

# ORIGINAL NEW APPLICATION



0000024440

BEFORE THE ARIZONA CORPORATION COMMISSION

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2005 AUG 17 P 4: 37

AZ CORP COMMISSION  
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IN THE MATTER OF THE APPLICATION OF  
UNS GAS, INC. FOR APPROVAL OF  
ADJUSTMENT TO PURCHASED GAS  
ADJUSTOR SURCHARGE.

DOCKET NO. G-04204A-05-0596

APPLICATION FOR SURCHARGE  
ADJUSTMENT

UNS Gas, Inc. ("UNS Gas"), through undersigned counsel, hereby respectfully requests the Arizona Corporation Commission (the "Commission") to approve a new Purchase Gas Adjustor ("PGA") surcharge of \$0.2700 per therm to be effective October 1, 2005. The new PGA surcharge is necessary in order to allow for the recovery of the PGA bank balance that exists and continues to grow.<sup>1</sup> In support hereof, UNS Gas states as follows.

### I. THE UNS GAS PGA.

The UNS Gas PGA was authorized by the Commission to ameliorate the impact of volatile natural gas prices on both the customer and the utility. The UNS Gas PGA was most recently reviewed and a surcharge approved in Decision No. 67730 (March 31, 2005). On January 25, 2005, UNS Gas requested a \$0.0600 per therm PGA surcharge to be in effect for 12 months. UNS Gas indicated in this filing that the requested PGA surcharge would permit recovery of some, but not all, of the under collected PGA bank balance. UNS Gas was willing to extend the recovery of the under collected PGA bank balance in order to mitigate the resulting increase in customers' bills. Staff recommended a \$0.0500 per therm surcharge. However, in Decision No. 67730 the Commission implemented a PGA surcharge of only \$0.0300 per therm, which is currently in effect. Unfortunately, the \$0.0300 per therm surcharge does not reflect the actual cost of gas for

<sup>1</sup> The surcharge amount of \$0.2700 is calculated as of August 17, 2005.

1 this winter season. Without the requested surcharge of \$0.2700 per therm, the under collected  
2 PGA bank balance will reach \$25 million by January 2006 and \$45 million by January 2007. To  
3 put this bank balance in perspective, UNS Gas recorded net income of \$5.7 million in 2004.  
4 However, the PGA bank balance reflects costs that UNS Gas has incurred (or will incur) on behalf  
5 of customers and that have not been recovered by UNS Gas from customers. Without the  
6 requested PGA surcharge, the PGA bank balance (i) for January 2006 will be almost 5 times UNS  
7 Gas' 2004 net income; and (ii) for January 2007 be almost 8 times UNS Gas' 2004 net income.  
8 UNS Gas submits that, given the current under collected PGA bank balance, unrelenting high gas  
9 prices and the pending El Paso Natural Gas ("EPNG") rate increase, the proposed surcharge is  
10 necessary and should be approved now.

11 **II. THE NEW PGA SURCHARGE.**

12 **A. Surcharge Rate.**

13 The ongoing high cost of natural gas has resulted in continued under collected bank  
14 balances for UNS Gas. At the time of the previous UNS Gas application for a surcharge (January  
15 2005), natural gas prices were projected to be in the range of \$0.6000 to \$0.7000 per therm. The  
16 current price for San Juan Basin gas from November 2005 through March 2006 is approximately  
17 \$0.9500 per therm. Pursuant to the UNS Gas Stabilization Policy, UNS Gas has hedged a portion  
18 of its projected gas sales during this same period at an average price of \$0.5840 per therm.  
19 Nevertheless, UNS Gas is facing a considerable shortfall in its recovery of the expected average  
20 cost of gas purchases during the high-use winter period.

21 Another factor contributing to the increased cost of delivered gas is the EPNG rate increase  
22 (Docket No. RP05-422), which will take effect on January 1, 2006. UNS Gas projects that it will  
23 incur approximately \$9 million more in annual transportation costs as a result of EPNG's filed rate  
24 increase.

25 **B. Impact of Surcharge on Residential Bills.**

26 Residential customers of UNS Gas are forecast to use an average 75 therms per month this  
27 winter (November through April) and 20 therms per month this summer (May through October).

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1 Under the proposed PGA surcharge, the \$0.2400 per therm increase to the existing surcharge will  
2 result in an average increase to a monthly residential bill of \$18.00 in the winter and \$4.80 in the  
3 summer.

4 **III. CONCLUSION.**

5 UNS Gas believes that the PGA surcharge requested herein is necessary to recover gas  
6 costs in a timely and reasonable manner, before any additional accumulation of the PGA bank  
7 balance will require an even greater surcharge increase and is in the public interest.

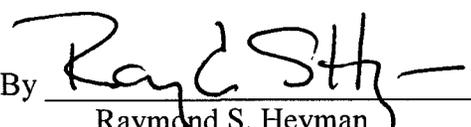
8 UNS Gas requests that the determination of this matter be expedited and resolved at the  
9 Commission's September 7, 2005 Open Meeting, so that the requested surcharge may take effect  
10 October 1, 2005.

11 To the extent it is necessary to extend any time limitations to allow this matter to be heard  
12 at the September 7, 2005 Open Meeting, UNS Gas stipulates through this filing that those time  
13 limitations may be extended.

14 Wherefore, for all the foregoing reasons, UNS Gas requests authorization to implement a  
15 new PGA surcharge of \$0.2700 per therm for the 12 month period effective October 1, 2005 to  
16 allow for the recovery of the PGA bank balance.

17 RESPECTFULLY SUBMITTED this 17th day of August 2005.

18 ROSHKA HEYMAN & DEWULF, PLC

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1 Original and 13 copies of the foregoing  
2 filed this 17<sup>th</sup> day of August 2005 with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
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6 Copy of the foregoing hand-delivered/mailed  
7 this 17<sup>th</sup> day of August 2005 to:

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