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EXHIBIT
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Admitted

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
JEFF HATCH-MILLER- CHAIRMAN
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	DOCKET NO. G-04204A-06-____

Direct Testimony of

James S. Pignatelli

on Behalf of

UNS Gas, Inc.

July 13, 2006

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I. INTRODUCTION.

Q. Please state your name and business address.

A. My name is James S. Pignatelli. My business address is One South Church Avenue, Tucson, Arizona 85701.

Q. By whom are you employed and what is your position?

A. I am Chief Executive Officer, President and Chairman of the Board of Directors of UniSource Energy Corporation ("UniSource Energy"), the parent company of UniSource Energy Services, Inc. ("UES"). UES is the parent company of UNS Gas, Inc. ("UNS Gas" or the "Company"), the Applicant in the case. I am also the President and Chief Executive Officer of UNS Gas.

Q. Mr. Pignatelli, what is the purpose of your direct testimony in this proceeding?

A. This rate case was prepared at my direction and under my supervision. In my direct testimony, I support UNS Gas' request for an increase in rates by providing: (i) a summary of UNS Gas' request and the factors that have caused us to file our application at this time; (ii) a brief history of the acquisition of UNS Gas and an explanation of the customer benefits provided by the acquisition; (iii) a discussion of proposed changes to improve the operation of the current purchase gas adjustor ("PGA"); (iv) an explanation of UNS Gas' position on Arizona Corporation Commission ("ACC" or the "Commission") prudence reviews of natural gas costs; (v) a description of UNS Gas' gas procurement practices; (vi) an explanation of why it is appropriate to include construction work in progress ("CWIP") in rate base for UNS Gas; (vii) a summary of the Company's Demand-Side Management ("DSM") and low income programs; (viii) an introduction into the rate design that UNS Gas is proposing in this case including a de-coupling mechanism and higher fixed charges; and (ix) identification of other UNS Gas witnesses and the topics that they will address in

their respective testimony. My direct testimony is policy-oriented. Other UNS Gas witnesses address many of these topics in more detail.

II. SUMMARY OF UNS GAS' RATE REQUEST.

Q. Mr. Pignatelli, what is UNS Gas requesting that the Commission do in this rate case?

A. In order to provide necessary rate relief, we are asking the Commission to authorize UNS Gas to increase its rates $9,646,901, or approximately 7%, to modify the PGA to reflect current conditions as discussed below and to approve UNS Gas' Price Stabilization Policy. We also request that the Commission adopt our proposed rate design. We will shortly be requesting that the Commission consolidate this rate case with the pending prudence review of UNS Gas' procurement practices and the pending review of UNS Gas' PGA.

Q. Please explain why UNS Gas is filing a request for an increase in rates at this time.

A. UNS Gas' current rates are inadequate for the Company to recover its costs and earn a reasonable rate of return on its investment. This is primarily due to increased growth in UNS Gas' service territory and the related increase in capital expenditures and operating costs. Current revenues are insufficient for UNS Gas to meet its current and future obligations to customers. In order to better explain UNS Gas' present situation, I will compare the circumstances that existed at the time of our acquisition of Citizens Communications Company's ("Citizens") gas assets in 2003 with the circumstances that face us today.

At year-end 2003, UNS Gas had a customer base of 127,577. For the 2005 test year there were a total of 138,815 customers in UNS Gas' combined northern and southern service areas. And that number continues to increase. As of June 30, 2006, UNS Gas has 142,206 customers. Moreover, we project that the number of UNS Gas customers will increase by

as much as 5-10% annually. This represents very significant growth. By comparison, Tucson Electric Power Company's ("TEP") customers are projected to grow at an annual rate of approximately 2.5% and the utility industry average is approximately 1.5%. In order to meet its growth, UNS Gas has incurred, and will continue to incur, capital expenditures for items such as pipelines, meters and regulators. These items cost significantly more than they did in 2003 when UNS Gas' rates were last set by the Commission. And these items cost significantly more than the original cost less depreciation for existing customers. Consequently, the significantly higher expenses have not yet been included in the Company's rate base.

In addition, in 2003, UNS Gas had an actual original cost rate base of $ 149,628,355.[1] As part of Decision No. 66028, which approved the acquisition, UNS Gas agreed to exclude more than $40 million from rate base.[2] So, for rate making purposes, UNS Gas' current rates are based upon an original cost less depreciation rate base of only $117,661,030. This $40 million reduction consisted of a $30 million "negative acquisition premium", and a $10 million reduction related to the Citizens' "Build-out" program.[3] This obvious benefit to UNS Gas' customers was the result of our ability to acquire the gas properties at a price below Citizen's investment in these properties. These exclusions are reflected in our proposed rate base, and our customers will continue to benefit from them.

Since 2003, UNS Gas has spent over $50 million in capital expenditures to meet customer growth. UNS Gas' 2005 test year rate base is $161,661,362. Additionally, the operation and maintenance ("O&M") expenses built into UNS Gas' current rates are $28,611,184. O&M expenses in the Company's current filing are $37,120,378.

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[1]See Decision No. 66028 (July 3, 2003); attached Settlement Agreement at Appendix B, Schedule 1. This figure was based on a 2001 test year.
[2] *Id.*
[3] *Id.*

From a timing perspective, in Decision No. 66028, the Commission ordered UNS Gas not to file a general rate case for a period of at least three years from the effective date of the Decision (July 3, 2003), thus requiring us to file our rate case application after July 3, 2006. In addition, the Commission modified the settlement to order that new rates may not become effective before August 1, 2007.

In summary, the main factors driving this rate case filing are: (i) current rates are based on out-of-date investment and expense levels; (ii) UNS Gas has greatly increased its investment in the gas properties attributable to increased customer growth and capital expenditures; and (iii) the rate case filing moratorium until July 2006 is set to expire thus allowing the Commission to address the Company's revenue shortfall.

Q. Mr. Pignatelli, are there any guidelines that the Commission should follow in considering the amount of rate increase to which UNS Gas is entitled?

A. Yes, I believe that the Commission should be guided, among other things, by the fundamental ratemaking standards established by the U.S. Supreme Court in Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia, 262 U.S. 679 (1923) (the "Bluefield" case) and Federal Power Comm'n v. Hope Natural Gas, 320 U.S. 591 (1944) (the "Hope" case). The Bluefield case established the standards by which rates and a reasonable return are to be evaluated by stating:

> A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and

> enable it to raise the money necessary for the proper discharge of its public duties.[4]

In Hope, the U.S. Supreme Court expanded on the Bluefield principles by stating:

> From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for capital costs of the business. These include service on the debt and dividends on the stock...By that standard the return to the equity owner should be commensurate with return on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and attract capital.[5]

I think that in these two cases the U.S. Supreme Court set forth the balancing test that the Commission should use when determining rates for UNS Gas. This balancing test, to me, is in the public interest as it factors in the impact of rate relief on both the investors and the customers. And so, in this case, I would ask that the Commission authorize a rate that allows UNS Gas to earn a fair return on its investment as well as to recover operating expenses and capital costs and to maintain its financial integrity consistent with this long-standing precedent.

III. HISTORY OF THE UNS GAS ACQUISITION.

Q. Mr. Pignatelli, please review how UniSource Energy came to acquire UNS Gas.

A. Starting in the latter part of the 1990's, Citizens attempted to sell some of its utility assets, including its Arizona gas and electric properties. In 2002, Citizens approached UniSource Energy to determine if we would be interested in acquiring those properties. After a period of negotiations, we entered into an agreement to acquire both the Citizens' Arizona gas and electric properties, subject to Commission approval.

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[4] 262 U.S. at 692-93.
[5] 320 U.S. at 603.

On December 18, 2002, Citizens and UniSource Energy (collectively "Joint Applicants"), filed a Joint Application[6] requesting authority for UniSource Energy to acquire the Citizens' Arizona gas and electric assets, to transfer Citizens' gas and electric Certificates of Convenience and Necessity to a UniSource Energy subsidiary, to obtain certain financing approvals, and to consolidate other related dockets.[7]

A Settlement Agreement signed by the Joint Applicants and Staff was filed with the Commission on April 1, 2003. The Commission approved the Settlement Agreement with modification on July 3, 2003, and authorized UniSource Energy to create subsidiaries to own and operate the electric and gas utility assets purchased from Citizens and, if necessary, to form an intermediate holding company to finance and own the electric and gas subsidiaries. UES was formed to hold the common stock of UNS Gas and UNS Electric, Inc., which operate the gas and electric system assets, respectively.

The Settlement Agreement contained numerous consumer benefits agreed to by UniSource Energy. In addition to the $40 million reduction in rate base that I previously discussed, UniSource Energy agreed: (i) that the UNS Gas rates to be implemented upon the acquisition would be significantly less than the amount that had been requested by Citizens;[8] (ii) to carry over the PGA bank balance accumulated by Citizens; (iii) to use the existing PGA structure, except for one modification;[9] (iv) to comply with certain service quality, staffing, and operational conditions[10]; (v) to implement a new line extension tariff and policy; and (vi) to the previously mentioned three-year moratorium on filing a general rate case.

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[6] Docket Nos. E-01933A-02-0914, E-01032C-02-0914 and G-01032A-02-0914.
[7] Docket Nos. E-01032C-00-0751 and G-01032A-02-0598.
[8] Settlement Agreement Appendix D, Schedule 1, Column 1, line 23 less Column 3, line 23.
[9] *Id.* at ¶ 26.
[10] *Id.* at ¶¶ 39-34.

UNS Gas has complied with each of these conditions all of which have resulted in significant benefits to customers. In order to ensure that UNS Gas can continue to provide gas service to its customers, it is necessary for the Commission to authorize the requested rate increase at this time.

Q. Please provide a general description of UNS Gas' customers, test year and business operations.

A. UNS Gas is a gas distribution company and was serving approximately 139,000 retail customers 126,681 of which were residential customers, (at the end of the test year), in its service areas portions of Mohave, Yavapai, Coconino, and Navajo Counties in northern Arizona and Santa Cruz County in southeast Arizona. These counties comprise approximately 50% of the territory of the state of Arizona, with a population of approximately 751,000. UNS Gas' customer base is primarily residential. A copy of a map depicting UNS Gas' service territory is attached to my testimony as Exhibit JSP-1.

Most of the gas distributed by UNS Gas in Arizona is procured from the San Juan Basin in the Four Corners region and delivered on the El Paso Natural Gas ("EPNG") and Transwestern Pipeline Company ("Transwestern") interstate pipeline systems. UNS Gas has firm transportation agreements with EPNG and Transwestern with combined capacity sufficient to meet its customers' demands.

IV. THE UNS GAS PGA MECHANISM SHOULD BE MODIFIED.

Q. Mr. Pignatelli, what is UNS Gas recommending the Commission do to modify its current PGA?

A. UNS Gas filed an Application ("PGA Application") to review and revise its PGA on January 10, 2006, in Docket G-04204A-06-0013. In our forthcoming Motion to

Consolidate, we will be requesting that the PGA Application be consolidated with this rate case proceeding.

Q. What are the deficiencies of the current UNS Gas PGA mechanism?

A. The current PGA mechanism has a number of deficiencies which the Commission should address. The deficiencies include: (i) inappropriate price signals; (ii) the potential for large bank balances to accumulate -- recovery of which would cause significant price fluctuation and rate shock; (iii) below market interest allowed to be earned on the bank balance; (iv) an inappropriately narrow bandwidth; and (v) the potentially adverse impact on UNS Gas' ability to devote capital to other necessary investments to serve its customers. Contributing to these problems is the volatile nature of the natural gas market. The current PGA mechanism was not designed to cope with such volatility. Thus, it should be revised to correct these deficiencies.

Q. What specific modifications to the PGA mechanism are you recommending?

A. As described in more detail in the PGA Application, and in the Direct Testimony of Mr. David G. Hutchens filed in this case, UNS Gas is requesting the following modifications to the PGA mechanism:

1. **Bandwidth.** The current PGA mechanism has a limit, or cap, as to how much the PGA Rate can change in a given 12-month period (this is referred to as the PGA "Bandwidth" or "PGA Rate Band"). Given the recent volatility in natural gas prices, UNS Gas does not believe that a Bandwidth cap should be imposed on the PGA mechanism. However, in order to moderate volatility of customer bills, the current Bandwidth cap of $.10 per therm could initially be increased to $.25 per therm as an alternative and then eliminated.

2. **Increase Interest.** The interest earned and/or paid on the PGA bank balance should reflect UNS Gas' actual incremental cost of debt. UNS Gas currently can obtain

new debt at the London Inter-Bank Offering Rate ("LIBOR") plus 1.5%. Thus, the interest on the PGA bank balance should be at least LIBOR plus 1.5%.

3. **Regulatory Asset.** When the actual PGA bank balance is greater than two times the Commission-approved threshold level, as has occurred under the existing PGA mechanism, it is clear that continuing to report the asset as "short-term" on the Company's balance sheet (meaning that it will be settled in its entirety within one year) is no longer appropriate. Instead, it should more correctly be considered as a long-term asset (similar to plant and equipment) requiring UNS Gas to commit longer-term investment capital, thereby justifying a carrying cost at a rate equal to UNS Gas' authorized weighted average cost of capital. Currently, that rate is 9.05%. The proposed weighted average cost of capital in this case is 8.80%.

4. **Symmetrical Threshold.** In order to be fair to both the ratepayers and shareholders, symmetry should prevail, with the same threshold level applying to both under-collected and over-collected bank balances. UNS Gas recommends that the new threshold level for under-collected bank balances established in Decision No. 68325 ($6,240,000) also be adopted as the threshold level for over-collected bank balance.

5. **Capital Structure.** If the PGA mechanism results in UNS Gas accumulating significant PGA bank balances, additional long-term debt financing will likely be required. This additional debt will impact the Company's capital structure and weighted cost of capital, thus altering the determination of revenue requirements in rate cases. Because the current PGA mechanism provides for the accrual of carrying charges on the monthly balance (notwithstanding the inadequacy of the current interest accrual rate as previously described), the PGA bank balance would not be includible in rate base for ratemaking, even though <u>all</u> long-term debt issues are normally reflected in capital structure. As a result, the computed overall rate of return to be applied to rate base would be artificially diminished, as would be the

computed overall revenue requirement. UNS Gas respectfully requests that the Commission specifically find that any additional long-term debt issued solely to support the PGA bank balance be excluded from the determination of the cost of capital in this rate case and future UNS Gas rate case proceedings.

6. **Surcharges.** The above modifications should reduce the need for surcharges. However, when surcharges are required, the Commission should approve a surcharge large enough to eliminate the bank balance within twelve months.

Q. Why are you requesting these modifications?

A. The PGA, as presently constituted, no longer allows UNS Gas "to react to market fluctuations expediently in the regulatory environment in order to avoid severe impact on the Company's earnings and rate shock to the customers" as was its original intent.[11] The current volatile natural gas market has exposed weaknesses in the PGA mechanism that cause significant delays in the recovery of gas costs incurred by UNS Gas. This negatively impacts the Company's cash flows, which ultimately could have a detrimental effect on its operations. I should note that this situation also severely impacts the customer's ability to make informed consumption decisions that reflect actual costs. For these reasons, we believe that now is the appropriate time and this rate case is the appropriate forum for the Commission to modify the PGA.

[11] Decision No. 58664 (June 16, 1994) at 64.

V. PRUDENCE REVIEW.

Q. Mr. Pignatelli, the Commission has expressed an interest in a prudence review regarding UNS Gas' policies and procedures specific to its acquisition of gas. Has the formal prudence review process begun?

A. Yes, Docket No. G-04204A-05-0831 (the "UNS Gas prudence docket") has been opened and we have received and responded to discovery requests from the Staff.

Q. What is the purpose of the prudence review?

A. My understanding is that the prudence review is intended to determine the appropriateness of costs that have been incurred related to procuring natural gas. Thus, to the extent that the ultimate recovery of any such costs is an issue, the prudence review is clearly linked to this rate case.

Q. What are your concerns regarding the existing UNS Gas prudence docket?

A. UNS Gas procures gas for its customers on a pass-through basis. By that I mean that gas commodity costs ultimately are passed through to the customer and UNS Gas does not earn a return on those costs. As we all know, the gas market has been very volatile recently and UNS Gas has had to respond to that volatility on a real time basis. UNS Gas has no incentive to procure gas in an imprudent or otherwise expensive manner. In reality, UNS Gas has been subsidizing customers for those costs that have been incurred and not timely recovered. It would be patently unfair for the Commission to, in hindsight, second guess the real-time decisions that were made. It would be confiscatory for the Commission to then disallow the recovery of costs that were paid by the Company for gas that has already been used by customers.

Q. What is the Commission's definition of "prudence"?

A. The Commission defines "prudently invested" as:

> Investments which under ordinary circumstances would be deemed *reasonable* and not dishonest or obviously wasteful. All investments shall be *presumed* to have been prudently made, and such presumptions may be set aside only by clear and convincing evidence that such investments were imprudent, when viewed in light of all relevant conditions known or which in the exercise of reasonable judgment should have been known, *at the time such investments were made.*[12]

This rule adopts three important principles regarding the prudence of utility conduct. First, the rule adopts the presumption that investments are presumed to be prudent, and this presumption can only be set aside by clear and convincing evidence. Second, the rule uses reasonableness as the standard of prudence – an investment will be deemed prudent if "under ordinary circumstances" it is reasonable and "not dishonest or obviously wasteful." Third, the rule prohibits the use of hindsight by requiring that a finding of imprudence be based on information that was or should have been known "at the time such investments were made."

Q. Has the Commission further addressed prudence in the context of gas costs?

A. Yes, in the Generic PGA Docket, the Commission adopted the following standard to use in reviewing gas costs:

> As a general principle, subject to the circumstances of any specific matter: if a contract appeared to be prudent and reasonable *at the time it was entered into*, given market conditions and other relevant factors, the utility should be permitted an opportunity to recover the gas costs associated with that contract. However, the Commission has the right to review all LDC gas purchases on a case by case basis.[13]

While this standard applies only to "contracts", Staff has recommended that a similar standard apply to "the entire natural gas procurement process":

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[12] A.A.C. R14-2-103(A)(l)(emphasis added).

[13] Decision No. 61225 (October 30, 1998) at Finding of Fact No. 7 and Conclusion of Law No. 3 (emphasis added).

> In determining the prudence of natural gas procurement activities, the standard to be applied is whether each individual action, and the utility's actions taken as a whole, given the specific circumstances at the time, is/are reasonable in light of what the utility knew or should have known at that time.[14]

Q. Do you believe a separate prudence review docket is necessary?

A. No. Traditionally, the Commission reviews the prudence of all utility costs in rate case proceedings like this one. In fact, we will be requesting that the UNS Gas prudence docket be consolidated with this rate case.

Q. Has the Commission recently commented on the propriety of conducting a prudence review as part of a rate case?

A. Yes, the Commission recently re-affirmed the traditional practice of conducting a prudence review as part of a rate case. The Commission declined to rule on the prudence of the "Sundance" acquisition by Arizona Public Service ("APS"), noting that the prudence of the "transaction may only properly be reviewed in the context of an overall rate base determination."[15]

Q. Please summarize your opinion on the propriety of a prudence review on an incurred cost for a utility.

A. As I previously stated, I do not think that it is a good idea, nor sound regulation. UNS Gas has already incurred the cost of gas that it has acquired. The commodity has already been provided to the customer. UNS Gas does not earn a return on gas costs. Consequently, any disallowance of these incurred costs will have a magnified detrimental effect on the Company. I believe that a wiser approach is to focus on the methodology that UNS Gas employs. If UNS Gas follows the Commission-approved methodology, then these costs should be deemed conclusively prudent.

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[14] June 1, 2001 Staff Report at 3, in Docket No. G-00000C-98-0568, attached to Decision No. 63848 (June 28, 2001).
[15] Decision No. 67504 (January 20, 2005).

VI. APPROVAL OF THE UNS GAS, INC. PRICE STABILIZATION POLICY.

Q. Mr. Pignatelli, please explain UNS Gas' gas acquisition practices.

A. Mr. Hutchens will address these practices in more detail in his direct testimony, but in general terms, UNS Gas currently has an agreement with BP Energy Company ("BP") to supply and schedule all of UNS Gas' natural gas requirements. The pricing of the natural gas supplied is dependent on current market prices as well as how and when UNS Gas wants to purchase the gas. UNS Gas has a detailed hedging policy ("Price Stabilization Policy") that requires it to enter into fixed price volumes for portions of its estimated load in advance. The policy dictates that UNS Gas purchase fixed price volumes up to three years in advance in fixed monthly amounts. The minimum amount of gas that is hedged in this manner is 45% of the estimated monthly load. UNS Gas also has the flexibility to enter into additional fixed price hedges, subject to internal Risk Management Committee review.

The remaining gas is priced in the short-term and spot gas markets. Going into any given month, UNS Gas will split the remaining estimated load between fixed price First-of-the-Month gas index and daily natural gas prices.

Q. How often is UNS Gas' Price Stabilization Policy updated?

A. The Price Stabilization Policy is thoroughly reviewed and updated on an annual basis to take into account the changing natural gas market dynamics. Mr. Hutchens' Direct Testimony discusses recent changes to the Price Stabilization Policy in more detail.

Q. What does UNS Gas recommend regarding its Price Stabilization Policy?

A. We recommend that the Commission prospectively approve the Price Stabilization Policy. As I have indicated, prudence reviews are "after-the-fact" events that try to recreate the

circumstances that existed at the time of the investment or expenditure. This can be very difficult when the period or activities in question were volatile and quickly unfolding. Rather than look at UNS Gas' procurement practices in hindsight, UNS Gas recommends that its Price Stabilization Policy be reviewed and approved by the Commission during this case for future implementation. This way the Commission can have input prior to UNS Gas incurring the costs for gas procurement rather than after the fact. And there will be no need for a separate non rate case-related prudency review of gas acquired pursuant to the approved methodology.

VII. CONSTRUCTION WORK IN PROGRESS IN RATE BASE.

Q. Mr. Pignatelli, what is Construction Work in Progress ("CWIP")?

A. From an accounting standpoint, CWIP is the balance of plant investment that has yet to be transferred to plant in service. This balance represents the Company's investment in ongoing construction projects at a defined point in time.

Q. Has UNS Gas included CWIP in rate base in this rate application?

A. Yes. The entire $7.2 million balance existing at the end of the test year has been included in rate base.

Q. Why is it necessary to include CWIP in rate base for UNS Gas?

A. As discussed by UNS Gas witness Mr. Kentton C. Grant, inclusion of CWIP in rate base is needed to support the financial integrity of UNS Gas. Since the Company will be dependent on outside capital for the foreseeable future in order to fund system growth and capital investments, it is essential that UNS Gas be allowed an opportunity to earn a reasonable return on invested capital. By including CWIP in rate base, the Company will

have a better opportunity to actually earn the rate of return authorized by the Commission and to attract necessary capital on reasonable terms.

In addition to financial need, there are other valid reasons why CWIP should be included in rate base for UNS Gas. First, it should be recognized that this rate treatment represents one of the few tools available to help mitigate the effects of regulatory lag. Since UNS Gas is experiencing significant customer growth, and since the cost of new construction greatly exceeds the embedded cost of plant, the impact of regulatory lag on UNS Gas is more pronounced than with most utilities. Second, due to the relatively short timeframe required for most construction projects on the UNS Gas system, a large portion of the CWIP balance at year-end 2005 has already been transferred to plant-in-service. Customers are already receiving a benefit from this investment, and the customer advances relating to these projects have already been recognized as a reduction to rate base. Third, by including CWIP in rate base in this proceeding, the time period between this rate case and the next rate filing by UNS Gas will hopefully be extended. Since the cost and time involved with rate case preparation are very significant for a small utility like UNS Gas, the extension of time between rate filings is beneficial to both the Company and its customers. While UNS Gas will likely be required to file rate cases on a regular basis, neither the Company nor its customers are served by forcing the Company to file a rate case shortly after the case concludes. Finally, the recognition of a large negative acquisition adjustment to rate base must be recognized. As a result of the purchase of the gas properties by UniSource Energy in 2003, current UNS Gas customers are benefiting from a significant discount to the original cost of the gas distribution system.

VIII. DEMAND-SIDE MANAGEMENT, EDUCATION AND LOW-INCOME PROGRAMS.

Q. Mr. Pignatelli, what has UNS Gas done for DSM, education and low-income programs?

A. UNS Gas offers its customers an on-line energy audit to help customers improve their homes' energy efficiency. The Company's Web site also offers energy savings tips for those customers that do not want to conduct an audit. Additionally, the Company provides consumer education about safety, energy efficiency, increased gas costs, and low-income discount programs.

The Company's low-income programs include Low-Income Weatherization ("LIW"), Warm Spirits and the Customer Assistance Residential Energy Support ("CARES") Pricing Plan. In addition, low-income customers are exempt from the PGA Surcharge.

Q. What is UNS Gas proposing for DSM?

A. UNS Gas is proposing to add DSM for residential and commercial customers which are described in Mr. Gary A. Smith's testimony. Residential programs include enhancements to the existing LIW program, a residential new construction program and a furnace retrofit program. Commercial programs include an HVAC retrofit program and a commercial gas cooking efficiency program.

UNS Gas is further requesting the creation of a DSM charge to be adjusted annually to fund the DSM programs, including LIW. Based on the Company's analysis, these new programs can be implemented by UNS Gas for approximately $1,051,616 annually, and the programs are targeted to reduce energy consumption by 211,833 therms annually. The DSM charge, as set forth in more detail in Mr. Tobin L. Voge's testimony, will initially be set at $0.007608 per therm.

Q. What kind of consumer education does UNS Gas provide?

A. UNS Gas provides several media campaigns designed to educate the public on energy efficiency and the dangers involved with gas leaks. These consumer outreach efforts include Spanish and English bill inserts promoting energy efficiency tips, print and radio advertisements encouraging customers to enroll in UNS Gas' CARES low-income assistance program, and Spanish and English bill inserts notifying customers of UNS Gas' latest projections for winter gas prices. Customers can also contact their local UNS Gas office for more energy saving advice.

UNS Gas also provides safety education and outreach to customers for Blue Stake and carbon monoxide issues. Spanish and English bill inserts, print advertisement in major daily and weekly newspapers and Spanish and English radio spots request that customers contact Blue Stake before they dig. Similar media outlets are utilized to educate families on carbon monoxide safety and what to do if they smell natural gas.

Q. Does UNS Gas have programs that offer assistance to low-income consumers?

A. Yes. These programs are explained in more detail by Mr. Smith but as a general overview, UNS Gas offers the LIW, as I've discussed above, the CARES Pricing Plan, and a Warm Spirit Program. Low-income customers also are exempt from paying the PGA surcharge approved by the Commission in October 2005.

The CARES Pricing Plan provides low-income customers a discount on their gas bill. UNS Gas is proposing a change to increase the amount of discount that a CARES customer would receive. On average a low income customer on the CARES Pricing Plan would receive a 34% increase in annual dollars saved. Mr. Voge's testimony discusses the changes to the CARES tariff in more detail.

In December 2004, the Commission approved UNS Gas' request to modify the CARES pricing plan to make it easier for customers to apply for the program. As a result, UNS Gas' low-income participants can be enrolled in the program in less than 20 days rather than the 30 to 45 days it took under the previous program. UNS Gas also reduced the burden to participants to re-certify themselves for the program every year, and was authorized by the Commission to re-certify random samples of participants every two years.

The Warm Spirit Program provides emergency bill payment assistance during the winter heating season. In 2004, UNS Gas contributed $50,000 to the program and began matching its customers' contributions to the program dollar for dollar in 2005. Those matching contributions totaled approximately $24,000 in 2005.

In Decision No. 68241 (October 25, 2005), the Commission approved a per therm PGA surcharge. UNS Gas agreed in connection with Decision No. 68241 to exempt customers enrolled in the CARES program from paying the surcharge. Exempting CARES customers from the PGA surcharge resulted in a reduced PGA bank balance collection of $308,731 from November 2005 through March 2006.

IX. THE COMMISSION SHOULD APPROVE A HIGHER MONTHLY CUSTOMER CHARGE AND A DE-COUPLING MECHANISM FOR DISTRIBUTION REVENUES.

Q. Mr. Pignatelli, please describe UNS Gas' proposal for a higher monthly customer charge.

A. Mr. Voge will address the specifics of our proposal. However, I will provide an overview of the Company's recommendation and request.

Currently most if not all of a gas utility's transmission, distribution and commodity costs are recovered on a volumetric basis. By that, I mean that the cost of acquiring natural gas and delivering it to customers is recovered through rates that were calculated on a basis of test year therm usage. So, if customer usage is similar to test year usage, costs are recovered as anticipated. However, higher than expected usage can increase margin revenues beyond anticipated levels, while lower usage can result in an under-recovery of the utility's costs.

In this case, UNS Gas requests the Commission to design rates that recover a greater share of the Company's fixed costs through a higher fixed customer charge. UNS Gas also proposes a de-coupling mechanism that would "true up" the remaining volumetric charges to levels anticipated by test-year usage. Both changes will serve to create rates that treat customers more equitably while balancing the interests of the Company and its customers.

Q. What are the advantages of this rate design that UNS Gas is proposing?

A. This approach is more economically sound than the current rate design because it aligns more closely to the true costs of service. The cost of providing transmission and distribution service to individual UNS Gas customers does not vary significantly with usage. Yet the current rate structure recovers the bulk of those fixed costs through volumetric charges. This forces higher usage customers – typically those living in colder areas of UNS Gas service territory – to subsidize the true cost of serving lower-usage customers.

The rate design we have proposed relies on a higher average monthly charge to recover most transmission and distribution costs, which are incurred regardless of whether the customer uses any gas. For example, owners of luxury summer homes would have to pay the true cost of having gas hooked-up and available, even if they do not use any gas during

the high-usage winter months. Similarly, this proposal would ease the burden on low-income customers in cold-weather climates who currently subsidize the fixed costs of customers in more temperate areas of UNS Gas' geographically diverse service territory. The more equitable rates that result from this change will mitigate the subsidies inherent in current rates while sending much clearer price signals about the true costs of service.

Q. Has UNS Gas proposed ways to mitigate the impact of a higher customer charge?

A. Yes. The proposed increase in the average monthly customer charge calls for a higher charge from April through November and a lower charge during the four remaining winter months. This will help equalize customers' year-round bills by reducing fixed costs during a period when the commodity portion of bills is typically at its peak. Also, the proposed revision of the CARES tariff described in more detail by Mr. Smith would provide low-income customers with a significant discount off the fixed monthly charge.

Q. How would the Throughput Adjustment Mechanism ("TAM") proposed by UNS Gas improve the collection of costs that remain tied to volumetric charges?

A. Because the volumetric charge will be based on test-year gas usage, customers will end up paying too much or too little for that portion of their service if usage strays from anticipated levels. Eliminating such uncertainty will benefit both the Company and its customers by providing a greater opportunity for fair recovery of the costs allocated in this proceeding. The de-coupling mechanism proposed by UNS Gas will accomplish this goal by either reducing or increasing the collection of volumetric margin revenues to match anticipated levels. This mechanism also will allow UNS Gas to implement the comprehensive energy conservation program proposed in this filing without threatening the volumetric margin revenues needed to serve its customers' growing needs and earn a fair rate of return.

Q. How would this TAM work?

A. The proposed TAM would work similarly to the PGA that has been in effect for many years. Just as the PGA fluctuates to account for variations in the cost of gas, the TAM would be adjusted to account for changes in usage per customer ("UPC"). The under-recovery of costs due to reduced UPC in any period would be "trued-up" in future periods through use of a volumetric surcharge. Similarly, any over-recovery would be refunded to customers through a volumetric credit on future bills. In this way, both the Company and its customers would enjoy a more equitable, reliable and balanced collection of volumetric costs. Mr. Voge describes the TAM in greater detail in his direct testimony.

X. WITNESSES.

Q. Mr. Pignatelli, in addition to you, who are the witnesses that are filing direct testimony for UNS Gas in this case?

A. UNS Gas is presenting the direct testimony of officers and managers who have direct responsibility for the subject matter about which they will testify. In addition, UNS Gas is presenting expert testimony regarding depreciation rates and methodology. The following individuals are presenting testimony in this proceeding:

Mr. David G. Hutchens. Mr. Hutchens is the General Manager, Fuels and Wholesale Power for TEP and its affiliates, including UNS Gas. He will testify about: (1) UNS Gas, Inc.'s Price Stabilization Policy, including the proposed pre-approval of the UNS Gas procurement practices; and (2) the proposed modifications to the PGA mechanism.

Mr. Kentton C. Grant. Mr. Grant is the General Manager, Financial Planning and Customer Pricing for TEP and its affiliates, including UNS Gas. Mr. Grant will testify about UNS Gas': (1) financial condition; (2) capital structure; (3) cost of equity; (4) cost of

debt; (5) weighted average cost of capital; (6) rate base treatment for CWIP; and (7) the financial impact of the Company's rate request. Mr. Grant will also sponsor the following schedules:

A-3	Summary of Capital Structure
A-4	Construction Expenditures and Gross Plant in Service
D-1 though D-4	Cost of Capital
F-1 though F-4	Financial Projections

Mr. Dallas J. Dukes. Mr. Dukes is the Director of Revenue Requirements for TEP and its affiliates, including UNS Gas. He will testify concerning the UNS Gas income statement, and adjustments to the income statement for regulatory purposes, including various adjustments to expenses. He will also sponsor the following schedules:

A-1	Computation of Increase in Gross Revenue Requirements
A-2	Summary Results of Operations
A-5	Summary Changes in Financial Position
C-1	Adjusted Test Year Income Statement
C-2	Income Statement Pro Forma Adjustments

Ms. Karen G. Kissinger. Ms. Kissinger is the Vice President, Controller and Chief Compliance Officer for UniSource Energy. She is also the Vice President and Controller of UNS Gas. She will testify concerning the Company's financial statements and rate base. She will sponsor the following schedules:

B-1 through B-5	Rate Base
C-3	Computation of Gross Revenue Conversion Factor
E-1 through E-9	Financial Statements and Statistical Data

Mr. Gary Smith. Mr. Smith is a Vice President and General Manager of UNS Gas. Mr. Smith will discuss the following: (1) an operational overview of the Company; (2) capital spending since the acquisition; (3) productivity gains, technology improvements and other cost containment strategies; (4) a summary of UNS Gas' low-income assistance programs; (5) the Company's DSM programs; and (6) changes to UNS Gas' Rules and Regulations, including a new extension of line tariff.

Dr. Ronald White. Dr. White is a consultant for UNS Gas. Dr. White testifies concerning depreciation rates and methodology.

Mr. Tobin L. Voge. Mr. Voge is the Manager of Pricing and Economic Forecasting for TEP and its affiliates including UNS Gas. Mr. Voge will testify about: (1) weather normalization; (2) year-end customer annualization; (3) cost of service; (4) rate design; and (5) the proposed de-coupling mechanism. Mr. Voge will sponsor the following schedules:

G-1 through G-7	Cost of Service
H-1 through H-5	Effect of Proposed Rate Schedules

XI. SUMMARY.

Q. Mr. Pignatelli, please summarize the requests UNS Gas is making in this case:

A. We are requesting the following:

(1) A rate increase of approximately 7% compared to test year revenues or an approximately 21% increase compared to pro forma test year revenues (excluding gas cost revenues), to allow UNS Gas to recover its expenses and earn a reasonable return on its investment;

(2) Modifications to our PGA mechanism, to address current deficiencies in the mechanism, including problems posed by volatile prices and delayed and inadequate price signals. Specifically, these modifications are:

A. **Bandwidth.** The band should be eliminated, or in the alternative temporarily increased to $.25 per therm and then eliminated.

B. **Increase Interest.** The interest earned on the PGA bank balance should reflect UNS Gas' actual cost of new debt, which is LIBOR plus 1.5%.

C. **Regulatory Asset.** When the bank balance is greater than two times the threshold level, UNS Gas should earn its weighted average cost of capital as determined in its most recent rate case. Currently, this is 9.05%. Our proposed weighted average cost of capital in this case is 8.80%.

D. **Symmetrical threshold.** The new threshold level for under-collected bank balances established in Decision No. 68325 ($6,240,000) should also be adopted as the threshold level for over-collected bank balances.

E. **Capital Structure.** The Commission should declare that it will not include debt related to the bank balance in UNS Gas' capital structure for the purpose of calculating UNS Gas' weighted average cost of capital.

F. **Surcharges.** When surcharges are needed, the Commission should approve a surcharge large enough to eliminate the PGA bank balance within a reasonable period.

(3) A finding that UNS Gas' past gas procurement practices and current UNS Gas Price Stabilization Policy are prudent;

(4) Prospective approval of UNS Gas' gas procurement practices;

(5) Adoption of a charge for DSM programs;

(6) Approval of requested rate design and revenue TAM; and

(7) Approval of requested changes to the Company's Rules and Regulations, including the Company's line extension policy.

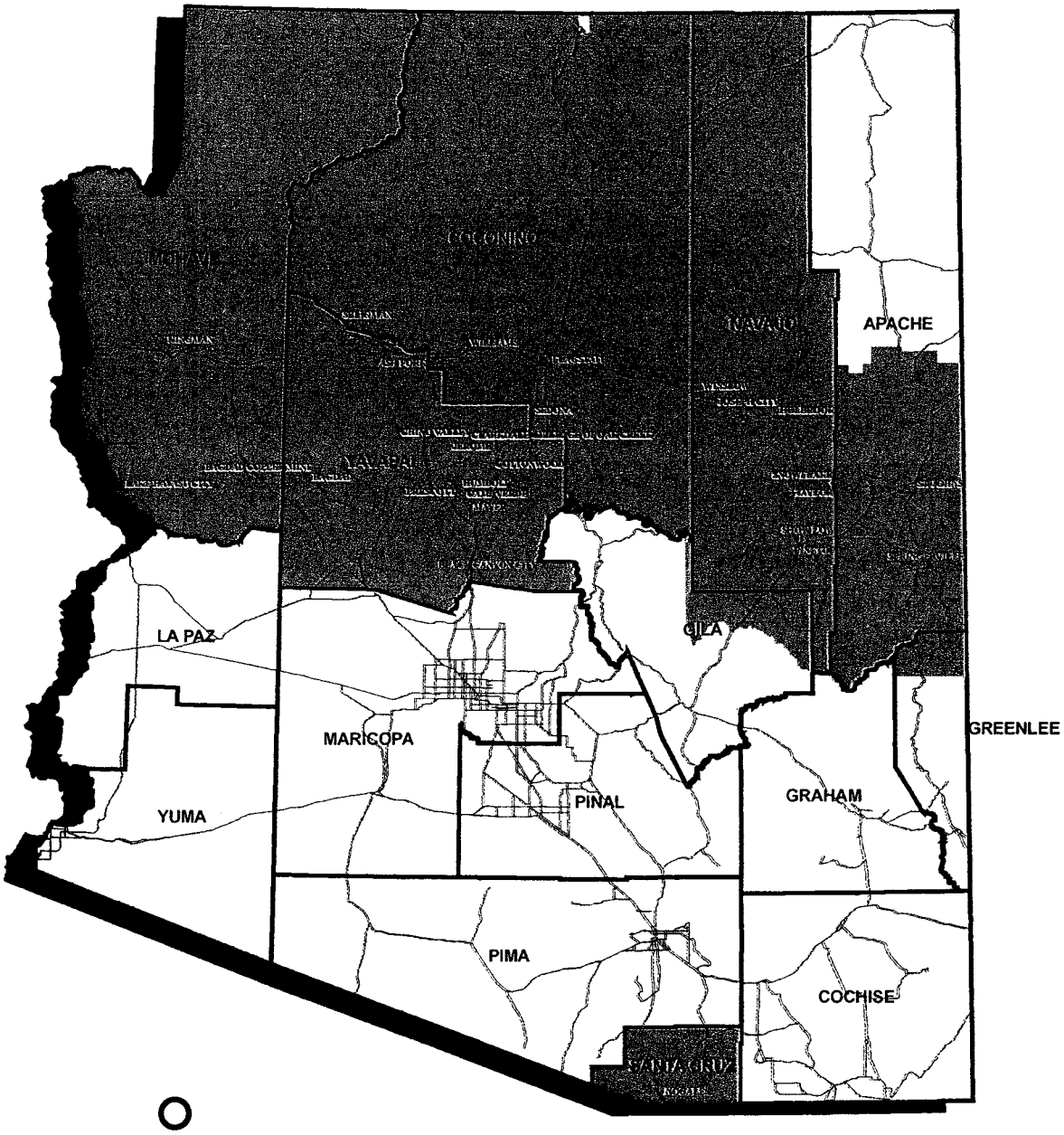
Q. Mr. Pignatelli, does this conclude your direct testimony?

A. Yes, it does.

EXHIBIT

JSP-1

UniSource Energy Services
Gas Service Areas



KEY TO FEATURES:

- Towns
- Service Areas
- Arizona Highways

UniSource Energy SERVICES

EXHIBIT
UNSG-2
Admitted

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
MIKE GLEASON- CHAIRMAN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	DOCKET NO. G-04204A-06-0463
IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. TO REVIEW AND REVISE ITS PURCHASED GAS ADJUSTOR.	DOCKET NO. G-04204A-06-0013
IN THE MATTER OF THE INQUIRY INTO THE PRUDENCE OF THE GAS PROCUREMENT PRACTICES OF UNS GAS, INC.	DOCKET NO. G-04204A-05-0831

Rebuttal Testimony of

James S. Pignatelli

on Behalf of

UNS Gas, Inc.

March 16, 2007

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I. INTRODUCTION.

Q. Please state your name and business address.

A. My name is James S. Pignatelli. My business address is One South Church Avenue, Tucson, Arizona, 85701.

Q. Are you the same James S. Pignatelli that filed Direct Testimony in this case?

A. Yes.

Q. What is the purpose of your Rebuttal Testimony?

A. The purpose of my testimony is to provide a general response to the Direct Testimony filed by the intervenors and specifically to the Direct Testimony filed on behalf of Commission Staff and the Residential Utility Consumer Office ("RUCO"). UNS Gas, Inc. ("UNS Gas") disagrees with several of the rate base and operating income adjustments Staff and/or RUCO recommended. Specifically, I take issue with the recommendations to exclude construction work in progress ("CWIP") from rate base. Also, UNS Gas does not agree that either Staff's or RUCO's cost of capital and rate of return recommendations is fair or reasonable. In light of the Arizona Court of Appeals decision regarding Chaparral City Water Company, UNS Gas is now recommending that the cost of capital be applied to the Company's fair value rate base. In addition, I summarize some of the differences the Company has with certain observations and recommendations the intervenors make about the Company's Demand Side Management ("DSM") programs, UNS Gas' purchased gas adjustor ("PGA"), and gas procurement practices. Further, UNS Gas strongly disagrees with Staff's and RUCO's rate design proposals. First, their rate design does not move UNS Gas sufficiently close to cost-based rates. Second, Staff's and RUCO's proposals will continue the subsidies from cold-weather climate customers – including low-income cold-weather climate customers

– to warm-weather climate customers. Finally, UNS Gas has provided substantial evidence to justify approval of its proposed Throughput Adjustment Mechanism ("TAM") that decouples the Company's dependence on natural gas consumption to meet its revenue requirement and allows it the opportunity to earn its authorized rate of return.

II. RATE BASE AND OPERATING INCOME ADJUSTMENTS.

Q. What is UNS Gas' general reaction to Staff's and RUCO's proposed adjustments?

A. I will provide general comments to some of the adjustments Staff and/or RUCO propose.

1. Construction Work in Progress ("CWIP").

Mr. Kentton C. Grant for UNS Gas specifically rebuts both Staff's and RUCO's recommendations to exclude CWIP from rate base. Including CWIP in rate base will help the Company maintain its financial integrity and UNS Gas provides ample evidence justifying its inclusion. There is no requirement that "extraordinary circumstances" must be shown to justify CWIP inclusion. Even so, Mr. Grant clearly explains how growth is causing UNS Gas to raise substantial sums of additional capital to fund the necessary plant investments to service that growth. Further, because natural gas prices are so volatile, UNS Gas is exposed to large gas deferral balances and customers using less natural gas. I have seen no evidence from Staff or RUCO rebutting the Company's evidence that growth causes these adverse impacts, and that regulatory lag is causing a net adverse impact on the Company. Mr. Grant shows that there will be an annual revenue deficiency of $1.2 million attributable to customer growth and plant investment during 2006. Mr. Grant also explains that, because the CWIP balance is composed of many short-lived construction projects, not including CWIP in rate base will hurt UNS Gas' earnings. Including CWIP will help UNS Gas' cash flow *and* its level of earnings. And requesting CWIP in rate base does not dampen the positive effects of the negative

acquisition adjustment to ratepayers established in Decision No. 66028 (July 3, 2003) approving the UniSource Energy Corporation ("UniSource") acquisition of the electric and gas assets formerly owned by Citizens Communications Company ("Citizens"). Customers are receiving the full benefit of the negative acquisition adjustment. UNS Gas provides more than substantial evidence as to why the Commission should approve including CWIP in rate base.

2. Geographic Information System ("GIS") Expenditures.

Both Staff and RUCO oppose the Company's proposed treatment of these expenditures. Based upon a directive from the Commission's Pipeline Safety Section to Citizens in 2002, the Company initiated locating and mapping into GPS all existing service lines. Mr. Dallas J. Dukes for UNS Gas explains that the Company had believed that this was a capital project, until the misclassification was corrected in the final quarter of the test year. But the fact remains that these costs are to ensure safe and reliable service to customers, and will benefit present and future customers. Neither Staff nor RUCO state that the expenditures are imprudent. The Company does not need an accounting order for the Commission to determine and grant rate base treatment and recovery as requested in this case. The Company believes it has provided substantial evidence warranting its requested rate base treatment and Mr. Dukes details that evidence in his Rebuttal Testimony.

3. Pre-acquisition gross plant and reducing Test-Year Accumulated Depreciation.

Ms. Karen G. Kissinger discusses these adjustments in detail in her Rebuttal Testimony. RUCO contends that UNS Gas did not substantiate plant additions made from October 29, 2002, through August 11, 2003 (*i.e.* from the date of the Acquisition Agreement to the date when the acquisition was completed.) Ms. Kissinger provides several exhibits in

her Rebuttal Testimony showing how UNS Gas maintained its records in accordance with the FERC Uniform System of Accounts ("USOA") or received approval for the final accounting for the acquisition of the former Citizens' electric and gas assets. Also, Ms. Kissinger notes that the Company provided in data responses the analyses and reconciliation for Plant in Service and CWIP from December 2001 through August 2003 received from Citizens, as well as monthly reports, fixed asset and depreciation files for UNS Gas. Combined audited financial statements for 2002 were provided in data responses substantiating the amounts RUCO questions.

Ms. Kissinger also provides a detailed analysis showing how the Commission implicitly accepted the depreciation rates the Company uses in this case. RUCO advocates using depreciation rates from Decision No. 58664 (June 16, 1994), which was a rate case for the gas assets then owned by Citizens. But while Decision No. 66028 -- and the Settlement Agreement approved by that decision -- do not specifically mention new depreciation rates, Ms. Kissinger shows that Exhibit B to that Agreement includes the new depreciation rates proposed originally in Citizen's request in its rate case filed in 2002. Based on that evidence, it is clear the depreciation rates UNS Gas uses here are the same rates used to calculate the revenue requirements that were approved in Decision No. 66028.

4. Compensation Adjustments.

Instead of looking at these programs as a net savings to customers, Staff and RUCO merely look at these programs as additional costs. That is inappropriate. Programs like UNS Gas' Performance Enhancement Plan ("PEP") are geared heavily toward providing benefits to customers and reducing costs to customers, while also promoting increased safety and customer service. Programs like the PEP motivate and encourage employees to be more efficient and improve performance. As Mr. Dallas J. Dukes explains in his

Rebuttal Testimony, the PEP is really "at risk compensation" and average PEP payouts are necessary to attract and retain employees. The term "Incentive Compensation" that Staff and RUCO use to describe these plans and programs is inaccurate. Similarly, UNS Gas also opposes disallowances to Officer's Long Term Incentive Program because those costs are a vital component to a competitive compensation program for Officers' total compensation. Mr. Dukes describes how the Company has a reasonable compensation program in order to keep valued executives to the benefit of customers. For the same reasons, the Company opposes Staff's treatment of its Deferred Compensation Plan. Finally, Mr. Dukes explains how Staff's and RUCO's adjustments to the Company's proposed Supplemental Executive Retirement Plan ("SERP") expenses are inappropriate.

5. Other Rate Base and Operating Income Adjustments.

Mr. Dukes discusses many other Staff and RUCO adjustments in his testimony and shows why the Company believes its requests are appropriate, or offers a modification to the Company's original position. Those areas include the following:

- Nonrecurring Severance Payment Expense.
- Legal Expense.
- Workers Compensation Expense.
- Membership and Industry Association Dues.
- Fleet Fuel Expense.
- Postage Expense.
- Corporate Cost Allocations.
- Bad Debts and Uncollectible Expense.
- Out-of-Period Expenses.
- Customer Service Costs.
- Rate Case Expense.

- So-called "Unnecessary" Expenses. I note that Gary A. Smith also provides Rebuttal Testimony on this subject. In short, the Company should not be required to provide specific documentation for every single item out of the hundreds of items under $50. Such a standard would be absurd and would require the Company to undergo a costly and burdensome process that would benefit no one. Even so, Mr. Smith provides ample description of how these expenses relate to performing leak surveys, safety audits, and training in operations, welding and emergency response – where personnel are on the road for significant periods of time. Further, RUCO also disallowed amounts directly related to preserving the safety of pipelines. To disallow these amounts would be unfair.

