with these issues in  
11 the future. The study should be completed and filed with the Commission within 60 days of the  
12 date of this order.

13 9. At recent open meetings, the Commission expressed a concern with the past public  
14 outreach efforts by UNS and a desire for UNS to enhance its public outreach efforts in the face of  
15 natural gas prices which may remain high for the next year and beyond. Therefore:

16 A. UNS shall file semi-annual reports with the Commission, documenting CARES  
17 program participation levels as well as program cost recoveries and expenditures  
18 related to the CARES program deferral account balance, on a monthly basis. Such  
19 reports shall be filed by January 30<sup>th</sup> and July 30<sup>th</sup> of each year, documenting the  
20 previous first six months' and second six months' activity for each calendar year,  
21 respectively.

22 B. UNS shall aggressively inform the public in all areas served by UNS of the  
23 availability and benefits of participation in the CARES program, including radio,  
24 television, and newspaper ads, as well as separate bill inserts in both Spanish and  
25 English to be sent out quarterly. This outreach should also include further efforts to  
26 reach out and contact other community agencies and to work with such agencies to  
27 increase CARES program participation. Outreach efforts regarding the CARES  
28 program should also inform customers of the lead time required for customers to  
sign up for the CARES program before the winter heating season.

C. UNS shall conduct a comprehensive public outreach program in all areas served by  
UNS, to discuss UNS gas prices and mitigation opportunities, including the CARES  
program, budget billing, levelized billing, and ways to reduce energy usage such as  
demand-side management and weatherization. This public outreach program shall  
prominently feature UNS' predictions of natural gas prices for the coming winter  
and factors contributing to those prices. UNS shall include bill inserts in

1 customer's June, September, and November bills. These inserts must be  
2 accompanied by a press release that should go to newspapers in Flagstaff, Prescott,  
3 Cottonwood, Kingman, Lake Havasu, Holbrook, Winslow, Show Low and Nogales.  
4 This press release must also be posted on the Company's website. In addition, UNS  
5 must advertise on radio, television, and newspaper about the content of the inserts.

6 D. UNS must submit its outreach program, including all bill inserts and proposed  
7 advertisements and press releases for Commission Staff approval, such that the  
8 program is approved by the Commission Staff no later than May 2004.

9 10. At the March 17th open meeting, UNS was provided the opportunity to be heard on  
10 each item specified in paragraphs 7, 8 and 9, above.

11 11. Based on the information developed during this proceeding, it is appropriate that  
12 the items specified in paragraphs 7, 8 and 9, above, be approved at this time.

13 12. UNS and Staff shall jointly develop a recommended notice that explains this  
14 decision and present it to the Commission no later than March 31, 2004.

#### 15 CONCLUSIONS OF LAW

16 1. UNS is an Arizona public service corporation within the meaning of Article XV,  
17 Section 2, of the Arizona Constitution.

18 2. The Commission has jurisdiction over UNS and over the subject matter of this  
19 proceeding.

20 3. Pursuant to A.R.S. § 40-252, and following Notice and an opportunity to be heard  
21 on the part of UNS, the Commission has jurisdiction to alter or amend Decision Nos. 66028 and  
22 66341 as provided herein.

23 4. The Commission concludes that it is in the public interest to approve this matter, as  
24 discussed herein.

#### 25 ORDER

26 IT IS THEREFORE ORDERED that the PGA surcharge revisions, reporting requirements,  
27 and public outreach requirements described herein, be and are hereby approved.

28 IT IS FURTHER ORDERED that, to the extent the provisions of this Decision are  
inconsistent with Decision Nos. 66028 or 66341, those Decisions shall be deemed amended to  
reflect the provisions of this Decision.

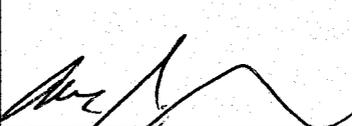
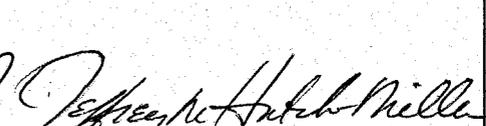
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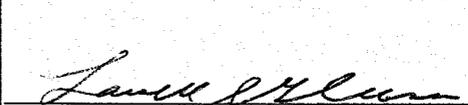
IT IS FURTHER ORDERED that Staff shall undertake the study as discussed in Finding of Fact No. 8.

IT IS FURTHER ORDERED that other than as amended by this Decision, Decision Nos. 66028 and 66341 are hereby affirmed in their entirety.

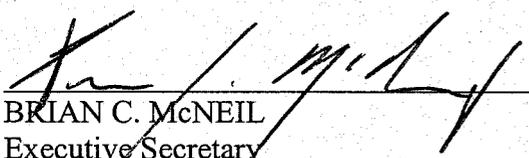
IT IS FURTHER ORDERED that this order shall become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

		
CHAIRMAN	COMMISSIONER	COMMISSIONER

	
COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 23<sup>rd</sup> day of March, 2004.

  
 BRIAN C. McNEIL  
 Executive Secretary

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

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