

ORIGINAL  
OPEN MEETING



MEMORANDUM

410

Arizona Corporation Commission  
**DOCKETED**

MAY 27 2005

TO: THE COMMISSION

FROM: Utilities Division

DATE: May 26, 2005

DOCKETED BY	KV
-------------	----

RE: IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR CONTINUATION OF THE NEGOTIATED SALES PROGRAM. (G-04204A-03-0634)

On December 29, 2004, UNS Gas, Inc. ("UNS" or "Company") filed for Commission approval of the continuation of the Negotiated Sales Program ("NSP") beyond June 30, 2005. Previously in Decision No. 66616 (December 9, 2003), the Commission ordered UNS to "file a report with the Commission by December 31, 2004, documenting the operation of the NSP since September 1, 2003, including identification of costs and benefits to core customers and the Company. Such a filing should also include a request by UNS, if it so wishes, to continue operation of the NSP in its current or adjusted form beyond June 30, 2005."

The NSP program involves UNS procuring natural gas supplies and using its pipeline capacity to provide service to large customers who qualify for transportation service under the T-1 or T-2 transportation service tariffs. The terms and conditions of each NSP agreement are individually negotiated between UNS and each customer. The NSP program has been in existence for approximately ten years. UNS' filing contains a discussion of a number of aspects of the NSP program. UNS then requests that the NSP program be extended beyond June 30, 2005, and that UNS make a filing with the Commission by the end of 2005 addressing whether the NSP program should continue in its existing form or be modified. The basis for UNS' request for more time to consider the future of the NSP program is that circumstances are changing on the El Paso pipeline system and such changes directly impact UNS' ability to offer NSP service and what the character of such service would be. UNS uses its pipeline capacity portfolio to first and foremost service its core customers and secondarily to offer NSP service. To the extent UNS' service on El Paso changes due to the pending El Paso rate proceeding and other on-going matters, UNS' ability to offer NSP service may be impacted.

RECEIVED  
2005 MAY 27 10 A 9:10  
AZ CORP COMMISSION  
DOCUMENT CONTROL

THE COMMISSION

May 26, 2005

Page 2

There is significant uncertainty regarding the cost and nature of service which will be provided to Arizona shippers, including UNS, as a result of the El Paso rate proceeding and other matters. Given current circumstances on the El Paso pipeline system, UNS' request to defer consideration of the NSP program such that the Company will submit an updated report by the end of 2005 appears reasonable. Staff recommends approval of an extension of the NSP beyond June 30, 2005, subject to the requirement that UNS docket an updated report with the Commission on or before December 31, 2005, addressing whether the NSP program should be continued in its current or adjusted form.

A handwritten signature in black ink, appearing to read 'E.G.J.', with a long, sweeping horizontal line extending to the right.

Ernest G. Johnson  
Director  
Utilities Division

EGJ:RGG:ca\JA

ORIGINATOR: Robert Gray

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**BEFORE THE ARIZONA CORPORATION COMMISSION**

JEFF HATCH-MILLER  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
MARC SPITZER  
Commissioner  
MIKE GLEASON  
Commissioner  
KRISTIN K. MAYES  
Commissioner

IN THE MATTER OF THE APPLICATION ) DOCKET NO. G-04204A-03-0634  
OF UNS GAS, INC. FOR CONTINUATION )  
OF THE NEGOTIATED SALES PROGRAM. ) DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
June 14 and 15, 2005  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Gas, Inc. ("UNS" or "Company") is engaged in providing natural gas service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission").
2. On December 29, 2004, UNS filed for Commission approval of the continuation of the Negotiated Sales Program ("NSP") beyond June 30, 2005.
3. Previously in Decision Number 66616 (December 9, 2003), the Commission ordered UNS to "file a report with the Commission by December 31, 2004, documenting the operation of the NSP since September 1, 2003, including identification of costs and benefits to core customers and the Company. Such a filing should also include a request by UNS, if it so wishes, to continue operation of the NSP in its current or adjusted form beyond June 30, 2005."
4. The NSP program involves UNS procuring natural gas supplies and using its pipeline capacity to provide service to large customers who qualify for transportation service under the T-1 or T-2 transportation service tariffs. The terms and conditions of each NSP agreement are

1 individually negotiated between UNS and each customer. The NSP program has been in existence  
2 for approximately ten years.

3 5. UNS' filing contains a discussion of a number of aspects of the NSP program.

4 6. UNS then requests that the NSP program be extended beyond June 30, 2005, and  
5 that UNS make a filing with the Commission by the end of 2005 addressing whether the NSP  
6 program should continue in its existing form or be modified.

7 7. The basis for UNS' request for more time to consider the future of the NSP  
8 program is that circumstances are changing on the El Paso pipeline system and such changes  
9 directly impact UNS' ability to offer NSP service and what the character of such service would be.

10 8. UNS uses its pipeline capacity portfolio to first and foremost service its core  
11 customers and secondarily to offer NSP service. To the extent UNS' service on El Paso changes  
12 due to the pending El Paso rate proceeding and other on-going matters, UNS' ability to offer NSP  
13 service may be impacted.

14 9. There is significant uncertainty regarding the cost and nature of service which will  
15 be provided to Arizona shippers, including UNS, as a result of the El Paso rate proceeding and  
16 other matters.

17 10. Given current circumstances on the El Paso pipeline system, UNS' request to defer  
18 consideration of the NSP program such that the Company will submit an updated report by the end  
19 of 2005 appears reasonable.

20 11. Staff has recommended approval of an extension of the NSP beyond June 30, 2005,  
21 subject to the requirement that UNS file an updated report with the Commission on or before  
22 December 31, 2005, addressing whether the NSP program should be continued in its current or  
23 adjusted form.

24 ...  
25 ...  
26 ...  
27 ...  
28 ...

CONCLUSIONS OF LAW

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

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

2. The Commission has jurisdiction over UNS and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated May 26, 2005, concludes that it is in the public interest to approve an extension of the NSP beyond June 30, 2005, subject to the requirement that UNS file an updated report with the Commission on or before December 31, 2005, addressing whether the NSP program should be continued in its current or adjusted form.

...  
...  
...  
...  
...  
...  
...  
...  
...  
...  
...  
...  
...  
...  
...  
...  
...  
...  
...  
...  
...

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

ORDER

IT IS THEREFORE ORDERED that an extension of the NSP beyond June 30, 2005, be and hereby is approved.

IT IS FURTHER ORDERED that UNS docket an updated report with the Commission on or before December 31, 2005, addressing whether the NSP program should be continued in its current or adjusted form.

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 \_\_\_\_\_ day of \_\_\_\_\_, 2005.

\_\_\_\_\_  
BRIAN C. McNEIL  
Executive Secretary

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

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

EGJ:BGG:cal/JA

1 SERVICE LIST FOR: UNS GAS, INC.  
2 DOCKET NO. G-04204A-03-0634

3 Raymond S. Heyman  
4 Attorney for UNS Gas, Inc.  
5 One Arizona Center  
6 400 East Van Buren Street, Suite 800  
7 Phoenix, Arizona 85004

8 Mr. Ernest G. Johnson  
9 Director, Utilities Division  
10 Arizona Corporation Commission  
11 1200 West Washington Street  
12 Phoenix, Arizona 85007

13 Mr. Christopher C. Kempley  
14 Chief Counsel  
15 Arizona Corporation Commission  
16 1200 West Washington Street  
17 Phoenix, Arizona 85007

18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28