III. COST OF CAPITAL.

Q. What are the cost of capital recommendations from Staff and RUCO?

A. Staff recommends an overall cost of capital of 8.12%, based on a cost of equity of 10.0%, a cost of debt of 6.60% and the capital structure of 44.67% equity and 55.33% debt. RUCO recommends an overall cost of capital of 7.93%, based on a cost of equity of 9.64%, cost of debt of 6.23% and a hypothetical capital structure of 50% debt and 50% equity. Neither Staff's nor RUCO's recommendations are sufficient or reasonable.

Q. What was the Company's cost of capital recommendations in its Direct Testimony?

A. Mr. Kentton C. Grant for UNS Gas explained in his Direct Testimony the reasons that the Company's 8.80% cost of capital recommendation was just and reasonable. His conclusion was based on a cost of equity of 11.0%, a cost of debt of 6.60% and a hypothetical capital structure of 50% equity and 50% debt. The Company stands by its recommendations here. In his Rebuttal Testimony, Mr. Grant details the problems with both Staff's and RUCO's recommendations.

Q. Would you highlight some of those problems?

A. Certainly. Neither Staff nor RUCO account for the increased business risks faced by UNS Gas, nor do they account for the Company's need to raise substantial additional capital to fund the significant amount of growth occurring within UNS Gas' service territory. Also, neither Staff nor RUCO did any analysis on how their recommendations affect the Company's cash flow or earnings. While Arizona may be a fair value state, this does not mean factors like the Company's ability to attract capital or its financial integrity should be ignored. The Company is not proposing a new ratemaking methodology; rather, UNS Gas is requesting the Commission to look at these important factors within the regulatory framework established. The bottom line is that the Company will be at a competitive disadvantage when it comes to attracting capital compared to other gas distribution companies if either Staff's or RUCO recommendations are adopted.

Q. In light of the recent decision involving *Chaparral City Water Company*, is UNS Gas modifying its overall rate of return recommendation?

A. Yes. UNS Gas believes its cost of capital recommendation of 8.80% should be applied to fair value rate base. That is, UNS Gas' 8.80% cost of capital should also be its rate of return on its fair value rate base. But to the extent this calculation would result in a higher rate increase than originally proposed by the Company, UNS Gas would still propose to be limited to the original rate relief sought in the Company's rate application.

IV. DEMAND-SIDE MANAGEMENT ("DSM").

Q. Will an additional witness testify in response to Staff's Direct Testimony about DSM?

A. Yes. Ms. Denise A. Smith – who is the Director of Conservation and Renewable Programs at Tucson Electric Power Company ("TEP") – is providing Rebuttal Testimony on DSM issues. I will provide some general comments here.

Q. What are your general comments regarding Staff's Direct Testimony regarding DSM?

A. The Company is not opposed to many of Staff's recommendations on DSM. We are willing to abide by the following Staff recommendations:

- That UNS Gas will file detailed program proposals as soon as possible, even though the Company still plans joint implementation of some measures with UNS Electric, in order to achieve economies of scope and scale.
- That UNS Gas will file a portfolio plan and individual DSM program proposals for the programs the Company is recommending be implemented for UNS Gas customers.
- That UNS Gas continues to monitor and evaluate its DSM programs to make sure those programs are operating effectively. To do so, the Company is proposing a baseline study as a necessary component to assess the success level for each program.
- That UNS Gas provides more detailed information about how UNS Gas markets the Low-Income Weatherization ("LIW") program.

Having said that, the Company does have some concerns with, and recommends some modifications to, Staff's position.

Q. What changes is UNS Gas proposing?

A. First, the Company is concerned about Staff's emphasis on the Societal Cost Test to determine the cost-effectiveness of particular DSM programs. We do not believe that should be the only test used to evaluate programs. The Company has an obligation to balance costs to ratepayers and other economic concerns with environmental concerns. To do that, the Company believes several tests should be employed to evaluate DSM programs – including the Total Resource Cost Test and the Ratepayer Impact Measure. Ms. Smith will discuss these in more detail. Also, UNS Gas believes it can provide a more comprehensive report annually within 90 days after the end of each year. Staff is recommending reports be filed twice a year.

Q. What about Staff's proposed DSM Adjustor Mechanism?

A. While the Company agrees with the Staff's recommendation to utilize a DSM Adjustor Mechanism, we propose to include 50 percent of the funds estimated for new DSM programs and the cost of the LIW program in the DSM Adjustor Mechanism immediately upon the Commission rendering a decision in this case. UNS Gas is very close to implementing several programs and to not allow some recovery of these start-up costs precludes the Company from recovery for several months. So, instead of $0.00082 per therm, the Company proposes to recover $0.004148 per therm through the DSM Adjustor Mechanism when the Commission issues an order in this case.

V. UNS GAS' PGA AND GAS PROCUREMENT ISSUES.

Q. What is UNS Gas' response to Staff and RUCO's recommendations about the PGA?

A. Both Staff and RUCO disagreed that the bandwidth should be removed. We still believe that the bandwidth both prevents customers from receiving accurate price signals and increases the chances that large deferrals will occur in the PGA bank balance. Mr. David

Hutchens will detail this problem in his Rebuttal Testimony. But the Company can accept RUCO's recommendation to increase the bandwidth from $0.10 per therm to $0.20 per therm. Staff recommends only increasing the bandwidth to $0.15 per therm

Further, we understand and support Staff's rationale that no threshold for under-collected balances should trigger an application for a PGA surcharge. This will allow us the flexibility to seek more modest surcharges when needed. We can also abide by $10 million threshold for over-collections. With regards to the PGA bank interest rates, the volatility and one-directional nature of bank balances (*i.e.* those balances being constantly under-collected) has been different than what was originally envisioned. UNS Gas is merely asking to recover the actual borrowing rate for the PGA bank balance, and propose that this interest rate apply to both over- and under-collected balances.

Q. What is your reaction to Staff's recommendations about UNS Gas' Procurement Practices?

A. I am disappointed that Staff is recommending that UNS Gas' Price Stabilization Policy not be approved. As I emphasize in my Direct Testimony, we are trying to encourage active Staff participation before the fact, so that we can avoid trying to recreate circumstances that existed at the time of purchase which is very difficult to do with volatile and quickly-changing prices. In order to alleviate Staff's concerns, we are proposing to remove options with substantial cost for premiums. The Company also commits to continuing its detailed review of its Procurement Practices and providing this policy for the Commission's review and approval. We would re-urge our original request that the Commission approve its Price Stabilization Policy, for the reasons Mr. Hutchens further explains in his Rebuttal Testimony.

I am encouraged, however, that Staff found the Company's practices reasonable and prudent. But Staff was mistaken about some aspects of UNS Gas' procurement practices. For instance, UNS Gas' practices are significantly different from those of Citizens, because we acquire a portion of gas supplies 36 months in advance of actual deliveries. In addition, Mr. Hutchens also addresses portions of Staff witness George E. Wennerlyn's analysis, looking at prices UNS Gas paid versus the spot market prices. Mr. Hutchens shows that UNS Gas saved its customers $6.5 to $9 million through hedging in advance in accordance with UNS Gas' Price Stabilization Policy during the audited period (September 2003 through December 2005). Mr. Hutchens also provides testimony showing that using the 36-month purchasing strategy did not result in additional cost to the Company.

VI. RATE DESIGN AND LOW INCOME PROGRAMS.

Q. What is your response to the alternative rate design proposals?

A. I am not surprised that neither Staff nor RUCO fully endorse our proposed rate design. But I am surprised Staff and RUCO basically ignore the fact that under UNS Gas' current rate design, cold-weather customers – particularly high-use customers – subsidize warm-weather customers. There is no doubt that distribution costs are largely fixed costs, yet the bulk of these costs are recovered through volumetric rates. UNS Gas' proposed rate design sought to provide more rate stability to the Company. At the same time, the Company proposed seasonal rates so that cold-weather customers would not subsidize warm-weather customers to the degree that subsidization is occurring now. We also want to send significantly more accurate price signals through rates. Unfortunately, neither Staff's nor RUCO's proposals really get us significantly closer to sending accurate price signals. To these points, Mr. D. Bentley Erdwurm provides significant detail justifying the Company's proposed rate design in his Rebuttal Testimony.

Q. Why do you believe the Company's rate design proposal will not stifle conservation?

A. Because the cost of gas will still provide a strong incentive for customers to conserve. The current and projected price of natural gas ranges from 60 to 70 cents per therm. That price is reason enough to provide incentive to customers to conserve using natural gas whenever they can. And because the base cost of gas will be zero and because the entire cost of gas will be part of the Company's PGA, customers will realize what the true cost of natural gas is, and therefore better understand how their natural gas use directly affects their bills. In short, customers will very likely conserve due to the price and volatility of natural gas prices; the Company's rate design will not dampen this incentive. Neither Staff nor RUCO can show that a decrease of 12 cents per therm in the volumetric rate will halt or even slow down customers' incentive to conserve, when natural gas prices are between 60 to 70 cents per therm.

Q. Do you have any comments about Staff's testimony regarding the Customer Assistance Residential Energy Support ("CARES") program?

A. Yes. UNS Gas continues to believe that a flat monthly discount of $6.50 per month is preferable to maintaining the current discount of $0.15 per therm for the first 100 therms during the winter months. We further disagree with Staff's position that the incentive to conserve is removed by changing the discount, for reasons explained in Mr. Erdwurm's Rebuttal Testimony.

Q. Will the Company work towards expanding participation in the CARES programs to eligible customers?

A. Yes. Gary A. Smith discusses this in his Rebuttal Testimony.

Q. Miquelle Scheier, the witness for the Arizona Community Action Association ("ACAA"), describes ACAA's concerns about UNS Gas' proposals with regards to rate design and low income programs. Do you have a general response to her Direct Testimony?

A. Yes. Mr. Smith will discuss and respond to all of ACAA's concerns in his Rebuttal Testimony, but let me start out by saying that the Company is always willing to sit down with ACAA and try its best to address ACAA's concerns. That being said, the Company has proposed rates to best shield low-income customers while also designing rates to best give it the opportunity to recover its revenue requirement. The Company believes it struck that balance with its rate design. For many of ACAA's other concerns, the Company is not quite sure what ACAA is requesting and needs further clarification.

I was disturbed to learn of ACAA's accusations that UNS Gas is somehow referring customers to "predatory lenders" who charge additional fees. I believe Ms. Scheier to be mistaken. My understanding is that the Company has not encouraged customers to use pay day loan businesses to pay their bills. But the fact remains that some customers choose to do so nonetheless. The Company, however, covers bill payment fees for customers who pay in cash at payment locations so long as they are not near a UNS Gas facility. Mr. Gary Smith responds to this allegation in his Rebuttal Testimony.

VII. THROUGHPUT ADJUSTMENT MECHANISM ("TAM").

Q. Do you still believe that the Commission should approve the TAM?

A. Yes. If the Commission truly wants to encourage and support conservation of natural gas, then it must look at non-traditional means to break the link between customer's use of natural gas and the Company's ability to earn its rate of return being tied to the consumption of natural gas. Adopting a decoupling mechanism will promote energy

efficiency because the Company does not have to rely on customers using natural gas in order to have that opportunity to earn its return. Mr. Erdwurm provides further testimony on the TAM and why it should be approved.

Q. Are you personally aware of support for similar types of decoupling mechanisms from other organizations?

A. Yes. I know that the American Gas Association ("AGA"), the American Counsel for an Energy-Efficient Economy ("ACE[3]") and the Natural Resources Defense Council ("NRDC") issued a joint statement to the National Association of Regulatory Utility Commissioners ("NARUC") in 2004 supporting decoupling mechanisms like what UNS Gas proposes here. Further, NARUC issued a resolution on November 16, 2005, emboldening state commissions to consider decoupling mechanisms. I know decoupling mechanisms have been approved in several states. Mr. Erdwurm will provide more detail on this in his Rebuttal Testimony.

VIII. WITNESSES.

Q. Mr. Pignatelli, who are the witnesses providing Rebuttal Testimony for UNS Gas?

A. The witnesses who provided Direct Testimony who are also providing Rebuttal Testimony are as follows:

- Mr. David G. Hutchens.
- Mr. Kentton C. Grant.
- Mr. Dallas J. Dukes.
- Ms. Karen G. Kissinger.
- Mr. Gary A. Smith.

In addition, Ms. Denise A. Smith will provide Rebuttal Testimony regarding the Company's DSM programs. Finally, Mr. D. Bentley Erdwurm provides Rebuttal Testimony regarding rate design issues, the CARES program and the Company's proposed TAM and will adopt Mr. Tobin L. Voge's Direct Testimony in this case.

Q. Does that conclude your Rebuttal Testimony?

A. Yes it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
MIKE GLEASON- CHAIRMAN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

EXHIBIT
UNSG-3

IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	DOCKET NO. G-04204A-06-0463
IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. TO REVIEW AND REVISE ITS PURCHASE GAS ADJUSTOR.	DOCKET NO. G-04204A-06-0013
IN THE MATTER OF THE INQUIRY INTO THE PRUDENCE OF THE GAS PROCUREMENT PRACTICES OF UNS GAS, INC.	DOCKET NO. G-04204A-05-0831

Rejoinder Testimony of

James S. Pignatelli

on Behalf of

UNS Gas, Inc.

April 11, 2007

Q. Mr. Pignatelli, have you reviewed the Surrebuttal Testimony filed by the Commission Staff and Intervenors in this case?

A. Yes, I have.

Q. Mr. Pignatelli, please address why the Company discussed the recent Chaparral decision in its Rebuttal Testimony?

A. Our discussion was intended as a placeholder as issues surrounding the decision unfold. The decision provides guidance on the determination and utilization of fair value rate base in rate cases before the Commission. I believe how the Commission reacts to the decision may have an impact on how rates will be set in all future cases before the Commission. Accordingly, the Company raised the decision in this case.

Q. Mr. Pignatelli, on page 1 of her Surrebuttal Testimony, Ms. Scheier criticizes the Company for "sending customers to predatory lenders to meet their payment obligations." Do you have any response?

A. While I understand Ms. Scheier's Surrebuttal Testimony is an attempt to clarify ACAA's concern, her allegation of the Company's "irresponsibility" continues to suggest that, due to the availability of pay day loan services at some locations, the Company is somehow encouraging customers to enter into such loan agreements in order to pay their UNS Gas bills. As discussed in the Rebuttal and Rejoinder Testimonies of Gary Smith, this is simply not the case. Customers could make the decision to enter into such agreements even if UNS Gas retained all of its branch offices and the customer needed cash to pay his or her gas bill, or even if there were "ATM-like Kiosks" as Ms. Scheier suggests. The decision to close some branch offices and offer alternative locations for our cash paying customers was made in an effort to keep down costs for all of the Company's customers, including those low income customers for which Ms. Scheier testifies.

As for her confusion as to the treatment of additional fees, I am sorry that she was not aware of UNS Gas' practice in this regard. Again, UNS Gas pays any additional fee charged by payment locations as long as the customer does not have the option of paying at a nearby UNS Gas facility. The bill insert, provided in Mr. Smith's rebuttal testimony, that was sent to customers last year in anticipation of the lobby closures clearly outlined each location's payment options, including use of various cash-payment vendors and courtesy drop boxes for checks and money orders—both of which are available without a fee in these locations. Locations where lobbies remained open are listed on our website as having a fee apply when customers choose a cash agent instead of utilizing the customer lobby available to them.

Mr. Smith can provide additional information about the Company's payment options. UNS Gas strives to offer its customers as many payment options as possible, while at the same time, keeping down the costs that are ultimately paid by customers.

Q. Does this conclude your Rejoinder Testimony?

A. Yes.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
JEFF HATCH-MILLER- CHAIRMAN
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

EXHIBIT
tabbies
UNSG-4
admitted

IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	DOCKET NO. G-04204A-06-0463

Direct Testimony of

David G. Hutchens

on Behalf of

UNS Gas, Inc.

July 13, 2006

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Exhibit DGH-1 UNS Gas, Inc. Price Stabilization Policy

I. INTRODUCTION.

Q. Please state your name and business address.

A. My name is David G. Hutchens. My business address in One South Church Avenue, Tucson, Arizona 85701.

Q. By whom are you employed and in what capacity?

A. I am employed by Tucson Electric Power Company ("TEP"). My position is General Manager, Fuels and Wholesale Power. In this role, I oversee the wholesale fuel and power procurement, trading, marketing and risk management functions for TEP and its affiliates, UNS Electric, Inc. ("UNS Electric") and UNS Gas, Inc. ("UNS Gas" or the "Company").

Q. Please describe your education and experience.

A. I received a Bachelor of Science degree in Aerospace Engineering from the University of Arizona in 1988 and a Master of Business Administration degree from the University of Arizona's Eller Graduate School of Management in 1999.

I was commissioned into the United States Navy in 1988 and served as a Nuclear-Trained Submarine Line Officer until 1993. From 1993 to 1994, I worked as a Process Engineer for Alcatel Telecommunications Cable in Roanoke, Virginia. From 1994 to 1995, I worked as the Instrumentation and Control Team Leader for Magma Copper Company in San Manuel, Arizona.

I was hired by TEP in 1995 as an Analyst in Product Planning and Development. In 1996, I moved into TEP's Wholesale Marketing Department as an Energy Marketer/Trader. I was promoted to Supervisor of the area in 1999 and Manager in 2001. I was promoted to by current position of General Manager in 2003. In this role, I oversee the contracting and

procurement of coal and natural gas supply as well as the electricity supply, trading, risk management and marketing functions for TEP and its affiliates.

Q. What areas will you be discussing in your direct testimony?

A. In my direct testimony, I discuss: (i) UNS Gas' natural gas procurement and hedging policies; and (ii) recommended changes to the Purchase Gas Adjustor ("PGA") mechanism.

II. UNS GAS, INC. PRICE STABILIZATION POLICY.

Q. How does UNS Gas currently procure its natural gas supply?

A. UNS Gas currently has a full requirements agreement with BP Energy Company ("BP") to supply and schedule all of UNS Gas' natural gas needs (the "BP Agreement"). The BP Agreement was assigned to UNS Gas when it purchased the Arizona gas assets from Citizens Communications Company ("Citizens").

Q. How is the pricing of the natural gas determined pursuant to the BP Agreement?

A. The pricing of the natural gas supplied is fully dependent on how and when UNS Gas purchases the gas. The BP Agreement allows for UNS Gas to fix the price of any amount of its requirements ahead of time for delivery in future months. This allows UNS Gas to "hedge" a portion of its future prices. These fixed price hedges are made pursuant to UNS Gas' Price Stabilization Policy ("Price Stabilization Policy") discussed in more detail later in my testimony. The remaining amount of UNS Gas' natural gas requirements is priced using short term or spot market gas indices for the supply basin in which the gas is received. These indices include First of the Month ("FOM") Gas indices which reflect prices for delivery for the entire month and Daily indices which are based on prices for

daily gas delivery. Prior to the beginning of each month UNS Gas informs BP how much of its remaining forecasted gas requirements will be purchased based on these two indices.

Q. Besides BP supplying and scheduling UNS Gas' natural gas needs, what are other significant provisions of the BP Agreement?

A. BP also optimizes UNS Gas' transportation capacity by re-marketing the excess capacity to third parties. The profits from these activities are split 50/50 with UNS Gas. UNS Gas' portion is credited to purchased gas costs to reduce the natural gas and transportation costs passed on to its customers.

Q. Have there been changes to the BP Agreement since its assumption by UNS Gas?

A. Yes. There have been two major changes to the BP Agreement, both of which were the result of changes to the pipeline transportation contract between UNS Gas and El Paso Natural Gas ("EPNG") (the "EPNG Contract"). First, in 2003, the EPNG Contract was restructured by the Federal Energy Regulatory Commission ("FERC") from a full requirements contract to a contract with fixed monthly maximum contract quantities.[1] This meant that UNS Gas now had fixed and defined maximum amounts of gas transportation that could be taken in each month. This change also defined specific rights for supply basin receipts thus limiting UNS Gas' access to the cheaper gas from the San Juan basin. As a result of these changes, a small amount of natural gas supply during some months is subsequently supplied and priced out of the Permian basin.

Second, in 2006, strict new tariffs for EPNG took effect as part of EPNG's on-going rate case at FERC.[2] These tariffs include strict imbalance tolerances and penalties. Imbalance is the difference between how much gas is scheduled into the pipeline and how much is actually taken out of the pipeline, or used. Prior to this change, BP was responsible for

[1] See FERC Docket RP00-336.
[2] FERC Docket RP05-422.

forecasting UNS Gas' load and for all pipeline imbalance and billed UNS Gas based on actual usage. This provided that any mismatch between what BP scheduled and what UNS Gas actually used was managed completely by BP and UNS Gas simply paid for gas based on its actual usage. As a result of EPNG implementing these new imbalance tolerances and penalties, UNS Gas is now responsible for forecasting its load and the imbalance on the EPNG system and pays BP for gas on a scheduled basis.

Q. Do you expect more changes to the BP Agreement in the future?

A. Yes. The increased scheduling and penalty complexities implemented by EPNG in June, 2006 will greatly increase the amount of administration necessary to schedule UNS Gas' gas supply. This will cause increased administrative and scheduling costs to BP. This cost increase is coupled with a reduced amount of transportation capacity available for BP to optimize due to the increased need for capacity to avoid penalties. This will likely require changes to the BP Agreement or for UNS Gas to manage its gas scheduling internally.

Q. You mentioned that the BP Agreement allows UNS Gas to fix (or, in other words, hedge) the prices of future deliveries. Please provide an overview of UNS Gas' Price Stabilization Policy.

A. UNS Gas has a detailed hedging policy, the Price Stabilization Policy attached as Exhibit DGH-1, that requires UNS Gas to enter into fixed price volumes for portions of its estimated load in advance. The Price Stabilization Policy dictates that UNS Gas purchase fixed price volumes up to three years in advance in fixed monthly amounts. The minimum amount of gas that is hedged in this manner is 45% of the estimated monthly load. UNS Gas also has the flexibility to enter into additional fixed price hedges, subject to internal review. The remaining gas is priced in the short-term and spot gas markets as previously discussed.

Q. How often is UNS Gas' Price Stabilization Policy updated?

A. The Price Stabilization Policy is thoroughly reviewed and updated on an annual basis to take into account the changing natural gas market dynamics.

Q. What changes has UNS Gas made to this year's Price Stabilization Policy to address the changes in the natural gas market?

A. The increase in natural gas prices and volatility led to three changes in UNS Gas' Price Stabilization Policy for 2006.

First, UNS Gas increased the frequency of hedges to once per month from its previous practice of three times per year and made the corresponding reductions in fixed percentages to hedge the same amount per year. This change will help reduce the effect of short-term price variations in UNS Gas' overall portfolio of hedges by providing a more mechanistic "dollar cost averaging" approach. It should be noted that the previous approach served UNS Gas and its customers very well in 2005 by hedging the majority of the fixed volumes for the 2005-2006 winter before the prices started increasing rapidly later in the year. However, with volatility in the natural gas market as it is, UNS Gas believes it prudent to make these changes.

Second, UNS Gas has shifted to completing the minimum 45% hedge volumes to two months in advance of the delivery month. This will avoid the higher volatilities seen in the two months before delivery.

Third, in order to avoid fixing prices in the midst of the extreme volatility of natural gas prices during the height of hurricane season, UNS Gas is not required to make any hedges during the months of August through October. UNS Gas does, however, retain the

flexibility to make discretionary purchases during this period to take advantage of favorable market opportunities.

Q. What other changes in the natural gas market are affecting the way UNS Gas procures and hedges gas?

A. EPNG filed a rate case with significantly higher rates that went into effect January 1, 2006 (subject to refund) and new services that went into effect June 1, 2006. Besides the obvious price impact of the new rates for existing services and the cost of new services, the imbalance penalty provisions that EPNG is implementing will change the way UNS Gas must procure gas. Given the large variation of daily load in UNS Gas' service area and its desire to avoid imbalance penalties, UNS Gas expects to purchase a larger portion of its gas in the daily spot market. In order to remove the price risk associated with an increased reliance on the daily market, UNS Gas will need to employ financial hedging tools. UNS Gas has included simple types of these tools, such as fixed price swaps, in its current Price Stabilization Policy.

Q. Mr. Hutchens, do you believe that UNS Gas' procurement policies and practices are prudent?

A. Yes, I do. UNS Gas' procurement policies are prudent because:

1. UNS Gas utilizes a diversified portfolio approach to provide a mix of long-term, mid-term, short-term and spot market prices in its gas supply;

2. We have a thoroughly developed Price Stabilization Policy that provides a mechanistic dollar cost averaging approach to hedging long-term (greater than one year) and mid-term (greater than one month);

3. We utilize liquid market indices for determining the prices of short-term (monthly or First of the Month) and spot (daily) gas prices; and

4. We have thorough annual reviews of our Price Stabilization Policy and oversight from the highest levels of our organization through a Risk Management Committee.

Q. Mr. Hutchens, are you requesting that the Commission approve UNS Gas' Price Stabilization Policy as set forth in Exhibit DGH–1 to your testimony in this rate case?

A. Yes, we are. We believe that instead of the Commission attempting to second guess, after the fact, the individual acts that UNS Gas transacted in connection with gas procurement and hedging, it is more productive and beneficial to customers that the Commission review the policies and approve them prospectively. That way the Company will know the clear direction of the Commission and act accordingly. If the Company acts within the approved policies, its transactions will be conclusively prudent.

III. UNS GAS PGA MECHANISM.

Q. Please provide an overview of the problems caused by the current PGA mechanism.

A. The PGA no longer allows UNS Gas "to react to market fluctuations expediently in the regulatory environment in order to avoid severe impact on the Company's earnings and rate shock to the customers" as originally intended.[3] The current volatile natural gas market has exposed weaknesses in the PGA mechanism that cause significant delays in the recovery of gas costs incurred by UNS Gas. These delays severely impact the customer's ability to make informed consumption decisions that reflect actual costs. The delays also impact the Company's cash flows, which ultimately could have a negative effect on its earnings. Moreover, as bank balances are increased and surcharges imposed, it is inevitable that the Company's customers will see significant increases in their bills.

In order to avoid unintended negative consequences of the PGA, the existing mechanism must be modified to meet the specific circumstances in UNS Gas' service territory and the unprecedented price volatility in today's natural gas markets. The deficiencies existing in the current PGA mechanism include: (1) inappropriate price signals; (2) the potential for

[3] Citizens Utilities Co., Decision No. 58664 (June 16, 1994) at 64.

large bank balances to accumulate, recovery of which causes price fluctuation and rate shock; (3) below market interest allowed to be earned on the bank balance; (4) an inappropriately narrow bandwidth; and (5) the potentially adverse impact on UNS Gas' ability to devote capital to other necessary investments to serve its customers. Contributing to these problems is the volatile nature of the natural gas market. The current PGA mechanism was not designed to adequately cope with such volatility. Thus, it should be revised to correct these deficiencies.

Q. Summarize the changes you are recommending to UNS Gas' PGA mechanism in this rate case.

A. UNS Gas recommends that the Commission make the following revisions to the PGA:[4]

1. **Base Cost of Gas.** UNS Gas is recommending that there be no base cost of gas in its rates. Rather the base cost of gas should be rolled into the PGA rate.

2. **PGA Bandwidth.** The band should be eliminated, or in the alternative, increased to $.25 per therm for an interim period of time and then eliminated.

3. **PGA Bank Interest.** The interest earned on the PGA bank balance should reflect UNS Gas' actual cost of new debt, which is LIBOR[5] plus 1.5%. When the bank balance is greater than two times the threshold level, UNS Gas should earn its weighted average cost of capital as determined in this rate case.

4. **Bank Balance Thresholds.** The new threshold level for under-collected bank balances established in Decision No. 68325 ($6,240,000) should also be adopted as the threshold level for over-collected bank balances.

5. **Capital Structure.** To the extent the PGA bank balances result in long-term financing, that debt should be excluded from the cost of capital calculation in rate case proceedings.

6. **Surcharges.** When surcharges are required, the Commission should approve a surcharge large enough to eliminate the bank balance in a reasonable time period and allow for timely recovery.

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[4] The majority of these issues were raised by UNS Gas in Docket No. G-04204A-06-0013, "Application to Review and Revise Purchased Gas Adjustor" which also includes a detailed history on the PGA mechanism.

[5] "LIBOR" stands for "London Inter-Bank Offering Rate," and is a commonly used benchmark interest rate.

Q. Has UNS Gas made similar proposals before?

A. Yes, in its pending Application in Docket No. G-04204A-06-0013. We will be asking that docket be consolidated with this case. I adopt the Application in that docket as part of my Direct Testimony in this case, contingent upon the Commission granting our request for consolidation.

A. <u>Base cost of gas.</u>

Q. Please discuss UNS Gas' recommendation for its base cost of gas in this rate case?

A. UNS Gas is recommending that there be no base cost of gas in its rates. Rather, the entire cost of gas should be rolled into the PGA Rate. However, the PGA Rate would not include any PGA surcharge or surcredit. The new PGA Rate would be exactly the same as the combination of the base cost of gas and the former PGA Rate. In other words, it would equal the previous 12 months weighted average cost of gas.

Q. Why is UNS Gas proposing this change to the base cost of gas?

A. UNS Gas' customer bills currently include portions of total gas commodity costs in line items for the Basic Cost of Service (which includes the Base Cost of Gas and the Distribution Margin), the PGA Rate, and a PGA Surcharge or Surcredit, if applicable. UNS Gas is proposing this change to simplify its bill by making all the pass through commodity costs separate and distinct from the Distribution Margin and more clearly labeled such that customers can easily determine the commodity cost portion of their bills.

Q. What would be the new commodity cost billing rate components on UNS Gas bills?

A. UNS Gas bills would include the following two components: (i) the PGA Rate (the rolling 12 month average cost of gas); and (ii) the PGA surcharge or surcredit, if applicable. Thus, one line item on customer bills will include the commodity cost and one line will set forth

any surcharge or surcredit -- thus allowing customers to easily see the changing cost of gas component separate from the distribution component. A separate volumetric charge would remain to cover those fixed distribution costs not recovered by the fixed monthly charge.

Q. Is there any precedent for this recommendation?

A. Yes. In Southwest Gas Corporation's ("SWG") most recent rate case a similar recommendation was made by Staff and accepted by the Commission.[6] The Commission also approved a similar change in the recent Duncan Rural Services Corporation rate case.[7]

Q. How would the 12 month PGA Rate band be applied to this new gas cost structure?

A. As discussed more fully below, UNS Gas is recommending that no band be applied to how much the PGA Rate can change in 12 months. Upon implementation of the new PGA Rate structure, the PGA Rate will increase significantly as it absorbs the base cost of gas. Such appropriate increase would be artificially limited by any band that the Commission should apply. This could lead to drastic under recovery of gas costs if not addressed. To remedy this problem, UNS Gas recommends that no band be applied to changes to the PGA Rate. If the Commission ultimately decides a band is necessary, for the first 12 months after UNS Gas new rates go into effect, that band should apply to a comparison of the new monthly PGA Rate to the sum of the base cost of gas and the monthly PGA rate in prior months. A similar proposal was approved by the Commission in the SWG rate case that I previously mentioned.

[6] Decision No. 68487 (February 23, 2006).
[7] Decision No. 68599 (March 23, 2006).

B. **PGA bandwidth.**

Q. **Explain why UNS Gas is recommending elimination of the 12 month band on the PGA Rate.**

A. The purpose of the PGA is to allow UNS Gas to recover its gas costs in a reasonably timely fashion while smoothing out price fluctuations for customers. The primary means to smooth out prices is the 12-month rolling average feature of the PGA Rate. As an additional protection, the Commission added a "band" which further limits movement of the PGA Rate. The band was intended to come into play only in extraordinary circumstances, and not on a routine basis.

Contrary to the original intent of the band, it has come into play much more frequently than anticipated due to the significant increases in natural gas prices and the extreme volatility of those prices. Because it has come into effect so often, the band limit no longer acts as a price smoothing device. Instead, the band has completely severed the link between the cost of gas and the allowed recovery level such that no meaningful price signals are sent to customers. In other words, the band no longer just limits price volatility, it limits the PGA from reflecting fundamentally higher prices of gas. This causes the PGA to act like an "out-of-control credit card," piling up debt that the customers must pay off later. It is also equally important to recognize that in an environment of dropping commodity prices the absence of an artificial band allows the benefit of lower commodity costs to be passed on to customers sooner.

To eliminate undue financial risk for UNS Gas and its customers, and to send the proper price signals, the PGA band limit should be eliminated. This will allow the rolling average of the PGA to accurately reflect the true, long-term cost of gas while still using the 12-month rolling average to smooth out price fluctuations. UNS Gas submits that a band is

not a necessary component of a PGA. However, should the Commission believe that a band is necessary, the Commission must avoid setting the band at an inappropriate level. When the band is too narrow, it does not protect customers. Rather, it harms them by removing needed price signals and causing them to run up a huge debt because they do not know the true cost of gas they are consuming. It also harms UNS Gas, who must bear the burden of the bank balance until it is paid off. In sum, the current constrictive band of 10 cents should be eliminated, or in the alternative, increased to at least 25 cents, but only for an interim period of time and then eliminated.

C. PGA bank interest.

Q. What changes to the PGA Bank interest rate is UNS Gas requesting in this docket?

A. UNS Gas is requesting that it be allowed to recover one of two rates, depending on the size of the PGA bank balance. One rate would apply to bank balances below twice the PGA bank balance threshold (the threshold is currently $6.24 million) and one rate would apply to the PGA bank balance above twice the threshold.

Q. What is UNS Gas' recommendation for the interest rate on levels below twice the PGA bank balance threshold?

A. UNS Gas recommends that the interest earned on the levels below twice the PGA bank threshold should reflect UNS Gas' actual cost of new debt, which is LIBOR plus 1.5%.

Q. Why is UNS Gas recommending this change in the interest rate?

A. The PGA mechanism was not intended to create large bank balances; thus, the use of a 90-day interest rate. When bank balances did exceed the threshold, it was anticipated that surcharges would be approved that would promptly reduce the bank balances. In recent times, it has taken more than two years for some gas costs to be recovered through the PGA

surcharge. In such circumstances, it is critical to have an adequate interest rate for use in computing carrying charges on the bank balance, reflecting the significant unrecovered costs as well as the duration between cost incurrence and cost recovery.

Unfortunately, the applicability of the current interest rate is flawed, because it is not tailored to UNS Gas and it does not reflect UNS Gas' actual costs. The current rate – like the rest of the PGA – was set on a "generic" basis, rather than being tailored to each utility. Each utility is different, and the PGA for each utility should reflect these differences. The current interest rate does not take into account UNS Gas' actual cost of new debt. Moreover, the current interest rate (the three month commercial financial paper rate[8]) is well below the actual interest rate that UNS Gas must pay to borrow the funds needed to buy the gas required by its customers.

Under its revolving credit facility, UNS Gas pays interest at a rate of LIBOR plus a credit spread of 1.5%. Thus, when the PGA does not cover the cost of gas, UNS Gas borrows money at this rate to pay for the gas it buys for its customers. UNS Gas is only allowed to recover a lower interest rate on the PGA bank balance – the three month commercial financial paper rate. As of the end of May, LIBOR plus 1.5% is 6.03% while the three month non-financial commercial paper rate is 4.43%. For every dollar borrowed to fund the PGA bank balance, UNS Gas loses money as a result of the spread between interest paid and interest earned, even if the bank balance is ultimately paid off.

A PGA, when it is operating as it is intended to, provides the utility with no profit (and no losses) on the gas that it purchases for its customers. The utility at best only recovers its gas costs, dollar-for-dollar. UNS Gas potentially loses money on each sale because costs not currently recovered are deferred to a tracking account upon which interest is accrued at

[8]Decision No. 68600 (March 23, 2006).

a low rate. The inability to recover interest costs that UNS Gas is incurring is confiscatory and must be remedied.

Q. What is UNS Gas recommending for treatment of large PGA bank balances above twice the PGA bank threshold level?

A. When the actual PGA bank balance is greater than two times the Commission-approved threshold level, as has occurred under the existing PGA mechanism, it is clear that continuing to report the asset as "short-term" on the Company's balance sheet (meaning that it will be settled in its entirety within one year) is no longer appropriate. Instead, it should more correctly be considered working capital (similar to materials, supplies, plant and equipment) as it requires UNS Gas to commit longer-term investment capital. Therefore, UNS Gas should be allowed a carrying cost at a rate equal to UNS Gas' authorized weighted average cost of capital as determined in this proceeding.

D. <u>Bank balance thresholds.</u>

Q. What recommendations is UNS Gas making for the bank balance thresholds?

A. We are recommending that the new threshold level for under-collected bank balances established in Decision No. 68325 ($6,240,000) should also be adopted as the threshold level for over-collected bank balances.

Q. What is the rationale for this change to the over-collected bank balance threshold?

A. A requirement that applies to both a utility and its customers should be symmetrical. Symmetry demonstrates that the requirement was designed in a fair and even handed manner. The PGA threshold applies to both under-collected amounts (owed by customers) and over-collected amounts (owed by the utility). In order to be fair to both the ratepayers

and shareholders, symmetry should prevail, with the same threshold level applying to both under-collected and over-collected bank balances.

E. Capital Structure.

Q. What is UNS Gas proposing with respect to the impact of the PGA mechanism on UNS Gas' capital structure?

A. If the PGA mechanism results in UNS Gas accumulating significant PGA bank balances, additional debt financing will likely be required. This additional debt may impact the Company's capital structure and weighted cost of capital, thus altering the determination of revenue requirements in rate cases. Because the current PGA mechanism provides for the accrual of carrying charges on the monthly balance (notwithstanding the inadequacy of the current interest accrual rate as previously described), the PGA bank balance would not be includible in rate base for ratemaking, even though all long-term debt issues are normally reflected in capital structure. As a result, the computed overall rate of return to be applied to rate base would be artificially diminished, as would be the computed overall revenue requirement. UNS Gas respectfully requests that the Commission specifically find that any additional long-term debt issued solely to support the PGA bank balance be excluded from the determination of the cost of capital in this rate case and future UNS Gas rate case proceedings.

F. <u>Surcharges</u>.

Q. What is UNS Gas proposing with respect to the nature of the surcharge under the PGA mechanism?

A. When surcharges are required, the Commission should approve a surcharge large enough or a recovery period short enough, to eliminate the bank balance in a reasonable time period. This is important to ensure that customers who used the gas that resulted in the bank balance increase and surcharge will also pay the surcharge.

Q. Does this conclude your testimony?

A. Yes, it does.

EXHIBIT

DGH-1

UNS Gas, Inc. Price Stabilization Policy

Effective January 1, 2006

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1 Introduction

1.1 Purpose

The UNS Gas, Inc. Price Stabilization Policy addresses the procurement methodology that is to be employed to stabilize the price of natural gas through forward hedging activities.

1.2 Objectives

- Define hedge policy including purchasing mechanisms that can be used to support price stabilization.
- Define and monitor the line of authority, responsibility and accountability.
- Monitor hedge positions and provide periodic reports to Senior Management that details total hedge position.

2 Hedge Procedure

2.1 Overview

The intent of this hedge policy is to create price stability for UNS Gas ratepayers. Due to the recent high volatility in the natural gas markets, over-reliance on spot market purchasing could expose the ratepayer to extreme price fluctuations of natural gas. This exposure combined with the current PGA mechanism for purchased gas cost recovery can also expose UNS to mismatches in revenues and expenses and require frequent PGA adjustments to rectify. Some spot market purchasing is prudent and a portion of the portfolio will be purchased in that manner. Entering into fixed price forward gas purchases will be the primary strategy used by UNS to stabilize gas prices. To execute this strategy several tools will be employed such as forecasts of both demand and gas prices, price and calendar triggers and various purchasing mechanisms.

2.2 Hedge Strategy

2.2.1 Time Horizon

A mix of physical and physical gas acquisitions and their respective time horizons will be the basis for this hedge strategy. This mix will consist of:

- Monthly Purchases (near-term)
- Purchases Less than one year with Fixed Price Transactions (mid-term)
- Purchases Greater than one year with Fixed Price Transactions (long-term)

UNS Gas will begin purchasing for its gas requirements for any given month approximately three years in advance.

2.2.2 Non-Discretionary & Discretionary Purchases

Non-Discretionary Purchases: A target level of 45% of the Estimated Monthly Gas Load prices will be fixed two months prior to the beginning of each month. Non-discretionary purchases will be made utilizing monthly calendar triggers to insure this 45% minimum is met. Purchases will not be made in the months of August thru October due to the historical volatility added by hurricanes Analysis has shown that there are regular oscillations within price trends with a typical low point in the third week of each month. On or before the 20th of each month (the "trigger date"), purchases will be made to bring the total fixed price monthly volume (including discretionary purchases) up to at least the percentage in Appendix 1. The table represents purchasing 15% of the Estimated Gas Load each year so that at the end of 3 years the 45% minimum purchase goal will be realized if no other purchases were made. Monthly purchases should serve to dollar cost average the gas positions and optimize the purchase schedule. Trigger dates analysis will be an ongoing process to confirm their potential.

Discretionary Purchases: Discretionary purchases may be made in excess of the Non-Discretionary purchases. In general, these purchases are made with the intent of taking advantage of favorable purchasing opportunities and/or reducing the amount of exposure to spot market prices during periods of high volatility. Any purchase made beyond 36 months will be considered a discretionary purchase. Discretionary and Non-Discretionary purchases will not exceed 80% of the Estimated Monthly Gas Load (70% in March, April, October and November shoulder months) to allow room for index purchasing and act as a buffer for lower than normal load. All discretionary purchases must be approved by the following three members of the RMC; CFO, COO Energy Resources and COO UniSource Energy Services.

The Trader will prepare a documentation packet for each stabilization purchase (whether discretionary or non-discretionary) to memorialize the decision process for future reference.

2.2.3 Physical Supply Location

UNS Gas will hedge the majority of its gas requirements at the San Juan supply basin. All physical amounts hedged at San Juan will be within UNS Gas' pipeline allocation from San Juan. These allocation limits may change from time to time and will be updated in the UNS Gas Book with current volumes allowed to be hedged at San Juan. The remaining physical hedges will be made at the Permian basin utilizing UNS Gas' pipeline receipt points.

2.3 Hedge Tools

2.3.1 Estimated Load for Hedging Purposes

UNS Gas' Estimated Load will be based on the annual budget forecasted load. Changes in year over year forecasts should be integrated into the stabilization plan and adjustments made to stay within the percentages discussed in section 2.2.

Natural gas price forecasts will be based on fundamental indicators such as gas storage (both current and projected), temperature forecasts, gas production (both current and projected) and historic gas trends.

2.3.3 Purchasing Mechanisms

The following types of transactions will be used as the primary methods used to achieve price stabilization:

- Fixed price forward physical purchases at supply basins
- Daily swing purchases based on index prices

The following types of transactions will be used as secondary methods to achieve price stabilization:

- Natural gas call options, collars and swaps
- NYMEX Purchases
- Basis Trades to convert NYMEX to physical supply basin.
- Storage

Financial hedges such as swaps or calls should be used to hedge any percentages above the 60% target level but may not exceed the maximum allowable hedge levels. This will retain operational flexibility for physical gas flow variations while still providing price stabilization.

3 Authorized Transaction Characteristics

In order to control gas purchasing, the following section outlines the specific physical transactions which may be entered into without prior approval from the Risk Management Committee. Any transaction not specifically authorized in this section must be approved by the RMC and receive any other necessary internal approvals.

3.1 Authorized Transactions

The Fuel and Wholesale Power group is authorized to enter into the following physical transactions without prior authorization from the Risk Management Committee within the confines of all controls, limits, and policies. All other transactions must have the express consent of the Risk Manager, the VP responsible for Fuels and Wholesale Power and one other Risk Management Committee member.

- Forward Physical Fixed Price Purchases: Trader may purchase San Juan or Permian gas blocks for terms and volumes described in Section 2.2. Physical purchases of San Juan gas shall not

exceed the allowable basin percentage allotment discussed in section 2.2.3. Trader may also purchase NYMEX gas coupled with a San Juan Basis which sum to be the equivalent of San Juan Physical gas.

- Forward Financial Fixed Price Swap Purchases: Trader may purchase San Juan or Permian fixed for index gas swaps for terms and volumes described in Section 2.2. The index should be matched to the desired portion of index purchases to be hedged (either Daily or First of the Month).
- UNS Gas has a program called the Negotiated Sales Program. NSP customers are T-1 Transportation customers who can purchase gas from either UNS or the competitive market. The program allows UNS to sell these customers gas that is purchased on their behalf through UNS' supplier. The NSP Trader interacts with the NSP customers and UNS' key account managers to make forward purchases as requested by the customers. The customers may purchase NYMEX gas, basis or both for forward month deliveries. The NSP Trader will insure that the purchases made are entered into the customer's accounts for future pricing and will also ensure that the transaction is within the credit limit of the customer if necessary. Both the Risk Manager and NSP Trader will insure that UNS does not take on any risk from these transactions by only purchasing gas per the NSP customer requests and insuring all costs are passed directly on to the NSP customer.

4 Transaction Responsibility Assignments

4.1 Stabilization Purchase Execution

A purchase recommendation will be made to the Risk Manager by the Energy Trader responsible for UNS Gas Hedging for all purchases. Upon approval, the trader will place an order (market or limit) with the purchasing agent and consummate if the trigger is subsequently reached. An electronic confirmation will be generated by the purchasing agent and sent to the Energy Trader for filing. A trade ticket will be filled out by the trader with copies routed to the Risk Manager and Risk Controller.

Abbreviations are as follows:

T	- Trader	RM	- Risk Manager
RC	- Risk Controller	A	- Accounting/Billing
FA	- Fuels Analyst		

1) Transaction Activities

a)	Execute trade	T
b)	Designate Accounting Treatment	T
c)	Complete trade ticket	T
d)	Enter transaction information in risk management system	T
e)	Ensure transaction is within limits	T, RM
f)	Memorialization/Documentation	T

2) Contract Administration

a) Maintain customer trading and scheduling information	T,FA
b) Maintain customer billing information	A
c) Write and route transaction agreements	T
d) Maintain copies of executed transaction agreements	T

3) Transaction Compliance

a) Ensure proper recording of transactions	RM
b) Reconcile confirmation to trade ticket	RC
c) Reconcile transaction agreement to confirmation	T, RC
d) Reconcile confirmation to system data input and lock trade	RC
e) Deliver executed transaction agreement to counterparty	T
f) Ensure that designated hedge volume is within forecast	RM

5) Transaction Settlement

a) Reconcile gas invoices	A
c) Initiate payment	A
d) Ensure appropriate accounting and tax treatments	A
e) Monitor and report late payment and nonpayment	A

6) Position Control

a) Gather and input forward price curves	T
b) Validate forward price curves	RC
c) Perform monthly portfolio review	RM
d) Prepare and distribute periodic valuation reports	RM
e) Perform credit risk measurement	RC
f) Prepare and distribute periodic credit risk reports	RC
g) Perform market risk measurement	RM
h) Track GAAP and SEC compliance	RC, A
i) Monitor and report violation of authorities, limits and policies	RM, RC

4.2 NSP Purchase Execution

A purchase order will be requested by a NSP customer to the NSP Trader. The NSP Trader will enter into the transaction on the customer's behalf and notify the customer of the exact price and terms. The Administrator will fill out a trade ticket and route copies to the Key Account Manager for NSP's and Energy Settlements and Billing. A copy of the trade ticket will be maintained for the records.

Abbreviations are as follows:

NT - NSP Trader RM - Risk Manager
A - Accounting/Billing

1) Transaction Activities

a) Execute trade	NT

b) Ensure transaction is within customer credit limit	NT
c) Enter transaction information into NSP book	T
2) Contract Administration	
a) Maintain customer trading and scheduling information	NT
b) Maintain customer billing information	A
c) Write and route transaction agreements	NT
d) Maintain copies of executed transaction agreements	NT
3) Transaction Compliance	
a) Ensure proper recording of transactions	RM
b) Reconcile confirmation to trade ticket	RC
4) Transaction Settlement	
a) Reconcile gas invoices	A
b) Initiate payment	A
c) Ensure appropriate accounting and tax treatments	A
d) Monitor and report late payment and nonpayment	A
5) Monitoring	
a) Perform periodic NSP reports	NT
b) Notify RM of NSP issues	NT

4.3 Signing Authorities

Transaction agreements for authorized transactions may be signed by the Risk Manager or any member of the RMC. All other agreements must be signed by the CFO or COO of Energy Resources.

4.4 Risk Policy Acknowledgement

The Risk Manager, Risk Controller and each Authorized Trader listed on Exhibit A will sign a copy of Exhibit B, "UNS Gas Hedge Policy Acknowledgement Form". These forms must be filled out for each new revision of this Policy. The Risk Manager will maintain a record of the signed exhibits.

5 Management Reporting Requirements

5.1 Overview of Management Reporting

Accurate and timely information is crucial to the control and management of risk. All Risk Management Committee members, therefore, will receive a comprehensive set of reports on a monthly basis of the business unit's risk profile and performance and updates of trading positions and limits. For the months when a quarterly Risk Management Committee meeting is scheduled, the reports will be distributed prior to the meeting together with written explanation of the major movements, along with the meeting agenda.

The RMC report should be sufficient to provide adequate information to judge the changing nature of the risk profile and the business unit's performance. All RMC members will be trained on the significance and understanding of all reports.

5.1.1 Key Market and Credit Risk Reports

The following is a listing of selected high level reports appropriate for the Risk Management Committee related to this gas stabilization policy.

Gas Hedging Reports

- Current Hedges—Report of current gas hedges including percent of estimated monthly volume hedged, hedged prices, product types and current mark-to-market of hedges.
- Stress market scenario analysis and effect on the PGA bank;
- Policy exceptions--description of exceptions with recommendations as to corrective action required;
- New transactions.

Exhibit A.

Authorized Stabilization Trader
Michael Bowling
Ramondo Robey

Authorized NSP Trader
Craig Lipke

Exhibit B.

UNS Gas Hedging Policy Acknowledgement Form

I acknowledge that I have read UNS Gas, Inc. Price Stabilization Policy dated _____ and I agree to comply fully with the parameters outlined. I understand that willful violation of limits set within these Policies may result in disciplinary action.

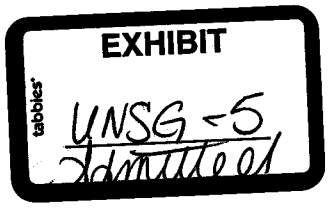
_____ _____

(Signature) (Date)

_____

(Print Name)

BEFORE THE ARIZONA CORPORATION COMMISSION



COMMISSIONERS
MIKE GLEASON - CHAIRMAN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	DOCKET NO. G-04204A-06-0463
IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. TO REVIEW AND REVISE ITS PURCHASED GAS ADJUSTOR.	DOCKET NO. G-04204A-06-0013
IN THE MATTER OF THE INQUIRY INTO THE PRUDENCE OF THE GAS PROCUREMENT PRACTICES OF UNS GAS, INC.	DOCKET NO. G-04204A-05-0831

Rebuttal Testimony of

David G. Hutchens

on Behalf of

UNS Gas, Inc.

March 16, 2007

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I. INTRODUCTION.

Q. Please state your name and business address.

A. My name is David G. Hutchens. My business address is One South Church Avenue, Tucson, Arizona, 85701.

Q. Are you the same David G. Hutchens that filed Direct Testimony in this case?

A. Yes.

Q. Have you reviewed the Direct Testimony filed by the Commission Staff and Intervenors in this case?

A. Yes, I have.

Q. Which Commission Staff and/or Intervenor Direct Testimony will you be addressing in your Rebuttal Testimony?

A. In my Rebuttal Testimony, I will be addressing; 1) portions of Mr. Robert Gray's Direct Testimony for Commission Staff and Ms. Marylee Diaz Cortez's Direct Testimony for Residential Utility Consumer Office ("RUCO") on the Company's proposed changes to its purchased gas adjustor ("PGA") Mechanism; 2) Mr. George E. Wennerlyn's Direct Testimony for Commission Staff on the benefits of UNS Gas' Price Stabilization Policy; and 3) Mr. Jerry E. Mendl's Direct Testimony for Commission Staff on the various comparisons of UNS Gas' Price Stabilization Policy versus other methods and timing, as well as his recommendation that the Commission not formally adopt UNS Gas' Price Stabilization Policy.

II. THE PGA MECHANISM.

Q. Please provide an overview of the Intervenors Direct Testimony on UNS Gas' proposal to set the base cost of natural gas to zero.

A. Mr. Gray and Ms. Diaz Cortez both agree with the Company's recommendation to set the base cost of gas at zero with a few caveats relating to customer education and transition.

Q. Please provide your response to Mr. Gray's and Ms. Diaz Cortez's Testimony.

A. The Company agrees to provide customer education and transition provisions as Mr. Gray sets forth in his Direct Testimony. I note that these are the same provisions that the Commission approved for Southwest Gas Corporation in its last rate case – Decision No. 68487 (February 23, 2006).

Q. Please provide an overview of the Intervenors' Direct Testimony on UNS Gas' proposed elimination of the PGA Bandwidth?

A. Mr. Gray for Staff states in his Direct Testimony, at page 7, lines 19 through 21, that he "believes that some movement to a wider bandwidth is warranted, but that UNS' proposal to eliminate the bandwidth or expand it to $0.25 per therm is moving too far." Staff recommends that the PGA Bandwidth be expanded from the current $0.10 per therm to $0.15 per therm. Ms. Diaz Cortez for RUCO also does not support elimination of the PGA Bandwidth, but recommends doubling the bandwidth to $0.20 per therm.

Q. What is your response to Staff's and RUCO's Testimony on the PGA Bandwidth?

A. While both provide some relief to the issue presented by the Company, UNS Gas still believes that eliminating the PGA Bandwidth is still the best long-term solution given the current PGA Mechanism structure. The PGA Mechanism already mitigates significant month to month movement in the PGA Rate by using a 12-month rolling average of gas

costs to set the rate. This often creates a lag on collecting actual gas costs. Any bandwidth restriction only exacerbates the issue of large deferrals going into a large bank balance. When the bandwidth is met, the PGA Rate is limited from responding to the higher gas costs and these costs are then accumulated in the bank balance for future recovery from customers. At this point, the bandwidth creates a larger disconnect between the gas costs that the Company actually has incurred and/or is incurring, and what customers are paying through their bills. So, customers are *not* receiving accurate price signals needed to modify their gas consumption, and are deferring much of the actual costs that they will eventually have to pay, or future customers will have to pay, through a surcharge.

Q. Have other utilities under this Commission's jurisdiction received significant PGA Bandwidth increases?

A. Yes. In Decision No. 68599 (March 23, 2006) the Commission approved a PGA Bandwidth for Duncan Rural Services Corporation ("Duncan") that can change up to $0.10 per therm *per month*, in essence providing the opportunity for the PGA Rate to change up to *$1.20 per therm per year*.

Q. Does this change the Company's position on eliminating the PGA Bandwidth?

A. No. To the contrary, it supports it. Duncan's band is 12 times the current UNS Gas band and still six times that proposed by RUCO. For all practical purposes, Duncan's wide band is equivalent to removing it altogether.

Q. Given Staff's and RUCO's Testimony on the PGA Bandwidth, can you see any common ground with the Company's proposal?

A. Yes. Given that Mr. Gray stated in his Direct Testimony at page 8, lines 1-2, that "Staff remains open to consideration of further changes to the PGA Mechanism in the future, as

may be warranted", the Company believes RUCO's $0.20 per therm PGA bandwidth recommendation represents a reasonable compromise. The Company would also propose that the Commission look at wholesale changes to the PGA Mechanisms to provide more clear and prompt price signals to natural gas consumers.

Q. Please provide an overview of the Intervenors' Direct Testimony on UNS Gas' proposed change to the PGA Bank Balance Threshold?

A. Staff recommends eliminating the under-collected balance threshold and setting the over-collected threshold at $10 million. RUCO agrees with the Company's proposal to make the under-collected and over-collected thresholds symmetric at $6.24 million.

Q. Do you see any issues with eliminating the under-collection threshold as proposed by Staff?

A. No, not when taken in the context of Staff's entire testimony on the matter. Mr. Gray for Staff acknowledges at page 9, lines 8-9, the flexibility currently afforded the Company in the existing mechanism in practice. He states "LDC's have always had the flexibility to file for a PGA Surcharge (or credit) at any time as they see fit." This same flexibility is provided if the under-collection threshold is eliminated. Mr. Gray states – at page 10 at lines 12-16, in his Direct Testimony – that "[elimination] of the threshold on under-collections would, in essence, provide the utility with the discretion to apply for a PGA surcharge when it believes such an action is warranted, while also providing the flexibility for UNS to avoid such an action if the Company believes changing market conditions do not require such a filing." In other words, because the Company already has the discretion to file for a surcharge whenever it sees fit, the Company believes that Mr. Gray is reflecting that fact by simply recommending that the under-collected threshold be eliminated. The Company has no problem with that recommendation.

Q. Does the Company have any concerns with the $10 Million threshold on over-collections?

A. No. While the Company proposed lower, symmetric thresholds for over and under-collections in this case, Staff's explanation of the merits of maintaining some, larger over-collection threshold is well reasoned.

Q. Please provide an overview of the Intervenors' Direct Testimony on UNS Gas' proposed PGA Bank interest rates?

A. RUCO recommends using UNS' proposed interest rate of LIBOR plus 1.5% for the bank balance. Staff recommends retaining the existing interest rate that is applied to UNS' PGA Bank Balance (*i.e.* the monthly three-month commercial financial paper rate), or in the alternative using the one-year nominal Treasury constant maturities rate. Neither party agrees with the Company's proposal of using its weighted average cost of capital ("WACC") when the balance exceeds two times its $6.24 million threshold.

Q. Does the Company propose any change to its filed PGA bank interest rate?

A. Yes. Subsequent to its rate filing, the Company was able to lower the interest rate on its short-term revolving credit facility to LIBOR plus 1%. It is this rate that we would now propose be used for the PGA bank balance.

Q. Did Staff have issue with the LIBOR-based rate?

A. Yes. Staff states that the interest rates applied to PGA bank balances were never meant to reflect the LDC's expected costs of borrowing.

Q. Do you have any comments on this view?

A. Yes. While the interest rates may not have been historically designed to reflect the LDC's expected costs of borrowing, the size, duration, and one-directional nature of bank balances that the LDC's have seen over the last several years were likely not envisioned at the time the PGA mechanism was developed. It was anticipated that the bank balance would fluctuate around zero with no significant mismatch in over- and under-recovery periods. Therefore, any mismatch that did occur would be insignificant. In order to prevent the LDC from incurring costs that it cannot recover, the interest rate on the bank balance should reflect its cost of borrowing.

Q. Would the LIBOR-based apply to both over- and under-collected balances?

A. Yes. The Company would credit the bank balance at this same rate providing this higher benefit to customers for over-recovered balances. This makes it completely fair and balanced and aligns Company and customer interests for a bank balance that oscillates around zero.

III. PROCUREMENT PRACTICES.

Q. Please provide an overview of your rebuttal on the procurement practice submitted by Staff witnesses George E. Wennerlyn and Jerry E. Mendl?

A. While both Mr. Wennerlyn and Mr. Mendl find the Company's procurement practices reasonable and prudent, I would like to make a few clarifications and comments on their analyses and recommendations. I also address Mr. Mendl's recommendation that the Commission not approve UNS Gas' Price Stabilization Policy.

Q. Is Mr. Wennerlyn's correct in his belief that UNS Gas' gas purchasing practices are similar to Citizen Communications Company's ("Citizens") practices?

A. No. Mr. Wennerlyn states in his Direct Testimony at page 7, lines 7 to 9, that "Citizens' gas purchasing practices were similar to those followed by UNS Gas after the acquisition. Both had a plan to begin acquiring a portion of required gas supplies 36 months in advance of actual deliveries." This was not the case. Citizens only started acquiring gas supplies 12 months in advance of actual deliveries. Immediately after the acquisition of Citizens' gas assets, UNS Gas revamped the Citizens Stabilization Policy and incorporated it into the UniSource Energy's Risk Control Policies. This incorporation included adopting UniSource Energy's strict transactional controls and administrative oversight and putting the policy under the purview of its Risk Management Committee. More substantially, the new policy required starting acquiring gas supplies 36 months in advance of actual deliveries.

Q. Do you have any comments about Mr. Wennerlyn's comparison of UNS' Weighted Average Cost of Gas ("WACOG") vs. Market WACOG that he provides on page 9 of his Direct Testimony?

A. Yes. In Exhibit GEW-2 Mr. Wennerlyn's "Retail Purchase Volumes" excludes pipeline fuel and is therefore actually a "city-gate" delivered volumes. This approach overstates the "Retail Commodity Only" price on GEW-2 and thus understates the savings of UNS Gas' procurement practices. The "Retail Purchase Volumes" must be corrected to make its purchase costs and volumes both reflect "point of purchase." This is required in order to make a valid comparison to Mr. Wennerlyn's Market WACOG, which is also based on "point of purchase." When that is done, the savings increase from about $316,000 to over $6 million as I demonstrate in Exhibit DGH-2. In addition, although Mr. Wennerlyn's comparison of UNS Gas' total average WACOG versus a First of the Month ("FOM") index is a good barometer for procurement performance, it does not

reflect a truly accurate benchmark. This is because UNS Gas' requirements cannot all be purchased at FOM prices as purchases need to be made in the daily market to account for daily load variation.

Q. How much were UNS Gas' Price Stabilization purchases above or below the spot market prices?

A. When the volume weighted hedge purchases that UNS Gas made under its Price Stabilization Policy are compared to FOM index pricing UNS Gas has saved approximately $6.5 million during the audited period (September 2003 through December 2005). These same purchases resulted in approximately $9 million of savings when compared to the spot market Gas Daily Index. These comparisons are shown in Exhibit DGH-3. No matter which index benchmark is used for comparison, it is clear that hedging in advance in accordance with UNS Gas Price Stabilization Policy during the audited period saved UNS Gas customers between $6.5 and $9 million.

Q. Would you agree with Mr. Wennerlyn's conclusion that there was a "cost" to the 36-month purchasing strategy?

A. Not in this specific instance. While generally you would expect some cost associated with hedging, UNS Gas' Stabilization Policy purchases resulted in substantial savings compared to the FOM and daily spot indices. Moreover, when you compare UNS Gas' 36-month advance purchase strategy to Citizens' 12-month advance purchase policy, UNS Gas saved a substantial amount because during the September 2003 to December 2005 period markets were trending upward. For example, purchases made in 2004 for delivery in December of 2005 were due to the 36-month methodology. Had a 12-month methodology continued to be employed then the average purchase price of December 2005 hedged volumes would have been closer to the cost of 2005 purchases ($8.21) than the final average hedged price of $6.26. The fixed price hedges for December would

have then cost UNS Gas approximately $2 million dollars more if Citizens methodology were used.

Q. Please explain your understanding of what the table on page 12 of Mr. Mendl's Direct Testimony?

A. My understanding is that Mr. Mendl's table shows the distribution of gas hedges purchased from September 2003 through December 2005 that were for delivery in that same period. Each column sums to 100% to show how all purchases made during this period compare to the total hedged volume for the period.

On Mr. Mendl's table, all purchases range from 1% to 9% except for three purchases which range from 17% to 24%. These three purchases were executed in 2004 and were larger than normal due to make up purchases required for 2005 to transition from Citizen's 12-month forward purchase schedule to the UNS Gas 36-month forward purchase schedule. The 1% to 9% range was driven by two main factors:

1. Percentages vary due to changes to the annual forecast from one year to the next.
2. Taking discretionary purchases into consideration as mentioned by Mr. Mendl.

Q. Please explain why you disagree with Mr. Mendl's recommendation that the Commission should not approve UNS Gas' Price Stabilization Policy?

A. Mr. Mendl lists several reasons why the Policy should not be adopted by the Commission. I will address these reasons individually.

Q. Please address Mr. Mendl's concern that the Policy would allow UNS Gas to stabilize prices using options and collars which could add to the cost without commensurate benefit to the ratepayer.

A. This concern is unfounded. First, UNS Gas has never used these instruments and only has them as secondary hedging mechanisms to maintain the flexibility in its hedging instruments. Second, as Mr. Mendl points out, these options *could* incur substantial costs for premiums but do not necessarily do so. Mr. Mendl seems to portray all options with the same broad brush when some instruments, such as costless collars, do not require any premium payment.

Q. Is there a solution to eliminate Mr. Mendl's concern that approval of the Policy would give some presumption of prudence for options that could incur these substantial costs/premiums?

A. Yes. The Company would agree to remove these types of options from its Policy until a time when the use of these instruments has been fully vetted by stakeholders and approved by the Commission.

Q. Please address Mr. Mendl's concern that approval of the Policy would put the Company on "autopilot" and not continually review its purchasing strategy.

A. This is both inconsistent with the Company's behavior and the Policy itself. The UniSource Energy Corporation Energy Risk Control Policies Manual requires its Risk Management Committee to review and approve its policies (including UNS Gas Price Stabilization Policy) at least annually and more frequently as changes are required. This requirement is also part of the UniSource Energy Risk Management Committee Charter. Further, on pages 5 to 6 of my Direct Testimony I describe the annual review requirement. In practice, the Company has been very active in changing its Policy to react to changing market conditions – including the complete revamping of the Citizens'

Policy in 2004 and the changes made for 2006 as explained in detail on page 5 of my Direct Testimony. The Company is committed to continuing this level of detailed, active review of its purchasing strategies whether or not the Policy is approved by the Commission.

Q. Do you have any other comments related to approval of the Stabilization Policy?

A. Yes. First, UNS Gas is committed to providing its annual updated Stabilization Policy to the Commission for review and approval. Attached as Exhibit DGH-4 is the reviewed and approved 2007 Policy. The changes from the 2006 Policy are administrative in nature including names and title changes and the correction Mr. Mendl mentioned in his Direct Testimony at page 21 on lines 8 through 17.

Q. Do you have any comments relating to Mr. Mendl's reference to the Sierra Pacific order?

A. Yes. First, as described above, UNS' Policy provides for annual reviews to address evolving market conditions. Second, Mr. Mendl's recommendation on page 24, line 20 of his Direct Testimony that "changes in market conditions would invalidate the approval" is exactly the type of vague hindsight review that the Company is trying to avoid with Commission approval of its Policy. The Company is committing to annual reviews and receiving input from the Commission, its Staff and other stakeholders to ensure the Policy meets the interests of all parties. The Company does not make any profit on the gas it purchases and always has the interests of its customers in mind to secure fairly priced, reliable gas supplies. It would not be acceptable for the Company to implement a procurement policy that could later be second-guessed due to something as vague as "changes in market conditions."

Q. Does this conclude your Rebuttal Testimony?

A. Yes it does.

EXHIBIT

DGH-2

UNS Gas - Monthly WACOG Calculation

Source: from Monthly filed PGA reports and Data Requests BG 3.1 through BG 3.5, and BG 4.1, 4.2, 4.11, and 4.13
Note: "Retail" here means the gas cost for a retail customer, at the point of purchase. It does not signify cost at either the city-gate or the burnertip.

		From PGA monthly reports			From Supply Basin Mix Report:			Basin Market Price (first of the month) Comparisons to UNS Retail Price:						Results:		
Month	Year	Retail Commodity Only Gas Cost	Retail Purchase Volumes Dths @ Purch Pt	Retail Commodity Only $/Dth	FOM SanJuan Volumes	FOM Permian Volumes	FOM Waha Volumes	San Juan FOM Price	Permian FOM Price	Waha FOM Price	Market WACOG FOM Price	Variance Retail above Market ($ per dth)	Variance Retail above Market (%)	Monthly Variance Retail Commodity above Market	To-date Retail Commodity above Market Commodity	Annual To-date Retail Commodity above Market Commodity
											(Basin weighted)					
Sep	2003	$ 1,685,734	350,095	$ 4.82	100.0%	0.0%	0.0%	$ 4.44	$ 4.77	$ -	$ 4.44	$ 0.38	8.4%	$ 131,312	$ 131,312	$ 131,312
Oct	2003	$ 2,383,376	496,283	$ 4.80	100.0%	0.0%	0.0%	$ 3.95	$ 4.14	$ -	$ 3.95	$ 0.85	21.6%	$ 423,058	$ 554,370	$ 554,370
Nov	2003	$ 6,160,289	1,404,094	$ 4.39	100.0%	0.0%	0.0%	$ 3.96	$ 4.07	$ -	$ 3.96	$ 0.43	10.8%	$ 600,077	$ 1,154,447	$ 1,154,447
Dec	2003	$ 8,691,238	1,856,765	$ 4.68	100.0%	0.0%	0.0%	$ 4.23	$ 4.36	$ -	$ 4.23	$ 0.45	10.7%	$ 837,122	$ 1,991,569	$ 1,991,569
Jan	2004	$ 10,304,726	2,006,237	$ 5.14	99.4%	0.6%	0.0%	$ 5.13	$ 5.40	$ -	$ 5.13	$ 0.00	0.1%	$ 9,597	$ 2,001,166	$ 9,597
Feb	2004	$ 9,375,716	1,880,716	$ 4.99	99.6%	0.4%	0.0%	$ 5.01	$ 5.13	$ -	$ 5.01	$ (0.03)	-0.5%	$ (47,635)	$ 1,953,531	$ (38,039)
Mar	2004	$ 4,609,917	949,909	$ 4.85	100.0%	0.0%	0.0%	$ 4.40	$ 4.53	$ -	$ 4.40	$ 0.45	10.3%	$ 430,317	$ 2,383,848	$ 392,279
Apr	2004	$ 3,764,404	830,168	$ 4.53	100.0%	0.0%	0.0%	$ 4.46	$ 4.67	$ -	$ 4.46	$ 0.07	1.7%	$ 61,806	$ 2,445,654	$ 454,084
May	2004	$ 2,275,120	469,400	$ 4.85	100.0%	0.0%	0.0%	$ 5.06	$ 5.32	$ -	$ 5.06	$ (0.21)	-4.2%	$ (100,044)	$ 2,345,610	$ 354,040
Jun	2004	$ 1,972,107	379,569	$ 5.20	100.0%	0.0%	0.0%	$ 5.71	$ 6.19	$ -	$ 5.71	$ (0.51)	-9.0%	$ (195,232)	$ 2,150,378	$ 158,809
Jul	2004	$ 1,884,910	361,647	$ 5.21	100.0%	0.0%	0.0%	$ 5.49	$ 5.94	$ -	$ 5.49	$ (0.28)	-5.1%	$ (100,532)	$ 2,049,846	$ 58,276
Aug	2004	$ 1,920,143	363,920	$ 5.28	100.0%	0.0%	0.0%	$ 5.39	$ 5.68	$ -	$ 5.39	$ (0.11)	-2.1%	$ (41,386)	$ 2,008,460	$ 16,891
Sep	2004	$ 1,986,737	409,148	$ 4.86	100.0%	0.0%	0.0%	$ 4.56	$ 4.72	$ -	$ 4.56	$ 0.30	6.5%	$ 121,022	$ 2,129,482	$ 137,913
Oct	2004	$ 3,811,869	804,002	$ 4.74	92.5%	6.5%	1.0%	$ 4.47	$ 4.59	$ 5.37	$ 4.49	$ 0.25	5.7%	$ 204,469	$ 2,333,951	$ 342,382
Nov	2004	$ 9,760,850	1,559,790	$ 6.26	88.0%	9.0%	3.0%	$ 6.90	$ 6.94	$ 6.94	$ 6.90	$ (0.65)	-9.4%	$ (1,009,019)	$ 1,324,931	$ (666,638)
Dec	2004	$ 11,444,743	2,011,175	$ 5.69	95.5%	4.5%	0.0%	$ 5.95	$ 6.17	$ -	$ 5.96	$ (0.27)	-4.5%	$ (541,824)	$ 783,107	$ (1,208,462)
Jan	2005	$ 10,709,176	1,918,243	$ 5.58	96.7%	3.3%	0.0%	$ 5.67	$ 5.58	$ -	$ 5.67	$ (0.08)	-1.5%	$ (161,611)	$ 621,496	$ (161,611)
Feb	2005	$ 8,756,758	1,591,212	$ 5.50	99.6%	0.4%	0.0%	$ 5.43	$ 5.53	$ -	$ 5.43	$ 0.07	1.3%	$ 115,852	$ 737,348	$ (45,759)
Mar	2005	$ 7,808,477	1,458,244	$ 5.35	99.1%	0.9%	0.0%	$ 5.21	$ 5.54	$ -	$ 5.21	$ 0.14	2.7%	$ 206,709	$ 944,057	$ 160,949
Apr	2005	$ 5,178,267	926,331	$ 5.59	100.0%	0.0%	0.0%	$ 6.21	$ 6.37	$ -	$ 6.21	$ (0.62)	-10.0%	$ (574,249)	$ 369,808	$ (413,299)
May	2005	$ 3,110,406	562,457	$ 5.53	100.0%	0.0%	0.0%	$ 6.30	$ 6.27	$ -	$ 6.30	$ (0.77)	-12.2%	$ (433,073)	$ (63,265)	$ (846,372)
Jun	2005	$ 2,150,224	408,760	$ 5.26	100.0%	0.0%	0.0%	$ 5.38	$ 5.66	$ -	$ 5.38	$ (0.12)	-2.2%	$ (48,905)	$ (112,170)	$ (895,277)
Jul	2005	$ 2,063,377	363,207	$ 5.68	100.0%	0.0%	0.0%	$ 6.05	$ 6.71	$ -	$ 6.05	$ (0.37)	-6.1%	$ (134,025)	$ (246,195)	$ (1,029,302)
Aug	2005	$ 2,376,435	375,350	$ 6.33	100.0%	0.0%	0.0%	$ 5.97	$ 6.76	$ -	$ 5.97	$ 0.36	6.1%	$ 135,596	$ (110,599)	$ (893,707)
Sep	2005	$ 2,820,039	399,389	$ 7.06	100.0%	0.0%	0.0%	$ 8.03	$ 8.61	$ -	$ 8.03	$ (0.97)	-12.1%	$ (387,112)	$ (497,712)	$ (1,280,819)
Oct	2005	$ 5,202,655	656,704	$ 7.92	97.2%	2.7%	0.1%	$ 9.52	$ 9.80	$ 10.11	$ 9.53	$ (1.61)	-16.9%	$ (1,054,439)	$ (1,552,151)	$ (2,335,258)
Nov	2005	$ 8,879,039	1,215,379	$ 7.31	95.5%	2.7%	1.8%	$ 10.82	$ 10.75	$ 11.40	$ 10.83	$ (3.52)	-32.5%	$ (4,281,437)	$ (5,833,587)	$ (6,616,695)
Dec	2005	$ 15,073,197	1,913,067	$ 7.88	97.7%	2.3%	0.0%	$ 8.11	$ 8.45	$ -	$ 8.12	$ (0.24)	-2.9%	$ (457,005)	$ (6,290,592)	$ (7,073,700)

	Commodity cost	% variance
Total for entire period	$ 156,159,929	-4.0%
Year 2005	$ 74,128,050	-9.5%
Year 2004	$ 63,111,242	-1.9%
Balance 2003	$ 18,920,637	10.5%

Variance	
$ (6,290,592)	Total for entire period
$ (7,073,700)	Year 2005
$ (1,208,462)	Year 2004
$ 1,991,569	Balance 2003

Note:
Negative number is below market or less than market pric
Positive number is above market or more than market pri

EXHIBIT

DGH-3

Exhibit DGH-3

	Hedged Volume	Average Purchase Price	San Juan FOM	Hedge Savings vs FOM Index	San Juan Gas Daily Daily Index	Hedge Savings vs Daily Index
Sep-03	243,218	$5.470	$ 4.440	(250,514)	$ 4.200	(309,008)
Oct-03	427,872	$5.457	$ 3.950	(644,929)	$ 4.248	(517,327)
Nov-03	728,265	$4.880	$ 3.960	(669,778)	$ 4.133	(543,667)
Dec-03	1,309,564	$5.015	$ 4.230	(1,027,839)	$ 5.381	479,427
Jan-04	1,329,094	$5.050	$ 5.130	106,207	$ 5.374	430,978
Feb-04	1,129,633	$5.005	$ 4.975	(34,054)	$ 4.848	(177,790)
Mar-04	988,878	$4.730	$ 4.400	(326,002)	$ 4.741	11,014
Apr-04	455,323	$4.612	$ 4.460	(69,367)	$ 5.104	223,785
May-04	293,672	$4.732	$ 5.060	96,389	$ 5.344	179,896
Jun-04	201,512	$4.759	$ 5.710	191,667	$ 5.393	127,787
Jul-04	152,650	$4.859	$ 5.490	96,347	$ 5.275	63,577
Aug-04	184,000	$5.185	$ 5.390	37,783	$ 4.993	(35,283)
Sep-04	197,000	$5.172	$ 4.530	(126,526)	$ 4.370	(157,980)
Oct-04	329,000	$5.157	$ 4.470	(226,094)	$ 5.063	(30,870)
Nov-04	578,000	$5.215	$ 6.900	974,137	$ 5.505	167,731
Dec-04	1,161,000	$5.485	$ 5.950	539,539	$ 6.039	642,531
Jan-05	1,275,000	$5.553	$ 5.670	148,804	$ 5.454	(127,172)
Feb-05	934,000	$5.544	$ 5.430	(106,298)	$ 5.471	(68,104)
Mar-05	805,000	$5.489	$ 5.210	(224,502)	$ 6.164	543,494
Apr-05	519,000	$5.114	$ 6.210	568,931	$ 6.325	628,616
May-05	339,000	$5.097	$ 6.300	407,952	$ 5.511	140,470
Jun-05	227,000	$5.079	$ 5.380	68,311	$ 5.766	156,009
Jul-05	173,000	$5.195	$ 6.710	262,169	$ 6.243	181,417
Aug-05	167,000	$5.475	$ 5.970	82,590	$ 7.584	352,133
Sep-05	188,000	$5.567	$ 8.030	463,092	$ 9.170	677,443
Oct-05	305,000	$5.544	$ 9.520	1,212,790	$ 10.272	1,442,180
Nov-05	539,000	$5.679	$ 10.820	2,770,828	$ 7.277	861,061
Dec-05	1,027,000	$6.263	$ 8.440	2,235,902	$ 10.768	4,626,824
				$ 6,557,534		$ 9,969,172

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
JEFF HATCH-MILLER- CHAIRMAN
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

EXHIBIT
UNSG-6
Admitted

IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	DOCKET NO. G-04204A-06-0463

Direct Testimony of

Karen G. Kissinger

on Behalf of

UNS Gas, Inc.

July 13, 2006

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Exhibit KGK–1 UNS Gas, Inc. Audited Financial Statements for years ended December 31, 2005, and 2004.

I. INTRODUCTION.

Q. Please state your name and address.

A. My name is Karen G. Kissinger and my business address is 4350 East Irvington Road, Tucson, Arizona, 85714.

Q. By whom are you employed and what is your position?

A. I am Vice President, Controller, and Chief Compliance Officer for UniSource Energy Corporation ("UniSource Energy"). I am also Vice President and Controller of UNS Gas, Inc., UniSource Energy's indirect subsidiary ("UNS Gas" or "Company").

Q. What are your duties and responsibilities as Vice President and Controller?

A. My present functional areas of responsibility include internal and external financial reporting, plant and property accounting, payroll, customer and revenue accounting, accounts payable, tax planning and tax compliance reporting, and energy settlements for all UniSource Energy owned utilities. I am also responsible for the UniSource Energy Compliance Program, which focuses on corporate policies, practices, and procedures that are designed to assure that UniSource Energy is in compliance with all laws, regulations, and corporate policies.

Q. Would you please describe your education, background and experience?

A. I received a Bachelor of Arts Degree in Spanish from the University of Virginia in 1977. I received a Master of Business Administration with a Concentration in Accounting from the University of Arizona in 1982. I am a Certified Public Accountant licensed to practice in the State of Arizona. I am a member of the American Institute of Certified Public Accountants and the Arizona State Society of Certified Public Accountants. Before joining Tucson Electric Power Company ("TEP") in 1991, I was employed by

Deloitte Haskins & Sells, and its successor by merger, Deloitte & Touche, in the audit department for approximately eight and one-half years. I was designated by Deloitte & Touche as a public utility specialist, and provided audit and consulting services to a client base comprised of both public and cooperative electric utilities. Since 1991, I have been employed by TEP as Vice President and Controller and as UniSource Energy's Vice President and Controller since the time of its formation. In 2003, I was assigned the additional responsibility of Chief Compliance Officer. I was named the Vice President and Controller of UNS Gas when it was formed in 2003.

Q. What is the purpose of your direct testimony in this proceeding?

A. My direct testimony supports UNS Gas' rate request in this proceeding. I am the sponsoring witness for much of the accounting and tax data reflected in UNS Gas' rate case application, including the "B" Schedules – (Rate Base), the "C" Schedules – (Test Year Income Statements), and the "E" Schedules – (Financial Statements and Statistical Schedules). I am also sponsoring the actual test period and prior years' data contained in Schedule A - Summary Schedules, Schedule B - Rate Base Schedules, Schedule C - Test Year Income Statements, Schedule D - Cost of Capital, and Schedule F - Projections and Forecasts, and several pro forma adjustments in Schedules B and C.

II. PRO FORMA ADJUSTMENTS.

Q. Please explain the consideration of pro forma adjustments in the rate case process.

A. Public utility rates are based on the reasonable and prudently-incurred costs of providing safe, reliable service. The revenue requirement underlying rates is developed on the basis of a test year that reflects a level of operating revenues and expenses and net plant investment that is representative of normal conditions that may be expected to exist during the time that resulting rates may be in effect. This affords the utility a reasonable

opportunity to achieve a fair rate of return, as authorized by the respective regulatory authority.

Pro forma adjustments are made to recorded test year amounts that are not required for the provision of service or that are not representative of the levels expected to occur during the period in which the new rates will be in effect. Such adjustments may be made in the form of eliminations, annualizations, or normalizations.

Elimination adjustments are made to remove out-of-period or non-recurring transactions, or items that are not costs or revenues related to the provision of utility service; thus, not eligible for reflection in revenue requirements.

Annualization adjustments are made to reflect the full, 12-month revenue or expense level of certain components of operating income. Annualization adjustments are typically computed using end-of-test year quantities and the most current known and measurable prices and rates. Examples in this case include restating test year operating revenues to reflect customer levels at the end of the test year, adjusting payroll expense to reflect current salary rates and changes in employee levels during the test year, and adjusting recorded depreciation expense to reflect the full effect of plant additions and retirements during the test year.

Normalization adjustments reflect that the recorded test year operating revenues and expenses may not be representative of a normal level for ratemaking purposes. Certain events may have affected recorded transactions in an atypical manner. Moreover, some transactions eligible for reflection in revenue requirements are incurred at intervals less frequent than annually, provide benefits extending beyond a single year, or reoccur in significantly different amounts each year. As a result, the amounts recorded in the test

year may not be viewed as "normal," thus requiring a restatement for ratemaking purposes. Normalization adjustments are made in such instances when a test year level of revenues or expenses is not representative of what would be expected on an on-going basis. Examples in this case include the adjustment for bad debt expense and the overtime factor implicit in the payroll adjustment.

Q. Were the pro forma adjustments that you are sponsoring in your testimony prepared by you or under your supervision?

A. Yes, they were.

Q. Have the pro forma adjustments for which you are responsible in this rate filing been computed in accordance with sound ratemaking principles and all applicable rules and policies of the Arizona Corporation Commission ("ACC" or "Commission")?

A. Yes. To the best of my knowledge, all of the adjustments that I am sponsoring have been so calculated.

III. RATE BASE ADJUSTMENTS.

A. Acquisition Discount Adjustment.

Q. Please explain the Acquisition Discount Adjustment.

A. Effective August 11, 2003, UniSource Energy acquired from Citizens Communications Company ("Citizens") its remaining gas assets located in Arizona. The Commission approved this acquisition in Decision No. 66028 (July 3, 2003) pursuant to a Settlement Agreement. This adjustment is necessary in order to properly reflect the discount, or negative acquisition premium, authorized by the Commission. Decision No. 66028 calls

for the use of a $30.7 million "negative acquisition premium" (see page 8, lines 17 through 22 of the Order) in the calculation of rate base for ratemaking purposes to reflect this lower purchase price.

Q. Is an acquisition adjustment normally appropriate?

A. No. Under Commission rules, the original cost of utility property is the cost "at the time it is first devoted to pubic service." Arizona Administrative Code ("AAC") R14-2-102.A.6. In the case of an asset sale, the assets will have been devoted to service before the sale. Thus, the sale does not affect the original cost of the assets, either positively or negatively. In other words the relevant cost is the "cost of [the] property to the person first devoting it to public service." AAC R14-2-103.A.3.e. Thus, an acquisition adjustment is normally not appropriate. However, UniSource Energy did agree to the specific negative acquisition adjustment noted above. This pro forma adjustment is necessary so that the acquisition adjustment is limited for ratemaking purposes to the specific value agreed to by the Company and approved by the Commission.

Q. Please explain further.

A. UniSource Energy actually paid $50.1 million less than the original cost for the gas assets acquired from Citizens. In accordance with United States Generally Accepted Accounting Principles ("GAAP"), this amount had to be shown on the Company's books as a negative acquisition adjustment. This GAAP acquisition discount is larger than the acquisition discount approved by the Commission as described above. Normally, an acquisition discount would not be considered for ratemaking purposes at all. However, in this case, the discount agreed to by the Company must be recognized. Essentially, this pro forma adjustment takes the GAAP discount and reduces it to the value of the discount authorized by the Commission. Put another way, the GAAP discount must be eliminated for ratemaking purposes, thus increasing rate base. This increased rate base must then be

reduced by the value of the agreed upon discount. Overall, this adjustment results in a net increase to rate base of $18.2 million.

Q. Please explain the accounting details further.

A. When I say the "value" of the agreed upon discount, I mean the $30.7 million figure stated in the Settlement Agreement, less amortization. The amortization has been calculated through December 31, 2005. Amortization reflects the fact that the assets which were purchased do not have an infinite life. Pursuant to the Settlement Agreement approved by the Commission, the amortization rate is the same as the depreciation rate for corresponding plant accounts. (Settlement Agreement at 18.) According to Commission and the Federal Energy Regulatory Commission ("FERC") directives, the acquisition adjustment was a credit to accumulated depreciation. (See Settlement Agreement at page 17.)

B. <u>Griffith Plant Adjustment.</u>

Q. Please explain the Griffith Plant Adjustment.

A. This adjustment removes from Plant in Service the cost of facilities that connect the Griffith Plant with the El Paso Natural Gas and Transwestern Pipeline Company interstate pipelines. Such facilities were constructed by and are owned by UNS Gas. The Griffith Plant costs are recovered pursuant to a specific contract between UNS Gas and the owners of the Griffith Plant. As explained in the Direct Testimony of Mr. Dallas J. Dukes, the facilities, revenue and expenses relating to the Griffith Plant are excluded from rate base and revenue requirements for the purposes of general retail ratemaking.

C. **Build Out Plant Write-Down Adjustment.**

Q. Please explain the Build Out Plant Write-Down adjustment.

A. In Decision No. 66028, the Commission approved a Settlement Agreement which included "an additional $10 million permanent disallowance to gas rate base ... to recognize excessive costs associated with Citizens' Build-Out Program." (See page 8, lines 21-22.) This adjustment segregates the required adjustment to December 31, 2001 rate base into components for gross plant in service and accumulated depreciation and quantifies additional depreciation provided through December 31, 2005 and then removes the respective plant and accumulated depreciation from rate base.

D. **Accumulated Deferred Income Tax Adjustment.**

Q. Please explain the Accumulated Deferred Income Tax Adjustment.

A. The adjustment reduces rate base for the computed balance of Accumulated Deferred Income Taxes, a source of non-investor capital, based on adjusted test year rate base and operating results and the Company's existing income tax ratemaking authority.

Q. What are deferred income taxes?

A. Deferred income taxes represent the tax effect of differences that arise between the time period when revenues and expenses are recognized for financial reporting purposes and when they are considered for income tax return purposes. For public utilities, the largest such difference is that which exists as a result of the use of accelerated methods and shorter lives in computing tax depreciation as compared with the manner in which book depreciation is computed. The process of apportioning income taxes among accounting periods is referred to as "interperiod tax allocation." For this purpose, it is useful to distinguish between "timing differences" and "permanent differences."

Timing differences represent differences between book income before income taxes and taxable income which originate in one or more periods, and reverse or turn around, in one or more subsequent periods. Because of their capital intensity, the difference between book and tax depreciation is typically the largest timing difference affecting public utilities. Expenses that are deducted by utilities currently for tax purposes, but deferred on the books as regulatory assets for future recognition in rates is another example of a timing difference.

Permanent differences exist between book income and taxable income, and do not reverse in subsequent periods. Examples of permanent differences include non-taxable interest income from municipal bonds and non-deductible lobbying expenses.

Deferred income taxes are computed for timing differences, but not for permanent differences. The typical accounting for deferred taxes involves recognition of a deferred income tax provision (expense) on the income statement for the tax effect of the timing differences, with a corresponding entry made to a balance sheet accumulated deferred income tax reserve account. As the timing differences reverse over time, the deferred tax component of income tax expense becomes negative and balance of the reserve account is extinguished.

Q. How do deferred income taxes affect public utility ratemaking?

A. The reflection of deferred income taxes in ratemaking is labeled "normalization". Some regulatory bodies permit utilities to recognize deferred income taxes associated with all book-tax timing differences in ratemaking ("full normalization"), while others only permit the recognition of certain timing differences required by the Internal Revenue Code to be recognized in utility ratemaking ("partial normalization"). To the extent that normalization is permitted in ratemaking, the resulting deferred income taxes are

reflected as a component of income tax expense, with the corresponding balance sheet reserve for accumulated deferred taxes deducted from rate base as non-investor capital, reflecting the availability of such amounts for plant investment or operating purposes between the time they are collected from customers and ultimately remitted to taxing authorities.

Q What income tax ratemaking authority has been granted to UNS Gas?

A. Citizens operated various properties throughout the state of Arizona, each having its separate designated service territory, rate schedules and service rules. For gas operations, Citizens operated under separate divisions in northern Arizona and southern Arizona. The Santa Cruz Gas Division, which was based in Santa Cruz County, Arizona, was authorized full normalization in Decision No. 53103 (July 8, 1982). The pro forma income tax expense calculations prepared in connection with the 1996 Citizens Northern Arizona Gas Division rate case, Decision No. 59875 (October 29, 1996), and also those prepared for the Citizens gas rate cases in progress at the time of the asset purchase approved in Decision No. 66028, clearly indicate the use of a full normalization of all books – tax timing differences. For ratemaking purposes, both of the gas plant properties acquired from Citizens have been permitted to provide deferred income taxes in rate making for all timing differences. In Decision No. 66028, the Commission also approved all of the gas divisions being combined into one entity for ratemaking purposes.

Q. How was the tax cost of the gas plant assets determined in connection with computing the ADIT balance deducted from rate base as of the end of the test year?

A. As I mentioned, in accordance with the Settlement Agreement approved by Decision No. 66028, the two Citizens gas divisions were merged into a single entity, UNS Gas. Upon their acquisition by UniSource Energy, a new tax basis reflecting the actual amounts for the acquired assets was established. For rate making purposes, such tax basis is adjusted

to reflect the fixed acquisition discount established by the Commission in Decision No. 66028. Upon acquisition of the assets by UNS Gas from Citizens, all book-tax timing differences arising since that time have been fully normalized by UNS Gas, consistent with the prior rate treatment afforded to the assets when owned by Citizens.

E. <u>Customer Adjustment.</u>

Q. Please explain the Customer Advances Adjustment.

A. This adjustment reduces rate base by the balance of customer advances at December 31, 2005. This is appropriate because customer advances are non-investor capital.

Q. Please explain the Customer Deposits Adjustment.

A. This adjustment reduces rate base by the balance of customer deposits at December 31, 2005. This is appropriate because customer deposits are non-investor capital.

F. <u>Working Capital Adjustment.</u>

Q. What is working capital?

A. Working capital is generally viewed as investor funding in excess of the balance of net utility plant reflected in rate base that is required for the provision of utility service.

Q. What are the items of working capital for which the Company requests a return?

A. The components of working capital that the Company is requesting be included in rate base are:

(i) Materials and Supplies;

(ii) Prepayments; and

(iii) Cash Working Capital.

As more fully explained later in my testimony, the amounts requested for rate base inclusion for the materials and supplies and prepayments are based on test year recorded balances, adjusted to reflect normal levels. The cash working capital component was determined by the use of the Lead-Lag Study Methodology, to be covered in depth later herein.

Q. Please explain the Working Capital Adjustment.

A. The Working Capital Adjustment was computed in two pieces. As indicated on page 2 of Schedule B-5, the first piece adjusts the recorded end-of-test year balances for Materials and Supplies, and Prepayments to reflect the 13-month average monthly balances, in recognition of the variability in the monthly balances of the accounts. This is consistent with the treatment of such accounts in prior rate cases.

The second piece of the Working Capital Adjustment is the reflection in rate base of a measure of Cash Working Capital, developed through the preparation of a comprehensive study.

Q. What is Cash Working Capital?

A. The receipt of customer revenues for the provision of service, and the disbursement of cash for the payment of the various costs of providing service rarely occur simultaneously. This is the fundamental consideration underlying the concept of Cash Working Capital. Cash Working Capital is generally viewed as the component of working capital that represents the amount of invested cash required to pay day-to-day operating expenses incurred in rendering service to customers. It may either increase or decrease rate base. If the computation of Cash Working Capital produces a positive result, it is indicative that there is an additional investment for which a return is warranted, and thus, the amount is added to rate base. If the computation produces a

negative result there is an implicit non-investor funding of Cash Working Capital, requiring a rate base deduction.

Q. How did you compute the Cash Working Capital amount included in the Working Capital Adjustment?

A. Under my direction, a comprehensive lead-lag study was prepared.

Q. What period does the current lead-lag study cover?

A. The lead-lag study for this Application covers the calendar year 2005.

Q. What is a lead-lag study?

A. A lead-lag study is a detailed analysis of the dynamic movement of funds throughout the organization, between the receivable and payable balance sheet accounts and related revenues and expenses that are reflected in the operating income component of revenue requirements. The method is generally viewed as the most accurate measure of Cash Working Capital. The Commission has stated a clear preference for the use of lead/lag studies in support of requested working capital amounts in rate cases.

The focal point of all lead/lag studies is the "point of service." That is the instant in time at which customers receive service and, coincident therewith, the utility incurs cost of providing that service. A lead/lag study measures the average length of time between the provision of service and the ultimate receipt of payment from the customer ("revenue lag"). The result is compared with the average length of time between the point at which the utility incurs a cost of providing that service and the date upon which it makes the related cash disbursement ("payment lead" if payment precedes the cost benefit, or "payment lag" is the payment occurs after the cost benefit). Cash Working Capital

reflects the effect on costs of service of the difference between the revenue lag and payment leads or lags.

As may be seen on page 3 of Schedule B-5, a lead/lag study computes the Cash Working Capital associated with each component of cost of service. The revenue lag is constant for all cost categories. The various major expenses are analyzed separately for purposes of developing a specific payment lead or lag. Once the applicable expense lead or lag is known, it is compared with the revenue lag to determine the net lead or lag for that study category. After dividing the net lead or lag by 365 days to arrive at an annual percentage factor, the result is multiplied by the corresponding adjusted test year expense amount to quantify the Cash Working Capital requirement associated with that cost of service item. Consistent with past Commission policy, the effect of non-cash expenses such as depreciation and deferred income taxes are reflected in the study at a zero requirement.

Q. How was the average revenue lag computed?

A, The revenue lag is comprised of three distinct parts: the service lag, the billing lag, and the customer payment lag.

The service lag is measured from the midpoint of the period of service to the end of the period, the date upon which meters are read. A key underlying assumption is that service is taken uniformly throughout the period. With each customer being billed under twelve monthly billing cycles during the year, the average service lag is computed as 15.21 days [365 days / (12 X 2)].

The billing lag is typically measured from the meter read date to the date customer bills are prepared and balances entered into accounts receivable. The billing lag was computed

based on actual meter read dates and bill mailing schedules used by UNS Gas during the test year.

The customer payment lag is measured from the point at which the customer bill enters accounts receivable to the date that either a payment is received or the account is written off as uncollectible. That lag was determined by computing the average accounts receivable turnover for six months during the test year. The accounts receivable turnover measures the average time during which a balance remains in accounts receivable and is computed by dividing the sum of the daily ending balances of accounts receivable by the sum of revenues billed and charged to accounts receivable during the study month.

Q. How were the payment leads and lags computed?

A. The payment leads and lags were developed based on analyses of actual payment history, contractual and statutory payment dates, and samples of expenditures.

Q. What was the overall result of the lead-lag study?

A. The study showed that there was negative cash working capital in the amount of $3,280,886. A corresponding decrease was made as a pro forma adjustment to rate base.

G. <u>Warm Spirit.</u>

Q. What is the rate base deduction for Warm Spirit?

A. Warm Spirit is a program created to permit existing customers to voluntarily contribute to a fund established for the purpose of assisting low income customers with the payment of their gas bills. The balance deducted from the rate base represents Warm Spirit amounts collected from customers through the end of the test year that were at the time being processed for dispersal to the respective non-profit agencies that have been selected to

administer the program.

H. Customer Assistance Residential Energy Support ("CARES").

Q. What is the rate base addition identified as CARES?

A. Pursuant to Decision No. 59875, a special balance sheet account (regulatory asset) has been created for use in tracking amounts spent and recovered in connection with certain Company programs established to benefit low income customers. A designated amount intended to cover CARES bill discounts and out-of-pocket expenditures benefiting customers has been included in the revenue request underlying the Company's service rates. In the most recent rate case, that amount was set at $217,913. As CARES discounts and low-income expenses occur, they are charged to the tracking account each month as customers are billed. An estimate of the amounts received in rates is removed from the tracking account and charged to expense. At any point in time, the tracking account balance reflects the cumulative difference between amounts spent and amounts accrued. A debit balance reflects more program expenditures than recoveries. A credit balance indicates more recoveries than expenditures. Irrespective of whether it has a debt or credit balance, consistent with prior rate cases, the tracking account is a proper component of the rate base.

I. Geographic Information System ("GIS").

Q. Please explain the GIS adjustment.

A. This adjustment creates a regulatory asset for GIS. The GIS program and its importance are discussed in the Direct Testimony of Mr. Gary A. Smith.

IV. OPERATING INCOME ADJUSTMENTS.

Q. Please explain the Depreciation Expense adjustment.

A. The depreciation expense adjustment is computed to reflect in pro forma operating expense an annual depreciation amount based on depreciable plant in service as of the end of the test year and newly requested book depreciation rates as presented in detail in the testimony of witness Dr. Ronald E. White. The calculation of the adjustment properly considers the effects of depreciation associated with vehicles that are charged to clearing accounts or expense categories other than depreciation.

Q. Please explain the Amortization adjustment.

A. Pursuant to Decision No. 66028, the Company is amortizing the acquisition discount at the same rates used for computing book depreciation expense. This adjustment reflects a pro forma annualization expense based on the fixed $30.7 million acquisition discount and new book depreciation rates proposed by Dr. White.

Q. Please explain the Property Tax adjustment.

A. The property tax adjustment is intended to reflect in pro forma test year operating expenses an amount based on final, adjusted plant in service at the end of the test year, using the current statutory assessment ratio of 24.5%, and the most currently known average property tax rates. To the extent that more current average tax rate information becomes available during the conduct of this rate case, the Company is willing to update that part of the tax adjustment.

Q. Please explain the Income Tax Expense adjustment.

A. The income tax expense adjustment is computed with the intent to reflect in pro forma test year operating expenses an amount of income taxes based on final adjusted operating

revenues, operating expense, and rate base. It is computed in two parts. The first part is pro forma current income tax expense, the tax liability computed as though an actual income tax return was being prepared on final adjusted test year taxable operating income. For this purpose, it was necessary to identify all operating book-tax differences ("Schedule M items"), both timing and permanent, and then recompute based on adjusted test year operating revenues and expenses, if necessary. The tax deduction for interest was computed using a synchronization methodology reflecting final adjusted rate base and the weighted cost of debt in the capital structure.

The second part of the income tax calculation is deferred income tax expense. Deferred income taxes are computed on the Schedule M items representing timing differences for which the Company has obtained normalization ratemaking authority from the Commission as previously described in my testimony.

V. SECTION B - RATE BASE.

Q. Please explain Section B of the Company's filing.

A. Section B, comprised of Schedule Nos. B-1 through B-5, presents the development of the rate base component of revenue requirements submitted for Commission consideration in this rate case filing. Some of the data in Section B and in schedules and exhibits referenced in my testimony are taken from UNS Gas' audited financial statements for the year ended December 31, 2005, attached as Exhibit KGK-1. Mr. Dukes will testify in support of the calculations and methodology underlying allocated amounts appearing on the Section B schedules.

Q. Please describe Schedule B-1.

A. This schedule summarizes the elements of UNS Gas' rate base on both a net recorded original cost and depreciated reconstructed cost new ("RCND") basis at December 31, 2005, along with the pro forma adjustments to rate base. Rate base is comprised of net utility plant, certain regulatory assets, and working capital, with deductions from rate base for accumulated deferred income taxes ("ADIT"), customer advances for construction and customer deposits.

Q. Please explain briefly the basis for the determination of the RCND rate base.

A. Plant in service and customer advances for construction reported at reconstructed cost new ("RCN") are summarized from the results of a detailed plant cost trending study. The accumulated depreciation and ADIT reported on a RCN basis have been computed by multiplying the corresponding original cost balances by a ratio, the numerator of which is gross reconstructed new cost of depreciable plant, and the denominator of which is gross original cost of depreciable plant. All other rate base elements are reflected at original cost.

Q. Please describe the plant cost trending study.

A. The trending study was prepared to establish a measure of the cost to reconstruct utility plant in service at current 2005 cost levels. The December 31, 2005 recorded balance in each plant account was analyzed by vintage component and adjusted to current cost levels by applying trending factors to each vintage total. For example, the RCN value for 1984 vintage assets in Account No. 362, Distribution Plant – Station Equipment was computed as follows:

$$\text{Original Cost of 1984 vintage assets in Acct. 362} \times \frac{\text{2005 Cost Index for Acct 362}}{\text{1984 Cost Index for Acct. 362}}$$

For most accounts, the Handy-Whitman Index of Public Utility Construction Costs for the Plateau Region has been employed. For plant accounts 303, 391, 393, 394, and 398, the "Marshall Valuation Service Cost Index" was used. For plant accounts 392, 395, 396, and 397, the Bureau of Labor Statistics producer price index was used. Where the Handy-Whitman Index was used for the trend factors, they are based on the index numbers released by Handy-Whitman for July 1, 2005. More current data has not yet been released.

Q. What is the Handy-Whitman Index?

A. It is an index of public utility construction costs that has been published continuously since 1924 by Whitman, Requardt and Associates of Baltimore, Maryland. The Handy-Whitman Index is a well recognized, widely used and generally accepted method for measuring differences in property values for insurance and other purpose, including the valuation of public utility property for rate case purposes. It has been used by UniSource Energy's utilities and other companies in proceedings before the Commission for many years.

The Handy-Whitman Index is comprised of index numbers for various accounts prescribed by the Uniform System of Accounts and for six geographical divisions of the country, including the Plateau Division, in which Arizona and New Mexico are located. These index numbers result from a comparison of the current prices of materials, labor, and equipment to prices in a base year. Index numbers are determined for each year as of January 1 and July 1.

The index numbers are used to determine cost trend factors, which are then applied to known original costs of like plant and property to determine the fluctuation in cost between the date of original installation and the date of valuation.

Q. What is the Marshall Index?

A. The Marshall Index, prepared by the firm of Marshall & Swift, is an index of construction cost trend valuations. It was used in development of costs reported in the RCND Study for those plant accounts not reported by Handy-Whitman.

Q. What is shown on Schedules B-2 and B-3?

A. Schedule B-2 shows the pro forma adjustments to the original cost rate base. The information presented includes the actual per-books balances at the end of the test year, pro forma adjustments, and the adjusted balances. Schedule B-3 provides the same detail by functional account classifications as shown in Schedule B-2, except that it is shown on an RCND basis.

Q. Please identify the pro forma adjustments on Schedules B-2 and B-3 that you are sponsoring in this rate case filing.

A. I am sponsoring most of the pro forma rate base adjustments. Specifically, as previously testified, I am sponsoring the following rate base adjustments:

(i) Acquisition Discount Adjustment;

(ii) Griffith Power Plant Exclusion;

(iii) Build-Out Plant Removal;

(iv) Accumulated Deferred Income Taxes;

(v) Customer Advances;

(vi) Customer Deposits;

(vii) Working Capital; and

(viii) Other Adjustments to Rate Base.

Each adjustment was identified and the related computational methodology has been explained in detail earlier in my testimony.

Q. Please explain Schedule B-4.

A. This schedule shows the balances of gross RCN and related accumulated depreciation by plant account at the end of the test year. It includes the applicable depreciation reserve ratio, based on original cost, for the depreciable plant balances.

Q. Please explain Schedule B-5.

A. This schedule summarizes the various elements of working capital that the Company is requesting for inclusion in rate base in this rate case.

Q. Why are the original costs and RCND costs of working capital the same in Schedule B-5?

A. They are the same because the original costs are at current prices or have been adjusted to current prices, meaning they have not been significantly affected by inflationary factors.

VI. SECTION C - OPERATING INCOME.

Q. Please describe Section C.

A. Section C, comprised of Schedule Nos. C-1 through C-3, presents the development of the net operating income component of revenue requirements submitted for Commission consideration in this rate case filing.

Q. Please explain Schedule C-1.

A. Schedule C-1 shows the actual Income Statement for the twelve months ending December 31, 2005, the test year in this case. It also summarizes the effect of the proposed pro forma adjustments to recorded operating revenues and expenses, and the resulting adjusted net operating income.

Q. What is the purpose of Schedule C-2?

A. Schedule C-2 presents the detailed pro forma adjustments that reflect the full annual impact of operating changes, annualizations, normalizations, and other adjustments made to revenues and expenses.

Q. Please identify the pro forma adjustments on Schedule C-2 that you are sponsoring in this rate case filing.

A. I have testified in support of the following pro forma operating income adjustments:

(i) Depreciation and Amortization Expense Annualization;

(ii) Property Tax; and

(iii) Income Taxes.

Q. What is the purpose of Schedule C-3?

A. Schedule C-3 contains the development of the Gross Revenue Conversion Factor. That factor is used to convert the computed test year return deficiency to an equivalent annual revenue increase amount. It effectively recognizes that there will be additional bad debt expense and income taxes associated with any adjustment to annual revenue levels.

VII. SECTION E - FINANCIAL STATEMENTS AND STATISTICAL SCHEDULES.

Q. Please explain Section E of the Company's filing.

A. Section E, as is the same for all other sections of this rate case filing, was prepared in accordance with the filing requirements contained in AAC R14-2-103. It is comprised of Schedule Nos. E-1 through E-9, containing annual financial statements and key operating statistics and financial data extracted from the Company's regulatory books of account.

Q. On what basis are the regulatory books of account of UNS Gas maintained?

A. The Company's regulatory books of account are maintained in accordance with the Uniform System of Accounts of the FERC, as required by AAC R14-2-312.G.2.

Q. Have there been any significant changes to the Company's accounting policies or principles since its acquisition by UniSource Energy in 2003?

A. No.

Q. Have the financial statements been audited?

A. Yes. The calendar years 2005, 2004 and 2003 (from inception date) financial statements were audited by the firm of PricewaterhouseCoopers LLP (Independent Certified Public Accountants).

Q. Please describe Schedule E-1.

A. Schedule E-1 contains the comparative balance sheets of UNS Gas for the test year ending December 31, 2005, and the two prior years ending December 31, 2004, and December 31, 2003.

Q. Please describe Schedule E-2.

A. This schedule sets forth comparative income statements for the test year ending December 31, 2005, and the two prior years ending December 31, 2004 and 2003. The income statement for the test year supports the actual test period income statement shown on Schedules C-1 and C-2.

Q. Please describe Schedule E-3.

A. This schedule presents the comparative statements of cash flows for the test year ending December 2005 and the two prior years ending December 31, 2004 and 2003.

Q. Please describe Schedule E-4.

A. This schedule reports the changes that occurred in stockholders' equity (deficit) during the period beginning January 1, 2003 and ending December 31, 2005. Changes occurring each year in both the number of shares outstanding and in the amounts of the various elements of stockholders' equity are reflected.

Q. Please describe Schedule E-5.

A. Page 1 of Schedule E-5 presents a summary of the balances in the various gas utility plant account categories and accumulated depreciation at December 31, 2005 and December 31, 2004, and the net changes therein during 2003, with plant in service presented on a functional basis. Pages 2 and 3 of Schedule E-5 present the same information on a more detailed basis, by individual gas plant account.

Q. Please describe Schedule E-6.

A. Schedule E-6 contains Operating Income Statements for the test year and two previous calendar years. Retail revenues are reported by rate class. Operating Expenses are reported by major category.

Q. Please describe Schedule E-7.

A. This schedule reports key gas operating statistics, in a comparative format, for the test year ending December 31, 2005 and the two prior years ending December 31, 2004 and 2005.

Q. Please describe Schedule E-8.

A. This schedule shows the taxes charged to operating expenses by tax type for the test year ended December 31, 2005 and the two prior years ended December 31, 2004 and 2003.

Q. Please describe Schedule E-9.

A. This schedule is intended to disclose important facts required for a proper understanding of the financial statements. A summary of the Company's significant accounting policies is set forth in Note 1 of the Notes to Financial Statements in the Company's audited financial statements for the year ended December 2005, attached as Exhibit KGK-1.

Q. Does this conclude your direct testimony?

A. Yes, it does.

EXHIBIT

KGK-1

UNS Gas, Inc.

Financial Statements

Years Ended December 31, 2005 and 2004

UniSourceEnergy
SERVICES

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
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Los Angeles CA 90071
Telephone (213) 356 6000
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Report of Independent Auditors

To the Board of Directors and Stockholder of
UNS Gas, Inc.

In our opinion, the accompanying consolidated balance sheets and statements of capitalization and the related consolidated statements of income, stockholder's equity, and cash flows present fairly, in all material respects, the financial position of UNS Gas, Inc. (the "Company) at December 31, 2005 and December 31, 2004 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

April 11, 2006

UNS GAS, INC.
STATEMENTS OF INCOME

	Years Ended December 31, 2005	2004
	- Thousands of Dollars -	
Operating Revenues		
Gas Revenue	$ 135,967	$ 126,722
Other Revenues	2,312	2,234
Total Operating Revenues	138,279	128,956
Operating Expenses		
Purchased Gas	91,168	81,643
Other Operations and Maintenance	23,567	23,009
Depreciation and Amortization	6,773	5,475
Taxes Other than Income Taxes	2,924	3,171
Total Operating Expenses	124,432	113,298
Operating Income	13,847	15,658
Other Income (Deductions)		
Interest Income	412	255
Other	626	(128)
Total Other Income	1,038	127
Interest Expense		
Long-Term Debt	6,414	6,347
Allowance for Funds Used During Construction	(231)	(236)
Other	307	184
Total Interest Expense	6,490	6,295
Income Before Income Taxes	8,395	9,490
Income Taxes	3,349	3,787
Net Income	$ 5,046	$ 5,703

See Notes to Financial Statements.

UNS GAS, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2005	2004
	- Thousands of Dollars -	
Cash Flows from Operating Activities		
Cash Receipts from Gas Sales	$ 145,281	$ 136,797
Purchased Gas Costs Paid	(91,445)	(76,868)
Taxes Paid, Net of Amounts Capitalized	(14,499)	(14,918)
Payment of Other Operations and Maintenance Costs	(11,840)	(10,797)
Wages Paid, Net of Amounts Capitalized	(6,872)	(6,828)
Interest Paid, Net of Amounts Capitalized	(6,003)	(6,155)
Income Taxes Paid	(620)	-
Saguaro Termination Fee	-	(617)
Other Cash Receipts	895	451
Other Cash Payments	(598)	(524)
Net Cash Flows - Operating Activities	14,299	20,541
Cash Flows from Investing Activities		
Capital Expenditures	(23,578)	(19,137)
Purchase of Citizens Assets	-	(2)
Net Cash Flows - Investing Activities	(23,578)	(19,139)
Cash Flows from Financing Activities		
Equity Investment from UniSource Energy Services	16,000	-
Loan from UniSource Energy	6,000	-
Repayment of Loan from UniSource Energy	(6,000)	-
Customer Advance Receipts	5,255	2,943
Customer Advance Refunds	(2,341)	(736)
Payment of Debt Issuance Costs	(181)	-
Other	(3,970)	(2,980)
Net Cash Flows - Financing Activities	14,763	(773)
Net Increase in Cash and Cash Equivalents	5,484	629
Cash and Cash Equivalents, Beginning of Period	8,569	7,940
Cash and Cash Equivalents, End of Period	$ 14,053	$ 8,569

See Notes to Financial Statements.

UNS GAS, INC.
BALANCE SHEETS

	December 31, 2005	December 31, 2004
	- Thousands of Dollars -	
ASSETS		
Utility Plant		
Plant in Service	$ 180,107	$ 157,084
Construction Work in Progress	7,189	10,787
Total Utility Plant	187,296	167,871
Less Accumulated Depreciation and Amortization	(9,876)	(6,893)
Total Utility Plant - Net	177,420	160,978
Current Assets		
Cash and Cash Equivalents	14,053	8,569
Trade and Other Accounts Receivable, Less Allowance for Uncollectible Accounts of $338 and $997	11,908	9,573
Unbilled Accounts Receivable	16,736	14,726
Receivable from Related Parties	2,661	2,035
Under Recovered Purchased Gas Costs	5,899	-
Materials and Supplies	1,999	1,579
Other	527	495
Total Current Assets	53,783	36,977
Other Assets		
Unamortized Debt Discount and Expense	1,141	1,144
Regulatory Assets	309	277
Under Recovered Purchased Gas Costs	-	1,862
Other Assets	-	115
Total Other Assets	1,450	3,398
Total Assets	$ 232,653	$ 201,353
CAPITALIZATION AND OTHER LIABILITIES		
Capitalization		
Common Stock Equity	$ 79,804	$ 58,758
Long-Term Debt	100,000	100,000
Total Capitalization	179,804	158,758
Current Liabilities		
Accounts Payable	20,083	17,833
Payable to Related Parties	1,365	1,205
Interest Accrued	2,475	2,434
Customer Deposits	3,040	2,678
Income Taxes Payable	246	-
Taxes Accrued	4,544	4,151
Deferred Income Taxes - Current	2,071	392
Accrued Employee Expenses	642	783
Other	130	90
Total Current Liabilities	34,596	29,566
Deferred Credits and Other Liabilities		
Deferred Income Taxes - Noncurrent	7,222	5,716
Customer Advances for Construction	7,284	4,389
Deferred Employee Benefits	1,002	1,198
Net Cost of Removal for Interim Retirements	2,690	1,517
Other	55	209
Total Deferred Credits and Other Liabilities	18,253	13,029
Total Capitalization and Liabilities	$ 232,653	$ 201,353

See Notes to Financial Statements.

UNS GAS, INC.
STATEMENTS OF CAPITALIZATION

			December 31, 2005	December 31, 2004
			- Thousands of Dollars -	
COMMON STOCK EQUITY				
Common Stock--No Par Value			**$ 67,978**	$ 51,978
	2005	**2004**		
Shares Authorized	**1,000**	1,000		
Shares Outstanding	**1,000**	1,000		
Accumulated Earnings			**11,826**	6,780
Total Common Stock Equity			**79,804**	58,758
LONG-TERM DEBT				
Issue		**Maturity**		
Notes Payable				
6.23% Senior Unsecured Notes - Note A		8/11/2011	**50,000**	50,000
6.23% Senior Unsecured Notes - Note B		8/11/2015	**50,000**	50,000
Total Stated Principal Amount			**100,000**	100,000
Less Current Maturities			**-**	-
Total Long-Term Debt			**100,000**	100,000
Total Capitalization			**$ 179,804**	$ 158,758

See Notes to Financial Statements.

UNS GAS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY AND COMPREHENSIVE INCOME

	Common Shares Outstanding	Common Stock	Accumulated Earnings	Total Stockholder's Equity
		- Thousands of Dollars -		
Balances at December 31, 2003	**1,000**	**$ 52,008**	**$ 1,077**	**$ 53,085**
Noncash Equity Transactions	-	(30)	-	(30)
Comprehensive Income:				
2004 Net Income	-	-	5,703	5,703
Total Comprehensive Income				5,703
Balances at December 31, 2004	**1,000**	**$ 51,978**	**$ 6,780**	**$ 58,758**
Equity Contribution from UniSource Energy Services	-	16,000	-	16,000
Comprehensive Income:				
2005 Net Income	-	-	5,046	5,046
Total Comprehensive Income				5,046
Balances at December 31, 2005	**1,000**	**$ 67,978**	**$ 11,826**	**$ 79,804**

See Notes to Financial Statements.

NOTE 1. NATURE OF OPERATIONS

UNS Gas, Inc. (UNS Gas) is a gas distribution company serving approximately 139,000 retail customers in Mohave, Yavapai, Coconino, and Navajo Counties in northern Arizona, as well as Santa Cruz County in southeast Arizona. UniSource Energy Services, Inc. (UES), an intermediate holding company, established UNS Gas on April 14, 2003, and owns all of the common stock of UNS Gas and UNS Electric. UniSource Energy Corporation (UniSource Energy) owns all of the common stock of UES. On August 11, 2003, UNS Gas and UNS Electric, Inc. (UNS Electric) completed the purchase of the Arizona gas and electric system assets from Citizens Communications Company (Citizens).

References to "we" and "our" are to UNS Gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Our accounting policies conform to accounting principles generally accepted in the United States of America (GAAP), including the accounting principles for rate-regulated enterprises. Certain amounts reported in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on Net Income.

ACCOUNTING FOR RATE REGULATION

UNS Gas is regulated by the Arizona Corporation Commission (ACC) with respect to retail gas rates, the issuance of securities, and transactions with affiliated parties.

UNS Gas generally uses the same accounting policies and practices used by unregulated companies for financial reporting under GAAP. However, sometimes these principles, such as the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation* (FAS 71), require special accounting treatment for regulated companies to show the effect of regulation. For example, in setting UNS Gas' retail rates, the ACC may not allow UNS Gas to currently charge their customers to recover certain expenses, but instead may require that these expenses be charged to customers in the future. In this situation, FAS 71 requires that UNS Gas defer these items and show them as regulatory assets on the balance sheet until we are allowed to charge our customers. UNS Gas then amortizes these items as expense to the income statement as those charges are recovered from customers. Similarly, certain revenue items may be deferred as regulatory liabilities, which are also eventually amortized to the income statement as rates to customers are reduced.

The conditions a regulated company must satisfy to apply the accounting policies and practices of FAS 71 include:

- an independent regulator sets rates;
- the regulator sets the rates to recover specific costs of delivering service; and
- the service territory lacks competitive pressures to reduce rates below the rates set by the regulator.

FAS 71 may, at some future date, be discontinued due to changes in the regulatory and competitive environments. If UNS Gas stopped applying FAS 71 to its regulated operations, it would write off the related balances of its regulatory assets as an expense and would write off its regulatory liabilities as income on its income statement. UNS Gas' cash flows would not be affected if it stopped applying FAS 71 unless a regulatory order limited its ability to recover the cost of its regulatory assets. We believe our gas operations continue to meet the criteria for FAS 71.

UTILITY PLANT

UNS Gas reports utility plant at cost. Utility plant includes material and labor costs, contractor costs, construction overhead costs, and an allowance for funds used during construction (AFUDC). We charge maintenance and repairs to operating expense as incurred.

AFUDC represents the estimated cost of debt and equity funds that finance utility plant construction. AFUDC is also allowed on certain in service gas division assets prior to their inclusion in rate base. We recover AFUDC in rates through depreciation expense over the useful life of the related asset. UNS Gas imputed the cost of capital on construction expenditures at an average of 7.83% for 2005 and 7.85% for 2004. The component of AFUDC attributable to borrowed funds is included as a reduction of Other Interest Expense on the income statement and totaled $0.2 million in both 2005 and 2004. The equity component is included in Interest Income and totaled $0.2 million in both 2005 and 2004.

We compute depreciation of utility plant on a straight-line basis over the service lives of the assets. The average annual depreciation rates for UNS Gas' utility plant were 3.15% in 2005 and 2.81% in 2004.

During 2005, it was determined that depreciation of certain UNS Gas assets had been overstated in prior periods. An adjustment was recorded which reduced Other Operations and Maintenance Expense by $0.3 million.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and highly liquid investments with original maturities of three months or less.

MATERIALS AND SUPPLIES

UNS Gas carries transmission and distribution materials and supplies in inventory at the lower of average cost or market.

COMPUTER SOFTWARE COSTS

UNS Gas capitalizes all costs incurred to purchase computer software and amortizes those costs over the estimated economic life of the product. We would immediately expense capitalized computer software costs if the software were determined to be no longer useful.

DEBT

We defer costs related to the issuance of debt. These costs include underwriters' commissions, discounts or premiums, and other costs such as legal, accounting and regulatory fees and printing costs. We amortize the costs over the life of the debt using the straight-line method, which approximates the effective interest method. Unamortized debt issuance costs totaled $1.1 million at December 31, 2005 and at December 31, 2004. See Note 5.

UTILITY OPERATING REVENUES

UNS Gas records revenues from customers when the gas is delivered to our customers. Gas Revenue includes unbilled revenues which are earned (service has been provided) but not billed by the end of an accounting period. Unbilled sales are estimated for the month by reviewing the meter reading schedules and determining the number of billed and unbilled therms for each billing cycle. Current month estimated unbilled therms are allocated by customer class. New unbilled revenue estimates are recorded and unbilled revenue estimates from the prior month are reversed.

We record an allowance for our estimate of revenues billed for which collection is doubtful. UNS Gas establishes an allowance for doubtful accounts based on historical experience and any specific customer collection issues.

Other Revenues primarily consist of miscellaneous fees, including service connection and late fees, and revenue from transportation of gas purchased from other providers.

PURCHASED GAS COSTS

UNS Gas defers differences between actual gas purchase costs and the recovery of such costs in revenues under a Purchase Gas Adjustor (PGA) mechanism. The PGA mechanism addresses the volatility of natural gas prices and allows UNS Gas to recover its costs through a price adjustor. The PGA charge may be changed monthly based on an ACC approved mechanism that compares the twelve-month rolling average gas cost to the base cost of gas, subject to limitations on how much the price per therm may change in a twelve month period. UNS Gas defers and recovers through the PGA mechanism the difference between the actual cost of UNS Gas' gas supply and transportation contracts and that currently allowed by the ACC. When under or over recovery trigger points are met, UNS Gas may request a PGA surcharge or surcredit with the goal of collecting or returning the amount deferred from or to customers over a twelve month period.

RELATED PARTY TRANSACTIONS

UNS Gas receives certain corporate and administrative support services from affiliates. These costs consist primarily of employee compensation and benefits. Services from Tucson Electric Power Company (TEP) totaled $2.8 million in 2005 and $2.4 million in 2004. Services from UNS Electric totaled $0.6 million in 2005 and $0.7 million in 2004. TEP, a regulated public utility serving retail electric customers in southern Arizona, is UniSource Energy's largest operating subsidiary.

INCOME TAXES

GAAP requires us to report some of our assets and liabilities differently in our financial statements than we do for income tax purposes. We report the tax effects of differences in these items as deferred income tax assets or liabilities in our balance sheet. We measure these tax assets and liabilities using current income tax rates.

UNS Gas is a member of the UniSource Energy consolidated income tax filing. UNS Gas is allocated income taxes based on its taxable income and deductions as reported in the UniSource Energy consolidated and/or combined tax return filings. The tax liability is allocated in accordance with the Income Tax Regulations. As a result, the regular tax liability of the company is calculated on a stand alone basis and the liability is then owed to UNS through intercompany accounts. UNS has the ultimate responsibility for payment of consolidated tax liabilities to taxing authorities and maintaining intercompany tax accounts with its subsidiaries. The Alternative Minimum Tax (AMT) liability of the company is also computed in accordance with Proposed Income Tax Regulations. This method for allocating consolidated

AMT among group members considers the contribution that one member's AMT attributes provide in offsetting the consolidated AMT liability that would otherwise result if the member were not included in the consolidated group.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

UNS Gas applies Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended (FAS 133). Under FAS 133, all derivative instruments, except those meeting specific exceptions, are recognized in the balance sheet at their fair value. Changes in fair value are recognized immediately in earnings unless specific hedge accounting criteria are met. For derivatives that qualify for hedge accounting, depending on the nature of the hedge, changes in fair value are either offset by changes in the fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. At December 31, 2005 and December 31, 2004, UNS Gas had no derivatives accounted for as cash flow hedges.

Management has determined that UNS Gas' physical gas purchases qualify for the normal purchases and normal sales exception provided by FAS 133. This exception applies to physical sales and purchases of gas supply where it is probable that physical delivery will occur, the pricing provisions are clearly and closely related to the contracted prices and the FAS 133 documentation requirements are met.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of our current assets and liabilities approximate fair value because of the short maturity of these instruments.

UNS Gas' senior unsecured notes of $100 million outstanding at December 31, 2005 and December 31, 2004, have estimated fair values of $105 million and $108 million, respectively. UNS Gas determined the fair value of the senior unsecured notes by calculating the present value of the cash flows of each note, using a discount rate consistent with market yields generally available as of December 31, 2005 and December 31, 2004, for bonds with similar characteristics with respect to credit rating and time-to-maturity. The use of different market assumptions and/or estimation methodologies may yield different estimated fair value amounts.

EVALUATION OF ASSETS FOR IMPAIRMENT

UNS Gas evaluates its Utility Plant and other long-lived assets for impairment whenever events or circumstances occur that may indicate the carrying value of the assets may be impaired. If the fair value of the asset determined based on the undiscounted expected future cash flows from the long-lived asset is less than the carrying value of the asset, an impairment would be recorded.

ASSET RETIREMENT OBLIGATIONS

FASB Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* (FAS 143) requires entities to record the fair value of a liability for a legal obligation to retire an asset in the period in which the liability is incurred. FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), requires entities to record the fair value of a liability regarding a legal obligation to perform asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. We record a liability when we are able to reasonably estimate the fair value of any future obligation to retire as a result of an existing or enacted law, statute, ordinance or contract. We also record a liability for the

fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. When the liability is initially recorded, we capitalize a cost by increasing the carrying amount of the related long-lived asset. Over time, we adjust the liability to its present value by recognizing accretion expense as an operating expense in the income statement each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we either settle the obligation for its recorded amount or incur a gain or loss if the actual costs differ from the recorded amount.

Under FAS 143, only the costs to remove an asset with legally binding retirement obligations will be accrued over time through accretion of the asset retirement obligation and depreciation of the capitalized asset retirement cost.

USE OF ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONCENTRATION OF CREDIT RISK

As of December 31, 2005, UNS Gas had a total credit exposure related to its gas supply contracts of $9 million, primarily related to its relationship with one counterparty. Counterparty credit exposure is calculated by adding any outstanding receivables (net of amounts payable if a netting agreement exists) to the mark-to-market value of any forward contracts.

NOTE 3. REGULATORY MATTERS

UNS Gas is regulated by the ACC with respect to retail gas rates, the issuance of securities, and transactions with affiliated parties. UNS Gas' retail gas rates include a monthly customer charge, a base rate charge for delivery services and the cost of gas (expressed in cents per therm), and a PGA mechanism.

Concurrent with the closing of the acquisition, a retail rate increases for customers of UNS Gas went into effect in August 2003. The rate increase was approved by the ACC in July 2003, when it approved the acquisition and the terms of the April 2003 settlement agreement (UES Settlement Agreement) among UniSource Energy, Citizens, and the ACC Staff.

The related ACC order and the UES Settlement Agreement include the following terms related to UNS Gas rates:

- An increase in retail delivery base rates, effective August 11, 2003, equivalent to a 20.9% overall increase over 2001 test year retail revenues through a base rate increase.

- Fair value rate base of $142 million and allowed rate of return of 7.49%, based on a cost of capital of 9.05%, derived from a cost of equity of 11.00% and a cost of debt of 7.75% (based on a capital structure of 60% debt and 40% equity).

- The existing PGA rate may not change more than $0.15 per therm through July 2004. Thereafter, the PGA rate may not change more than $0.10 per therm.

Under the terms of the ACC order, UNS Gas may not file a general rate increase until July 2006 and any resulting rate increase shall not become effective prior to August 1, 2007.

The UES Settlement Agreement also limits dividends payable by UNS Gas to UES and UniSource Energy to 75% of earnings until the ratio of common equity to total capitalization reaches 40%. The ratio of common equity to total capitalization for UNS Gas was 44% at December 31, 2005 and was 37% at December 31, 2004.

The following table shows the balance of under recovered purchased gas costs as of December 31:

	2005	2004
	-Thousands of Dollars-	
Under Recovered Purchased Gas Costs – Regulatory Basis as Billed	$15,700	$ 9,281
Recovered Purchased Gas Costs – Unbilled Revenue Accrued	(9,801)	(7,419)
Under Recovered Purchased Gas Costs per Financial Statements	$ 5,899	$ 1,862

In August 2005, UNS Gas filed a request with the ACC to approve an increase in the PGA surcharge from $0.03 per therm to $0.27 per therm to be effective October 1, 2005. An increase was necessary to allow for the recovery of the existing PGA bank balance and recover projected costs of gas during the winter season.

On October 19, 2005, the ACC approved the following PGA surcharges:

Surcharge Amount Per Therm	Period In Effect
$0.15	November 2005 – February 2006
$0.25	March 2006 – April 2006
$0.30	May 2006 – June 2006
$0.35	July 2006 – September 2006
$0.25	October 2006 – November 2006
$0.20	December 2006 – February 2007
$0.25	March 2007 – April 2007

Currently, this PGA surcharge is predicted to stem the growth of the PGA bank balance. However, if gas prices increase, the PGA bank balance may continue to grow despite this surcharge. Sources to fund the growing balance could include an additional surcharge, draws on the revolving credit facility, additional credit lines or the investment of additional capital by UniSource Energy. Based on market prices for gas at February 28, 2006, which range from $6 to $9 per MMBtu through the end of 2006, the PGA bank balance on a billed basis is expected to drop below zero by the end of May 2006 and stay below zero for the balance of the year. Changes in the market price for gas, sales volumes and surcharge changes could significantly change the PGA bank balance in the future.

REGULATORY ASSETS AND LIABILITES

Regulatory assets and liabilities consist of the following at December 31:

	2005	2004
	-Thousands of Dollars-	
Regulatory Assets:		
Deferred Year 2000 Costs	$ 200	$ 277
CARES Deferral	109	-
Under Recovered Purchased Gas Costs	5,899	1,862
Regulatory Liabilities:		
Net Cost of Removal for Interim Retirements	(2,690)	(1,517)
Regulatory Assets, Net of Regulatory Liabilities	$3,518	$ 622

FUTURE IMPLICATIONS OF DISCONTUING APPLICATION OF FAS 71

UNS Gas regularly assesses whether it can continue to apply FAS 71 to its operations. If UNS Gas stopped applying FAS 71 to its regulated operations, UNS Gas would write off the related balance of its regulatory assets as an expense and would write off its regulatory liabilities as income on its income statement. Based on the regulatory asset and liability balances, if UNS Gas had stopped applying FAS 71 to its regulated operations, UNS Gas would have recorded an extraordinary after-tax loss of $2 million at December 31, 2005. UNS Gas's cash flows would not be affected if it stopped applying FAS 71.

NOTE 4. UTILITY PLANT

The following table shows Utility Plant in Service and depreciable lives by major class at December 31:

	2005	2004	Depreciable Lives
	-Thousands of Dollars-		
Plant in Service:			
Gas Distribution Plant	$ 151,678	$ 135,343	17 – 48 years
Gas Transmission Plant	17,510	12,508	37 – 55 years
General Plant	9,949	8,912	3 – 31 years
Intangible Plant	970	321	5 – 25 years
Total Plant in Service	$ 180,107	$ 157,084	

Intangible Plant primarily represents computer software costs.

NOTE 5. DEBT

SENIOR UNSECURED NOTES

UNS Gas has $100 million of senior unsecured notes outstanding consisting of $50 million of 6.23% Notes due in 2011 and $50 million of 6.23% Notes due in 2015 that are guaranteed by UES. The note purchase agreements for UNS Gas contain certain restrictive covenants, including restrictions on transactions with affiliates, mergers, liens to secure indebtedness, restricted payments, incurrence of indebtedness, and minimum net worth. Consolidated Net Worth, as defined by the note purchase agreement for UNS Gas, is approximately equal to the balance sheet line item, Common Stock Equity.

The table below outlines the actual and required minimum net worth levels of UES and UNS Gas at December 31, 2005.

	Required Minimum Net Worth	Actual Net Worth
	-Thousands of Dollars-	
UES	$ 50,000	$ 130,000
UNS Gas	43,000	80,000

The incurrence of indebtedness covenant requires UNS Gas to meet certain tests before additional indebtedness may be incurred. These tests include:

- A ratio of Consolidated Long-Term Debt to Consolidated Total Capitalization of no greater than 65%.
- An Interest Coverage Ratio (a measure of cash flow to cover interest expense) of at least 2.50 to 1.00.

However, UNS Gas may, without meeting these tests, refinance indebtedness and incur short-term debt in an amount not to exceed $7 million. UNS Gas may not declare or make distributions or dividends (restricted payments) on its common stock unless (a) immediately after giving effect to such action no default or event of default would exist under its note purchase agreement and (b) immediately after giving effect to such action, it would be permitted to incur an additional dollar of indebtedness under the debt incurrence test. As of December 31, 2005, UNS Gas was in compliance with the terms of its note purchase agreement.

The senior unsecured notes may be accelerated upon the occurrence and continuance of an event of default under the note purchase agreement. Events of default under the note purchase agreement include failure to make payments required thereunder, certain events of bankruptcy or commencement of similar liquidation or reorganization proceedings or a change of control of UES or UNS Gas. In addition, an event of default may occur if UNS Gas, UES or UNS Electric defaults on any payments required in respect of certain indebtedness that is outstanding in an aggregate principal amount of at least $4 million or if any such indebtedness becomes due or capable of being called for payment prior to its scheduled payment date or if there is a default in the performance or compliance with the other terms of such indebtedness and, as a result of such default, such indebtedness has become, or has been declared, due and payable, prior to its scheduled payment date.

REVOLVING CREDIT AGREEMENT

In April 2005, UNS Gas and UNS Electric entered into a $40 million three-year unsecured revolving credit agreement due in April 2008, with a group of lenders (the UNS Gas/UNS Electric Revolver). Either borrower may borrow up to a maximum of $30 million; however, the total combined amount borrowed cannot exceed $40 million.

UNS Gas is only liable for UNS Gas' borrowings, and similarly, UNS Electric is only liable for UNS Electric's borrowings under the UNS Gas/UNS Electric Revolver. UES guarantees the obligations of both UNS Gas and UNS Electric.

The borrowers have the option of paying interest at LIBOR plus 1.50% or at the agent bank's reference rate plus 0.50%. UNS Gas and UNS Electric also pay a commitment fee of 0.45% on the unused portion of the revolving credit facility.

The UNS Gas/UNS Electric Revolver contains restrictions on additional indebtedness, liens, mergers and sales of assets. The UNS Gas/UNS Electric Revolver also contains a maximum leverage ratio and a minimum cash flow to interest coverage ratio for each borrower. As of December 31, 2005, UES, UNS Gas and UNS Electric were each in compliance with the terms of the UNS Gas/UNS Electric Revolver.

If an event of default occurs, the UNS Gas/UNS Electric Revolver may become immediately due and payable. An event of default includes failure to make required payments under the UNS Gas/UNS Electric Revolver; certain change in control transactions, certain bankruptcy events of UNS Gas or UNS Electric, or failure of UES, UNS Gas or UNS Electric to make payments or default on debt greater than $4 million.

As of December 31, 2005, UNS Gas had no borrowings outstanding and UNS Electric had $5 million of borrowings outstanding under the UNS Gas/UNS Electric Revolver. As of March 31, 2006, UNS Gas had no borrowings outstanding under the UNS Gas/UNS Electric Revolver.

NOTE 6. COMMITMENTS AND CONTINGENCIES

We record liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines and penalties and other sources when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

TRANSPORTATION COMMITMENTS

UNS Gas has firm transportation agreements with El Paso Natural Gas (EPNG) and Transwestern Pipeline Company (Transwestern) with combined capacity sufficient to meet its load requirements. The EPNG and Transwestern contracts expire in August 2011 and January 2007, respectively. EPNG provides gas transportation service under a converted full requirements contract in which UNS Gas pays a fixed reservation charge. In July 2003, FERC required the conversion of UNS Gas' full requirements status under the EPNG agreement to contract demand starting on September 1, 2003. Upon conversion to contract demand status, UNS Gas now has specific volume limits in each month and specific receipt point rights from the available supply basins (San Juan and Permian). EPNG filed a rate case in 2005 with new, higher rates to be effective January 2006, subject to refund. UNS Gas made payments under these contracts of $7 million in both 2005 and 2004. In February 2006, UNS Gas extended its firm transportation contract with Transwestern through February 2012; the minimum expected annual payment is $2 million from the end of the current contract until contract expiration.

At December 31, 2005, UNS Gas estimates its future minimum payments under these contracts to be:

	Minimum Purchase Obligations
	-Thousands of Dollars-
2006	$ 10,565
2007	7,447
2008	7,000
2009	7,000
2010	7,000
Total 2006 – 2010	39,012
Thereafter	7,000
Total	$ 46,012

UniSource Energy has guaranteed $5 million of these natural gas transportation and supply payments.

OPERATING LEASES

UNS Gas has entered into operating leases, primarily for office facilities and office equipment, with varying terms, provisions, and expiration dates. UNS Gas' estimated future minimum payments under non-cancelable operating leases at December 31, 2005 were:

	Operating Leases
	-Thousands of Dollars-
2006	$ 542
2007	455
2008	437
2009	431
2010	457
Total 2006-2010	2,322
Thereafter	2,347
Total	$ 4,669

UNS Gas' operating lease expense was $0.5 million in 2005 and $0.6 million in 2004.

UniSource Energy has guaranteed $2 million in building lease payments for UNS Gas.

RESOLUTION OF CONTINGENCIES

Subsequent to the acquisition of the Arizona gas system assets from Citizens, UNS Gas paid certain property taxes and other expenses incurred prior to the acquisition date on behalf of Citizens. UNS Gas had fully reserved this receivable of $0.6 million at December 31, 2004 by adjusting the acquisition price. In 2005, Citizens made a payment of $0.5 million in full settlement to UNS Gas which UNS Gas recorded as Other Income in its income statement.

NOTE 7. ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

As of December 31, 2005, UNS Gas implemented FIN 47. The implementation of FIN 47 required UNS Gas to update an existing inventory, originally created for the implementation of FAS 143, and to determine which, if any, of the conditional asset retirement obligations could be reasonably estimated. No significant conditional asset retirement obligations were identified.

The ability to reasonably estimate conditional asset retirement obligations was a matter of management judgment, based upon management's ability to estimate a settlement date or range of settlement dates, a method or potential method of settlement and probabilities associated with the potential dates and methods of settlement of UNS Gas' conditional asset retirement obligations. In determining whether its conditional asset retirement obligations could be reasonably estimated, management considered UNS Gas' past practices, industry practices, management's intent and the estimated economic life of the assets.

UNS Gas has various transmission and distribution lines that operate under land leases and rights of way that contain end dates and restorative clauses. UNS Gas operates its transmission and distribution systems as if they will be operated in perpetuity and would continue to be used or sold without land remediation. As a result, UNS Gas is not recognizing the costs of final removal of the transmission and distribution lines in its financial statements. UNS Gas had accrued $2.7 million at December 31, 2005 and $1.5 million at December 31, 2004, for the net cost of removal for interim retirements from its transmission, distribution and general plant. These amounts have been recorded as a regulatory liability.

Amounts recorded under FAS 143 are subject to various assumptions and determinations, such as determining whether a legal obligation exists to remove assets, estimating the fair value of the costs of removal, estimating when final removal will occur, and the credit-adjusted risk-free interest rates to be used to discount future liabilities. Changes that may arise over time with regard to these assumptions and determinations will change amounts recorded in the future as expense for asset retirement obligations.

NOTE 8. INCOME AND OTHER TAXES

INCOME TAXES

We record deferred tax liabilities for amounts that will increase income taxes on future tax returns. We record deferred tax assets for amounts that could be used to reduce income taxes on future tax returns. UNS Gas has determined that a valuation allowance on the deferred income tax assets for the years ended December 31, 2005 and December 31, 2004 is not necessary. We reached this conclusion based on our interpretation of tax rules, tax planning strategies, scheduled reversals of temporary differences, and projected future taxable income.

UniSource Energy includes UNS Gas' taxable income in its consolidated federal income tax return. Deferred tax assets (liabilities) consist of the following:

	2005	2004
	-Thousands of Dollars-	
Gross Deferred Income Tax Liabilities		
Plant	$ (11,456)	$ (7,966)
Purchase Gas Adjuster (PGA)	(2,336)	(737)
Other	(387)	(107)
Gross Deferred Income Tax Liabilities	(14,179)	(8,810)
Gross Deferred Income Tax Assets		
Customer Advances	2,931	1,431
Contributions in Aid of Construction	1,421	737
Compensation and Benefits	391	360
Reserve for Uncollectible Accounts	132	174
Other	11	-
Gross Deferred Income Tax Assets	4,886	2,702
Net Deferred Income Tax Liability	$ (9,293)	$ (6,108)

The net deferred income tax liability is included in the balance sheet in the following accounts:

	2005	2004
	-Thousands of Dollars-	
Deferred Income taxes – Current Liabilities	$ (2,071)	$ (392)
Deferred Income Taxes – Noncurrent Liabilities	(7,222)	(5,716)
Net Deferred Income Tax Liability	$ (9,293)	$ (6,108)

Income tax expense (benefit) included in the income statement includes amounts both payable currently and deferred for payment in future periods as indicated below:

	2005	2004
	-Thousands of Dollars-	
Current Tax Expense (Benefit)		
Federal	$ (80)	$ (1,501)
State	244	194
Deferred Tax Expense (Benefit)		
Federal	2,828	4,594
State	357	500
Total Federal and State Income Tax Expense	$ 3,349	$ 3,787

The following reconciles the provision for income taxes at the federal statutory rate of 35% to the effective rate:

	2005	2004
	-Thousands of Dollars-	
Federal Income Tax Expense at Statutory Rate	$ 2,938	$ 3,322
State Income Tax Expense, Net of Federal Deduction	387	438
Other	24	27
Total Federal and State Income Tax Expense	$ 3,349	$ 3,787

OTHER TAX MATTERS

On its 2003 tax return, UNS Gas elected to utilize an accounting method relating to the capitalization of indirect costs to production activities and self-constructed assets.

In August 2005, the Internal Revenue Service (IRS) issued a ruling which draws into question the ability of electric and gas utilities to use the accounting method. UNS Gas believes the IRS position is without merit, and intends to vigorously pursue this issue. However, if the IRS were to prevail and disallow the method in its entirety, UNS Gas would be required to pay up to $1 million in taxes and interest in the first half of 2006. Such payment would not affect total tax expense.

OTHER TAXES

UNS Gas acts as a conduit or collection agent for excise tax (sales tax) as well as franchise fees and regulatory assessments. It records liabilities payable to governmental agencies when it bills its customers for these amounts. Neither amounts billed nor payable are reflected in the income statement.

NOTE 9. PENSION AND POSTRETIREMENT BENEFIT PLANS

UNS Gas does not maintain a separate pension plan or other postretirement benefit plan for its employees. All regular employees are eligible to participate in the pension plan maintained by UES. A small group of active employees are also eligible to participate in a postretirement medical benefit plan. UES allocates net periodic benefit cost based on service cost for participating employees.

PENSION PLAN

UES established a noncontributory, defined benefit pension plan for substantially all regular employees on August 11, 2003. Benefits are based on years of service and the employee's average compensation. UES funds the plan by contributing at least the minimum amount required under Internal Revenue Service regulations.

OTHER POSTRETIREMENT BENEFIT PLAN

UNS Gas assumed a $0.8 million liability for postretirement medical benefits for current retirees and a small group of active employees at the acquisition of the Arizona gas system assets from Citizens. The select active employees participate in the TEP Postretirement Benefit Plan.

The ACC allows UNS Gas to recover postretirement benefit costs through rates only as benefit payments are made to or on behalf of retirees. We fund postretirement benefits entirely on a pay-as-you-go basis. Under current accounting guidance, UES cannot record a regulatory asset for the excess of expense calculated per Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, over actual benefit payments.

FASB Staff Position No. FAS 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* (FSP 106-2), provides guidance related to accounting for the federal subsidy available to certain employers providing retirees with prescription drug benefits. For nonpublic companies, FSP 106-2 is effective for the first annual period beginning after December 15, 2004. Adoption of FSP 106-2 did not have a significant impact on our postretirement benefit costs or cash flows.

The actuarial present values of the pension benefit obligations and other postretirement benefit plans were measured at December 1. UES' benefit obligation, plan assets, and funded status for both UNS Gas and UNS Electric follow:

	Pension Benefits		Other Postretirement Benefits	
	Years Ended December 31,			
	2005	2004	2005	2004
	-Thousands of Dollars-			
Benefit Obligation at End of Year	$(6,104)	$(5,350)	$(1,709)	$(1,516)
Fair Value of Plan Assets at End of Year	2,543	1,216	-	-
Funded Status	$(3,561)	$(4,134)	$(1,709)	$(1,516)

Amounts recognized in UNS Gas' Balance Sheet include:

	Pension Benefits		Other Postretirement Benefits	
	Years Ended December 31,			
	2005	2004	2005	2004
	-Thousands of Dollars-			
Accrued Benefit Liability Included in Other Liabilities	$ (292)	$ (397)	$ (641)	$ (699)
Intangible Asset Included in Other Assets	-	106	-	-
Net Amount Recognized in the Balance Sheet	$ (292)	$ (291)	$ (641)	$ (699)

UNS Gas' net periodic benefit cost, employer contributions and benefits paid for the years ended December 31, 2005 and 2004 were:

	Pension Benefits		Other Postretirement Benefits	
	2005	2004	2005	2004
	-Thousands of Dollars-			
Net Periodic Benefit Cost	$ 775	$ 729	$ 23	$ 17
Employer Contribution	774	655	82	96
Benefits Paid	72	28	114	128

Weighted-Average Assumptions Used to Determine Benefit Obligations as of December 1,	Pension Benefits		Other Postretirement Benefits	
	2005	2004	2005	2004
Discount Rate	5.90%	6.10%	5.80%	5.90%
Rate of Compensation Increase	3.00 – 4.00%	3.75%	-	-

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Costs for Period Ended December 31,	Pension Benefits		Other Postretirement Benefits	
	2005	2004	2005	2004
Discount Rate	6.10%	6.25%	5.90%	5.50%
Rate of Compensation Increase	3.00 - 4.00%	4.00%	-	-
Expected Return on Plan Assets	8.50%	8.75%	-	-

Net periodic benefit cost is subject to various assumptions and determinations, such as the discount rate, the rate of compensation increase, and the expected return on plan assets. We estimated the expected return on plan assets based on a review of the plans' asset allocations and consultations with a third-party investment consultant and the plans' actuary considering market and economic indicators, historical market returns, correlations and volatility, central banks' and government treasury departments' forecasts and objectives, and recent professional or academic research. Changes that may arise over time with regard to these assumptions and determinations will change amounts recorded in the future as net periodic benefit cost.

For measurement purposes, the per capita cost of covered health care benefits was assumed to increase 10 percent for employees who have not reached the age of 65 and 12 percent for employees who have reached the age of 65 in 2006. The rate was assumed to decrease gradually to 5 percent for 2013 and remain at that level thereafter.

Pension Plan Assets

UES calculates the market-related value of plan assets using the fair value of plan assets on the measurement date. The UES pension plan was initially funded during 2004. UES' pension plan asset allocations by asset category are as follows:

	Plan Assets December 31,	
	2005	2004
Asset Category		
Equity Securities	63.00%	68.25%
Debt Securities	37.00%	18.23%
Real Estate	-	13.52%
Total	100.00%	100.00%

The policy for the UES pension plan is to provide exposures to equity and debt securities by investing in a balanced fund. The fund will hold no more than 75% of its total assets in stocks.

Pension Plan Contributions

UNS Gas expects to contribute $0.7 million to the pension plan in 2006.

Estimated Future Benefit Payments

The following benefit payments, which reflect future service, as appropriate, are expected to be paid by UES for both UNS Gas and UNS Electric:

	Pension Benefits	Other Benefits
	- Thousands of Dollars -	
2006	$ 9	$ 154
2007	19	155
2008	36	158
2009	63	156
2010	109	153
Years 2011-2015	1,384	705

DEFINED CONTRIBUTION PLANS

UES sponsors a defined contribution savings plan that is offered to all eligible employees. The plan is a qualified 401(k) plan under the Internal Revenue Code. In a defined contribution plan, the benefits a participant receives result from regular contributions to a participant account. Participants direct the investment of contributions to certain funds in their account. UES makes matching contributions to participant accounts under this plan. Matching contributions to this plan for UNS Gas' participating employees were approximately $165,000 in 2005 and $163,000 in 2004.

NOTE 10. COMMON STOCK EQUITY

DIVIDEND RESTRICTIONS

As discussed in Note 3, the UES Settlement Agreement limits dividends payable by UNS Gas to UES and UniSource Energy to 75% of earnings until the ratio of common equity to total capitalization reaches 40%. UNS Gas met this ratio requirement at December 31, 2005. Additionally, the terms of the senior unsecured note agreements entered into by UNS Gas contain dividend restrictions. See Note 5.

CAPITAL CONTRIBUTIONS

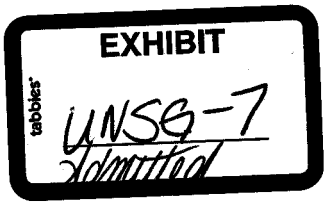
In January 2005, UNS Gas established a short-term inter-company promissory note to UniSource Energy, by which it could borrow up to $10 million for general corporate purposes. In March 2005, UniSource Energy contributed an additional $6 million in capital to UNS Gas. UNS Gas used the proceeds of this contribution to repay the $6 million outstanding on the inter-company promissory note. In December 2005, UniSource Energy contributed $10 million in capital to UNS Gas.

NOTE 11. SUPPLEMENTAL CASH FLOW INFORMATION

A reconciliation of net income to net cash flows from operating activities follows:

	Years Ended December 31,	
	2005	**2004**
	-Thousand of Dollars-	
Net Income	$ 5,046	$ 5,703
Adjustments to Reconcile Net Income to Net Cash Flows		
Depreciation and Amortization Expense	6,773	5,475
Amortization of Deferred Debt-Related Costs Included in Interest Expense	184	140
Provision for Bad Debts	405	715
Deferred Income Taxes	3,185	5,094
Other	1,250	(2,616)
Changes in Assets and Liabilities which Provided (Used) Cash Exclusive of Changes Shown Separately		
Accounts Receivable	(3,391)	(1,154)
Materials and Supplies Inventory	(420)	(750)
Under Recovered Purchased Gas Costs	(4,037)	1,298
Accounts Payable	4,395	9,906
Interest Accrued	41	(79)
Taxes Accrued	639	(4,076)
Other Current Assets	(32)	611
Other Current Liabilities	261	274
Net Cash Flows – Operating Activities	$14,299	$20,541

BEFORE THE ARIZONA CORPORATION COMMISSION



COMMISSIONERS
MIKE GLEASON - CHAIRMAN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	DOCKET NO. G-04204A-06-463
IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. TO REVIEW AND REVISE ITS PURCHASED GAS ADJUSTOR.	DOCKET NO. G-04204A-06-0013
IN THE MATTER OF THE INQUIRY INTO THE PRUDENCE OF THE GAS PROCUREMENT PRACTICES OF UNS GAS, INC.	DOCKET NO. G-04204A-05-0831

Rebuttal Testimony of

Karen G. Kissinger

on Behalf of

UNS Gas, Inc.

March 16, 2007

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Exhibit KGK-3	April 11, 2003 Letter from Karen Kissinger to FERC on accounting for assets acquired from Citizens
Exhibit KGK-4	July 17, 2003 Letter from FERC to Karen Kissinger
Exhibit KGK-5	February 9, 2004 Letter from Karen Kissinger to FERC for actual accounting entries for acquisition
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Exhibit KGK-7	Summary of new depreciation rates
Exhibit KGK-8	Excerpt from Mr. Doherty's testimony
Exhibit KGK-9	Citizens' summary of operating expense adjustments
Exhibit KGK-10	Statement of operating income
Exhibit KGK-11	Appendix B – Schedule 1
Exhibit KGK-12	Excerpts from Decision No. 66028

I. INTRODUCTION.

Q. Please state your name and business address.

A. My name is Karen G. Kissinger. My business address is 4350 East Irvington Road, Tucson, Arizona, 85714.

Q. Are you the same Karen G. Kissinger that filed Direct Testimony in this case?

A. Yes.

Q. Have you reviewed the Direct Testimony filed by the Commission Staff and Intervenors in this case?

A. Yes, I have.

Q. What is purpose of your Rebuttal Testimony?

A. I am specifically responding to the Direct Testimony from Rodney L. Moore from the Residential Utility Consumer Office ("RUCO") regarding (1) removing "unsubstantiated pre-acquisition gross plant and adjust understated accumulated depreciation" and (2) reducing test-year accumulated depreciation. I respectfully disagree with these adjustments for reasons I will explain later in my testimony.

Q. Are there other corresponding adjustments RUCO made as a result of the two adjustments you highlight above that you disagree with?

A. Yes. I also disagree with the resulting effects of Mr. Moore's adjustments on the Company's proposed test-year balances of Plant in Service and Accumulated Depreciation, and pro forma amounts of depreciation expense, amortization expense, and property taxes. I also disagree with Ms. Diaz Cortez's adjustment to accumulated amortization of the Acquisition discount proposed because she bases her adjustment on Mr. Moore's assertion

that unapproved depreciation rates have been used by the Company. Finally, I have discovered numerous computational errors in the RUCO Schedules.

II. UNSUBSTANTIATED GROSS PLANT.

Q. Please explain your understanding of "unsubstantiated gross plant".

A. At Page 10 of his Direct Testimony, RUCO witness Mr. Moore proposes to reduce the Company's recorded balance of Plant in Service to remove what he characterizes as "Unsubstantiated Gross Plant". He states that the Company has not substantiated the end-of-test year Plant in Service balance it has proposed to include in rate base. As a result, he also is proposing corresponding reductions in Accumulated Depreciation, Depreciation Expense and Property Tax Expense.

Q. Do you agree with Mr. Moore's assertion of unsubstantiated plant balances and proposed adjustments relating thereto?

A. No, I do not.

Q. Why do you disagree with his assertion?

A. I disagree for several reasons. First, the acquisition of the Arizona gas assets of Citizens Communications Company ("Citizens") was accounted for in accordance with all applicable regulatory accounting requirements, and such accounting has received regulatory approval. I will explain this approval later in my testimony. Second, the Company's financial statements have been audited and a "clean" opinion obtained. A copy of the 2005 audit was attached to my Direct Testimony in this proceeding as Exhibit KGK-1. Third, we have provided Mr. Moore all of the Citizens' plant cost supporting documents that we have in our possession, and they cover substantially all of the plant additions from December 2001 (the end of the test year in the Citizens' Arizona Gas rate

case that was in progress at the time of the acquisition) through ~~June 30, 2006~~ December 31, 2005 (the end of the test year in this rate case). Finally, there was no regulatory requirement for Citizens to continue to provide information or resources past the acquisition date as there has been in other Commission orders approving utility acquisitions.

Q. What are the accounting requirements associated with the acquisition of assets from another utility?

A. A.A.C. R14-2-312-G requires all gas utilities regulated by the A.C.C. to maintain their books and records in accordance with the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts ("USOA"), Title 18 of the Code of Federal Regulations. Part 201 of Title 18 contains the requirements for natural gas companies. The specific accounting requirements associated with the acquisition of assets from another utility are set forth in Gas Plant Instruction No. 5. Exhibit KGK-2 (attached) is an excerpt from Instruction No. 5.

Q. Was that the accounting used by the Company with respect to the assets acquired from Citizens?

A. Yes, with one minor modification.

Q. What was that modification?

A. Pursuant to Paragraph 35 of the Citizens' Asset Acquisition Settlement Agreement approved in Decision No. 66028 (July 3, 2003), the Company transferred the balance of the Acquisition Discount from Account No. 114 Gas Plant Acquisition Adjustment to Acct. No. 108, Accumulated Depreciation.

Q. You state that the Company has received regulatory approval for the manner in which the acquisition was accounted. Please explain.

A. The USOA requires the acquiring utilities to file summaries of the proposed accounting for assets purchased from other utilities. On April 11, 2003, through our Washington counsel Troutman Sanders LLP, I sent a letter to the Secretary of the FERC describing the proposed accounting for the gas and electric assets acquired from Citizens. Exhibit KGK-3 is a copy of the relevant pages from that letter. At the time, our proposed accounting conformed to that required by Plant Instruction No. 5 of the USOA. The additional accounting reclassification of the Acquisition Discount to Accumulated Depreciation had not yet been required by the Commission.

In response to my letter, again through counsel, I received a letter dated July 17, 2003 from Mr. James K. Guest, Director of the FERC Division of Regulatory Accounting Policy, approving the proposed accounting entries. A copy of that letter is presented in Exhibit KGK-4 attached to my Rebuttal Testimony.

On February 9, 2004, I sent another letter to the Secretary of the FERC that contained the *actual* accounting entries for the Citizens acquisition. Included in that letter was the reclassification of the Acquisition Discount as the Commission mandated. The relevant portions of that letter appear on Exhibit KGK-5 attached to my Rebuttal Testimony.

Throughout the process of acquiring the Citizens assets and obtaining the requisite approvals, the recording of plant account balances and depreciation reserves on the books of UNS Gas as they appeared on the books of Citizens as of the acquisition date was not only required under the applicable accounting, but was what actually was done and what was reported to, and approved by, the FERC.

Q. What documents have you provided Mr. Moore in connection with the recorded plant cost of UNS Gas?

A. In the response to RUCO Data Request No. 1.08, we provided an analysis of the plant additions, adjustments, and retirements for UNS Gas covering the period August 2003 through December 2005. As a follow up to that request, RUCO issued Data Request No. 2.19 asserting "unsubstantiated plant additions" of $28,649,085 occurring between October 29, 2002 (the date of the Acquisition Agreement) and August 11, 2003 (the date that the acquisition was completed), and soliciting a reconciliation of plant additions occurring during that indicated period.

In responding to this request, and reviewing the various plant accounting data sources, it was determined that the $28.6 million amount appearing in the Data Request could only be arrived at as follows:

Plant in Service Acquired on 8/11/2003	$248,032,064
Adjusted Rate Base plant at 12/31/2001 per the Settlement Agreement	219,383,559
Difference	$ 28,649,085

It was clear that the amount of "unsubstantiated" plant additions was computed as the difference between two amounts that were not consistent with each other, and actually reflected a time period different from that identified in the request. One number represented the recorded per books plant acquired from Citizens while the other was an *adjusted* plant component of the rate base appearing in the Citizens rate case that was in progress at the time of the acquisition.

In response to RUCO Data Request No. 2.19, we provided a reconciliation of the recorded plant balances at December 31, 2001 with the final adjusted plant amounts in the Citizens' rate case application with those implicit in the Settlement Agreement approving the acquisition. Moreover, we provided an analysis of the ending balances of Plant in Service and Construction Work in Progress as well as total capital expenditures as reported in the monthly financial reports of Citizens' Arizona Gas for the period December 2001 through August 2003. We noted that the content of these monthly reports was substantially reduced after June of 2003 as Citizens worked toward completing the closing of its accounting office in New Orleans – shortly after the acquisition by UniSource Energy Corporation ("UniSource") was completed. Accordingly, the analysis did not include the balances of Plant in Service or Construction for July 31st and August 11th. However, we also included with our response to RUCO Data Request No. 2.19 were the fixed asset and accumulated depreciation files for UNS Gas and the combined financial statements for calendar year 2002. So, UNS Gas provided evidence substantiating the plant additions – the $28,649,085 – RUCO questions in its Direct Testimonies. We therefore disagree with RUCO's adjustment Mr. Moore advocates for in his Direct Testimony at pages 10 through 12.

Q. You state that there was no regulatory requirement for Citizens to provide information or resources past the acquisition date. Please explain.

A. In some previous Commission orders approving utility acquisitions, in anticipation of future regulatory matters involving acquired utility assets, the Commission has imposed specific requirements on the selling utility to provide certain documents and records that may have future ratemaking or other regulatory value. For example, Decision No. 57647 (December 2, 1991), which approved the acquisition by Citizens of the Southern Union Gas Company operation in Northern Arizona, contains the following language beginning at line 6 of page 14:

> IT IS FURTHER ORDERED that Southern Union Gas Company shall provide Citizens Utilities Company all historical operating data for its Arizona properties for the last 5 years, and Citizens shall retain the data for a 10-year period.

Similar requirements are contained in other Commission orders. Neither the acquisition Settlement Agreement nor Decision No. 66028 approving the acquisition contains any such language similarly obligating Citizens or UniSource.

Q. What is your recommendation to the Commission?

A. There is clearly no basis for the Commission to accept in this proceeding Mr. Moore's recommendations with respect to "unsubstantiated" plant costs. It should be rejected.

III. UNAUTHORIZED DEPRECIATION RATES.

Q. Please explain the RUCO assertion that the Company has been using unauthorized depreciation rates.

A. At page 13 of his Direct Testimony, RUCO witness Mr. Moore proposes an adjustment to Accumulated Depreciation, alleging that the Company has been using book depreciation rates that the Commission has not approved. Specifically, Mr. Moore states on page 13, line 21, of his Direct Testimony that the Settlement Agreement approving the acquisition of the former Citizens' Arizona gas assets by UniSource "did not authorize a change in depreciation rates it had established in Decision No. 58664."

Mr. Moore has recomputed the Accumulated Depreciation component of rate base using the rates approved in Commission Decision No. 58664 (June 16, 1994). The allegation of unapproved depreciation rates also affects Mr. Moore's adjustment to the Company's proposed level of Property Tax Expense and RUCO witness Ms. Diaz Cortez' adjustment to test-year pro forma Amortization Expense.

Q. Do you agree with Mr. Moore?

A. No I do not. While I do agree that there is no specific language in either the Settlement Agreement or Decision No. 66028 issued in July 2003 approving the Settlement, I can clearly demonstrate that the rate increase the Commission approved in connection with that Decision reflects a revenue requirement that includes a depreciation expense component based on new depreciation rates being sought in the Citizens' Arizona gas rate case in progress at that time.

Q. Please demonstrate your assertion that the depreciation rates currently being used are implicit in the current service rates authorized for UNS Gas.

A. Included in the application filed by Citizens for its Arizona Gas operations in Docket G-1032A-02-0598 – the rate case that was in progress at the time of and specifically resolved by the Settlement Agreement – was a request to combine Citizens' Northern Arizona and Santa Cruz Gas Divisions into a single entity. The rate application also included a request to implement new depreciation rates. That request was supported by the testimony and exhibits sponsored by Citizens' consultant Dr. Ronald White. Exhibit KGK-6 (attached) is the Executive Summary of his testimony filed by Dr. White in that rate case. Exhibit KGK-7 (attached) summarizes the new depreciation rates proposed by Dr. White.

Citizens' witness Mr. Kevin Doherty sponsored an adjustment in that 2002 rate case to annualize test year depreciation expense, using the end-of-test-year balances of Plant in Service and the new depreciation rates recommended by Dr. White in that docket. Both Dr. White's aforementioned Executive Summary and the Direct Testimony of Mr. Doherty clearly indicate that the proposed new depreciation rates were used to calculate the pro forma depreciation expense. Exhibit KGK-8 (attached) is an excerpt from Mr. Doherty's testimony.

Exhibit KGK-9 (attached) is a summary of the operating expense adjustments Citizens proposed in the 2002 rate case. As may be seen in column 10 on page 1, the depreciation adjustment totaled ($2,005,664). Because there were no other adjustments proposed to depreciation and amortization expense, Column 12 on page 2 also shows ($2,005,664) at Line 22.

Exhibit KGK-10 (attached) is the Statement of Operating Income filed in the 2002 Citizens' Arizona Gas rate case. Line 22 thereof shows a per-books test-year total of $8,085,696 for depreciation and amortization expense, which after reflecting the ($2,005,664) becomes an adjusted $6,080,032. Total adjusted operating expenses are reported as $29,859,584 in Column 8 at Line 25.

Exhibit KGK-11 (attached) is the Appendix B – Schedule 1 that was attached to the Settlement Agreement. The purpose of this schedule is to present the positions of Citizens and UniSource on the in-progress rate case and the final agreed Settlement amount. The Operating Expenses are presented on Line 17, with the corresponding percentage increase in annual revenues shown on Line 29. As indicated, Citizens had requested a 28.93% increase in service rates, with the Settlement providing for a 20.92% increase. As previously stated the Citizens rate filing proposed an annual level of operating expenses totaling $29,859,584 whereas the Settlement provided for $28,883,183. *None* of the $976,401 difference between Citizens' request and the Settlement amount relates to depreciation expense computed by any rates other than those new requested book depreciation rates recommended by Dr. White.

Exhibit KGK-12 (attached) includes pages excerpted from Decision No. 66028 approving the Settlement. As indicated on the first page (page 17 of the Order), the $15,191,276 (20.92%) rate increase reported on KGK-11 is acknowledged. Page 31 of that Decision –

the second page of Exhibit KGK-12 – clearly indicates the Commission's acceptance of the agreed-upon annual rate increase.

Q. What do you conclude from your analysis?

A. It is clear that the annual pro forma depreciation expense computed by Citizens and based on Dr. White's recommended new depreciation rates are in fact implicit in the revenue requirement underlying UNS Gas' current service rates approved in Decision No. 66028. While neither the Settlement nor the Commission Decision approving the Settlement specifically address the request for approval of new depreciation rates, my analysis definitively shows that the rate increase agreed to by all parties reflects the requested new rates.

Q. Would it be proper to use any other rates for accruing depreciation than those requested by Citizens?

A. It would not.

Q. What is your recommendation to the Commission?

A. I respectfully recommend that it consider the analysis I have provided and reject Mr. Moore's assertion that unauthorized depreciation rates have been used by the Company. Moreover, all of the adjustments proposed by RUCO witnesses that are based on the assertion of unauthorized depreciation rates should be similarly rejected.

IV. <u>COMPUTATIONAL ERRORS</u>.

Q. You have stated that you have discovered errors in the schedules of RUCO witnesses. Is that correct?

A. Yes. Several of the schedules contain conceptual or mathematical errors.

Q. Please explain some of those errors.

A. Schedule RLM-4 supporting RUCO's proposed adjustments for the effects of what it characterizes as "unsubstantiated plant additions" and "unauthorized depreciation rates" is flawed because it contains computational errors due to the use of incorrect plant account balances and incorrect depreciation rates. I refrain from elaborating to avoid overshadowing the fact that, as I have already clearly shown in this rebuttal testimony, the proposed adjustments are totally without merit and should be categorically rejected.

Q. Are there other errors that you wish to bring to the Commission's attention?

A. Yes. There are serious flaws in the calculation of the income taxes.

Q. Please explain.

A. RUCO has recommended numerous adjustments to rate base and operating income, yet it leaves unchanged the deferred income tax expense and accumulated deferred income taxes reflected in the Company's filing. As more fully described in my Direct Testimony, typically, the most significant book-tax difference recognized in regulatory accounting and ratemaking is that associated with depreciation, where tax depreciation is computed based on shorter lives and accelerated methods as compared with book depreciation, which is based on service lives and a ratable straight-line method. This timing difference gives rise to deferred income tax expense which is accumulated in a balance sheet account that is deducted from rate base in ratemaking. To the extent that any book cost (i.e. depreciation) proposed by the Company in a rate filing that is part of a timing difference that the Company has been permitted to include in deferred income tax expense for ratemaking is adjusted, there must be a corresponding change in deferred income tax expense and accumulated deferred income taxes, as well as current income taxes. As a result of its assertion of "unsubstantiated plant additions" and "unauthorized depreciation rates" RUCO has proposed adjusting depreciation expense, accumulated depreciation, and current

income tax expense, but there are no corresponding adjustments to deferred income tax expense or accumulated deferred income taxes. Its proposal is incomplete, however, as previously stated, that should not overshadow the fact that their overall assertion of "unsubstantiated plant" and "unauthorized depreciation rates" are totally without merit.

There is another error in the RUCO filing. It is also noteworthy that, in ratemaking, there is an implicit interrelationship between cash working capital, rate base, current income tax expense, and the synchronized tax deduction for interest that must be recognized and properly accounted for. The Commission has adopted a long-standing policy that the deduction for interest in computing income taxes should be synchronized; that is, the amount of interest used in computing income tax expense should be that amount of interest implicit in the overall revenue requirement. Synchronized interest is computed by multiplying rate base by the weighted cost of debt. Both synchronized interest and current income taxes are elements of the calculation of cash working capital. Cash working capital is a component of rate base. To properly compute each of these elements of revenue requirements, it is necessary to perform an algebraic exercise using simultaneous equation. Such a computation was performed by the Company and is reflected in its filing. In reviewing the RUCO filing, there is no evidence that such a computation was performed.

V. WORKING CAPITAL.

Q. Have any of the adjustments accepted by the Company in its Rebuttal Testimony impacted the Company's calculation of working capital?

A. Yes. A number of the adjustments will have an impact on working capital. A revised amount for working capital is shown in Mr. Dukes Exhibit DJD-1. This adjustment reflects the composite impact of all the adjustments accepted by the Company.

Q. Does that conclude your rebuttal testimony?

A. Yes it does.

EXHIBIT

KGK-2

5. *Electric Plant Purchased or Sold.*

A. When electric plant constituting an operating unit or system is acquired by purchase, merger, consolidation, liquidation, or otherwise, after the effective date of this system of accounts, the costs of acquisition, including expenses incidental thereto properly includible in electric plant, shall be charged to account 102, Electric Plant Purchased or Sold.

B. The accounting for the acquisition shall then be completed as follows:

(1) The original cost of plant, estimated if not known, shall be credited to account 102, Electric Plant Purchased or Sold, and concurrently charged to the appropriate electric plant in service accounts and to account 104, Electric Plant Leased to Others, account 105, Electric Plant Held for Future Use, and account 107, Construction Work in Progress—Electric, as appropriate.

(2) The depreciation and amortization applicable to the original cost of the properties purchased shall be charged to account 102, Electric Plant Purchased or Sold, and concurrently credited to the appropriate account for accumulated provision for depreciation or amortization.

(3) The cost to the utility of any property includible in account 121, Nonutility Property, shall be transferred thereto.

(4) The amount remaining in account 102, Electric Plant Purchased or Sold, shall then be closed to account 114, Electric Plant Acquisition Adjustments.

Source: FERC <u>Uniform System of Accounts</u>

EXHIBIT

KGK-3

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April 11, 2003

FILED
OFFICE OF THE
SECRETARY
03 APR 11 PM 2:20
FEDERAL ENERGY
REGULATORY COMMISSION

The Honorable Magalie R. Salas
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: *Citizens Communications Company and UniSource Energy Corporation*
Docket No. EC03-54-000

Dear Ms. Salas:

Enclosed for filing are an original and fourteen copies of proposed accounting entries for the transaction between UniSource Energy Corporation and Citizens Communications Company. The companies have provided this information to the Office of the Chief Accountant, and are also filing this information at the request of FERC Staff.

Please contact the undersigned if you have any questions regarding this filing.

Sincerely,

Antoine P. Cobb

Attorney for Citizens Communications Company and Tucson Electric Power Company

Enclosures

Cc: Ken Anderson, Office of the Chief Accountant

UniSource Energy

4350 East Irvington Road, Post Office Box 711
Tucson, Arizona 85702

Area Code 520
Telephone 571-4000

April 11, 2003

The Honorable Magalie R. Salas
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Citizens Communications Company and UniSource Energy Corporation
Docket No. EC03-54-000

Dear Ms. Salas:

On October 29, 2002, UniSource Energy Corporation (UniSource) entered into an agreement with Citizens Communications Company (Citizens) to acquire Citizens' electric and gas distribution & transmission systems located and operated in the state of Arizona. The parties have requested approval from the Commission for this acquisition in Docket No. EC03-54-000.

Under the proposed structure of the transaction, UniSource has created a wholly-owned subsidiary UniSource Energy Services. Two wholly-owned subsidiaries of UniSource Energy Services will be organized to own the electric and gas assets acquired from Citizens. For purposes of this filing, the operating companies that will own and operate the gas and electric systems will be referred to as GasCo and ElecCo, respectively.

As requested, we are providing the proposed accounting treatment that will be recorded on the books of GasCo and ElecCo in connection with this acquisition. The information provided is based on financial information as of October 31, 2002, which is the accounting period ending nearest to the agreement date. The actual entries will not be known until the transaction is completed in the summer of 2003, however the proposed accounting treatment should not differ significantly from the final entries.

GasCo provides its proposed journal entries on Attachment No. 1 to record the initial capitalization of GasCo, the acquisition of Citizens' Arizona gas assets, the clearing of Account 102, *Gas plant purchased or sold* and the clearing of Account 114, *Gas plant acquisition adjustments*.

ElecCo provides its proposed journal entries on Attachment No. 2 to record the initial capitalization of ElecCo, the acquisition of Citizens' Arizona electric assets, the clearing of Account 102, *Electric plant purchased or sold* and the clearing of Account 114, *Electric plant acquisition adjustments*.

I. SUMMARY OF PROPOSED JOURNAL ENTRIES

A. GasCo, Attachment No. 1

Journal Entry No. 1 records the initial capitalization of GasCo with sufficient cash to purchase the assets. The anticipated capital structure is 40% common stock equity and 60% long-term debt. Journal Entry No. 2 reflects the acquisition of the gas system assets. Journal Entry No. 3 reflects the clearing of Account 102, *Gas plant purchased or sold* to the appropriate plant accounts. Journal Entry No. 4 reflects the clearing of Account 102, *Gas plant purchased or sold* to Account 114, *Gas plant acquisition adjustments*. Entry No. 5 reflects the reclassification of the balance in Account 114 to Account 108, *Accumulated provision for depreciation of gas utility plant*.

GasCo believes its proposed accounting for the clearing of Accounts 102 and 114 is consistent the with the Commission's Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act[1] and past accounting decisions.

B. ElecCo, Attachment No. 2

Journal Entry No. 1 records the initial capitalization of ElecCo with sufficient cash to purchase the assets. The anticipated capital structure is 40% common stock equity and 60% long-term debt. Journal Entry No. 2 reflects the acquisition of the electric system assets. Journal Entry No. 3 reflects the clearing of Account 102, to the appropriate plant accounts. Journal Entry No. 4 reflects the clearing of Account 102, *Electric plant purchased or sold* to Account 114, *Electric plant acquisition adjustments*. Entry No. 5 reflects the clearing of Account 114 to Account 108, *Accumulated provision for depreciation of electric utility plant*.

ElecCo believes its proposed accounting for the clearing of Accounts 102 and 114 is consistent the with the Commission's Uniform System of Accounts Prescribed for Public Utilities and Licensees, Subject to the Provision of the Federal Power Act[2] and past accounting decisions.

C. Proforma Financial Statements, Attachment No. 3

The effect of the proposed journal entries on the financial statements of GasCo and ElecCo is shown in Attachment 3. The financial statements provided are a proforma October 31, 2002 balance sheet and a proforma income statement for the ten months ended October 31, 2002.

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[1] 18 CFR Ch. 1, Part 201
[2] 18 CRF Ch. 1, Part 101

II. SUPPORT FOR PROPOSED JOURNAL ENTRIES

A. Background of Commission Accounting Requirements

The Commission has put into place accounting systems that recognize, measure, and report economic consequences in accordance with the standards that are prescribed for rates. Under the accounting model, the Commission has a longstanding policy of requiring that a jurisdictional utility classify any differences between the purchase price of utility plant acquired in connection with an acquisition and the related original cost of those assets as an acquisition adjustment in Account 114, *Gas/Electric plant acquisition adjustments*. In those cases in which the purchase price is less than the original cost of the related assets, the so-called "negative" acquisition adjustment, the Commission has directed jurisdictional utilities to reclassify the negative amounts to Account 108, *Accumulated provision for depreciation of gas/electric utility plant*.

B. Accounting for the Acquisition Adjustment

The proposed $65,087,462 balance for GasCo recorded initially as a credit to Account 114 represents the excess of the book value of the gas assets purchased over the acquisition price. GasCo and ElecCo proposes to reclassify these "negative" acquisition adjustments to Account 108. The proposed $100,350,725 balance for ElecCo recorded initially as a credit to Account 114 represents the excess of the book value of the electric assets over the acquisition price. GasCo and ElecCo proposes to reclassify these "negative" acquisition adjustments to Account 108.

As support for this accounting, GasCo and ElecCo rely on the accounting treatment for business combinations under generally accepted accounting principles (GAAP). The Financial Accounting Standards Board (FASB) recently revised the accounting standards for business combinations. The revised standards require that the purchase price of the assets be allocated among the assets based on the fair market value of the assets acquired. The fair market value of the gas and electric system assets acquired is equal to the acquisition price agreed to by the parties. After allocating the acquisition price to those assets carried on the balance sheet at fair market value (e.g., cash, accounts receivable, etc.) the remaining balance reflects the fair market value of the gas and electric plant assets acquired. The reclassification of the "negative" acquisition adjustment to Account 108 results in a book value equal to the fair market value of the assets acquired.

Over the years the Commission has emphasized its overall objective and goal of minimizing the differences between accounting and financial statement presentation in reports prepared for the FERC, stockholders, and others. Therefore, GasCo believes it appropriate to account for "negative" acquisition adjustments consistent with the revised GAAP for accounting for business combinations. Therefore, GasCo requests approval for the reclassification of the "negative" acquisition adjustment to Account 108.

If you require additional information please contact me at (520) 745-3122.

Very truly yours,

Karen G. Kissinger

Karen G. Kissinger
Vice President, Controller and
Chief Compliance Officer

KGK/gb

Attachment No. 1

GasCo.
Proposed Journal Entries for the Purchase of Gas Assets

	FERC Acct	Debit	Credit
1			
Special Deposits	134	142,379,105	
Common Stock	201		56,951,642
Bonds	222		85,427,463
To record the debt and equity transactions for the purchase of the gas assets.			
2			
Gas Plant Purchased	102	136,678,230	
Cash and Cash Equivalents	131	145,639	
Special Deposits	134		142,379,105
Customer Accounts Receivable	142	6,950,869	
Other Accounts Receivable	143	323,204	
Reserve for Doubtful Accounts	144		101,570
Materials & Supplies	154	817,876	
Prepayments	165	89,460	
Other Deferred Debits	186	10,767,768	
Accounts Payable	232		5,071,358
Customers' Deposits	235		1,923,891
Interest Accrued	237		59,482
Customer Advances for Construction	252		6,237,640
To record the acquisition of gas plant assets.			
3			
Gas Plant Purchased	102		201,765,692
Plant in service	101	234,543,969	
Construction Work in Progress	107	4,185,909	
Accumulated Depreciation	108		58,280,763
Gas Plant Acquisition Adjustment	114	21,316,677	
To record the original cost and related accumulated depreciation of the acquired gas plant assets.			
4			
Gas Plant Purchased	102	65,087,462	
Gas Plant Acquisition Adjustment	114		65,087,462
To close out the balance in account 102, Gas Plant Purchased, to account 114, Gas Plant Acquisition Adjustment.			

Attachment No. 1 - continued

GasCo.
Proposed Journal Entries for the Purchase of Gas Assets

5

Gas Plant Acquisition Adjustment	114	43,770,885	
Accumulated Depreciation	108		43,770,885

To reclassify the "negative" acquisition adjustment to account 108, Accumulated Provision for Depreciation of Gas Plant.

EXHIBIT

KGK-4

In Reply Refer To:
OED-DRAP
Docket No. AC03-48-000

July 17, 2003

Troutman Sanders LLP
Attention: Mr. Antoine P. Cobb
Attorney for Citizens Communications Company
401 9th Street, NW., Suite 1000
Washington, DC 20004-2134

Thank you for your April 11, 2003 letter, filed on behalf of Citizens Communications Company (Citizens) and UniSource Energy Corporation (UniSource), advising us of their proposed accounting entries in connection with UniSource's acquisition of Citizens' electric and gas distribution and transmission systems located in the state of Arizona. The transaction was approved under delegated authority in Docket No. EC03-54-000.[1]

We accept your proposed journal entries for filing.

UniSource proposes to transfer the original cost and related accumulated depreciation for the electric and gas assets from Citizens' books consistent with the requirements of Electric and Gas Plant Instruction No. 5.F.[2] UniSource proposes to record in Account 114, Electric or Gas Plant Acquisition Adjustments, a negative acquisition adjustment of $65,087,462 for the gas assets and a negative acquisition balance of $100,350,725 for the electric assets. UniSource will transfer from the seller's books a $21,316,577 balance in Account 114 and use the amount to offset the $65,087,462 negative acquisition adjustment for the gas assets.[3] UniSource will transfer

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[1] 103 FERC ¶ 62,100 (2003).

[2] 18 C.F.R. Parts 101 and 201 (2003).

[3] In an e-mail dated June 5, 2003, you state that the $21,316,577 balance in Account 114 represents an acquisition adjustment that resulted from Citizens' purchase of the gas assets from Southern Union in 1992 at an amount in excess of the net book value.

the balances in Account 114 to Account 108, Accumulated Provision for Depreciation of Electric or Gas Utility Plant.

Citizens proposes to remove the original cost and related accumulated depreciation from its books consistent with Electric and Gas Plant Instructions No. 5.(F). Citizens proposes to recognize in Account 421.2, Loss on Disposition of Property, a $65,087,462 loss on the sale of the gas assets and a $224,992,547 loss on the sale of the electric assets. A portion of the loss ($124,641,822) on the sale of the electric assets represents a write-down of the remaining Purchase Power Fuel Adjustment Clause (PPFAC) balance. [4]

This letter order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this letter order, pursuant to 18 C.F.R. § 385.713.

Sincerely,

James K. Guest
Director, Division of Regulatory
Accounting Policy

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[4]The amount will not be recovered in future rates in accordance with agreements with the Arizona Public Utilities Commission.

EXHIBIT

KGK-5

UniSource Energy

4350 East Irvington Road, Post Office Box 711
Tucson, Arizona 85702

Area Code 520
Telephone 571-4000

February 9, 2004

The Honorable Magalie R. Salas
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Citizens Communications Company and UniSource Energy Corporation
Docket No. EC03-54-000

Dear Ms. Salas:

On October 29, 2002, UniSource Energy Corporation (UniSource) entered into an agreement with Citizens Communications Company (Citizens) to acquire Citizens' electric and gas distribution & transmission systems located and operated in the state of Arizona. The Commission approved this transaction in Docket No. EC03-54-000.

Under the structure of the transaction, UniSource has created a wholly-owned subsidiary UniSource Energy Services. Two wholly-owned subsidiaries of UniSource Energy Services were created to own and operate the assets acquired from Citizens. These companies are UNS Gas, Inc. (UNS Gas) and UNS Electric, Inc. (UNS Electric.)

The following is a summary of the acquisition entries which will clear Account 102, Gas/*Electric plant purchased or sold.*

UNS Gas provides its journal entries on Attachment No. 1 to record the initial capitalization of UNS Gas, the acquisition of Citizens' Arizona gas assets and the clearing of Account 102, *Gas plant purchased or sold.*

UNS Electric provides its journal entries on Attachment No. 2 to record the initial capitalization of UNS Electric, the acquisition of Citizens' Arizona electric assets and the clearing of Account 102, *Electric plant purchased or sold.*

I. SUMMARY OF PROPOSED JOURNAL ENTRIES

A. UNS Gas, Attachment No. 1

Journal Entry No. 1 records the initial capitalization of UNS Gas with sufficient cash to purchase the assets. The capital structure was 33% equity and 67% long-term debt. Journal Entry No. 2 reflects the acquisition of the gas system assets. Journal Entry No. 3 to Account 102, *Gas plant purchased or sold,* records the appropriate plant

accounts. Journal Entry No. 4 reflects the clearing of Account 102, *Gas plant purchased or sold,* to Account 114, *Gas plant acquisition adjustments*. Entry No. 5 reflects the reclassification of the remaining balance in Account 114 to Account 108, *Accumulated provision for depreciation of gas utility plant.*

UNS Gas believes its proposed accounting for the clearing of Accounts 102 and 114 is consistent with the Commission's Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act[1] and past accounting decisions.

B. UNS Electric, Attachment No. 2

Journal Entry No. 1 records the initial capitalization of UNS Electric with sufficient cash to purchase the assets. The capital structure was 34% equity and 66% long-term debt. Journal Entry No. 2 reflects the acquisition of the electric system assets. Journal Entry No. 3 to Account 102, *Electric plant purchased or sold,* records the appropriate plant accounts. Journal Entry No. 4 reflects the clearing of Account 102, *Electric plant purchased or sold* to Account 114, *Electric plant acquisition adjustments.* Entry No. 5 reflects the clearing of the remaining balance in Account 114 to Account 108, *Accumulated provision for depreciation of electric utility plant.*

UNS Electric believes its proposed accounting for the clearing of Accounts 102 and 114 is consistent the with the Commission's Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provision of the Federal Power Act[2] and past accounting decisions.

C. Proforma Financial Statements, Attachment No. 3

The effect of the proposed journal entries on the financial statements of UNS Gas and UNS Electric is shown in Attachment 3. The financial statements provided are an August 11, 2003 balance sheet and an income statement for the seven months and eleven days ended August 11, 2003.

[1] 18 CFR Ch. 1, Part 201
[2] 18 CRF Ch. 1, Part 101

II. SUPPORT FOR PROPOSED JOURNAL ENTRIES

A. Background of Commission Accounting Requirements

The Commission has put into place accounting systems that recognize, measure, and report economic consequences in accordance with the standards that are prescribed for rates. Under the accounting model, the Commission has a longstanding policy of requiring that a jurisdictional utility classify any differences between the purchase price of utility plant acquired in connection with an acquisition and the related original cost of those assets as an acquisition adjustment in Account 114, *Gas/Electric plant acquisition adjustments*. In those cases in which the purchase price is less than the original cost of the related assets, the so-called "negative" acquisition adjustment, the Commission has directed jurisdictional utilities to reclassify the negative amounts to Account 108, *Accumulated provision for depreciation of gas/electric utility plant*.

B. Accounting for the Acquisition Adjustment and the Clearing of Account 102

The proposed entries to Account 102 *Gas plant purchased or sold* for UNS Gas are a debit of $137,186,838 to record the purchase of the gas plant (Entry 2 of Attachment 1), a credit of $206,265,427 to record the plant values (Entry 3 of Attachment 1) and a debit of $69,078,589 to clear Account 102 (Entry 4 of Attachment 1).

The proposed entries to Account 102 *Electric plant purchased or sold* for UNS Electric are a debit of $90,814,602 to record the purchase of the gas plant (Entry 2 of Attachment 2), a credit of $196,379,238 to record the plant values (Entry 3 of Attachment 2) and a debit of $105,564,636 to clear Account 102 (Entry 4 of Attachment 2).

UNS Gas and UNS Electric propose to reclassify the "negative" acquisition adjustments to Account 108 (Entries 5 of Attachment 1 and 2).

As support for this proposed accounting, UNS Gas and UNS Electric rely on the accounting treatment for business combinations under generally accepted accounting principles (GAAP). The Financial Accounting Standards Board (FASB) recently revised the accounting standards for business combinations. The revised standards require that the purchase price of the assets be allocated among the assets based on the fair market value of the assets acquired. The fair market value of the gas and electric system assets acquired is equal to the acquisition price agreed to by the parties. After allocating the acquisition price to those assets carried on the balance sheet at fair market value (e.g., cash, accounts receivable, etc.) the remaining balance reflects the fair market value of the gas and electric plant assets acquired. The reclassification of the "negative" acquisition adjustment to Account 108 results in a book value equal to the fair market value of the assets acquired.

Over the years the Commission has emphasized its overall objective and goal of minimizing the differences between accounting and financial statement presentation in reports prepared for the FERC, stockholders, and others. Therefore, UNS Gas and UNS Electric believe it is appropriate to account for "negative" acquisition adjustments consistent with the revised GAAP for accounting for business combinations. Therefore, UNS Gas and UNS Electric request approval for the reclassification of the "negative" acquisition adjustment to Account 108 and for the clearing of Account 102.

If you require additional information please contact me at (520) 745-3122.

Very truly yours,

Karen G. Kissinger
Vice President, Controller and
Chief Compliance Officer

KGK/gb

Attachment No. 1

UniSource Energy Services
UNS Gas
Journal Entries for the Purchase of Citizens Gas Co. Assets

	FERC Acct	Debit	Credit
1			
Cash	131	150,000,000	
Common Stock Subscribed	202		10
Donations Received from Stockholders	208		49,999,990
Other Long-Term Debt	224		100,000,000
To record the debt and equity transactions for the purchase of the gas assets.			
2			
Gas Plant Purchased	102	137,186,838	
Cash	131		135,792,209
Cash	131		1,503,029
Customer Accounts Receivable	142	1,674,182	
Other Accounts Receivable	143	422,310	
Accumulated Provision for Uncollectible Accounts	144		248,812
Plant Materials and Operating Supplies	154	908,377	
Prepayments	165	353,427	
Accrued Utility Revenues	173	6,366,518	
Miscellaneous Current and Accrued Assets	174	27,422	
Other Regulatory Assets	182.3	383,765	
Unrecovered Purchase Gas Costs	191	5,623,892	
Donations Received from Stockholders	208		1,419,941
Other Long-Term Debt	224		486,820
Accumulated Provisioin for Pension and Benefits	228.3		778,422
Accounts Payable	232		8,613,075
Customer Deposits	235		2,083,759
Interest Accrued	237		61,070
Customer Advances for Construction	252		1,959,594
To record the acquisition of gas plant assets.			
3			
Gas Plant Purchased	102		206,265,427
Gas Plant in Service	101	248,032,644	
Construction Work in Progress - Gas	107	1,408,952	
Accumulated Provision for Depreciation of Gas Utility Plant	108		61,069,331
Accumulated Provision for Amortization and Depletion of Gas Utility Plant	111		378,187
Accumulated Provision for Amortization of Gas Plant Acquisition Adjustment	115		3,045,228
Gas Plant Acquisition Adjustment	114	21,316,577	
To record the original cost of the acquired gas plant assets.			
4			
Gas Plant Purchased	102	69,078,589	
Gas Plant Acquisition Adjustment	114		69,078,589
To close out the balance in account 102, Gas Plant Purchased, to account 114, Gas Plant Acquisition Adjustment.			
5			
Gas Plant Acquisition Adjustment	114	47,762,012	
Accumulated Provision for Depreciation of Gas Utility Plant	108		47,762,012
To reclass negative acquisition adjustment to account 108, Accumulated Provision for Depreciation of Gas Plant.			

Attachment No. 2

UniSource Energy Services
UNS Electric
Journal Entries for the Purchase of Citizens Electric Co. Assets

	FERC Acct	Debit	Credit
1			
Cash	131	91,000,000	
Common Stock Subscribed	202		10
Donations Received from Stockholders	208		30,999,990
Other Long-Term Debt	224		60,000,000
To record the debt and equity transactions for the purchase of the electric assets.			
2			
Electric Plant Purchased or Sold	102	90,814,602	
Cash	131	7,255	
Cash	131		82,765,296
Cash	131		1,002,900
Other Special Deposits	134	11,340	
Customer Accounts Receivable	142	6,639,217	
Other Accounts Receivable	143	63,191	
Accumulated Provision for Uncollectible Accounts	144		94,524
Plant Materials and Operating Supplies	154	3,322,561	
Prepayments	165	229,765	
Accrued Utility Revenue	173	7,772,812	
Preliminary Survey & Investigation Charges	183	579,847	
Donations Received from Stockholders	208		946,627
Obligations Under Capital Lease -Noncurrent	227		631,806
Accumulated Provision for Pensions and Benefits	228.3		1,286,578
Accounts Payable	232		16,320,048
Customer Deposits	235		2,809,988
Interest Accrued	237		92,553
Miscellaneous Current and Accrued Liabilities	242		1,086,785
Obligations Under Capital Lease -Current	243		74,877
Customer Advances for Construction	252		1,706,608
Other Deferred Credits	253		622,000
To record the acquisition of electric plant assets.			
3			
Electric Plant Purchased or Sold	102		196,379,238
Electric Plant in Service	101	307,833,775	
Property Under Capital Leases	101.1	730,678	
Construction Work in Progress - Electric	107	8,000,306	
Accumulated Provision for Depreciation of Electric Utility Plant	108		119,261,742
Accumulated Provision for Amortization of Electric Utility Plant	111		923,779
To record the original cost of the acquired electric plant assets.			
4			
Electric Plant Purchased or Sold	102	105,564,636	
Electric Plant Acquisition Adjustments	114		105,564,636
To close out the balance in account 102, Electric Plant Purchased, to account 114, Electric Plant Acquisition Adjustment.			
5			
Electric Plant Acquisition Adjustments	114	105,564,636	
Accumulated Provision for Depreciation of Electric Utility Plant	108		105,564,636
To reclass negative acquisition adjustment to account 108, Accumulated Provision for Depreciation of Electric Plant.			

Attachment No. 3

UniSource Energy Company
UNS Gas
Comparative Balance Sheet
August 11, 2003
(Unaudited)

Title of Account (a)	Balance at Aug. 11, 2003 (b)	Proposed Journal Entries JE No. 1 (c)	JE No. 2 (d)	JE No. 3 (e)	JE No. 4 (f)	JE No. 5 (g)	Proforma Balance (h)
Assets and Other Debits							
Utility Plant							
Gas Plant in Service (101)			137,186,838	248,032,644			248,032,644
Gas Plant Purchased or Sold (102)				(206,265,427)			(206,265,427)
Construction Work in Progress - Gas (107)				1,408,952	69,078,589		1,408,952
Gas Plant Acquisition Adjustment (114)				21,316,577			21,316,577
Total Fixed Assets			137,186,838	64,492,746	(69,078,589)	47,762,012	64,492,746
Accumulated Provision for Depreciation of Gas Utility Plant (108,111,115)				(64,492,746)		47,762,012	(64,492,746)
Net Utility Plant			137,186,838			(47,762,012)	249,441,596
Current Assets							(112,254,758)
Cash (131)		150,000,000	(137,295,238)				137,186,838
Customer Accounts Receivable (142)			1,674,182				
Other Accounts Receivable (143)			422,310				12,704,762
Accumulated Provision for Uncollectible Accounts (144)			(248,812)				1,674,182
Plant Materials and Operating Supplies (154)			908,377				422,310
Prepayments (165)			353,427				(248,812)
Accrued Utility Revenues (173)			6,366,518				908,377
Miscellaneous Current and Accrued Assets (174)			27,422				353,427
Total Current Assets		150,000,000	(127,791,814)				6,366,518
Deferred Debits							27,422
Other Regulatory Assets (182.3)			383,765				22,208,186
Unrecovered Purchase Gas Costs (191)			5,623,892				
Total Deferred Debits			6,007,657				383,765
Total Assets		150,000,000	15,402,681				5,623,892
							6,007,657
							165,402,681
Liabilities and Other Debits							
Proprietary Capital							
Common Stock Subscribed (202)		10					10
Donations Received from Stockholders (208)		49,999,990	1,419,941				51,419,931
Total Proprietary Capital		50,000,000	1,419,941				51,419,941
Long-Term Debt							
Other Long-Term Debt (224)		100,000,000	486,820				100,486,820
Total Long-Term Debt		100,000,000	486,820				100,486,820
Other Nonaurrent Liabilities							
Accumulated Provision for Pension and Benefits (228.3)			778,422				778,422
Total Other Noncurrent Liabilities			778,422				778,422
Current and Accrued Liabilities							
Accounts Payable (232)			6,613,075				6,613,075
Customer Deposits (235)			2,083,759				2,083,759
Interest Accrued (237)			61,070				61,070
Total Current and Accrued Liabilities			10,757,904				10,757,904
Deferred Credits							
Customer Advances for Construction (252)			1,959,594				1,959,594
Total Deferred Credits			1,959,594				1,959,594
Total Liabilities and Other Credits		150,000,000	15,402,681				165,402,681

Attachment No. 3 - Continued

UniSource Energy Company
UNS Electric
Comparative Balance Sheet
August 11, 2003
(Unaudited)

Title of Account (a)	Balance at Aug. 11, 2003 (b)	Proposed Journal Entries JE No. 1 (c)	JE No. 2 (d)	JE No. 3 (e)	JE No. 4 (f)	JE No. 5 (g)	Proforma Balance (h)
Assets and Other Debits							
Utility Plant							
Electric Plant In Service (101)				307,833,775			307,833,775
Property Under Capital Lease (101.1)				730,878			730,878
Electric Plant Purchased or Sold (102)			90,814,602	(198,379,238)	105,564,636		-
Construction Work In Progress - Electric (107)				8,000,306			8,000,306
Electric Plant Acquisition Adjustments (114)					(105,564,636)	105,564,636	-
Total Fixed Assets	-	-	90,814,602	120,185,521	-	105,564,636	316,564,759
Accum. Prov. for Depr. of Electric Utility Plant (108,111)				(120,185,521)		(105,564,636)	(225,750,157)
Net Utility Plant	-	-	90,814,602	-	-	-	90,814,602
Current Assets							
Cash (131)		91,000,000	(83,760,941)				7,239,059
Other Special Deposits (134)			11,340				11,340
Customer Accounts Receivable (142)			6,639,217				6,639,217
Other Accounts Receivable (143)			63,191				63,191
Accumulated Provision for Uncollectible Accounts (144)			(94,524)				(94,524)
Plant Materials and Operating Supplies (154)			3,322,561				3,322,561
Prepayments (165)			229,765				229,765
Accrued Utility Revenue (173)			7,772,812				7,772,812
Total Current Assets	-	91,000,000	(65,816,579)	-	-	-	25,183,421
Deferred Debits							
Preliminary Survey & Investigation Charges (183)			579,847				579,847
Total Deferred Debits	-	-	579,847	-	-	-	579,847
Total Assets		91,000,000	25,577,870	-	-	-	116,577,870
Liabilities and Other Credits							
Proprietary Capital							
Common Stock Subscribed (202)		10					10
Donations Received from Stockholders (208)		30,999,990	946,627				31,946,617
Total Proprietary Capital	-	31,000,000	946,627	-	-	-	31,946,627
Long-Term Debt							
Other Long-Term Debt (224)		60,000,000					60,000,000
Total Long-Term Debt	-	60,000,000	-	-	-	-	60,000,000
Other Noncurrent Liabilities							
Obligations Under Capital Lease-Noncurrent (227)			631,806				631,806
Accumulated Provision for Pensions and Benefits (228.3)			1,286,578				1,286,578
Total Other Noncurrent Liabilities	-	-	1,918,384	-	-	-	1,918,384
Current and Accrued Liabilities							
Accounts Payable (232)			16,320,046				16,320,046
Customer Deposits (235)			2,809,988				2,809,988
Interest Accrued (237)			92,553				92,553
Miscellaneous Current and Accrued Liabilities (242)			1,066,785				1,066,785
Obligations Under Capital Lease -Current (243)			74,877				74,877
Total Current and Accrued Liabilities	-	-	20,384,251	-	-	-	20,384,251
Deferred Credits			-				
Customer Advances for Construction (252)			1,706,608				1,706,608
Other Deferred Credits (253)			622,000				622,000
Total Deferred Credits	-	-	2,328,608	-	-	-	2,328,608
Total Liabilities and Other Credits		91,000,000	25,577,870	-	-	-	116,577,870

Attachment No. 3 - Continued

Unisource Energy Company
UNS Gas
Statement of Income
Year - to - Date
August 11, 2003
(Unaudited)

Title of Account (a)	Year-To-Date Oct. 31, 2002 (b)	Pro Forma Adjustment (c)	Proforma Balance (d)
Utility Operating Income			
Operating Revenues (400)	$ -	$ -	$ -
Operating Expenses			
Operation Expenses (401)	-	-	-
Maintenance Expenses (402)	-	-	-
Depreciation Expense (403)	-	-	-
Taxes Other Than Income Taxes (408)	-	-	-
Income Taxes (409)	-	-	-
Total Operating Expenses	-	-	-
Utility Operating Income	-	-	-
Other Income and Deductions			
Interest and Dividend Income (419)	-	-	-
Investment Tax Credits (420)	-	-	-
Miscellaneous Nonoperating Income (421)	-	-	-
Loss on Disposition of Property (421.9)	-	-	-
Miscellaneous Income Deductions (426)	-	-	-
Total Other Income and Deductions	-	-	-
Interest Charges			
Other Interest Expense (431)	-	-	-
Allowance for Borrowed Funds Used During Construction (432)	-	-	-
Total Interest Charges	-	-	-
Net Income	$ -	$ -	$ -

Note: No pro forma adjustments are reflected because the transaction itself does not impact GasCo. revenues or expenses

Attachment No. 3 - Continued

Unisource Energy Company
UNS Electric
Statement of Income
Year - to - Date
August 11, 2003
(Unaudited)

Title of Account (a)	Year-To-Date Aug. 11, 2003 (b)	Pro Forma Adjustment (c)	Proforma Balance (d)
Utility Operating Income			
Operating Revenues (400)	$ -	$ -	$ -
Operating Expenses			
Operation Expenses (401)	-	-	-
Maintenance Expenses (402)	-	-	-
Depreciation Expense (403)	-	-	-
Taxes Other Than Income Taxes (408)	-	-	-
Income Taxes (409)	-	-	-
Total Operating Expenses	-	-	-
Utility Operating Income	-	-	-
Other Income and Deductions			
Interest and Dividend Income (419)	-	-	-
Investment Tax Credits (420)	-	-	-
Miscellaneous Nonoperating Income (421)	-	-	-
Loss on Disposition of Property (421.9)	-	-	-
Miscellaneous Income Deductions (426)	-	-	-
Total Other Income and Deductions	-	-	-
Interest Charges			
Other Interest Expense (431)	-	-	-
Allowance for Borrowed Funds Used During Construction (432)	-	-	-
Total Interest Charges	-	-	-
Net Income	$ -	$ -	$ -

Note: No pro forma adjustments are reflected because the transaction itself does not impact UNS Electric revenues or expenses

EXHIBIT

KGK-6

Executive Summary of Ronald E. White
Citizens Communications Company -- Arizona Gas Division
Docket No. G- 01032A-02-_____

EXECUTIVE SUMMARY-RONALD E. WHITE

Dr. White conducted depreciation studies for Citizens Communications Company's Northern Arizona Gas Division ("NAGD") and Santa Cruz Gas Division ("SCGD"). Dr. White collected plant accounting data from the Company, visited the Arizona properties to examine the plant, and engaged in discussions with several Company personnel. Relying on this information, Dr. White used accepted depreciation procedures and his expert judgment based on years of experience to develop revised depreciation rates for both the NAGD and the SCGD.

For both properties, Dr. White is proposing composite depreciation rates that are significantly below the current rates. The proposed composite rate for NAGD is 2.72%, compared with a current composite rate of 3.51%. Similarly, the proposed composite rate for SCGD is 1.97%, compared with the current composite rate of 3.69%. In both properties, this reduced rate in part results from the fact that Citizens has expended substantial sums for new plant (such as distribution and transmission facilities), as well as for maintaining and reinforcing existing plant. Company witness Doherty has used Dr. White's proposed depreciation rates to calculate proposed depreciation expenses, which are also significantly lower than current depreciation expenses.

EXHIBIT

KGK-7

CITIZENS COMMUNICATIONS CO - Northern Arizona Gas Division

Comparison of Present and Proposed Accrual Rates

Present: BG Procedure / RL Technique

Proposed: VG Procedure / RL Technique

	Present			Proposed			
Account Description	Rem. Life	Future Salvage	Accrual Rate	Rem. Life	Future Salvage	Reserve Ratio	Accrual Rate
A	B	C	D	E	F	G	H
TRANSMISSION							
367.00 Mains	22.50		2.57%	55.32	-10.0%	22.30%	1.59%
369.00 Measuring and Regulating Station Equip.	19.00	-5.0%	3.32%	49.42	-5.0%	25.57%	1.61%
Total Transmission			2.63%	54.70	-9.6%	22.55%	1.59%
DISTRIBUTION							
376.00 Mains	29.10	-10.0%	2.22%	47.62	-20.0%	19.31%	2.11%
378.00 Measuring and Regulating Equipment	17.70	-30.0%	5.73%	35.82	-30.0%	19.68%	3.08%
379.00 Measuring and Regulating Station Equip.	13.80		5.52%	35.67		14.88%	2.39%
380.00 Services	34.80	-130.0%	4.75%	44.07	-50.0%	23.32%	2.87%
381.00 Meters	26.90		2.86%	26.84		44.44%	2.07%
382.00 Meter Installations	26.90		2.86%	36.42		10.87%	2.45%
383.00 House Regulators	20.20		3.77%	27.99		24.33%	2.70%
384.00 House Regulator Installations	20.20		3.77%	33.41		5.52%	2.83%
385.00 Industrial Meas. And Reg. Station Equip.	22.70	-40.0%	3.82%	29.21	-40.0%	63.88%	2.61%
387.00 Other Equipment	19.90		3.64%	23.54		26.41%	3.13%
Total Distribution			2.99%	44.80	-25.9%	21.49%	2.33%
GENERAL PLANT							
390.00 Structures and Improvements	10.80		3.10%	22.39		16.18%	3.74%
391.00 Office Furniture and Equipment	14.20		4.82%	19.07		18.90%	4.25%
391.10 Office Furniture and Equip. - Computers	4.80		20.00%	2.64		63.26%	13.92%
391.20 Office Furniture and Equip. - Mechanical	14.20		4.54%	21.37		3.64%	4.51%
393.00 Stores Equipment	22.30		2.27%	30.76		6.72%	3.03%
394.00 Tools, Shop & Garage Equipment	15.30		5.76%	19.76		28.82%	3.60%
395.00 Laboratory Equipment	15.30		5.76%	5.65		46.68%	9.44%
396.00 Power Operated Equipment	6.80	10.0%	24.60%	8.19	10.0%	38.59%	6.28%
397.00 Communication Equipment	7.70		4.93%	11.74		28.98%	6.05%
398.00 Miscellaneous Equipment	7.00		5.43%	22.10		11.49%	4.01%
Total General Plant			9.55%	9.16	0.2%	31.95%	7.41%
CONTRIBUTIONS IN AID OF CONSTRUCTION							
376.09 Mains	29.10	-10.0%	2.22%	33.41		48.73%	1.53%
380.09 Services	34.80	-130.0%	4.75%	46.18		9.30%	1.96%
Total Contributions In Aid of Construction			2.63%	36.06		42.30%	1.60%
TOTAL UTILITY			3.51%	37.62	-24.0%	21.57%	2.72%

CITIZENS COMMUNICATIONS CO - Santa Cruz Gas Division

Comparison of Present and Proposed Accrual Rates
Present: BG Procedure / RL Technique
Proposed: VG Procedure / RL Technique

	Present			Proposed			
Account Description	Rem. Life	Future Salvage	Accrual Rate	Rem. Life	Future Salvage	Reserve Ratio	Accrual Rate
A	B	C	D	E	F	G	H
TRANSMISSION							
367.00 Mains		-5.0%	2.67%	36.86	-10.0%	79.82%	0.82%
369.00 Measuring and Regulating Equipment			4.14%	43.56	-5.0%	47.84%	1.31%
Total Transmission			2.73%	37.23	-9.8%	78.57%	0.84%
DISTRIBUTION							
375.00 Structures and Improvements			7.27%	16.64		79.21%	1.25%
376.00 Mains		-5.0%	2.99%	43.64	-20.0%	48.93%	1.63%
378.00 Meas. and Reg. Sta. Equip. - General			3.07%	31.66		38.64%	1.94%
379.00 Meas. and Reg. Sta. Equip. - City Gate			3.07%	33.75		26.38%	2.18%
380.00 Services		-25.0%	5.65%	39.69	-50.0%	47.85%	2.57%
381.00 Meters			2.58%	26.51		50.83%	1.85%
382.00 Meter Installations			2.58%	29.96		38.64%	2.05%
383.00 House Regulators			4.06%	22.87		52.16%	2.09%
384.00 House Regulator Installations			4.06%	34.50		2.14%	2.84%
Total Distribution			3.71%	39.74	-25.4%	48.50%	1.93%
GENERAL PLANT							
390.00 Structures and Improvements			3.50%	21.56		14.46%	3.97%
391.00 Office Furniture and Equipment			3.94%	25.00		15.67%	3.37%
394.00 Tools, Shop & Garage Equipment			3.39%	21.60		13.33%	4.01%
395.00 Laboratory Equipment			3.28%	16.41		42.84%	3.48%
396.00 Power Operated Equipment			0.99%	11.67	10.0%	57.20%	2.81%
397.00 Communication Equipment			4.13%	13.52		9.28%	6.71%
398.00 Miscellaneous Equipment			5.06%	20.51		17.16%	4.04%
Total General Plant			3.33%	20.35	0.6%	17.90%	4.00%
CONTRIBUTIONS IN AID OF CONSTRUCTION							
376.09 Mains		-5.0%	2.99%	50.95		22.56%	1.52%
380.09 Services		-25.0%	5.65%	44.67		16.02%	1.88%
Total Contributions in Aid of Construction			3.27%	50.14		21.86%	1.56%
TOTAL UTILITY			3.69%	38.45	-25.3%	49.45%	1.97%

EXHIBIT

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average level of account write-offs, net of subsequent recoveries, experienced during the past three years. Since the portion of customer bills for the base cost of gas and the PGA are subject to write-off, such amounts have been added to the computational base.

The portion of Adjustment C relating to interest on customer deposits is related to the deduction of customer deposits from rate base, discussed in connection with Schedule B-9. It reflects the fact that such interest is typically recorded as a component of Other Interest Expense, which would not afford the Company the opportunity to recover such costs through the ratemaking process, absent this reclassification to operating expenses. The adjustment was computed based on the end-of-year balance of customer deposits and the prescribed rate of 6%.

Q. Please discuss Adjustment I, relating to Depreciation Expense.

A. Adjustment I in Schedule C-2 sets forth, by prime account, the AGD's adjusted depreciation expense for the test year using the adjusted plant balance as of December 31, 2001, and the depreciation rates proposed by Dr. White. These factors result in a significant decrease to the AGD's depreciation expense.

Q. Please describe the next operating expense item, relating to Lease Expense for New Office Facilities.

A. As noted above, subsequent to the test year, the AGD personnel relocated from the administrative office building located on Yale Street in Flagstaff, to a leased facility. This was a part of a cost-cutting approach adopted by AGD. Pro forma Adjustment J reflects the annual lease expense that is a

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CITIZENS COMMUNICATIONS COMPANY
ARIZONA GAS DIVISION–COMBINED

INCOME STATEMENT AND PRO FORMA ADJUSTMENTS
TEST YEAR ENDED DECEMBER 31, 2001

Line #	Description	[1] Factor Or Reference	[2] A Revenues AGD	[3] B Salaries & Wages AGD	[4] C Uncollectibles & Int on Cust. Dep AGD	[5] D Reg/Misc. Per Diem AGD	[6] E Insurance AGD	[7] F Injuries & Damages AGD	[8] G Pension & Benefits AGD	[9] H Taxes Other Than Income AGD	[10] I Depreciation & Amort. AGD	[11] J Lease Admin Bldg NAGD	[12] SUB-TOTAL Adjustments
	REVENUE												
1	Residential		$ (28,124,310)										$ (28,124,310)
2	Commercial		(13,214,537)										(13,214,537)
3	Industrial		(1,475,256)										(1,475,256)
4	Irrigation		(91,618)										(91,618)
5	Public Authority		(2,288,831)										(2,288,831)
6	Forfeited Discounts												-
7	Misc. Service Revenues												-
8	Other Revenue												-
9	Transportation		46,914										46,914
10	Other		-										-
11	Cost of Gas		-										-
12	Revenue Increase To Be Spread												-
13	TOTAL REVENUE		(45,147,638)	-	-	-	-	-	-	-	-	-	(45,147,638)
	OPERATING REVENUE DEDUCTIONS												
	Operations and Maintenance												
14	—Purchased Commodities		(44,937,283)										(44,937,283)
15	---Other Production			(289)									(289)
16	—Transmission and Distribution			746									746
17	---Customer Accounting and Collecting			5,654	(444,069)								(438,415)
18	---Sales Promotion			-									-
19	---Administrative and General			(2,004)		165,196	11,255	54,158	369,753			486,000	1,084,358
20	---Other												-
21	Total O & M Expenses		(44,937,283)	4,107	(444,069)	165,196	11,255	54,158	369,753	-	-	486,000	(44,290,883)
22	Depreciation and Amortization										(2,005,664)		(2,005,664)
23	Non-Plant Amortization												-
24	Taxes-Other Than Income									96,279			96,279
25	OPERATING EXPENSES		(44,937,283)	4,107	(444,069)	165,196	11,255	54,158	369,753	96,279	(2,005,664)	486,000	(46,200,268)
26	OPERATING INCOME BEFORE TAXES		(210,355)	(4,107)	444,069	(165,196)	(11,255)	(54,158)	(369,753)	(96,279)	2,005,664	(486,000)	1,052,630
27	Taxes on Income (Adjustment S)	39.530%	(83,153)	(1,623)	175,540	(65,302)	(4,449)	(21,409)	(146,163)	(38,059)	792,839	(192,116)	416,105
28	OPERATING INCOME	L 22 - L 23	$ (127,202)	$ (2,484)	$ 268,529	$ (99,894)	$ (6,806)	$ (32,749)	$ (223,590)	$ (58,220)	$ 1,212,825	$ (293,884)	$ 636,525

AGD Combined RCM 7-13.xls
Sec CISch_C_2_P1 (X1..AY60)

CITIZENS COMMUNICATIONS COMPANY
ARIZONA GAS DIVISION–COMBINED

INCOME STATEMENT AND PRO FORMA ADJUSTMENTS
TEST YEAR ENDED DECEMBER 31, 2001

Line #	Description	[1] Factor Or Reference	[2] SUB-TOTAL Adjustments	[3] K Prior Period Taxes NAGD	[4] L Administrative Office Exp. AGD	[5] M Amortization Gain on Sale NAGD	[6] N Supply Line Maintenance SCGD	[7] O Y2K Amortization AGD	[8] P Postage Expense AGD	[9] Q CARES Expenses AGD	[10] R NAGD P/R Chgs to SCGD AGD	[11] S Income Tax Adjustment AGD	[12] TOTAL Adjustments
	REVENUE												
1	Residential		$ (28,124,310)										$ (28,124,310)
2	Commercial		(13,214,537)										(13,214,537)
3	Industrial		(1,475,256)										(1,475,256)
4	Irrigation		(91,618)										(91,618)
5	Public Authority		(2,288,831)										(2,288,831)
6	Forfeited Discounts		-										-
7	Misc. Service Revenues		-										-
8	Other Revenue		-										-
9	Transportation		46,914										46,914
10	Other		-										-
11	Cost of Gas		-										-
12	Revenue Increase To Be Spread												-
13	TOTAL REVENUE		(45,147,638)	-	-	-	-	-	-	-	-	-	(45,147,638)
	OPERATING REVENUE DEDUCTIONS												
	Operations and Maintenance												
14	---Purchased Commodities		(44,937,283)										(44,937,283)
15	---Other Production		(289)										(289)
16	---Transmission and Distribution		746				5,000						5,746
17	---Customer Accounting and Collecting		(438,415)						39,756	217,913			(180,746)
18	---Sales Promotion		-										-
19	---Administrative and General		1,084,358		(152,103)						(428)		931,827
20	---Other		-										-
21	Total O & M Expenses		(44,290,883)	-	(152,103)	-	5,000	-	39,756	217,913	(428)	-	(44,180,745)
22	Depreciation and Amortization		(2,005,664)										(2,005,664)
23	Non Plant Amortization		-			(20,886)		76,753					55,867
24	Taxes-Other Than Income		96,279	1,213,112									1,309,391
25	OPERATING EXPENSES		(46,200,268)	1,213,112	(152,103)	(20,886)	5,000	76,753	39,756	217,913	(428)	-	(44,821,151)
26	OPERATING INCOME BEFORE TAXES		1,052,630	(1,213,112)	152,103	20,886	(5,000)	(76,753)	(39,756)	(217,913)	428	-	(326,487)
27	Taxes on Income (Adjustment S)	39.530%	416,105	(479,543)	60,126	8,256	(1,977)	(30,340)	(15,716)	(86,141)	169	3	(129,058)
28	OPERATING INCOME		$ 636,525	$ (733,569)	$ 91,977	$ 12,630	$ (3,023)	$ (46,413)	$ (24,040)	$ (131,772)	$ 259	$ (3)	$ (197,429)

AGD Combined RCM 7-13.xls
Sec CISch_C_2_P2 (X61 .AY120)

EXHIBIT

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CITIZENS COMMUNICATIONS COMPANY
ARIZONA GAS DIVISION–COMBINED

INCOME STATEMENT
TEST YEAR ENDED DECEMBER 31, 2001

SECTION C
SCHEDULE C-1
Page 1 of 1
WITNESS Doherty

Line #	Description	[1] Reference	[2] Recorded Amounts (Excl Griffith)	[3] Non Jurisdictional Adjustments	[4] Recorded Jurisdictional Amounts [2]+[3]	[5] Pro Forma Adjustments	[6] Pro Forma At Present Rates [4]+[5]	[7] Proposed Revenue Change	[8] Pro Forma At Proposed Rates [6]+[7]
	REVENUE								
1	Residential		$ 47,410,869		$ 47,410,869	$ (28,124,310)	$ 19,286,559		$ 19,286,559
2	Commercial		17,921,764		17,921,764	(13,214,537)	4,707,227		4,707,227
3	Industrial		1,773,689		1,773,689	(1,475,256)	298,433		298,433
4	Irrigation		103,015		103,015	(91,618)	11,397		11,397
5	Public Authority		3,332,962		3,332,962	(2,288,831)	1,044,131		1,044,131
6	Forfeited Discounts		286,045		286,045		286,045		286,045
7	Misc. Service Revenues		541,428		541,428		541,428		541,428
8	Other Revenue		15,313		15,313		15,313		15,313
9	Transportation		1,225,520		1,225,520	46,914	1,272,434		1,272,434
10	Other		-		-	-	-		-
11	Cost of Gas		-		-	-	-		-
12	Revenue Increase To Be Spread				-		-	21,005,522	21,005,522
13	TOTAL REVENUE		72,610,605	-	72,610,605	(45,147,638)	27,462,967	21,005,522	48,468,489
	OPERATING REVENUE DEDUCTIONS								
	Operations and Maintenance								
14	---Purchased Commodities		44,937,283		44,937,283	(44,937,283)	-		-
15	---Other Production		732,644		732,644	(289)	732,355		732,355
16	---Transmission and Distribution		5,096,497		5,096,497	5,746	5,102,243		5,102,243
17	---Customer Accounting and Collecting		5,768,943		5,768,943	(180,746)	5,588,197	24,733	5,612,930
18	---Sales Promotion		15,184		15,184	-	15,184		15,184
19	---Administrative and General		6,586,723		6,586,723	931,827	7,518,550		7,518,550
20	---Other Expenses		-		-	-	-		-
21	Total O & M Expenses		63,137,274	-	63,137,274	(44,180,745)	18,956,529	24,733	18,981,262
22	Depreciation and Amortization		8,085,696		8,085,696	(2,005,664)	6,080,032		6,080,032
23	Non-Plant Amortization		-		-	55,867	55,867		55,867
24	Taxes-Other Than Income		3,433,032		3,433,032	1,309,391	4,742,423		4,742,423
25	OPERATING EXPENSES		74,656,002	-	74,656,002	(44,821,151)	29,834,851	24,733	29,859,584
26	OPERATING INCOME BEFORE TAXES		(2,045,397)	-	(2,045,397)	(326,487)	(2,371,884)	20,980,789	18,608,905
27	Taxes on Income		(2,797,681)		(2,797,681)	(129,058)	(2,926,739)	8,289,808	5,363,069
28	OPERATING INCOME		$ 752,284	$ -	$ 752,284	$ (197,429)	$ 554,855	$ 12,690,981	$ 13,245,836

AGD Combined RCM 7-13.xls
Sec CISch_C_1 (A1..T60)

Exhibit KGK – 10

EXHIBIT

KGK-11

Appendix B - Schedule 1

UniSource Acquisition of Citizens Utility
2001 Test Year

Line No.	Description	Citizens Original Cost Rate Base	UniSource As Filed	UniSource Settlement
1	Gross Utility Plant in Service (w/CIAC)	$219,383,559	$219,383,559	$219,383,559
2	Accumulated Depreciation	($53,751,970)	($53,751,970)	($53,751,970)
3	Adjustment for Purchase		($30,709,737)	($30,709,737)
4	Adjustment to the Build Out Program			($10,000,000)
5	Net Utility Plant in Service	$165,631,589	$134,921,852	$124,921,852
6	Accumulated Deferred Income Taxes	($5,713,762)		
7	Advances for Construction	($6,395,371)	($6,395,371)	($6,395,371)
8	Customer Deposits	($1,812,850)	($1,812,850)	($1,812,850)
9	Materials and Supplies	$968,581	$968,581	$968,581
10	Warm Spirit	($40,001)	($40,001)	($40,001)
11	Cares	($364,946)	($364,946)	($364,946)
12	Sale of Office Buildings	($104,431)		
13	Y2K Costs	$383,765	$383,765	$383,765
14	Allowance for Working Capital	($2,924,219)		
	Total Rate Base	$149,628,355	$127,661,030	$117,661,030
16	Total Return	$13,242,109	$11,553,323	$10,648,323
17	Operating Expenses	$29,859,583	$28,883,183	$28,883,183
18	Income Taxes	$5,426,078	$3,703,569	$3,413,459
19	Proposed Revenue	$48,531,496	$44,140,075	$42,944,966
20	Proposed (Required) Operating Income	$13,245,835	$11,553,323	$10,648,323
20	Current Operating Income	$554,855	$1,499,758	$1,499,758
21	Proposed Increase in Operating Income	$12,687,254	$10,053,565	$9,148,565
22	Gross Revenue Conversion Factor	1.656	1.656	1.656
23	Increase in Gross Revenue	$21,005,521	$16,645,370	$15,146,990
24	Depreciation Adjustment for Build Out Reduction			($272,000)
25	Reversal of Taxes on Debt for Build Out Reduction			$304,886
26	Adjustment for Difference Regarding Debt for Build Out Reduction			$11,400
27	Increase in Gross Revenue with all Build Out Adjustmer	$21,005,521	$16,645,370	$15,191,276
28	Test Year Gross Revenue	$72,610,605	$72,610,605	$72,610,605
29	Percent Increase over Present Rates	28.93%	22.92%	20.92%

UniSource's Cost of Capital-Settlement

	Cost	Weight	WACC
Debt	7.75%	60.00%	4.65%
Equity	11.00%	40.00%	4.40%
			9.05%

Citizen's Cost of Capital

	Cost	Weight	WACC
Debt	6.70%	50.00%	3.35%
Equity	11.00%	50.00%	5.50%
			8.85%

UNS Filed Equity Return	Settlement Equity Return
$5,617,085	$5,177,085

EXHIBIT

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years on the New Contract for purchased power, the customers acquired by UniSource will enjoy relative rate stability in base rates and purchased power rates[7] for at least the next several years. We find that the base rate moratorium provision provides a significant benefit to affected ratepayers. However, we believe the Settlement Agreement should be modified slightly to make it clear that GasCo and ElecCo shall not be permitted to increase their gas or electric base rates prior to August 1, 2007.

I. Terms of Gas Rate Case Agreement

The Signatory Parties agree that, for ratemaking purposes, the Fair Value Rate Base ("FVRB") for the Citizens' gas assets to be acquired by GasCo is $142,132,013, as of October 29, 2002 (See Appendix B, Schedule 2, of Settlement Agreement). The Signatory Parties further agree that, for ratemaking purposes, a reasonable rate of return on the stipulated FVRB equals 7.49 percent. The stipulated rate of return is based on a total cost of capital of 9.05 percent, derived from a cost of equity of 11.00 percent and a cost of debt of 7.75 percent for original cost rate base (See Appendix B, Schedule 1, of Settlement Agreement). The Settlement provides that GasCo's increase in revenues will equal $15,191,276 (See Appendix B, Schedule 1, of Settlement Agreement). The Agreement also sets forth a rate design for the new gas rates that includes, among other things, that the monthly customer charge will increase from $5.00 to $7.00 and the base cost of gas implicit in the commodity rates for all tariff classes will be $0.400 per therm (See Appendix B, Schedule 3, of Settlement Agreement).

The Signatory Parties further agree that the purchased gas adjustor ("PGA") bank balance will not be affected by the Agreement and that UniSource and/or GasCo will comply with all prior Commission orders regarding treatment of the PGA bank balance. With respect to the new stipulated $0.400 per therm base cost of gas, the Settlement provides that the existing $0.100 per therm (over 12 months) fluctuation limit, without Commission approval, shall be increased to $0.150 for 12 consecutive months after approval of the Settlement. At the end of that period, the PGA rate would revert to the current $0.100 per therm fluctuation limit.

[7] Purchased power rates could be reduced during this period if UniSource is successful in renegotiating the New Contract with PWCC.

IT IS FURTHER ORDERED that UniSource is authorized to create subsidiaries to own and operate the electric and gas utility assets purchased from Citizens and, if necessary, to form an intermediate holding company to finance and own the electric and gas subsidiaries.

IT IS FURTHER ORDERED that, pursuant to A.R.S. §§40-301 *et seq.*, the proposed financing arrangements are approved, including bridge financing, bond financing, and revolving credit financing by UniSource's electric and gas subsidiaries, and the issuance of stock by those companies.

IT IS FURTHER ORDERED that, pursuant to A.A.C. R14-2-804, TEP is authorized to loan up to $50 million to UniSource for the sole purpose of funding the purchase of Citizens' gas and electric business, subject to the terms and conditions set forth in the Settlement Agreement.

IT IS FURTHER ORDERED that, pursuant to A.A.C. R14-2-803, UniSource is authorized to capitalize the new electric and gas subsidiaries, subject to the terms of the Settlement Agreement.

IT IS FURTHER ORDERED that, pursuant to the terms of the Settlement Agreement, a waiver shall be granted to Decision No. 60480, as amended by Decision No. 62103, which requires UniSource to invest at least 30 percent of the proceeds of a public stock issuance in TEP. This waiver is granted for the sole purpose of allowing UniSource the ability to finance the acquisition of Citizens' gas and electric assets under the terms of the Settlement.

IT IS FURTHER ORDERED that the fair value rate base of $142,132,013 and rate of return of 7.49 percent are reasonable for the gas operations of Citizens that are to be acquired by UniSource pursuant to the terms of the Settlement Agreement.

IT IS FURTHER ORDERED that the stipulated increase in gas operation revenues in accordance with the Settlement Agreement, including the stipulated rate design and tariff modifications related to service line and main extension policies, are approved.

IT IS FURTHER ORDERED that UniSource's proposed operating company subsidiaries, ElecCo and GasCo, shall not file a general rate case increase for a period of at least three years from the effective date of this Decision and the rate increase resulting from this general rate increase application shall not become effective prior to August 1, 2007, subject to the exceptions set forth in the Settlement Agreement.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
MIKE GLEASON- CHAIRMAN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

EXHIBIT
UNSG-8
Admitted

IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	DOCKET NO. G-04204A-06-0463
IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. TO REVIEW AND REVISE ITS PURCHASE GAS ADJUSTOR.	DOCKET NO. G-04204A-06-0013
IN THE MATTER OF THE INQUIRY INTO THE PRUDENCE OF THE GAS PROCUREMENT PRACTICES OF UNS GAS, INC.	DOCKET NO. G-04204A-05-0831

Rejoinder Testimony of

Karen G. Kissinger

on Behalf of

UNS Gas, Inc.

April 11, 2007

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I. Introduction 1

II. Response to RUCO Surrebuttal Testimonies 1

Exhibit

Exhibit KGK-13 Narrative Portion of UNS Gas Response to RUCO Data Request No. 2.19

I. INTRODUCTION.

Q. Please state your name and address.

A. My name is Karen G. Kissinger. My business address is 4350 E. Irvington Road, Tucson, Arizona.

Q. Are you the same Karen Kissinger who filed both Direct and Rebuttal Testimony in this proceeding?

A. Yes, I am.

Q. Have you had an opportunity to read the Surrebuttal Testimony filed by the Commission Staff and RUCO witnesses regarding the topics you discussed in your Direct and Rebuttal Testimonies?

A. Yes I have.

II. RESPONSE TO RUCO SURREBUTTAL TESTIMONIES.

Q. Do you have any comments to Staff and/or RUCO Surrebuttal Testimonies?

A. Yes, with regards to RUCO Surrebuttal Testimonies. RUCO witnesses Ms. Diaz-Cortez and Mr. Moore do not fully address my Rebuttal Testimony, and provide no additional information with respect to the issues that I addressed. The assertions of unsupported plant additions and use of improper depreciation rates are conceptually flawed, and have not been correctly quantified in RUCO's recommended measure of UNS Gas revenue requirements.

Additionally, beginning at line 23 of page 5 of his Surrebuttal Testimony Mr. Moore states that both RUCO and the Company are in agreement with the amount $28,649,085 as

representing "the difference between the value of the Commission approved test-year gross plant in the prior rate case and the Company's requested amount in the instant case..". I wish to make it clear that there exists no such agreement. As pointed out in the narrative portion of our response to RUCO Data Request No. 2.19 (a copy of which accompanies this Rejoinder Testimony as Exhibit KGK-13) that $28.6 million amount can only be obtained by comparing the difference between gross recorded cost of plant in service acquired from Citizens on August 11, 2003 ($248,032,644) and the final adjusted plant in service at December 31, 2001 ($219,383,559) in the previous rate case. The actual recorded balance of plant in service at December 31, 2001 was $234,203,129. Thus, Mr. Moore is comparing a recorded gross plant balance at the end of 2001 after $14.8 million of adjustments with an unadjusted gross plant balance in August, 2003. These amounts are not comparable, and we do not agree with their use for any measurement purpose such as has been done by Mr. Moore.

Q Do you have anything to add to your Rebuttal Testimony regarding RUCO's assertions of unsupported plant additions and the use of improper depreciation rates.

A. No. I provided ample evidence through my Rebuttal Testimony *and* including several exhibits to show why RUCO's recommendation to disallow certain plant additions is completely without merit. Also, I showed how the Company's proposed depreciation rates were used by the Commission in determining and approving the revenue requirement for UNS Gas in Decision No. 66028 (July 3, 2003). RUCO provides no evidence that refutes either of these points.

Q. Does that conclude your Rejoinder Testimony?

A. Yes it does.

EXHIBIT

KGK-13

EXHIBIT KGK-13

UNS GAS, INC.'S SUPPLEMENTAL RESPONSE TO RUCO'S SECOND SET OF DATA REQUESTS DOCKET NO. G-04204A-06-0463

November 6, 2006

2.19 Net Gas Plant in Service – Further to the Company's response to RUCO data request 1.08, please provide the following additional information:

Specifically, RUCO has reconstructed the plant accounts between the authorized FVRB approved in the Settlement Agreement and the balances provided in the UNS response (see attached Schedules). This analysis shows that $28,649,085 in unsubstantiated plant additions occurred between 10/29/02 and 08/11/03.

Please make every effort to reconcile the increase of over $28.6 million of plant in ten months.

RESPONSE: UNS Gas is still compiling this information and the response will be provided at a later date.

RESPONDENT: Karen Kissinger

WITNESS: Karen Kissinger

SUPPLEMENTAL RESPONSE:

Information contained within the question appears to be incorrect, either with respect to the amount of the plant additions or the period during which such additions occurred. The plant additions amount appearing in the data request can only be arrived at by the following calculation:

Plant in Service Acquired at 8/11/03	$248,032,644
Adjusted Rate Base at 12/31/01 per the UNS Gas Rate Case and Acquisition Settlement agreement	219,383,559
	$ 28,649,085

UNS GAS, INC.'S SUPPLEMENTAL RESPONSE TO RUCO'S SECOND SET OF DATA REQUESTS DOCKET NO. G-04204A-06-0463

November 6, 2006

It should be noted that the numbers are not directly comparable. The rate base amount reflects the recorded Plant in Service balance at December 31, 2001 after being reduced by a net $14.8 million of rate case adjustments, while the acquired plant amount at August 11, 2003 has not been so adjusted.

In response to this request, four types of information are being transmitted herewith. The first is a reconciliation of the recorded Plant in Service balances at December 31, 2001 with the final adjusted amounts included in the rate case application and the settlement agreement approving the acquisition (see Bates Nos. UNSG(0463)00179 to UNSG(0463)00233).

The second is an analysis of the ending balances of Plant in Service and Construction Work in Progress as well as capital expenditures for each month during the period December 31, 2001 through August 11, 2003 (see Bates Nos. UNSG(0463)00234 to UNSG(0463)00243). Such reconciliation and analysis are derived from copies of the relevant pages from the monthly financial reports issued by Citizens Communications for its Northern Arizona and Santa Cruz Gas Divisions. These reports are the records of Citizens Communications, and not those of any UniSource Energy Corporation affiliate. It should be noted that the content of such monthly financial reports was substantially reduced after June 30, 2003; thus, the analysis does not reflect the Plant in Service nor CWIP balances at July 31, 2003 and August 11, 2003.

Third, we are attaching the audited financial statements for the Citizens Arizona Electric and Gas properties for the calendar year ended December 31, 2002 (see Bates Nos. UNSG(0463)00244 to UNSG(0463)00262). Bates Nos. UNSG(0463)00244 to UNSG(0463)00262 contain confidential information and are being provided pursuant to the terms of the Protective Agreement. In addition.

EXHIBIT KGK-13

UNS GAS, INC.'S SUPPLEMENTAL RESPONSE TO RUCO'S SECOND SET OF DATA REQUESTS DOCKET NO. G-04204A-06-0463

November 6, 2006

Fourth, balance sheet financial data files we received from Citizens Communications as of August 11, 2003 (see the four zip files on the enclosed CD) are provided. The four zip files on the CD are not identified by Bates numbers.

RESPONDENT: Carl Dabelstein

WITNESS: Karen Kissinger

EXHIBIT
UNSG-9
admitted

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
JEFF HATCH-MILLER- CHAIRMAN
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	DOCKET NO. G-04204A-06-____

UNS GAS, INC. SCHEDULES A THROUGH H

VOLUME 3 OF 3

July 13, 2006

UNS Gas, Inc.Tucson Electric Power Company
Index to Schedules
Test Year Ended December 31, 2005

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	Summary Information	
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A-2	Summary Results of Operations	Operating results for the test year, two prior years and two projected years
A-3	Summary of Capital Structure	Capital structure for the test year, two prior years and two projected years
A-4	Construction Expenditures and Gross Utility Plant in Service	Construction expenditures, gross and net utility plant in service for the test year, two prior years and two projected years
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B-3	Pro Forma Adjustments to RCND Rate Base	Pro forma adjustments to RCND rate base
B-4	RCND by Major Plant Accounts	Computation of RCND net utility plant
B-5	Computation of Working Capital	Computation of working capital allowance
	Test Year Income Statements	
C-1	Adjusted Test Year Income Statement	Test year income statement with pro forma adjustments
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C-3	Computation of Gross Revenue Conversion Factor	Gross revenue conversion factor
	Cost of Capital	
D-1	Summary Cost of Capital	Elements of capital structure for the test year and projected year
D-2	Cost of Long-Term Debt and Short-Term Debt	Cost of long-term and short-term debt for the test year and projected year
D-3	Cost of Preferred Stock	Not applicable - noted on schedule
D-4	Cost of Common Equity	Summary of conclusions for the required rate of return on common equity as of the end of the test year and projected year

UNS Gas, Inc.Tucson Electric Power Company
Index to Schedules
Test Year Ended December 31, 2005

Schedule	Title of Schedule	Description
	Financial Statements and Statistical Schedules	
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E-2	Comparative Income Statements	Income statements for the test year and two prior years
E-3	Comparative Statement of Cash Flows	Cash flow statements for the test year and two prior years
E-4	Comparative Statements of Changes in Stockholders' Equity (Deficit)	Changes in stockholders' equity for the test year and two prior years
E-5	Detail of Gas Utility Plant	Gas utility plant balances by detailed account, at the end of the test year and at the end of the prior year
E-6	Comparative Departmental Operating Income Statements	Comparative departmental statements of operating income for the test year and two prior years
E-7	Gas Operating Statistics	Operating statistics (sales, revenues, customers and expenses) for the test year and two prior years
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E-9	Notes to Financial Statements	Reference to see 2005 Audited Financial Statements
	Projections and Forecasts	
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UNS Gas, Inc.Tucson Electric Power Company
Index to Schedules
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G-3	Rate Base Allocation to Classes of Service	Allocation of rate base and net utility plant to classes of service
G-4	Expense Allocation to Classes of Service	Allocation of operating expenses to classes of service
G-5	Distribution of Rate Base by Function	Classification of rate base by function
G-6	Distribution of Expenses by Function	Classification of expenses by function
G-7	Development of Allocation Factors	Allocation factors used in the cost of service study (indicating how demand, commodity and customer allocation factors were developed), and including explanation of the demand method used
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H-1	Summary of Revenues by Customer Classification - Adjusted Present and Proposed Rates	Revenues by customer classification at present and proposed rates
H-2	Comparisons of Revenues by Rate Schedules - Present and Proposed Rates	Revenues by detailed class of service at present and proposed rates
H-3	Comparison of Present & Proposed Rates	Comparison of present and proposed rates by rate schedule
H-4	Typical Bill Comparison - Present & Proposed Rates	Comparison of typical customer bills at varying consumption levels at present and proposed rates
H-5	Bill Count	Billing activity by block for the summer and winter periods for residential, commercial and industrial rate groups.

UNS Gas, Inc.
Computation of Increase in Gross Revenue Requirements
Test Year Ended December 31, 2005

Line No.	Description	ACC Jurisdiction Original Cost		RCND		Fair Value		Line No.
1	Adjusted Rate Base	$161,661,362	(a)	$221,197,435	(a)	$191,429,398		1
2	Adjusted Operating Income	$8,428,981	(b)	$8,428,981	(b)	$8,428,981		2
3	Current Rate of Return (2/1)	5.21%		3.81%		4.40%		3
4	Required Operating Income	$14,223,179		$14,223,179		$14,223,179		4
5	Required Rate of Return (4/1)	8.80%	(c)	6.43%		7.43%		5
6	Operating Income Deficiency	$5,794,198		$5,794,198		$5,794,198		6
7	Gross Revenue Conversion Factor	1.6649	(d)	1.6649	(d)	1.6649	(d)	7
8	Increase in Gross Revenue Requirement	$9,646,901		$9,646,901		$9,646,901		8

Customer Classification	Projected Revenue Increase (e)	% Dollar Increase (e)
Residential Service	$6,788,619	21.11%
Commercial Gas Service	1,846,097	21.11%
Industrial Gas Service	66,562	21.23%
Public Authority Gas Service	347,338	21.11%
Special Gas Light Service	15,220	20.83%
Irrigation Service	4,975	21.11%
Transportation Customers	578,089	21.11%
Total	$9,646,901	21.11%

Supporting Schedules
(a) B-1
(b) C-1
(c) D-1
(d) C-3
(e) H-1

UNS Gas, Inc.
Summary Results of Operations
Prior Years Ended December 31, 2003 and 2004, Test Year Ended December 31, 2005,
and Projected Year Ended December 31, 2006
(Thousands of Dollars)

Line No.	Description	Prior Years Ended December 31, 2003 (a)	Prior Years Ended December 31, 2004 (a)	Test Year Ended December 31, 2005 Actuals (b)	Test Year Ended December 31, 2005 Adjusted (b)	Projected Year Ended December 31, 2006 Present Rates (c)	Projected Year Ended December 31, 2006 Proposed Rates (c)	Line No.
1	Operating Revenues	$47,297	$128,956	$138,279	$47,170	$168,647	$178,393	1
2	Operating Expenses (includes income taxes)	43,855	117,090	127,689	38,741	159,124	163,026	2
3	Operating Income	3,443	11,866	10,590	8,429	9,523	15,367	3
4	Other Income and Deductions	71	132	791	791	619	716	4
5	Income Before Interest Expense	3,513	11,998	11,381	9,220	10,142	16,083	5
6	Interest Expense	2,449	6,294	6,336	6,521 (d)	6,446	6,440	6
7	Net Income	$1,064	$5,703	$5,046	$2,699	$3,696	$9,643	7
8	Earnings Per Average Common Share	N/A (2)	N/A	N/A	N/A	N/A	N/A	8
9	Dividends Per Common Share	N/A (2)	N/A	N/A	N/A	N/A	N/A	9
10	Payout Ratio	0%	0%	0%	0%	0%	0%	10
11	Return on Year-End Invested Capital	N/A (1)	10.02%	8.11%	6.35%	6.79%	11.89%	11
12	Return on Average Invested Capital	N/A (1)	10.21%	8.61%	6.71%	6.91%	12.21%	12
13	Return on Year-End Common Equity	N/A (1)	9.71%	6.32%	3.48%	4.43%	10.78%	13
14	Return on Average Common Equity	N/A (1)	10.20%	7.28%	3.96%	4.53%	11.39%	14
15	Times Total Interest Earned - Before Income Taxes	N/A (1)	2.51	2.29	1.72	1.95	3.48	15
16	Times Total Interest Earned - After Income Taxes	N/A (1)	1.91	1.80	1.41	1.57	2.50	16

(1) The data for the year ended December 31, 2003 begins with August 11, 2003, the date that the Citizens acquisition closed; thus, such information is not meaningful.
(2) UNS Gas, Inc. is a subsidiary of UniSource Energy Corporation and has no publicly traded stock; thus, such information is not meaningful.

Supporting Schedules
(a) E-2
(b) C-1
(c) F-1
(d) D-2

UNS Gas, Inc.
Summary of Capital Structure
Prior Years Ended December 31, 2003 and 2004, Test Year Ended December 31, 2005,
and Projected Year Ended December 31, 2006
(Thousands of Dollars)

Line No.	Description	Prior Years Ended December 31, 2003 (a)	Prior Years Ended December 31, 2004 (a)	Test Year Ended December 31, 2005 Actuals (b)	Projected Year December 31, 2006 Present Rates (b)	Projected Year December 31, 2006 Proposed Rates (b)	Line No.
	Capitalization						
1	Short-Term Debt	N/A	N/A	N/A	$2,578	N/A	1
2	Long-Term Debt (Net of Issuance Costs)	$98,716	$98,856	$98,859	$99,060	$99,060	2
	Total Debt	98,716	98,856	98,859	101,638	99,060	
3	Common Stock Equity	53,085	58,759	79,804	83,500	89,447	3
4	Total Capital	$151,801	$157,615	$178,663	$185,138	$188,507	4
	Capitalization Ratios						
5	Short-Term Debt	N/A	N/A	N/A	1.39%	N/A	5
6	Long-Term Debt (Net of Issuance Costs)	65.03%	62.72%	55.33%	53.51%	52.55%	6
7	Common Stock Equity	34.97%	37.28%	44.67%	45.10%	47.45%	7
8	Total Capital	100.00%	100.00%	100.00%	100.00%	100.00%	8
9	Weighted Cost of Short-Term Debt	N/A	N/A	N/A	0.09%	N/A	9
10	Weighted Cost of Long-Term Debt	4.29%	4.14%	3.65%	3.52%	3.46%	10
11	Weighted Cost of Common Equity	3.85%	4.10%	4.91%	4.96%	5.22%	11

Supporting Schedules
(a) E-1
(b) D-1

UNS Gas, Inc.
Construction Expenditures and Gross Utility Plant in Service
Prior Years Ended December 31, 2003 and 2004, Test Year Ended December 31, 2005,
and Projected Years Ended December 31, 2006, 2007 and 2008
(Thousands of Dollars)

Line No.	Year			Construction Expenditures	Net Plant In Service	Gross Utility Plant in Service	Line No.
1	Prior Year Ended December 31, 2003	(1)	(a)	$8,595	$143,563	$207,296	1
2	Prior Year Ended December 31, 2004		(a)	$19,137	$159,461	$229,318	2
3	Test Year Ended December 31, 2005		(a)	$23,578	$174,730	$248,744	3
4	Projected Year Ended December 31, 2006		(b)	$30,287	$196,097	$277,191	4
5	Projected Year Ended December 31, 2007		(b)	$26,423	$213,261	$302,732	5
6	Projected Year Ended December 31, 2008		(b)	$21,725	$224,625	$323,556	6

(1) The data for the year ended December 31, 2003 begins with August 11, 2003, the date that the Citizens acquisition closed.

Supporting Schedules
(a) E-1 & E-3
(b) F-3

UNS Gas, Inc.
Summary Changes in Financial Position
Prior Years Ended December 31, 2003 and 2004, Test Year Ended December 31, 2005,
and Projected Year Ended December 31, 2006
(Thousands of Dollars)

Line No.	Description	Prior Years Ended December 31, 2003 (a) (1)	Prior Years Ended December 31, 2004 (a)	Test Year Ended December 31, 2005 (a)	Projected Years Ended December 31, 2006 Present Rates (b)	Projected Years Ended December 31, 2006 Proposed Rates (b)	Line No.
1	Net Cash Flows from Operating Activities	$5,224	$20,361	$13,946	$15,851	$20,405	1
2	Net Cash Flows From Investing Activities	(145,891)	(18,959)	(23,225)	(29,859)	(29,859)	2
3	Net Cash Flows from Financing Activities	148,607	(773)	14,763	4,955	2,377	3
4	Net Increase (Decrease) in Cash	$7,940	$629	$5,484	($9,053)	($7,077)	4

(1) The data for the year ended December 31, 2003 begins with August 11, 2003, the date that the Citizens acquisition closed.

Supporting Schedules
(a) E-3
(b) F-2

UNS Gas, Inc.
Summary of Original Cost and RCND Rate Base
Test Year Ended December 31, 2005

Line No.	Description	Total		ACC Jurisdiction		Line No.
		Adjusted Original Cost Rate Base (a)	Adjusted RCND Rate Base (b)	Adjusted Original Cost Rate Base (a)	Adjusted RCND Rate Base (b)	
1	Gross Utility Plant in Service	$279,169,694	$374,243,421	$279,169,694	$374,243,421	1
2	Less: Accumulated Depreciation	72,006,708	97,114,865	72,006,708	97,114,865	2
3	Net Utility Plant in Service	207,162,986	277,128,556	207,162,986	277,128,556	3
4	Southern Union Acquisition Premium	0	0	0	0	
5	Less: Accum. Amort. - So. Union Acq. Premium	0	0	0	0	
6	Net Southern Union Acquisition Premium	0	0	0	0	
7	Citizens Acquisition Discount	(30,709,738)	(41,822,562)	(30,709,738)	(41,822,562)	7
8	Less: Accum. Amort. - Citizens Acq. Discount	(1,876,981)	(2,560,308)	(1,876,981)	(2,560,308)	8
9	Net Citizens Acquisition Discount	(28,832,757)	(39,262,254)	(28,832,757)	(39,262,254)	9
10	Total Net Utility Plant	178,330,229	237,866,302	178,330,229	237,866,302	10
11	Customer Advances for Construction	(7,283,595)	(7,283,595)	(7,283,595)	(7,283,595)	11
12	Customer Deposits	(3,040,484)	(3,040,484)	(3,040,484)	(3,040,484)	12
13	Accumulated Deferred Income Taxes	(6,484,809)	(6,484,809)	(6,484,809)	(6,484,809)	13
14	Total Deductions	(16,808,888)	(16,808,888)	(16,808,888)	(16,808,888)	14
15	Allowance for Working Capital	(1,045,146)	(1,045,146)	(1,045,146)	(1,045,146)	15
16	Regulatory Assets	1,204,887	1,204,887	1,204,887	1,204,887	16
17	Regulatory Liabilities	(19,721)	(19,721)	(19,721)	(19,721)	17
18	Total Rate Base	$161,661,362	$221,197,435	$161,661,362	$221,197,435	18

Supporting Schedules	Recap Schedules
(a) B-2	A-1
(b) B-3	

UNS Gas, Inc.
Pro Forma Adjustments to Original Cost Rate Base
Test Year Ended December 31, 2005

Line No.	Description		Actual at End of Test Period	Total Adjustments (a)	Adjusted at End of Test Period	ACC Jurisdiction	Line No.
1	Gross Utility Plant in Service		$291,005,954	($11,836,260)	$279,169,694	$279,169,694	1
2	Less: Accumulated Depreciation		77,077,541	(5,070,833)	72,006,708	72,006,708	2
3	Net Utility Plant in Service		213,928,413	(6,765,427)	207,162,986	207,162,986	3
4	Southern Union Acquisition Premium		18,271,348	(18,271,348)	0	0	4
5	Less: Accum. Amort. - So. Union Acq. Premium		1,217,595	(1,217,595)	0	0	5
6	Net Southern Union Acquisition Premium		17,053,753	(17,053,753)	0	0	6
7	Citizens Acquisition Discount		(68,391,293)	37,681,555	(30,709,738)	(30,709,738)	7
8	Less: Accum. Amort. - Citizens Acq. Discount		(4,280,947)	2,403,966	(1,876,981)	(1,876,981)	8
9	Net Citizens Acquisition Discount		(64,110,346)	35,277,589	(28,832,757)	(28,832,757)	9
10	Total Net Utility Plant		166,871,820	11,458,409	178,330,229	178,330,229	10
11	Customer Advances for Construction		(7,283,595)	0	(7,283,595)	(7,283,595)	11
12	Customer Deposits		(3,040,484)	0	(3,040,484)	(3,040,484)	12
13	Accumulated Deferred Income Taxes		(9,292,701)	2,807,892	(6,484,809)	(6,484,809)	13
14	Total Deductions		(19,616,780)	2,807,892	(16,808,888)	(16,808,888)	14
15	Working Capital	(b)	2,246,357	(3,291,503)	(1,045,146)	(1,045,146)	15
16	Regulatory Assets		309,481	895,406	1,204,887	1,204,887	16
17	Regulatory Liabilities		(19,721)	0	(19,721)	(19,721)	17
18	Total Original Cost Rate Base		$149,791,158	$11,870,204	$161,661,362	$161,661,362	18

Supporting Schedules	Recap Schedules
(a) B-2 (P2-3)	B-1
(b) B-5	

UNS Gas, Inc.
Pro Forma Adjustments to Original Cost Rate Base
As of December 31, 2005

Line No.	Description	Pro Forma Adjustments: Acquisition Adjustment	So. Union Acq. Premium	Griffith Power Plant	CWIP	Build-Out Plant	CARES Asset	GIS Deferral	Total Page Adjustments	Line No.
1	Gross Utility Plant in Service	$0	$0	($6,184,402)	$7,189,231	($12,841,089)	$0	$0	($11,836,260)	1
2	Less: Accumulated Depreciation	0	0	(930,316)	0	(4,140,517)	0	0	(5,070,833)	2
3	Net Utility Plant in Service	0	0	(5,254,086)	7,189,231	(8,700,572)	0	0	(6,765,427)	3
4	Southern Union Acquisition Premium	0	(18,271,348)	0	0	0	0	0	(18,271,348)	4
5	Less: Accum. Amort. - So. Union Acq. Premium	0	(1,217,595)	0	0	0	0	0	(1,217,595)	5
6	Net Southern Union Acquisition Premium	0	(17,053,753)	0	0	0	0	0	(17,053,753)	6
7	Citizens Acquisition Discount	37,681,555	0	0	0	0	0	0	37,681,555	7
8	Less: Accum. Amort. - Citizens Acq. Discount	2,403,966	0	0	0	0	0	0	2,403,966	8
9	Net Citizens Acquisition Discount	35,277,589	0	0	0	0	0	0	35,277,589	9
10	Total Net Utility Plant	35,277,589	(17,053,753)	(5,254,086)	7,189,231	(8,700,572)	0	0	11,458,409	10
11	Customer Advances for Construction	0	0	0	0	0	0	0	0	11
12	Customer Deposits	0	0	0	0	0	0	0	0	12
13	Accumulated Deferred Income Taxes	0	0	0	0	0	0	0	0	13
14	Total Deductions	0	0	0	0	0	0	0	0	14
15	Allowance for Working Capital	0	0	0	0	0	0	0	0	15
16	Regulatory Assets	0	0	0	0	0	(1,662)	897,068	895,406	16
17	Regulatory Liabilities	0	0	0	0	0	0	0	0	17
18	Total Original Cost Rate Base	$35,277,589	($17,053,753)	($5,254,086)	$7,189,231	($8,700,572)	($1,662)	$897,068	$12,353,815	18

Supporting Schedules
N/A

Recap Schedules
B-1

Tucson Electric Power Company
Pro Forma Adjustments to Original Cost Rate Base
As of December 31, 2005

Line No.	Description	Pro Forma Adjustments: Accumulated Deferred Income Taxes	Working Capital (a)				Total Page Adjustments	Total Original Cost Adjustments	Line No.
1	Gross Utility Plant in Service	$0	$0	$0	$0	$0	$0	($11,836,260)	1
2	Less: Accumulated Depreciation	0	0	0	0	0	0	(5,070,833)	2
3	Net Utility Plant in Service	0	0	0	0	0	0	(6,765,427)	3
4	Southern Union Acquisition Premium	0	0	0	0	0	0	(18,271,348)	4
5	Less: Accum. Amort. - So. Union Acq. Premium	0	0	0	0	0	0	(1,217,595)	5
6	Net Southern Union Acquisition Premium	0	0	0	0	0	0	(17,053,753)	6
7	Citizens Acquisition Discount	0	0	0	0	0	0	37,681,555	7
8	Less: Accum. Amort. - Citizens Acq. Discount	0	0	0	0	0	0	2,403,966	8
9	Net Citizens Acquisition Discount	0	0	0	0	0	0	35,277,589	9
10	Total Net Utility Plant	0	0	0	0	0	0	11,458,409	10
11	Customer Advances for Construction	0	0	0	0	0	0	0	11
12	Customer Deposits	0	0	0	0	0	0	0	12
13	Accumulated Deferred Income Taxes	2,807,892	0	0	0	0	2,807,892	2,807,892	13
14	Total Deductions	2,807,892	0	0	0	0	2,807,892	2,807,892	14
15	Allowance for Working Capital	0	(3,291,503)	0	0	0	(3,291,503)	(3,291,503)	15
16	Regulatory Assets	0	0	0	0	0	0	895,406	16
17	Regulatory Liabilities	0	0	0	0	0	0	0	17
18	Total Original Cost Rate Base	$2,807,892	($3,291,503)	$0	$0	$0	($483,611)	$11,870,204	18

Supporting Schedules
(a) B-5

Recap Schedules
B-1

UNS Gas, Inc.
Pro Forma Adjustments to RCND Rate Base
Test Year Ended December 31, 2005

Line No.	Description	Actual at End of Test Period (a), (b)	Total Adjustments (c)	Adjusted at End of Test Period	ACC Jurisdiction	Line No.
1	Gross Utility Plant in Service	$392,483,942	($18,240,521)	$374,243,421	$374,243,421	1
2	Less: Accumulated Depreciation	104,022,814	(6,907,949)	97,114,865	97,114,865	2
3	Net Utility Plant in Service	288,461,128	(11,332,572)	277,128,556	277,128,556	3
4	Southern Union Acquisition Premium	25,628,403	(25,628,403)	0	0	4
5	Less: Accum. Amort. - So. Union Acq. Premium	1,707,867	(1,707,867)	0	0	5
6	Net Southern Union Acquisition Premium	23,920,536	(23,920,536)	0	0	6
7	Citizens Acquisition Discount	(93,139,889)	51,317,327	(41,822,562)	(41,822,562)	7
8	Less: Accum. Amort. - Citizens Acq. Discount	(5,834,197)	3,273,889	(2,560,308)	(2,560,308)	8
9	Net Citizens Acquisition Discount	(87,305,692)	48,043,438	(39,262,254)	(39,262,254)	9
10	Total Net Utility Plant	225,075,972	12,790,330	237,866,302	237,866,302	10
11	Customer Advances for Construction	(7,283,595)	0	(7,283,595)	(7,283,595)	11
12	Customer Deposits	(3,040,484)	0	(3,040,484)	(3,040,484)	12
13	Accumulated Deferred Income Taxes	(9,292,701)	2,807,892	(6,484,809)	(6,484,809)	13
14	Total Deductions	(19,616,780)	2,807,892	(16,808,888)	(16,808,888)	14
15	Allowance for Working Capital	2,246,357	(3,291,503)	(1,045,146)	(1,045,146)	15
16	Regulatory Assets	309,481	895,406	1,204,887	1,204,887	16
17	Regulatory Liabilities	(19,721)	0	(19,721)	(19,721)	17
18	Total RCND Rate Base	$207,995,310	$13,202,125	$221,197,435	$221,197,435	18

Supporting Schedules	Recap Schedules
(a) B-4	B-1
(b) B-2	
(c) B-3 (P2-3)	

UNS Gas, Inc.
Pro Forma Adjustments to RCND Rate Base
As of December 31, 2005

Line No.	Description	Pro Forma Adjustments: Acquisition Adjustment	So. Union Acq. Premium	Griffith Power Plant	CWIP	Build-Out Plant	CARES Asset	GIS Deferral	Total Page Adjustments	Line No.
1	Gross Utility Plant in Service	$0	$0	($7,509,263)	$7,189,231	($17,920,489)	$0	$0	($18,240,521)	1
2	Less: Accumulated Depreciation	0	0	(1,129,614)	0	(5,778,335)	0	0	(6,907,949)	2
3	Net Utility Plant in Service	0	0	(6,379,649)	7,189,231	(12,142,154)	0	0	(11,332,572)	3
4	Southern Union Acquisition Premium	0	(25,628,403)	0	0	0	0	0	(25,628,403)	4
5	Less: Accum. Amort. - So. Union Acq. Premium	0	(1,707,867)	0	0	0	0	0	(1,707,867)	5
6	Net Southern Union Acquisition Premium	0	(23,920,536)	0	0	0	0	0	(23,920,536)	6
7	Citizens Acquisition Discount	51,317,327	0	0	0	0	0	0	51,317,327	7
8	Less: Accum. Amort. - Citizens Acq. Discount	3,273,889	0	0	0	0	0	0	3,273,889	8
9	Net Citizens Acquisition Discount	48,043,438	0	0	0	0	0	0	48,043,438	9
10	Total Net Utility Plant	48,043,438	(23,920,536)	(6,379,649)	7,189,231	(12,142,154)	0	0	12,790,330	10
11	Customer Advances for Construction	0	0	0	0	0	0	0	0	11
12	Customer Deposits	0	0	0	0	0	0	0	0	12
13	Accumulated Deferred Income Taxes	0	0	0	0	0	0	0	0	13
14	Total Deductions	0	0	0	0	0	0	0	0	14
15	Allowance for Working Capital	0	0	0	0	0	0	0	0	15
16	Regulatory Assets	0	0	0	0	0	(1,662)	897,068	895,406	16
17	Regulatory Liabilities	0	0	0	0	0	0	0	0	17
18	Total RCND Rate Base	$48,043,438	($23,920,536)	($6,379,649)	$7,189,231	($12,142,154)	($1,662)	$897,068	$13,685,736	18

Supporting Schedules
N/A

Recap Schedules
B-1

UNS Gas, Inc.
Pro Forma Adjustments to RCND Rate Base
As of December 31, 2005

Line No.	Description	Pro Forma Adjustments: Accumulated Deferred Income Taxes	Working Capital (a)				Total Page Adjustments	Total Original Cost Adjustments	Line No.
1	Gross Utility Plant in Service	$0	$0	$0	$0	$0	$0	($18,240,521)	1
2	Less: Accumulated Depreciation	0	0	0	0	0	0	(6,907,949)	2
3	Net Utility Plant in Service	0	0	0	0	0	0	(11,332,572)	3
4	Southern Union Acquisition Premium	0	0	0	0	0	0	(25,628,403)	4
5	Less: Accum. Amort. - So. Union Acq. Premium	0	0	0	0	0	0	(1,707,867)	5
6	Net Southern Union Acquisition Premium	0	0	0	0	0	0	(23,920,536)	6
7	Citizens Acquisition Discount	0	0	0	0	0	0	51,317,327	7
8	Less: Accum. Amort. - Citizens Acq. Discount	0	0	0	0	0	0	3,273,889	8
9	Net Citizens Acquisition Discount	0	0	0	0	0	0	48,043,438	9
10	Total Net Utility Plant	0	0	0	0	0	0	12,790,330	10
11	Customer Advances for Construction	0	0	0	0	0	0	0	11
12	Customer Deposits	0	0	0	0	0	0	0	12
13	Accumulated Deferred Income Taxes	2,807,892	0	0	0	0	2,807,892	2,807,892	13
14	Total Deductions	2,807,892	0	0	0	0	2,807,892	2,807,892	14
15	Allowance for Working Capital	0	(3,291,503)	0	0	0	(3,291,503)	(3,291,503)	15
16	Regulatory Assets	0	0	0	0	0	0	895,406	16
17	Regulatory Liabilities	0	0	0	0	0	0	0	17
18	Total RCND Rate Base	$2,807,892	($3,291,503)	$0	$0	$0	($483,611)	$13,202,125	18

Supporting Schedules
(a) B-5

Recap Schedules
B-1

UNS Gas, Inc.
RCND By Major Plant Accounts
Test Year Ended December 31, 2005

Line No.	Function	Plant Account	Description	RCN	Percent	RCND	Line No.
1	INTANGIBLE	302	Franchises & Consents	$383,215	48.5%	$185,668	1
2		303	Misc. Intangible Plant	1,375,992	62.2%	855,867	2
3			Total Intangible Plant	1,759,207		1,041,535	3
4	TRANSMISSION	365	Land & Rights	102,606	100.0%	102,606	4
5		366	Structures & Improvements	18,473	75.5%	13,938	5
6		367	Mains	27,959,827	81.8%	22,871,138	6
7		369	Measuring and Req. Equipment	4,089,816	79.7%	3,257,538	7
8		371	Other Equipment	229,632	75.7%	173,717	8
9			Total Transmission Plant	32,400,354		26,418,937	9
10	DISTRIBUTION	374	Land & Rights	257,989	100.0%	257,989	10
11		375	Structures & Improvements	20,768	10.8%	2,233	11
12		376	Mains	206,252,648	77.1%	159,065,668	12
13		378	Meas. And Req. Equipment - General	3,082,801	53.1%	1,635,426	13
14		379	Meas. And Req. Equipment - City Gate	3,120,408	64.8%	2,022,024	14
15		380	Services	89,483,544	68.6%	61,385,711	15
16		381	Meters	18,879,290	62.3%	11,761,798	16
17		382	Meter Installation	8,963,914	84.1%	7,538,652	17
18		383	Regulators	2,867,967	58.5%	1,677,761	18
19		384	Regulator Installations	1,291,089	91.7%	1,183,283	19
20		385	Industiral Measuring Equipment	2,588,378	50.7%	1,311,013	20
21		387	Other Equipment	1,982,848	75.8%	1,502,999	21
22			Total Distribution Plant	338,791,644		249,344,556	22
23	GENERAL	389	Land & Rights	194,035	100.0%	194,035	23
24		390	Structures & Improvements	2,664,846	58.9%	1,569,594	24
25		391	Office Furniture & Equipment	7,007,232	49.2%	3,444,055	25
26		392	Transportation Equipment	5,038,076	64.9%	3,269,711	26
27		393	Stores Equipment	170,574	76.9%	131,171	27
28		394	Tools, Shop, & Garage Equipment	2,056,865	67.8%	1,394,554	28
29		395	Laboratory Equipment	700,789	60.5%	423,977	29
30		396	Power Operated Equipment	455,891	25.8%	117,620	30
31		397	Communication Equipment	938,699	96.9%	909,599	31
32		398	Misc. Equipment	305,730	66.0%	201,782	32
33		399	Other Tangible Property	0	0.0%	0	33
34			Total General Plant	19,532,737		11,656,099	34
35			Total Plant	$392,483,942	73.50%	$288,461,128	35

Supporting Schedules
N/A

Recap Schedules
B-3

UNS Gas, Inc.
RCND By Major Plant Accounts - Including General Plant
Test Year Ended December 31, 2005

Line No.	Function	Plant Account	Description	RCND	General Plant Allocation	RCND with General Plant Allocation	ACC Jurisdiction	Line No.
1	INTANGIBLE	302	Franchises & Consents	$185,668	$0	$185,668	$185,668	1
2		303	Misc. Intangible Plant	855,867	0	855,867	855,867	2
3			Total Intangible Plant	1,041,535	0	1,041,535	1,041,535	3
4	TRANSMISSION	365	Land & Rights	102,606	4,337	106,943	106,943	4
5		366	Structures & Improvements	13,938	589	14,527	14,527	5
6		367	Mains	22,871,138	966,728	23,837,866	23,837,866	6
7		369	Measuring and Req. Equipment	3,257,538	137,691	3,395,230	3,395,230	7
8		371	Other Equipment	173,717	7,343	181,059	181,059	8
9			Total Transmission Plant	26,418,937	1,116,688	27,535,625	27,535,625	9
10	DISTRIBUTION	374	Land & Rights	257,989	10,905	268,894	268,894	10
11		375	Structures & Improvements	2,233	94	2,327	2,327	11
12		376	Mains	159,065,668	6,723,461	165,789,130	165,789,130	12
13		378	Meas. And Req. Equipment - General	1,635,426	69,127	1,704,553	1,704,553	13
14		379	Meas. And Req. Equipment - City Gate	2,022,024	85,468	2,107,492	2,107,492	14
15		380	Services	61,385,711	2,594,680	63,980,391	63,980,391	15
16		381	Meters	11,761,798	497,153	12,258,951	12,258,951	16
17		382	Meter Installation	7,538,652	318,647	7,857,299	7,857,299	17
18		383	Regulators	1,677,761	70,916	1,748,677	1,748,677	18
19		384	Regulator Installations	1,183,283	50,016	1,233,299	1,233,299	19
20		385	Industiral Measuring Equipment	1,311,013	55,415	1,366,428	1,366,428	20
21		387	Other Equipment	1,502,999	63,529	1,566,528	1,566,528	21
22			Total Distribution Plant	249,344,556	10,539,411	259,883,968	259,883,968	22
23	GENERAL	389	Land & Rights	194,035	(194,035)	0	0	23
24		390	Structures & Improvements	1,569,594	(1,569,594)	0	0	24
25		391	Office Furniture & Equipment	3,444,055	(3,444,055)	0	0	25
26		392	Transportation Equipment	3,269,711	(3,269,711)	0	0	26
27		393	Stores Equipment	131,171	(131,171)	0	0	27
28		394	Tools, Shop, & Garage Equipment	1,394,554	(1,394,554)	0	0	28
29		395	Laboratory Equipment	423,977	(423,977)	0	0	29
30		396	Power Operated Equipment	117,620	(117,620)	0	0	30
31		397	Communication Equipment	909,599	(909,599)	0	0	31
32		398	Misc. Equipment	201,782	(201,782)	0	0	32
33		399	Other Tangible Property	0	0	0	0	33
34			Total General Plant	11,656,099	(11,656,099)	0	0	34
35			Total Plant	$288,461,128	$0	$288,461,128	$288,461,128	35

Supporting Schedules
N/A

Recap Schedules
B-4

UNS Gas, Inc.
Computation of Working Capital
Test Year Ended December 31, 2005

Line No.	Description	Total Original Cost	Total RCND Cost	Original & RCND ACC Jurisdiction	Line No.
1	Cash Working Capital	($3,280,886)	($3,280,886)	($3,280,886)	1
2	Fuel Inventory	0	0	0	2
3	Materials and Supplies	2,039,798	2,039,798	2,039,798	3
4	Prepayments	195,942	195,942	195,942	4
5	Total Working Capital Allowance	($1,045,146)	($1,045,146)	($1,045,146)	5

Supporting Schedules	Recap Schedules
B-5 (P2)	B-1

UNS Gas, Inc.
Detail of Adjustments to Working Capital
As of December 31, 2005

Line No.	Description	Actual	Adjustments: Thirteen Month Average	Adjustments: Cash Working Capital	Total Adjusted	Line No.
1	Cash Working Capital	$0	N/A	($3,280,886)	($3,280,886)	1
2	Fuel Inventory (Account 151)	0	0	N/A	0	2
3	Materials & Supplies (Accounts 154 and 163)	1,999,092	40,706	N/A	2,039,798	3
4	Prepayments	247,265	(51,323)	N/A	195,942	4
5	Total	$2,246,357	($10,617)	($3,280,886)	($1,045,146)	5

Supporting Schedules
B-5 (P3)

Recap Schedules
B-5 (P1)

UNS Gas, Inc.
Cash Working Capital - Lead/Lag Study
Test Year Ended December 31, 2005

Line No.	Description	Pro Forma Test Year Amount	Revenue Lag Days	Expense Lag Days	Net Lag Days (Col. C - Col. D)	Lead/Lag Factor (Col. E/365)	Cash Working Capital Required (Col. F x Col. B)	Line No.
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	
	Operating Expenses							
	Non-Cash Expenses							
1	Bad Debts Expense	$722,634						1
2	Depreciation	7,950,183						2
3	Amortization	(729,791)						3
4	Deferred Income Taxes	3,178,719						4
	Other Operating Expenses							
5	Salaries and Wages	7,287,745	38.95	24.50	14.45	0.0396	$288,595	5
6	Incentive Compensation	257,895	38.95	267.00	(228.05)	(0.6248)	(161,133)	6
7	Purchased Gas Costs	78,101,248	38.95	30.97	7.98	0.0219	1,711,508	7
8	Office Supplies and Expenses	1,365,974	38.95	20.72	18.23	0.0499	68,162	8
9	Injuries and Damages	574,128	38.95	64.75	(25.80)	(0.0707)	(40,591)	9
10	Pensions and Benefits	2,452,071	38.95	54.66	(15.71)	(0.0430)	(105,439)	10
11	Support Services - TEP	4,570,692	38.95	44.91	(5.96)	(0.0163)	(74,502)	11
12	Property Taxes	4,103,376	38.95	213.00	(174.05)	(0.4768)	(1,956,490)	12
13	Payroll Taxes	537,877	38.95	19.30	19.65	0.0538	28,938	13
14	Current Income Taxes	(1,203,222)	38.95	41.42	(2.47)	(0.0068)	8,182	14
15	Interest on Customer Deposits	170,459	38.95	182.50	(143.55)	(0.3933)	(67,042)	15
16	Other Operations and Maintenance	7,501,807	38.95	53.10	(14.15)	(0.0388)	(291,070)	16
17	Total Operating Expenses	$116,841,794						17
	Other Cash Working Capital Elements:							
18	Interest On Long-Term Debt	$5,334,825	38.95	91.62	(52.67)	(0.1443)	(769,815)	18
19	Revenue Taxes and Assessments	$18,788,535	38.95	76.25	(37.30)	(0.1022)	(1,920,188)	19
20	Total Cash Working Capital						($3,280,886)	20

Supporting Schedules	Recap Schedules
N/A	B-2, B-3

UNS Gas, Inc.
Adjusted Test Year Income Statement
Test Year Ended December 31, 2005

Line No.	Description	Unadjusted (a)	Pro Forma Adjustments (b)	Adjusted	ACC Jurisdiction	FERC Jurisdiction	Line No.
	Operating Revenues						
1	Gas Retail Revenues	$136,798,513	($91,109,288)	$45,689,225	$45,689,225	$0	1
2	Other Operating Revenue	1,480,303	0	1,480,303	1,480,303	0	2
3	Total Operating Revenues	138,278,816	(91,109,288)	47,169,528	47,169,528	0	3
	Operating Expenses						
4	Purchased Gas	91,170,702	(90,815,174)	355,528	355,528	0	4
5	Other Operations and Maintenance Expense	23,718,127 (1)	740,908	24,459,035	24,459,035	0	5
6	Depreciation and Amortization	6,773,317	447,075	7,220,392	7,220,392	0	6
7	Taxes Other than Income Taxes	2,924,200	1,805,894	4,730,094	4,730,094	0	7
8	Income Taxes	3,102,315	(1,126,817)	1,975,498	1,975,498	0	8
9	Total Operating Expenses	127,688,661	(88,948,114)	38,740,547	38,740,547	0	9
10	Operating Income	10,590,155	($2,161,174)	$8,428,981	$8,428,981	$0	10
	Other Income and Deductions						
11	Allowance for Equity Funds	179,826					
12	Other - Net	611,456					
13	Total Other Income and Deductions	791,282					
14	Income Before Interest Expense	11,381,437					
	Interest Expense						
15	Interest on Long-Term Debt	6,413,812					
16	Other Interest Expense	153,371 (1)					
17	Allowance for Borrowed Funds	(231,384)					
18	Total Interest Expense	6,335,799					
19	Net Income Available for Common Stock	$5,045,638					

(1) Includes reclasification of $153,952 or Customer Deposit Interest Expense From Other Interest Expense to Other O&M Expense

Supporting Schedules	Recap Schedules
(a) E-2	A-1
(b) C-2	A-2

UNS Gas, Inc.
Income Statement Pro Forma Adjustments
Test Year Ended December 31, 2005

Line No.	Description	Griffith Plant Operations	Purchased Gas Cost & Gas Cost Revenue	Customer Annualization	Weather Normalization	NSP Revenue & Gas Cost	Payroll Expense	Total Page Adjustments	Line Line No.
	Operating Revenues								
1	Gas Retail Revenues	($865,152)	($75,545,465)	$725,682	$516,921	($15,738,093)	$0	($90,906,107)	1
2	Other Operating Revenue	0	0	0	0	0	0	0	2
3	Total Operating Revenues	(865,152)	(75,545,465)	725,682	516,921	(15,738,093)	0	(90,906,107)	3
	Operating Expenses								
4	Purchased Gas	0	(75,545,465)	0	0	(15,269,790)	0	(90,815,255)	4
5	Other Operations and Maintenance Expense	(164,614)	0	0	0	0	440,550	275,936	5
6	Depreciation and Amortization	0	0	0	0	0	0	0	6
7	Taxes Other than Income Taxes	0	0	0	0	0	0	0	7
8	Income Taxes	0	0	0	0	0	0	0	8
9	Total Operating Expenses	(164,614)	(75,545,465)	0	0	(15,269,790)	440,550	(90,539,319)	9
10	Operating Income	($700,538)	$0	$725,682	$516,921	($468,303)	($440,550)	($366,788)	10

Supporting Schedules	Recap Schedules
N/A	C-1

UNS Gas, Inc.
Income Statement Pro Forma Adjustments
Test Year Ended December 31, 2005

Line No.	Description	Payroll Tax Expense	Pension & Benefits	Post Retirement Medical	Worker's Comp.	Incentive Comp.	Rate Case Expenses	Total Page Adjustments	Line No.
	Operating Revenues								
1	Gas Retail Revenues	$0	$0	$0	$0	$0	$0	$0	1
2	Other Operating Revenue	0	0	0	0	0	0	0	2
3	Total Operating Revenues	0	0	0	0	0	0	0	3
	Operating Expenses								
4	Purchased Gas	0	0	0	0	0	0	0	4
5	Other Operations and Maintenance Expense	0	54,594	57,676	34,234	126,859	200,000	473,363	5
6	Depreciation and Amortization	0	0	0	0	0	0	0	6
7	Taxes Other than Income Taxes	25,907	0	0	0	10,403	0	36,310	7
8	Income Taxes	0	0	0	0	0	0	0	8
9	Total Operating Expenses	25,907	54,594	57,676	34,234	137,262	200,000	509,673	9
10	Operating Income	($25,907)	($54,594)	($57,676)	($34,234)	($137,262)	($200,000)	($509,673)	10

Supporting Schedules	Recap Schedules
N/A	C-1

UNS Gas, Inc.
Income Statement Pro Forma Adjustments
Test Year Ended December 31, 2005

Line No.	Description	Bad Debt Expense	Interest On Customer Deposits	Fleet Fuel Expense	Amortization of GIS Expenditures	Out of Period Expenses	Year-End Accruals	Total Page Adjustments	Line No.
	Operating Revenues								
1	Gas Retail Revenues	$0	$0	$0	$0	$0	$0	$0	1
2	Other Operating Revenue	0	0	0	0	0	0	0	2
3	Total Operating Revenues	0	0	0	0	0	0	0	3
	Operating Expenses								
4	Purchased Gas	0	0	81	0	0	0	81	4
5	Other Operations and Maintenance Expense	317,758	16,507	73,645	(840,367)	(43,743)	(125,000)	(601,200)	5
6	Depreciation and Amortization	0	0	0	299,023	0	0	299,023	6
7	Taxes Other than Income Taxes	0	0	0	0	0	0	0	7
8	Income Taxes	0	0	0	0	0	0	0	8
9	Total Operating Expenses	317,758	16,507	73,726	(541,344)	(43,743)	(125,000)	(302,096)	9
10	Operating Income	($317,758)	($16,507)	($73,726)	$541,344	$43,743	$125,000	$302,096	10

Supporting Schedules	Recap Schedules
N/A	C-1

UNS Gas, Inc.
Income Statement Pro Forma Adjustments
Test Year Ended December 31, 2005

Line No.	Description	Advertising & Donations	Postage Expense	CARES Expenses	Depreciation & Property Tax for CWIP	Gain on Sale of Prescott Property	Corporate Cost Allocations	Total Page Adjustments	Line No.
	Operating Revenues								
1	Gas Retail Revenues	$0	$0	($203,181)	$0	$0	$0	($203,181)	1
2	Other Operating Revenue	0	0	0	0	0	0	0	2
3	Total Operating Revenues	0	0	(203,181)	0	0	0	(203,181)	3
	Operating Expenses								
4	Purchased Gas	0	0	0	0	0	0	0	4
5	Other Operations and Maintenance Expense	(16,619)	142,707	32,349	0	0	130,471	288,908	5
6	Depreciation and Amortization	0	0	(49,248)	196,266	(12,437)	0	134,581	6
7	Taxes Other than Income Taxes	0	0	0	166,884	0	0	166,884	7
8	Income Taxes	0	0	0	0	0	0	0	8
9	Total Operating Expenses	(16,619)	142,707	(16,899)	363,150	(12,437)	130,471	590,373	9
10	Operating Income	$16,619	($142,707)	($186,282)	($363,150)	$12,437	($130,471)	($793,554)	10

Supporting Schedules	Recap Schedules
N/A	C-1

UNS Gas, Inc.
Income Statement Pro Forma Adjustments
Test Year Ended December 31, 2005

Line No.	Description	Customer Service Cost Allocations	Depr. and Amort. Expense Annualization	Property Tax			Income Taxes	Total Page Adjustments	Line No.
	Operating Revenues								
1	Gas Retail Revenues	$0	$0	$0	$0	$0	$0	$0	1
2	Other Operating Revenue	0	0	0	0	0	0	0	2
3	Total Operating Revenues	0	0	0	0	0	0	0	3
	Operating Expenses								
4	Purchased Gas	0	0	0	0	0	0	0	4
5	Other Operations and Maintenance Expense	303,901	0	0	0	0	0	303,901	5
6	Depreciation and Amortization	10,191	3,280	0	0	0	0	13,471	6
7	Taxes Other than Income Taxes	11,330	0	1,591,370	0	0	0	1,602,700	7
8	Income Taxes	0	0	0	0	0	(1,126,817)	(1,126,817)	8
9	Total Operating Expenses	325,422	3,280	1,591,370	0	0	(1,126,817)	793,255	9
10	Operating Income	($325,422)	($3,280)	($1,591,370)	$0	$0	$1,126,817	($793,255)	10

Supporting Schedules	Recap Schedules
N/A	C-1

UNS Gas, Inc.
Computation of Gross Revenue Conversion Factor
Test Year Ended December 31, 2005

Line No.	Description	Percentage of Incremental Gross Revenues		Line No.
1	Gross Revenue	100.00%		1
2	Less: Uncollectible Revenue	0.51%		2
3	Taxable Income as a Percent	99.49%		3
4	Less Federal and State Income Taxes (@ 39.629%)	39.43%		4
5	Change in Net Operating Income	60.06%		5
6	Gross Revenue Conversion Factor	1.6649	(a)	6

(a) Line No. 1 divided by line No. 5.

Supporting Schedules	Recap Schedules
N/A	A-1

UNS Gas, Inc.
Summary Cost of Capital
Test Year Ended December 31, 2005
(Thousands of Dollars)

Line No.	Capital Source		Capitalization Amount	Capitalization Percent	Cost Rate	Weighted Cost of Capital (c)	Line No.
	Actual - End of Test Period						
1	Short-Term Debt		N/A	N/A	N/A	N/A	1
2	Long-Term Debt - Net	(a)	$98,859	55.33%	6.60%	3.65%	2
3	Common Stock Equity	(b)	79,804	44.67%	11.00%	4.91%	3
4	Total Capital		$178,663	100.00%		8.56%	4
	Proposed - End of Test Period						
5	Short-Term Debt		N/A	N/A	N/A	N/A	5
6	Long-Term Debt - Net	(a)	$98,859	50.00%	6.60%	3.30%	6
7	Common Stock Equity		98,859	50.00%	11.00%	5.50%	7
8	Total Capital		$197,718	100.00%		8.80%	8

Supporting Schedules
(a) D-2
(b) E-1

Recap Schedules
(c) A-3

UNS Gas, Inc.
Summary Cost of Capital
Projected Year Ended December 31, 2006
(Thousands of Dollars)

Line No.	Capital Source		Capitalization Amount	Capitalization Percent	Cost Rate	Weighted Cost of Capital (b)	Line No.
	Projected as of December 31, 2006						
1	Short-Term Debt		$2,578	1.39%	6.70%	0.09%	1
2	Long-Term Debt - Net	(a)	99,060	53.51%	6.58%	3.52%	2
3	Common Stock Equity		83,500	45.10%	11.00%	4.96%	3
4	Total Capital		$185,138	100.00%		8.58%	4

Supporting Schedules
(a) D-2

Recap Schedules
(b) A-3

UNS Gas, Inc.
Cost of Long-Term Debt and Short-Term Debt
Test Year Ended December 31, 2005
(Thousands of Dollars)

Line No.	Description	End of Test Period (Actual) Outstanding	Annual Interest	Cost Rate	End of Test Period (Proposed) Outstanding	Annual Interest	Cost Rate	Line No.
	Guarantee Senior Notes							
1	UNS Gas Series A	$50,000	$3,115		$50,000	$3,115		1
2	UNS Gas Series B	50,000	3,115		50,000	3,115		2
3	Total Bonds	100,000	6,230	6.23%	100,000	6,230	6.23%	3
4	Total Long-Term Debt	100,000	6,230	6.23%	100,000	6,230	6.23%	4
5	Unamortized Debt Discount, Premium and Expense and Loss on Reacquired Debt	(1,141)			(1,141)			5
6	Amortization of Debt Discount and Expense and Loss on Reacquired Debt		201			201		6
7	Credit Facility Commitment Fees		90			90		7
8	Total Long-Term Debt - Net	$98,859	$6,521	6.60%	$98,859	$6,521	6.60%	8
9	Total Short-Term Debt	N/A	N/A	N/A	N/A	N/A	N/A	9

Supporting Schedules	Recap Schedules
E-1	D-1

UNS Gas, Inc.
Cost of Long-Term Debt and Short-Term Debt
Projected Period Ended December 31, 2006
(Thousands of Dollars)

Line No.	Description	Projected Period Ended December 31, 2006 Outstanding	Annual Interest	Cost Rate	Line No.
	Bonds				
1	UNS Gas Series A	$50,000	$3,115		1
2	UNS Gas Series B	50,000	3,115		2
3	Total Bonds	100,000	6,230	6.23%	3
4	Total Long-Term Debt	100,000	6,230	6.23%	4
5	Unamortized Debt Discount, Premium and Expense and Loss on Reacquired Debt	(940)			5
6	Amortization of Debt Discount and Expense and Loss on Reacquired Debt		201		6
7	Credit Facility Commitment Fees		90		7
8	Total Long-Term Debt - Net	$99,060	$6,521	6.58%	8
9	Total Short-Term Debt	2,578	173	6.70%	9

Supporting Schedules	Recap Schedules
N/A	D-1

UNS Gas, Inc.
Cost of Preferred Stock
Test Year Ended December 31, 2005

No preferred stock was outstanding during the test year.

No preferred stock is expected to be issued.

Supporting Schedules	Recap Schedules
N/A	N/A

UNS Gas, Inc.
Cost of Common Equity
Test Year Ended December 31, 2005

The cost of common equity capital for UNS Gas, Inc. is estimated to be 11.0%.

Supporting Schedules	Recap Schedules
N/A	D-1

UNS Gas, Inc.
Comparative Balance Sheets
Test Year Ended December 31, 2005 and Prior Years Ended December 31, 2004 and 2003

Line No.	Description	December 31, 2005	Prior Years Ended December 31, 2004	Prior Years Ended December 31, 2003 (1)	Line No.
	(a) Utility Plant				
1	Plant in Service	$291,005,954	$268,050,157	$243,016,571	1
2	Construction Work in Progress	7,189,231	10,786,699	9,916,507	2
3	Plant Held for Future Use	668,759	601,574	0	3
4	Southern Union Acquisition Premium	18,271,348	18,271,348 (2)	18,271,348 (2)	4
5	Citizens Acquisition Discount	(68,391,293)	(68,391,293)	(63,908,214)	5
6	Total Utility Plant	248,743,999	229,318,485	207,296,212	6
7	Accumulated Depreciation and Amortization	(77,077,541)	(71,642,150)	(64,186,276)	7
8	Accumulated Amort. - So. Union Acquisition Premium	(1,217,595)	(507,653) (2)	(100,252) (2)	8
9	Accumulated Amort. - Citizens Acquisition Discount	4,280,947	2,292,511	552,979	9
10	Total Utility Plant - Net	174,729,810	159,461,193	143,562,663	10
	Current Assets				
11	Cash and Cash Equivalents	14,053,477	8,569,340	7,940,064	11
12	Special Deposits & Working Funds	292,340	325,038	915,289	12
13	Accounts Receivable - Retail Customers	12,242,680	10,012,386	6,731,308	13
14	Accounts Receivable - Other	3,268	557,094	1,016,776	14
15	Allowance for Doubtful Accounts	(338,095)	(996,911)	(274,649)	15
16	Accrued Unbilled Revenues	16,735,777	14,726,156	14,600,674	16
17	Intercompany Accounts Receivable	2,661,206	2,034,970	3,816,460	17
18	Material and Supplies	1,999,092	1,579,365	828,515	18
19	Prepayments	247,265	183,616	207,834	19
20	Other	(12,806)	(14,117)	(16,772)	20
21	Total Current Assets	47,884,204	36,976,937	35,765,499	21
	Regulatory & Other Assets				
22	Under Recovered Purchased Gas Costs	5,899,390	1,862,283	3,159,530	22
23	Other Regulatory Assets	309,481	277,095	353,848	23
24	Unamortized Debt Discount and Expense	1,140,505	1,144,032	1,283,990	24
25	Accumulated Deferred Income Taxes	4,695,994	2,721,730	430,999	25
26	Other	(309)	114,874	322,092	26
27	Total Deferred Debits	12,045,061	6,120,014	5,550,459	27
28	Total Assets	$234,659,075	$202,558,144	$184,878,621	28

(1) The data for the year ended December 31, 2003 begins with August 11, 2003, the date that the Citizens acquisition closed.
(2) Includes manual reclass of $3,045,228 for comparability to 2005 presentation.

Supporting Schedules	Recap Schedules
(a) E-5	A-4
E-9	

UNS Gas, Inc.
Comparative Balance Sheets
Test Year Ended December 31, 2005 and Prior Years Ended December 31, 2004 and 2003

Line No.	Description	December 31, 2005	Prior Years Ended December 31, 2004	2003 (1)	Line No.
	Capitalization				
1	Common Stock	$1	$1	$1	
2	Additional Paid-In Capital	67,978,215	51,978,215	52,007,940	2
3	Accumulated Earnings	11,825,983	6,780,345	1,077,183	3
4	Total Common Stock Equity	79,804,199	58,758,561	53,085,124	4
5	Long-Term Debt	100,000,000	100,000,000	100,000,000	5
6	Total Capitalization	179,804,199	158,758,561	153,085,124	6
	Current Liabilities				
7	Accounts Payable - Net	20,194,949	18,000,511	11,989,197	7
8	Notes Payable	147,949	133,926	121,231	8
9	Intercompany Payables - Net	1,365,531	1,205,421	842,985	9
10	Interest Accrued	2,474,631	2,433,755	2,512,834	10
11	Income Taxes Accrued	245,785	0	(108,449)	11
12	Other Taxes Accrued	4,623,234	4,222,288	5,093,246	12
13	Customer Deposits	3,040,484	2,678,224	2,289,617	13
14	Other	432,697	499,658	184,000	14
15	Total Current Liabilities	32,525,260	29,173,783	22,924,661	15
	Deferred Credits and Other Liabilities				
16	Customer Advances for Construction	7,283,595	4,389,366	2,553,797	16
17	Accumulated Deferred Income Taxes	13,988,695	8,830,031	4,643,865	17
18	Other	1,057,326	1,406,403	1,671,174	18
19	Total Deferred Credits and Other Liabilities	22,329,616	14,625,800	8,868,836	19
20	Total Liabilities and Stockholders' Equity	$234,659,075	$202,558,144	$184,878,621	20

(1) The data for the year ended December 31, 2003 begins with August 11, 2003, the date that the Citizens acquisition closed.

Supporting Schedules	Recap Schedules
E-9	A-3

UNS Gas, Inc.
Comparative Income Statements
Test Year Ended December 31, 2005 and Prior Years Ended December 31, 2004 and 2003

Line No.	Description		Test Year Ended December 31, 2005	Prior Years Ended December 31, 2004	2003 (1)	Line No.
	(a) Operating Revenues					
1	Gas Retail Revenues		$136,798,513	$127,553,434	$46,824,066	1
2	Other Operating Revenue		1,480,303	1,402,683	473,359	2
3	Total Operating Revenues		138,278,816	128,956,117	47,297,425	3
	(a) Operating Expenses					
4	Purchased Gas Expenses		91,170,702	81,644,861	30,615,093	4
5	Other Operations and Maintenance Expense		23,564,175	23,007,315	8,381,400	5
6	Depreciation and Amortization		6,773,317	5,475,222	2,081,198	6
7	Taxes Other than Income Taxes		2,924,200	3,170,831	2,112,243	7
8	Income Taxes		3,102,315	3,792,038	664,722	8
9	Total Operating Expenses		127,534,709	117,090,267	43,854,656	9
10	Operating Income		10,744,107	11,865,850	3,442,769	10
	Total Other Income and Deductions					
11	Allowance for Equity Funds		179,826	206,879	52,511	11
12	Other - Net		611,456	(75,190)	18,206	12
13	Total Other Income and Deductions		791,282	131,689	70,717	13
14	Income Before Interest Expense		11,535,389	11,997,539	3,513,486	14
	Interest Expense					
15	Interest on Long Term-Debt		6,413,812	6,347,070	2,455,373	15
16	Other Interest Expense		307,323	183,600	53,840	16
17	Allowance for Borrowed Funds		(231,384)	(236,292)	(59,977)	17
18	Total Interest Expense		6,489,751	6,294,378	2,449,236	18
19	Net Income Available for Common Stock		$5,045,638	$5,703,161	$1,064,250	19
20	Earnings Per Share of Average Common Stock Outstanding	(2)	N/A	N/A	N/A	20

(1) The data for the year ended December 31, 2003 begins with August 11, 2003, the date that the Citizens acquisition closed.
(2) UNS Gas, Inc. is a subsidiary of UniSource Energy Corporation and has no publicly traded stock; thus such information is not meaningful.

Supporting Schedules	Recap Schedules
(a) E-6	A-2
E-9	

UNS Gas, Inc.
Comparative Statements of Cash Flows
Test Year Ended December 31, 2005 and Prior Years Ended December 31, 2004 and 2003
(Thousands of Dollars)

Line No.	Description	Test Year Ended December 31, 2005	Prior Years Ended December 31, 2004	2003 (1)	Line No.
	Cash Flows from Operating Activities				
1	Cash Receipts from Retail Customers	$145,281	$136,797	$38,306	1
2	Other Cash Receipts	895	451	272	2
3	Purchased Gas Costs Paid	(91,445)	(76,868)	(24,750)	3
4	Wages Paid, Net of Amounts Capitalized	(6,872)	(6,828)	(2,205)	4
5	Payment of Other Operations and Maintenance Costs	(11,840)	(10,797)	(4,544)	5
6	Saguaro Termination Fee	0	(617)	0	6
7	Interest Paid, Net of Amounts Capitalized	(6,003)	(6,155)	0	7
8	Allowance for Other Funds Used During Construction	(353)	(180)	0	8
9	Taxes Paid, Net of Amounts Capitalized	(14,499)	(14,918)	(1,633)	9
10	Income Taxes Paid	(620)	0	0	10
11	Other Cash Payments	(598)	(524)	(222)	11
12	Net Cash Flows from Operating Activities	13,946	20,361	5,224	12
	Cash Flows From Investing Activities				
13	Capital Expenditures	(23,578)	(19,137)	(8,595)	13
14	(Less) Allowance for Other Funds Used During Construction	353	180	0	14
15	Purchase of Citizens Assets	0	(2)	(137,294)	15
16	Other	0	0	(2)	16
17	Net Cash Flows from Investing Activities	(23,225)	(18,959)	(145,891)	17
	Cash Flows from Financing Activities				
18	Proceeds from Issuance of Long-Term Debt	0	0	100,000	18
19	Payment of Debt Issuance Costs	(181)	0	(1,299)	19
20	Equity Investment from UniSource Energy Services	16,000	0	50,656	20
21	Loan from UniSource Energy	6,000	0	0	21
22	Repayment of Loan from UniSource Energy	(6,000)	0	0	22
23	Customer Advance Receipts	5,255	2,943	735	23
24	Customer Advance Refunds	(2,341)	(736)	(141)	24
25	Other	(3,970)	(2,980)	(1,344)	25
26	Net Cash Flows from Financing Activities	14,763	(773)	148,607	26
27	Net Increase (Decrease) in Cash and Cash Equivalents	5,484	629	7,940	27
28	Cash and Cash Equivalents, Beginning of Period	8,569	7,940	0	28
29	Cash and Cash Equivalents, End of Period	$14,053	$8,569	$7,940	29

(1) The data for the year ended December 31, 2003 begins with August 11, 2003, the date that the Citizens acquisition closed.

Supporting Schedules	Recap Schedules
N/A	A-5

UNS Gas, Inc.
Comparative Statements of Changes in Stockholders' Equity (Deficit)
Test Year Ended December 31, 2005 and Prior Years Ended December 31, 2004 and 2003
(Thousands of Dollars, except shares outstanding)

Line No.	Description	Common Stock Shares Outstanding	Common Stock Amount	Premium on Common Stock	Common Stock Expense	Accumulated Earnings or (Deficit)	Comprehensive Income	Total Common Stock Equity or (Deficit)	Line No.
1	Balance, August 11, 2003 (1)	1,000	$50,656	$0	$0	$0	$0	$50,656	1
2	Net Income for Year					$1,077		$1,077	2
3	Dividend Declared					$0		$0	3
4	Equity in Earnings					$0		$0	4
5	Equity Contribution from UniSource Energy Services		$1,352					$1,352	5
6	Other	0	$0					$0	6
7	Balance, December 31, 2003	1,000	$52,008	$0	$0	$1,077		$53,085	7
8	Net Income for Year					$5,703		$5,703	8
9	Dividend Declared					$0		$0	9
10	Equity in Earnings					$0		$0	10
11	Minimum Pension Liability Adjustment						$0	$0	11
12	Equity Contribution from UniSource Energy Services		($30)					($30)	12
13	Other	0	$0					$0	13
14	Balance, December 31, 2004	1,000	$51,978	$0	$0	$6,780	$0	$58,758	14
15	Net Income for Year					$5,046		$5,046	15
16	Dividend Declared					$0		$0	16
17	Equity in Earnings					$0		$0	17
18	Minimum Pension Liability Adjustment						$0	$0	18
19	Equity Contribution from UniSource Energy Services		$16,000					$16,000	19
20	Balance, December 31, 2005	1,000	$67,978	$0	$0	$11,826	$0	$79,804	20

(1) The data for the year ended December 31, 2003 begins with August 11, 2003, the date that the Citizens acquisition closed.

Supporting Schedules	Recap Schedules
N/A	N/A

UNS Gas, Inc.
Detail of Gas Utility Plant - Summary Statement
Test Year Ended December 31, 2005

Line No.	Description	December 31, 2005 (a)	Net Additions (a)	December 31, 2004 (a)	Line No.
	Utility Plant in Service				
1	Intangible Plant	$1,283,911	$15,100	$1,268,811	1
2	Transmission Plant	26,036,273	5,002,000	21,034,273	2
3	Distribution Plant	246,706,319	16,267,258	230,439,060	3
4	General Plant	16,979,451	1,671,439	15,308,013	4
5	Gross Plant in Service	291,005,954	22,955,797	268,050,157	5
6	Construction Work in Progress	7,189,231	(3,597,468)	10,786,699	6
7	Plant Held for Future Use	668,759	67,185	601,574	7
8	Southern Union Acquisition Premium	18,271,348	0	18,271,348	8
9	Citizens Acquisition Discount	(68,391,293)	0	(68,391,293)	9
10	Total Utility Plant	248,743,999	19,425,514	229,318,485	10
11	Accumulated Depreciation and Amortization	(77,077,541)	(5,435,391)	(71,642,150)	11
12	Accumulated Amort. - So. Union Acquisition Premium	(1,217,595)	(709,942)	(507,653)	12
13	Accumulated Amort. - Citizens Acquisition Discount	4,280,947	1,988,436	2,292,511	13
14	Total Accumulated Depreciation and Amortization	(74,014,189)	(4,156,897)	(69,857,292)	14
15	Total Net Utility Plant in Service	$174,729,810	$15,268,617	$159,461,193	15

Supporting Schedules
(a) E-5 (P2-4)

Recap Schedules
E-1

UNS Gas, Inc.
Detail of Gas Utility Plant
Test Year Ended December 31, 2005

Line No.	Acct. No.	Description	December 31, 2005	Net Additions	December 31, 2004	Line No.
		Intangible Plant				
1	302	Franchises & Consents	$383,215	$0	$383,215	1
2	303	Miscellaneous Intangible Plant	900,696	15,100	885,596	2
3		Total Intangible Plant	1,283,911	15,100	1,268,811	5
		Transmission Plant				
4	365	Land & Land Rights	102,606	0	102,606	4
5	366	Structures & Improvements	16,853	0	16,853	5
6	367	Mains	22,159,137	5,001,194	17,157,943	6
7	369	Measuring and Req. Station Equipment	3,574,097	806	3,573,290	7
8	371	Other Equipment	183,581	0	183,581	8
9		Total Transmission Plant	$26,036,273	$5,002,000	$21,034,273	9
		Distribution Plant				
10	374	Land & Land Rights	$257,989	$0	$257,989	10
11	375	Structures & Improvements	10,947	0	10,947	11
12	376	Mains	144,881,932	5,735,443	139,146,488	12
13	378	Meas. And Req. Equipment - General	2,012,458	74,523	1,937,935	13
14	379	Meas. And Req. Equipment - City Gate	2,334,480	303,733	2,030,747	14
15	380	Services	71,193,116	6,525,542	64,667,574	15
16	381	Meters	12,936,282	1,180,280	11,756,003	16
17	382	Meter Installation	6,624,931	981,154	5,643,777	17
18	383	Regulators	2,565,287	323,346	2,241,941	18
19	384	Regulator Installations	1,135,504	552,062	583,441	19
20	385	Industrial Measuring Equipment	1,212,929	162,566	1,050,362	20
21	387	Other Equipment	1,540,463	428,608	1,111,855	21
22		Total Distribution Plant	246,706,319	16,267,258	230,439,060	22
		General Plant				
23	389	Land & Land Rights	194,035	0	194,035	23
24	390	Structures & Improvements	1,270,787	156,182	1,114,605	24
25	391	Office Furniture & Equipment	6,387,395	188,683	6,198,712	25
26	392	Transportation Equipment	5,020,350	1,139,890	3,880,460	26
27	393	Stores Equipment	111,289	(2,576)	113,866	27
28	394	Tools, Shop & Garage Equipment	1,628,265	66,811	1,561,454	28
29	395	Laboratory Equipment	730,667	33,551	697,116	29
30	396	Power Operated Equipment	389,812	93,549	296,263	30
31	397	Communication Equipment	985,332	(4,650)	989,982	31
32	398	Miscellaneous Equipment	261,520	0	261,520	32
33	399	Other Tangible Property	0	0	0	33
34		Total General Plant	16,979,451	1,671,439	15,308,013	34
35		Total Gas Plant in Service	$291,005,954	$22,955,797	$268,050,157	35

Supporting Schedules	Recap Schedules
N/A	E-5 (P1)

UNS Gas, Inc.
Detail of Gas Utility Plant
Test Year Ended December 31, 2005

Line No.	Acct. No.	Description	December 31, 2005	Net Additions (1)	December 31, 2004	Line No.
		Southern Union Acquisition Premium				
		Intangible Plant				
1	302	Franchises & Consents	$20,652	$0	$20,652	1
2	303	Miscellaneous Intangible Plant	152,338	0	152,338	2
3		Total Intangible Plant	172,990	0	172,990	5
		Distribution Plant				
4	376	Mains	11,988,346	0	11,988,346	4
5	378	Meas. And Req. Equipment - General	203,438	0	203,438	5
6	379	Meas. And Req. Equipment - City Gate	266,835	0	266,835	6
7	380	Services	3,646,695	0	3,646,695	7
8	381	Meters	846,443	0	846,443	8
9	382	Meter Installation	6,102	0	6,102	9
10	383	Regulators	(109,825)	0	(109,825)	10
11	385	Industrial Measuring Equipment	272,367	0	272,367	11
12	387	Other Equipment	203,196	0	203,196	12
13		Total Distribution Plant	17,323,597	0	17,323,597	
		General Plant				0
14	389	Land and Land Rights	133,238	0	133,238	14
15	390	Structures & Improvements	173,464	0	173,464	15
16	391	Office Furniture & Equipment	21,060	0	21,060	16
17	393	Stores Equipment	26,148	0	26,148	17
18	394	Tools, Shop & Garage Equipment	434,479	0	434,479	18
19	396	Power Operated Equipment	(12,900)	0	(12,900)	19
20	398	Miscellaneous Equipment	(728)	0	(728)	
21		Total General Plant	774,761	0	774,761	21
22		Total Southern Union Acquisition Premium	$18,271,348	$0	$18,271,348	22

(1) Includes manual reclass of $3,045,228 for comparability to 2005 presentation.

Supporting Schedules	Recap Schedules
N/A	E-5 (P1)

UNS Gas, Inc.
Detail of Gas Utility Plant
Test Year Ended December 31, 2005

Line No.	Acct. No.	Description	December 31, 2005	Net Additions	December 31, 2004	Line No.
		Citizens Acquisition Discount				
		Intangible Plant				
1	302	Franchises & Consents	($81,207)	$0	($81,207)	1
2	303	Miscellaneous Intangible Plant	(80,488)	0	(80,488)	2
3		Total Intangible Plant	(161,695)	0	(161,695)	5
		Transmission Plant				
4	365	Land & Land Rights	(34,352)	0	(34,352)	4
5	366	Structures & Improvements	(5,238)	0	(5,238)	5
6	367	Mains	(3,573,586)	0	(3,573,586)	6
7	369	Measuring and Req. Station Equipment	(945,245)	0	(945,245)	7
8	371	Other Equipment	(53,866)	0	(53,866)	8
9		Total Transmission Plant	(4,612,287)	0	(4,612,287)	9
		Distribution Plant				
10	374	Land & Land Rights	(86,374)	0	(86,374)	10
11	375	Structures & Improvements	(550)	0	(550)	11
12	376	Mains	(39,243,723)	0	(39,243,723)	12
13	378	Meas. And Req. Equipment - General	(419,801)	0	(419,801)	13
14	379	Meas. And Req. Equipment - City Gate	(533,526)	0	(533,526)	14
15	380	Services	(14,788,354)	0	(14,788,354)	15
16	381	Meters	(2,585,551)	0	(2,585,551)	16
17	382	Meter Installation	(1,658,681)	0	(1,658,681)	17
18	383	Regulators	(397,969)	0	(397,969)	18
19	384	Regulator Installations	(183,202)	0	(183,202)	19
20	385	Industrial Measuring Equipment	(237,062)	0	(237,062)	20
21	387	Other Equipment	(325,252)	0	(325,252)	21
22		Total Distribution Plant	(60,460,045)	0	(60,460,045)	22
		General Plant				
23	389	Land & Land Rights	(109,571)	0	(109,571)	23
24	390	Structures & Improvements	(273,962)	0	(273,962)	24
25	391	Office Furniture & Equipment	(1,433,870)	0	(1,433,870)	25
26	392	Transportation Equipment	(190,332)	0	(190,332)	26
27	393	Stores Equipment	(39,585)	0	(39,585)	27
28	394	Tools, Shop & Garage Equipment	(513,773)	0	(513,773)	28
29	395	Laboratory Equipment	(175,657)	0	(175,657)	29
30	396	Power Operated Equipment	(12,272)	0	(12,272)	30
31	397	Communication Equipment	(342,300)	0	(342,300)	31
32	398	Miscellaneous Equipment	(65,944)	0	(65,944)	32
33		Total General Plant	(3,157,266)	0	(3,157,266)	33
34		Total Gas Plant in Service	($68,391,293)	$0	($68,391,293)	34

UNS Gas, Inc.
Comparative Departmental Operating Income Statements
Test Year Ended December 31, 2005 and Prior Years Ended December 31, 2004 and 2003

Line No.	Description	December 31, 2005	Prior Years Ended December 31, 2004	2003 (1)	Line No.
	Operating Revenues				
1	Gas Retail Revenues				1
2	Residential	$79,442,146	$76,333,903	$25,505,636	2
3	Commercial	29,346,494	27,357,686	10,671,046	3
4	Industrial	2,286,042	1,955,289	801,569	4
5	Lighting	103,661	90,315	43,690	5
6	Public Authorities	6,278,015	6,092,220	1,969,558	6
7	Negotiated Sales Program (NSP)	15,738,094	12,356,100	6,516,332	7
8	Transportation	3,604,061	3,367,921	1,316,235	8
9	Total Retail Revenues	136,798,513	127,553,434	46,824,066	9
10	Other Operating Revenue	1,480,303	1,402,683	473,359	10
11	Total Operating Revenues	138,278,816	128,956,117	47,297,425	11
	Operating Expenses				
12	Purchased Gas Expenses (includes NSP)	91,170,702	81,644,861	30,615,093	12
13	Other Operations and Maintenance Expense	23,564,175	23,007,315	8,381,400	13
14	Depreciation and Amortization	6,773,317	5,475,222	2,081,198	14
15	Taxes Other than Income Taxes	2,924,200	3,170,831	2,112,243	15
16	Income Taxes	3,102,315	3,792,038	664,722	16
17	Total Operating Expenses	127,534,709	117,090,267	43,854,656	17
18	Operating Income	$10,744,107	$11,865,850	$3,442,769	18

(1) The data for the year ended December 31, 2003 begins with August 11, 2003, the date that the Citizens acquisition closed.

Supporting Schedules	Recap Schedules
N/A	E-2

UNS Gas, Inc.
Gas Operating Statistics
Test Year Ended December 31, 2005 and Prior Years Ended December 31, 2004 and 2003

Line No.	Description	December 31, 2005	Prior Years Ended December 31, 2004	2003 (1)	Line No.
	Therm Sales				
1	Residential	68,956,730	70,976,734	25,165,503	1
2	Commercial	29,703,122	29,666,757	12,276,097	2
3	Industrial	2,808,853	2,559,079	1,151,286	3
4	Lighting	101,855	91,834	49,747	4
5	Public Authorities	6,729,668	7,092,567	2,410,990	5
6	Total	108,300,228	110,386,971	41,053,623	6
	Average Number of Customers				
7	Residential	124,086	118,616	114,961	7
8	Commercial	10,865	10,638	10,303	8
9	Industrial	20	19	19	9
10	Lighting	3	3	3	10
11	Public Authorities	1,052	1,009	989	11
12	Total	136,026	130,285	126,275	12
	Average Annual Therm Use				
13	Residential	556	598	219	13
14	Commercial	2,734	2,789	1,192	14
15	Industrial	140,443	134,688	60,594	15
16	Lighting	33,952	30,611	16,582	16
17	Public Authorities	6,397	7,029	2,438	17
18	Total	796	847	325	18

(1) The data for the year ended December 31, 2003 begins with August 11, 2003, the date that the Citizens acquisition closed.

Note: The above statistics exclude Negotiated Sales Program (NSP) and Transportation. The following data summarizes NSP statistics:

Therm Sales	20,747,558	20,823,789	12,608,915
Average Number of Customers	14	17	18
Average Annual Therm Use	1,481,968	1,224,929	700,495

Supporting Schedules	Recap Schedules
N/A	N/A

UNS Gas, Inc.
Taxes Charged to Operations
Test Year Ended December 31, 2005 and Prior Years Ended December 31, 2004 and 2003

Line No.	Description	Test Year Ended 2005	Prior Years Ended December 31, 2004	2003 (1)	Line No.
	Federal Taxes				
1	Income	($93,142)	$1,128,139	($2,918,370)	1
2	Unemployment	10,349	7,770	12,014	2
3	FICA	455,907	512,265	199,991	3
4	Deferred Income Taxes	2,639,235	1,968,514	3,463,912	4
5	Total	3,012,349	3,616,688	757,547	5
	State Taxes				
6	Income	200,142	768,465	(637,551)	6
7	Unemployment	25,021	25,619	38,875	7
8	Premium Receipts Tax	0	0	0	8
9	Real and Personal Property	0	0	0	9
10	Deferred Income Taxes	356,079	(73,080)	756,731	10
11	Total	581,242	721,004	158,055	11
	Local Taxes				
12	Income	0	0	0	12
13	Real and Personal Property	2,344,296	2,544,641	1,829,691	13
14	Indian Tribal Taxes - PIT and BAT	0	0	0	14
15	Other	88,567	80,536	31,672	15
16	Total	2,432,863	2,625,177	1,861,363	16
17	Total Taxes Charged to Operating Expenses	$6,026,454	$6,962,869	$2,776,965	17

(1) The data for the year ended December 31, 2003 begins with August 11, 2003, the date that the Citizens acquisition closed.

Note: Taxes and assessments related to sales of energy are not included in revenues or other tax expense categories.

Supporting Schedules	Recap Schedules
N/A	E-2

UNS Gas, Inc.
Test Year Ended December 31, 2005
Notes to Financial Statements

See the attached UNS Gas, Inc. Power Company Audited Financials

Supporting Schedules	Recap Schedules
N/A	N/A

NOTE 1. NATURE OF OPERATIONS

UNS Gas, Inc. (UNS Gas) is a gas distribution company serving approximately 139,000 retail customers in Mohave, Yavapai, Coconino, and Navajo Counties in northern Arizona, as well as Santa Cruz County in southeast Arizona. UniSource Energy Services, Inc. (UES), an intermediate holding company, established UNS Gas on April 14, 2003, and owns all of the common stock of UNS Gas and UNS Electric. UniSource Energy Corporation (UniSource Energy) owns all of the common stock of UES. On August 11, 2003, UNS Gas and UNS Electric, Inc. (UNS Electric) completed the purchase of the Arizona gas and electric system assets from Citizens Communications Company (Citizens).

References to "we" and "our" are to UNS Gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Our accounting policies conform to accounting principles generally accepted in the United States of America (GAAP), including the accounting principles for rate-regulated enterprises. Certain amounts reported in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on Net Income.

ACCOUNTING FOR RATE REGULATION

UNS Gas is regulated by the Arizona Corporation Commission (ACC) with respect to retail gas rates, the issuance of securities, and transactions with affiliated parties.

UNS Gas generally uses the same accounting policies and practices used by unregulated companies for financial reporting under GAAP. However, sometimes these principles, such as the Financial Accounting Standards Board's (FASB) Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation* (FAS 71), require special accounting treatment for regulated companies to show the effect of regulation. For example, in setting UNS Gas' retail rates, the ACC may not allow UNS Gas to currently charge their customers to recover certain expenses, but instead may require that these expenses be charged to customers in the future. In this situation, FAS 71 requires that UNS Gas defer these items and show them as regulatory assets on the balance sheet until we are allowed to charge our customers. UNS Gas then amortizes these items as expense to the income statement as those charges are recovered from customers. Similarly, certain revenue items may be deferred as regulatory liabilities, which are also eventually amortized to the income statement as rates to customers are reduced.

The conditions a regulated company must satisfy to apply the accounting policies and practices of FAS 71 include:

- an independent regulator sets rates;
- the regulator sets the rates to recover specific costs of delivering service; and
- the service territory lacks competitive pressures to reduce rates below the rates set by the regulator.

FAS 71 may, at some future date, be discontinued due to changes in the regulatory and competitive environments. If UNS Gas stopped applying FAS 71 to its regulated operations, it would write off the related balances of its regulatory assets as an expense and would write off its regulatory liabilities as income on its income statement. UNS Gas' cash flows would not be affected if it stopped applying FAS 71 unless a regulatory order limited its ability to recover the cost of its regulatory assets. We believe our gas operations continue to meet the criteria for FAS 71.

UTILITY PLANT

UNS Gas reports utility plant at cost. Utility plant includes material and labor costs, contractor costs, construction overhead costs, and an allowance for funds used during construction (AFUDC). We charge maintenance and repairs to operating expense as incurred.

AFUDC represents the estimated cost of debt and equity funds that finance utility plant construction. AFUDC is also allowed on certain in service gas division assets prior to their inclusion in rate base. We recover AFUDC in rates through depreciation expense over the useful life of the related asset. UNS Gas imputed the cost of capital on construction expenditures at an average of 7.83% for 2005 and 7.85% for 2004. The component of AFUDC attributable to borrowed funds is included as a reduction of Other Interest Expense on the income statement and totaled $0.2 million in both 2005 and 2004. The equity component is included in Interest Income and totaled $0.2 million in both 2005 and 2004.

We compute depreciation of utility plant on a straight-line basis over the service lives of the assets. The average annual depreciation rates for UNS Gas' utility plant were 3.15% in 2005 and 2.81% in 2004.

During 2005, it was determined that depreciation of certain UNS Gas assets had been overstated in prior periods. An adjustment was recorded which reduced Other Operations and Maintenance Expense by $0.3 million.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and highly liquid investments with original maturities of three months or less.

MATERIALS AND SUPPLIES

UNS Gas carries transmission and distribution materials and supplies in inventory at the lower of average cost or market.

COMPUTER SOFTWARE COSTS

UNS Gas capitalizes all costs incurred to purchase computer software and amortizes those costs over the estimated economic life of the product. We would immediately expense capitalized computer software costs if the software were determined to be no longer useful.

DEBT

We defer costs related to the issuance of debt. These costs include underwriters' commissions, discounts or premiums, and other costs such as legal, accounting and regulatory fees and printing costs. We amortize the costs over the life of the debt using the straight-line method, which approximates the effective interest method. Unamortized debt issuance costs totaled $1.1 million at December 31, 2005 and at December 31, 2004. See Note 5.

UTILITY OPERATING REVENUES

UNS Gas records revenues from customers when the gas is delivered to our customers. Gas Revenue includes unbilled revenues which are earned (service has been provided) but not billed by the end of an accounting period. Unbilled sales are estimated for the month by reviewing the meter reading schedules and determining the number of billed and unbilled therms for each billing cycle. Current month estimated unbilled therms are allocated by customer class. New unbilled revenue estimates are recorded and unbilled revenue estimates from the prior month are reversed.

We record an allowance for our estimate of revenues billed for which collection is doubtful. UNS Gas establishes an allowance for doubtful accounts based on historical experience and any specific customer collection issues.

Other Revenues primarily consist of miscellaneous fees, including service connection and late fees, and revenue from transportation of gas purchased from other providers.

PURCHASED GAS COSTS

UNS Gas defers differences between actual gas purchase costs and the recovery of such costs in revenues under a Purchase Gas Adjustor (PGA) mechanism. The PGA mechanism addresses the volatility of natural gas prices and allows UNS Gas to recover its costs through a price adjustor. The PGA charge may be changed monthly based on an ACC approved mechanism that compares the twelve-month rolling average gas cost to the base cost of gas, subject to limitations on how much the price per therm may change in a twelve month period. UNS Gas defers and recovers through the PGA mechanism the difference between the actual cost of UNS Gas' gas supply and transportation contracts and that currently allowed by the ACC. When under or over recovery trigger points are met, UNS Gas may request a PGA surcharge or surcredit with the goal of collecting or returning the amount deferred from or to customers over a twelve month period.

RELATED PARTY TRANSACTIONS

UNS Gas receives certain corporate and administrative support services from affiliates. These costs consist primarily of employee compensation and benefits. Services from Tucson Electric Power Company (TEP) totaled $2.8 million in 2005 and $2.4 million in 2004. Services from UNS Electric totaled $0.6 million in 2005 and $0.7 million in 2004. TEP, a regulated public utility serving retail electric customers in southern Arizona, is UniSource Energy's largest operating subsidiary.

INCOME TAXES

GAAP requires us to report some of our assets and liabilities differently in our financial statements than we do for income tax purposes. We report the tax effects of differences in these items as deferred income tax assets or liabilities in our balance sheet. We measure these tax assets and liabilities using current income tax rates.

UNS Gas is a member of the UniSource Energy consolidated income tax filing. UNS Gas is allocated income taxes based on its taxable income and deductions as reported in the UniSource Energy consolidated and/or combined tax return filings. The tax liability is allocated in accordance with the Income Tax Regulations. As a result, the regular tax liability of the company is calculated on a stand alone basis and the liability is then owed to UNS through intercompany accounts. UNS has the ultimate responsibility for payment of consolidated tax liabilities to taxing authorities and maintaining intercompany tax accounts with its subsidiaries. The Alternative Minimum Tax (AMT) liability of the company is also computed in accordance with Proposed Income Tax Regulations. This method for allocating consolidated

AMT among group members considers the contribution that one member's AMT attributes provide in offsetting the consolidated AMT liability that would otherwise result if the member were not included in the consolidated group.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

UNS Gas applies Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended (FAS 133). Under FAS 133, all derivative instruments, except those meeting specific exceptions, are recognized in the balance sheet at their fair value. Changes in fair value are recognized immediately in earnings unless specific hedge accounting criteria are met. For derivatives that qualify for hedge accounting, depending on the nature of the hedge, changes in fair value are either offset by changes in the fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. At December 31, 2005 and December 31, 2004, UNS Gas had no derivatives accounted for as cash flow hedges.

Management has determined that UNS Gas' physical gas purchases qualify for the normal purchases and normal sales exception provided by FAS 133. This exception applies to physical sales and purchases of gas supply where it is probable that physical delivery will occur, the pricing provisions are clearly and closely related to the contracted prices and the FAS 133 documentation requirements are met.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of our current assets and liabilities approximate fair value because of the short maturity of these instruments.

UNS Gas' senior unsecured notes of $100 million outstanding at December 31, 2005 and December 31, 2004, have estimated fair values of $105 million and $108 million, respectively. UNS Gas determined the fair value of the senior unsecured notes by calculating the present value of the cash flows of each note, using a discount rate consistent with market yields generally available as of December 31, 2005 and December 31, 2004, for bonds with similar characteristics with respect to credit rating and time-to-maturity. The use of different market assumptions and/or estimation methodologies may yield different estimated fair value amounts.

EVALUATION OF ASSETS FOR IMPAIRMENT

UNS Gas evaluates its Utility Plant and other long-lived assets for impairment whenever events or circumstances occur that may indicate the carrying value of the assets may be impaired. If the fair value of the asset determined based on the undiscounted expected future cash flows from the long-lived asset is less than the carrying value of the asset, an impairment would be recorded.

ASSET RETIREMENT OBLIGATIONS

FASB Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* (FAS 143) requires entities to record the fair value of a liability for a legal obligation to retire an asset in the period in which the liability is incurred. FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), requires entities to record the fair value of a liability regarding a legal obligation to perform asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. We record a liability when we are able to reasonably estimate the fair value of any future obligation to retire as a result of an existing or enacted law, statute, ordinance or contract. We also record a liability for the

fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. When the liability is initially recorded, we capitalize a cost by increasing the carrying amount of the related long-lived asset. Over time, we adjust the liability to its present value by recognizing accretion expense as an operating expense in the income statement each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we either settle the obligation for its recorded amount or incur a gain or loss if the actual costs differ from the recorded amount.

Under FAS 143, only the costs to remove an asset with legally binding retirement obligations will be accrued over time through accretion of the asset retirement obligation and depreciation of the capitalized asset retirement cost.

USE OF ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONCENTRATION OF CREDIT RISK

As of December 31, 2005, UNS Gas had a total credit exposure related to its gas supply contracts of $9 million, primarily related to its relationship with one counterparty. Counterparty credit exposure is calculated by adding any outstanding receivables (net of amounts payable if a netting agreement exists) to the mark-to-market value of any forward contracts.

NOTE 3. REGULATORY MATTERS

UNS Gas is regulated by the ACC with respect to retail gas rates, the issuance of securities, and transactions with affiliated parties. UNS Gas' retail gas rates include a monthly customer charge, a base rate charge for delivery services and the cost of gas (expressed in cents per therm), and a PGA mechanism.

Concurrent with the closing of the acquisition, a retail rate increases for customers of UNS Gas went into effect in August 2003. The rate increase was approved by the ACC in July 2003, when it approved the acquisition and the terms of the April 2003 settlement agreement (UES Settlement Agreement) among UniSource Energy, Citizens, and the ACC Staff.

The related ACC order and the UES Settlement Agreement include the following terms related to UNS Gas rates:

- An increase in retail delivery base rates, effective August 11, 2003, equivalent to a 20.9% overall increase over 2001 test year retail revenues through a base rate increase.
- Fair value rate base of $142 million and allowed rate of return of 7.49%, based on a cost of capital of 9.05%, derived from a cost of equity of 11.00% and a cost of debt of 7.75% (based on a capital structure of 60% debt and 40% equity).
- The existing PGA rate may not change more than $0.15 per therm through July 2004. Thereafter, the PGA rate may not change more than $0.10 per therm.

Under the terms of the ACC order, UNS Gas may not file a general rate increase until July 2006 and any resulting rate increase shall not become effective prior to August 1, 2007.

The UES Settlement Agreement also limits dividends payable by UNS Gas to UES and UniSource Energy to 75% of earnings until the ratio of common equity to total capitalization reaches 40%. The ratio of common equity to total capitalization for UNS Gas was 44% at December 31, 2005 and was 37% at December 31, 2004.

The following table shows the balance of under recovered purchased gas costs as of December 31:

	2005	2004
	-Thousands of Dollars-	
Under Recovered Purchased Gas Costs – Regulatory Basis as Billed	$15,700	$ 9,281
Recovered Purchased Gas Costs – Unbilled Revenue Accrued	(9,801)	(7,419)
Under Recovered Purchased Gas Costs per Financial Statements	$ 5,899	$ 1,862

In August 2005, UNS Gas filed a request with the ACC to approve an increase in the PGA surcharge from $0.03 per therm to $0.27 per therm to be effective October 1, 2005. An increase was necessary to allow for the recovery of the existing PGA bank balance and recover projected costs of gas during the winter season.

On October 19, 2005, the ACC approved the following PGA surcharges:

Surcharge Amount Per Therm	Period In Effect
$0.15	November 2005 – February 2006
$0.25	March 2006 – April 2006
$0.30	May 2006 – June 2006
$0.35	July 2006 – September 2006
$0.25	October 2006 – November 2006
$0.20	December 2006 – February 2007
$0.25	March 2007 – April 2007

Currently, this PGA surcharge is predicted to stem the growth of the PGA bank balance. However, if gas prices increase, the PGA bank balance may continue to grow despite this surcharge. Sources to fund the growing balance could include an additional surcharge, draws on the revolving credit facility, additional credit lines or the investment of additional capital by UniSource Energy. Based on market prices for gas at February 28, 2006, which range from $6 to $9 per MMBtu through the end of 2006, the PGA bank balance on a billed basis is expected to drop below zero by the end of May 2006 and stay below zero for the balance of the year. Changes in the market price for gas, sales volumes and surcharge changes could significantly change the PGA bank balance in the future.

REGULATORY ASSETS AND LIABILITES

Regulatory assets and liabilities consist of the following at December 31:

	2005	2004
	-Thousands of Dollars-	
Regulatory Assets:		
Deferred Year 2000 Costs	$ 200	$ 277
CARES Deferral	109	-
Under Recovered Purchased Gas Costs	5,899	1,862
Regulatory Liabilities:		
Net Cost of Removal for Interim Retirements	(2,690)	(1,517)
Regulatory Assets, Net of Regulatory Liabilities	$3,518	$ 622

FUTURE IMPLICATIONS OF DISCONTUING APPLICATION OF FAS 71

UNS Gas regularly assesses whether it can continue to apply FAS 71 to its operations. If UNS Gas stopped applying FAS 71 to its regulated operations, UNS Gas would write off the related balance of its regulatory assets as an expense and would write off its regulatory liabilities as income on its income statement. Based on the regulatory asset and liability balances, if UNS Gas had stopped applying FAS 71 to its regulated operations, UNS Gas would have recorded an extraordinary after-tax loss of $2 million at December 31, 2005. UNS Gas's cash flows would not be affected if it stopped applying FAS 71.

NOTE 4. UTILITY PLANT

The following table shows Utility Plant in Service and depreciable lives by major class at December 31:

	2005	2004	Depreciable Lives
	-Thousands of Dollars-		
Plant in Service:			
Gas Distribution Plant	$ 151,678	$ 135,343	17 – 48 years
Gas Transmission Plant	17,510	12,508	37 – 55 years
General Plant	9,949	8,912	3 – 31 years
Intangible Plant	970	321	5 – 25 years
Total Plant in Service	$ 180,107	$ 157,084	

Intangible Plant primarily represents computer software costs.

NOTE 5. DEBT

SENIOR UNSECURED NOTES

UNS Gas has $100 million of senior unsecured notes outstanding consisting of $50 million of 6.23% Notes due in 2011 and $50 million of 6.23% Notes due in 2015 that are guaranteed by UES. The note purchase agreements for UNS Gas contain certain restrictive covenants, including restrictions on transactions with affiliates, mergers, liens to secure indebtedness, restricted payments, incurrence of indebtedness, and minimum net worth. Consolidated Net Worth, as defined by the note purchase agreement for UNS Gas, is approximately equal to the balance sheet line item, Common Stock Equity.

The table below outlines the actual and required minimum net worth levels of UES and UNS Gas at December 31, 2005.

	Required Minimum Net Worth	Actual Net Worth
	-Thousands of Dollars-	
UES	$ 50,000	$ 130,000
UNS Gas	43,000	80,000

The incurrence of indebtedness covenant requires UNS Gas to meet certain tests before additional indebtedness may be incurred. These tests include:

- A ratio of Consolidated Long-Term Debt to Consolidated Total Capitalization of no greater than 65%.
- An Interest Coverage Ratio (a measure of cash flow to cover interest expense) of at least 2.50 to 1.00.

However, UNS Gas may, without meeting these tests, refinance indebtedness and incur short-term debt in an amount not to exceed $7 million. UNS Gas may not declare or make distributions or dividends (restricted payments) on its common stock unless (a) immediately after giving effect to such action no default or event of default would exist under its note purchase agreement and (b) immediately after giving effect to such action, it would be permitted to incur an additional dollar of indebtedness under the debt incurrence test. As of December 31, 2005, UNS Gas was in compliance with the terms of its note purchase agreement.

The senior unsecured notes may be accelerated upon the occurrence and continuance of an event of default under the note purchase agreement. Events of default under the note purchase agreement include failure to make payments required thereunder, certain events of bankruptcy or commencement of similar liquidation or reorganization proceedings or a change of control of UES or UNS Gas. In addition, an event of default may occur if UNS Gas, UES or UNS Electric defaults on any payments required in respect of certain indebtedness that is outstanding in an aggregate principal amount of at least $4 million or if any such indebtedness becomes due or capable of being called for payment prior to its scheduled payment date or if there is a default in the performance or compliance with the other terms of such indebtedness and, as a result of such default, such indebtedness has become, or has been declared, due and payable, prior to its scheduled payment date.

REVOLVING CREDIT AGREEMENT

In April 2005, UNS Gas and UNS Electric entered into a $40 million three-year unsecured revolving credit agreement due in April 2008, with a group of lenders (the UNS Gas/UNS Electric Revolver). Either borrower may borrow up to a maximum of $30 million; however, the total combined amount borrowed cannot exceed $40 million.

UNS Gas is only liable for UNS Gas' borrowings, and similarly, UNS Electric is only liable for UNS Electric's borrowings under the UNS Gas/UNS Electric Revolver. UES guarantees the obligations of both UNS Gas and UNS Electric.

The borrowers have the option of paying interest at LIBOR plus 1.50% or at the agent bank's reference rate plus 0.50%. UNS Gas and UNS Electric also pay a commitment fee of 0.45% on the unused portion of the revolving credit facility.

The UNS Gas/UNS Electric Revolver contains restrictions on additional indebtedness, liens, mergers and sales of assets. The UNS Gas/UNS Electric Revolver also contains a maximum leverage ratio and a minimum cash flow to interest coverage ratio for each borrower. As of December 31, 2005, UES, UNS Gas and UNS Electric were each in compliance with the terms of the UNS Gas/UNS Electric Revolver.

If an event of default occurs, the UNS Gas/UNS Electric Revolver may become immediately due and payable. An event of default includes failure to make required payments under the UNS Gas/UNS Electric Revolver; certain change in control transactions, certain bankruptcy events of UNS Gas or UNS Electric, or failure of UES, UNS Gas or UNS Electric to make payments or default on debt greater than $4 million.

As of December 31, 2005, UNS Gas had no borrowings outstanding and UNS Electric had $5 million of borrowings outstanding under the UNS Gas/UNS Electric Revolver. As of March 31, 2006, UNS Gas had no borrowings outstanding under the UNS Gas/UNS Electric Revolver.

NOTE 6. COMMITMENTS AND CONTINGENCIES

We record liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines and penalties and other sources when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

TRANSPORTATION COMMITMENTS

UNS Gas has firm transportation agreements with El Paso Natural Gas (EPNG) and Transwestern Pipeline Company (Transwestern) with combined capacity sufficient to meet its load requirements. The EPNG and Transwestern contracts expire in August 2011 and January 2007, respectively. EPNG provides gas transportation service under a converted full requirements contract in which UNS Gas pays a fixed reservation charge. In July 2003, FERC required the conversion of UNS Gas' full requirements status under the EPNG agreement to contract demand starting on September 1, 2003. Upon conversion to contract demand status, UNS Gas now has specific volume limits in each month and specific receipt point rights from the available supply basins (San Juan and Permian). EPNG filed a rate case in 2005 with new, higher rates to be effective January 2006, subject to refund. UNS Gas made payments under these contracts of $7 million in both 2005 and 2004. In February 2006, UNS Gas extended its firm transportation contract with Transwestern through February 2012; the minimum expected annual payment is $2 million from the end of the current contract until contract expiration.

At December 31, 2005, UNS Gas estimates its future minimum payments under these contracts to be:

	Minimum Purchase Obligations
	-Thousands of Dollars-
2006	$ 10,565
2007	7,447
2008	7,000
2009	7,000
2010	7,000
Total 2006 – 2010	39,012
Thereafter	7,000
Total	$ 46,012

UniSource Energy has guaranteed $5 million of these natural gas transportation and supply payments.

OPERATING LEASES

UNS Gas has entered into operating leases, primarily for office facilities and office equipment, with varying terms, provisions, and expiration dates. UNS Gas' estimated future minimum payments under non-cancelable operating leases at December 31, 2005 were:

	Operating Leases
	-Thousands of Dollars-
2006	$ 542
2007	455
2008	437
2009	431
2010	457
Total 2006-2010	2,322
Thereafter	2,347
Total	$ 4,669

UNS Gas' operating lease expense was $0.5 million in 2005 and $0.6 million in 2004.

UniSource Energy has guaranteed $2 million in building lease payments for UNS Gas.

RESOLUTION OF CONTINGENCIES

Subsequent to the acquisition of the Arizona gas system assets from Citizens, UNS Gas paid certain property taxes and other expenses incurred prior to the acquisition date on behalf of Citizens. UNS Gas had fully reserved this receivable of $0.6 million at December 31, 2004 by adjusting the acquisition price. In 2005, Citizens made a payment of $0.5 million in full settlement to UNS Gas which UNS Gas recorded as Other Income in its income statement.

NOTE 7. ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

As of December 31, 2005, UNS Gas implemented FIN 47. The implementation of FIN 47 required UNS Gas to update an existing inventory, originally created for the implementation of FAS 143, and to determine which, if any, of the conditional asset retirement obligations could be reasonably estimated. No significant conditional asset retirement obligations were identified.

The ability to reasonably estimate conditional asset retirement obligations was a matter of management judgment, based upon management's ability to estimate a settlement date or range of settlement dates, a method or potential method of settlement and probabilities associated with the potential dates and methods of settlement of UNS Gas' conditional asset retirement obligations. In determining whether its conditional asset retirement obligations could be reasonably estimated, management considered UNS Gas' past practices, industry practices, management's intent and the estimated economic life of the assets.

UNS Gas has various transmission and distribution lines that operate under land leases and rights of way that contain end dates and restorative clauses. UNS Gas operates its transmission and distribution systems as if they will be operated in perpetuity and would continue to be used or sold without land remediation. As a result, UNS Gas is not recognizing the costs of final removal of the transmission and distribution lines in its financial statements. UNS Gas had accrued $2.7 million at December 31, 2005 and $1.5 million at December 31, 2004, for the net cost of removal for interim retirements from its transmission, distribution and general plant. These amounts have been recorded as a regulatory liability.

Amounts recorded under FAS 143 are subject to various assumptions and determinations, such as determining whether a legal obligation exists to remove assets, estimating the fair value of the costs of removal, estimating when final removal will occur, and the credit-adjusted risk-free interest rates to be used to discount future liabilities. Changes that may arise over time with regard to these assumptions and determinations will change amounts recorded in the future as expense for asset retirement obligations.

NOTE 8. INCOME AND OTHER TAXES

INCOME TAXES

We record deferred tax liabilities for amounts that will increase income taxes on future tax returns. We record deferred tax assets for amounts that could be used to reduce income taxes on future tax returns. UNS Gas has determined that a valuation allowance on the deferred income tax assets for the years ended December 31, 2005 and December 31, 2004 is not necessary. We reached this conclusion based on our interpretation of tax rules, tax planning strategies, scheduled reversals of temporary differences, and projected future taxable income.

UniSource Energy includes UNS Gas' taxable income in its consolidated federal income tax return. Deferred tax assets (liabilities) consist of the following:

	2005	2004
	-Thousands of Dollars-	
Gross Deferred Income Tax Liabilities		
Plant	$ (11,456)	$ (7,966)
Purchase Gas Adjuster (PGA)	(2,336)	(737)
Other	(387)	(107)
Gross Deferred Income Tax Liabilities	(14,179)	(8,810)
Gross Deferred Income Tax Assets		
Customer Advances	2,931	1,431
Contributions in Aid of Construction	1,421	737
Compensation and Benefits	391	360
Reserve for Uncollectible Accounts	132	174
Other	11	-
Gross Deferred Income Tax Assets	4,886	2,702
Net Deferred Income Tax Liability	$ (9,293)	$ (6,108)

The net deferred income tax liability is included in the balance sheet in the following accounts:

	2005	2004
	-Thousands of Dollars-	
Deferred Income taxes – Current Liabilities	$ (2,071)	$ (392)
Deferred Income Taxes – Noncurrent Liabilities	(7,222)	(5,716)
Net Deferred Income Tax Liability	$ (9,293)	$ (6,108)

Income tax expense (benefit) included in the income statement includes amounts both payable currently and deferred for payment in future periods as indicated below:

	2005	2004
	-Thousands of Dollars-	
Current Tax Expense (Benefit)		
Federal	$ (80)	$ (1,501)
State	244	194
Deferred Tax Expense (Benefit)		
Federal	2,828	4,594
State	357	500
Total Federal and State Income Tax Expense	$ 3,349	$ 3,787

The following reconciles the provision for income taxes at the federal statutory rate of 35% to the effective rate:

	2005	2004
	-Thousands of Dollars-	
Federal Income Tax Expense at Statutory Rate	$ 2,938	$ 3,322
State Income Tax Expense, Net of Federal Deduction	387	438
Other	24	27
Total Federal and State Income Tax Expense	$ 3,349	$ 3,787

OTHER TAX MATTERS

On its 2003 tax return, UNS Gas elected to utilize an accounting method relating to the capitalization of indirect costs to production activities and self-constructed assets.

In August 2005, the Internal Revenue Service (IRS) issued a ruling which draws into question the ability of electric and gas utilities to use the accounting method. UNS Gas believes the IRS position is without merit, and intends to vigorously pursue this issue. However, if the IRS were to prevail and disallow the method in its entirety, UNS Gas would be required to pay up to $1 million in taxes and interest in the first half of 2006. Such payment would not affect total tax expense.

OTHER TAXES

UNS Gas acts as a conduit or collection agent for excise tax (sales tax) as well as franchise fees and regulatory assessments. It records liabilities payable to governmental agencies when it bills its customers for these amounts. Neither amounts billed nor payable are reflected in the income statement.

NOTE 9. PENSION AND POSTRETIREMENT BENEFIT PLANS

UNS Gas does not maintain a separate pension plan or other postretirement benefit plan for its employees. All regular employees are eligible to participate in the pension plan maintained by UES. A small group of active employees are also eligible to participate in a postretirement medical benefit plan. UES allocates net periodic benefit cost based on service cost for participating employees.

PENSION PLAN

UES established a noncontributory, defined benefit pension plan for substantially all regular employees on August 11, 2003. Benefits are based on years of service and the employee's average compensation. UES funds the plan by contributing at least the minimum amount required under Internal Revenue Service regulations.

OTHER POSTRETIREMENT BENEFIT PLAN

UNS Gas assumed a $0.8 million liability for postretirement medical benefits for current retirees and a small group of active employees at the acquisition of the Arizona gas system assets from Citizens. The select active employees participate in the TEP Postretirement Benefit Plan.

The ACC allows UNS Gas to recover postretirement benefit costs through rates only as benefit payments are made to or on behalf of retirees. We fund postretirement benefits entirely on a pay-as-you-go basis. Under current accounting guidance, UES cannot record a regulatory asset for the excess of expense calculated per Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, over actual benefit payments.

FASB Staff Position No. FAS 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* (FSP 106-2), provides guidance related to accounting for the federal subsidy available to certain employers providing retirees with prescription drug benefits. For nonpublic companies, FSP 106-2 is effective for the first annual period beginning after December 15, 2004. Adoption of FSP 106-2 did not have a significant impact on our postretirement benefit costs or cash flows.

The actuarial present values of the pension benefit obligations and other postretirement benefit plans were measured at December 1. UES' benefit obligation, plan assets, and funded status for both UNS Gas and UNS Electric follow:

	Pension Benefits		Other Postretirement Benefits	
	Years Ended December 31,			
	2005	2004	2005	2004
	-Thousands of Dollars-			
Benefit Obligation at End of Year	$(6,104)	$(5,350)	$(1,709)	$(1,516)
Fair Value of Plan Assets at End of Year	2,543	1,216	-	-
Funded Status	$(3,561)	$(4,134)	$(1,709)	$(1,516)

Amounts recognized in UNS Gas' Balance Sheet include:

	Pension Benefits		Other Postretirement Benefits	
	Years Ended December 31,			
	2005	2004	2005	2004
	-Thousands of Dollars-			
Accrued Benefit Liability Included in Other Liabilities	$ (292)	$ (397)	$ (641)	$ (699)
Intangible Asset Included in Other Assets	-	106	-	-
Net Amount Recognized in the Balance Sheet	$ (292)	$ (291)	$ (641)	$ (699)

UNS Gas' net periodic benefit cost, employer contributions and benefits paid for the years ended December 31, 2005 and 2004 were:

	Pension Benefits		Other Postretirement Benefits	
	2005	2004	2005	2004
	-Thousands of Dollars-			
Net Periodic Benefit Cost	$ 775	$ 729	$ 23	$ 17
Employer Contribution	774	655	82	96
Benefits Paid	72	28	114	128

Weighted-Average Assumptions Used to Determine Benefit Obligations as of December 1,	Pension Benefits		Other Postretirement Benefits	
	2005	2004	2005	2004
Discount Rate	5.90%	6.10%	5.80%	5.90%
Rate of Compensation Increase	3.00 – 4.00%	3.75%	-	-

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Costs for Period Ended December 31,	Pension Benefits		Other Postretirement Benefits	
	2005	2004	2005	2004
Discount Rate	6.10%	6.25%	5.90%	5.50%
Rate of Compensation Increase	3.00 - 4.00%	4.00%	-	-
Expected Return on Plan Assets	8.50%	8.75%	-	-

Net periodic benefit cost is subject to various assumptions and determinations, such as the discount rate, the rate of compensation increase, and the expected return on plan assets. We estimated the expected return on plan assets based on a review of the plans' asset allocations and consultations with a third-party investment consultant and the plans' actuary considering market and economic indicators, historical market returns, correlations and volatility, central banks' and government treasury departments' forecasts and objectives, and recent professional or academic research. Changes that may arise over time with regard to these assumptions and determinations will change amounts recorded in the future as net periodic benefit cost.

For measurement purposes, the per capita cost of covered health care benefits was assumed to increase 10 percent for employees who have not reached the age of 65 and 12 percent for employees who have reached the age of 65 in 2006. The rate was assumed to decrease gradually to 5 percent for 2013 and remain at that level thereafter.

Pension Plan Assets

UES calculates the market-related value of plan assets using the fair value of plan assets on the measurement date. The UES pension plan was initially funded during 2004. UES' pension plan asset allocations by asset category are as follows:

	Plan Assets December 31,	
	2005	2004
Asset Category		
Equity Securities	63.00%	68.25%
Debt Securities	37.00%	18.23%
Real Estate	-	13.52%
Total	100.00%	100.00%

The policy for the UES pension plan is to provide exposures to equity and debt securities by investing in a balanced fund. The fund will hold no more than 75% of its total assets in stocks.

Pension Plan Contributions

UNS Gas expects to contribute $0.7 million to the pension plan in 2006.

Estimated Future Benefit Payments

The following benefit payments, which reflect future service, as appropriate, are expected to be paid by UES for both UNS Gas and UNS Electric:

	Pension Benefits	Other Benefits
	- Thousands of Dollars -	
2006	$ 9	$ 154
2007	19	155
2008	36	158
2009	63	156
2010	109	153
Years 2011-2015	1,384	705

DEFINED CONTRIBUTION PLANS

UES sponsors a defined contribution savings plan that is offered to all eligible employees. The plan is a qualified 401(k) plan under the Internal Revenue Code. In a defined contribution plan, the benefits a participant receives result from regular contributions to a participant account. Participants direct the investment of contributions to certain funds in their account. UES makes matching contributions to participant accounts under this plan. Matching contributions to this plan for UNS Gas' participating employees were approximately $165,000 in 2005 and $163,000 in 2004.

NOTE 10. COMMON STOCK EQUITY

DIVIDEND RESTRICTIONS

As discussed in Note 3, the UES Settlement Agreement limits dividends payable by UNS Gas to UES and UniSource Energy to 75% of earnings until the ratio of common equity to total capitalization reaches 40%. UNS Gas met this ratio requirement at December 31, 2005. Additionally, the terms of the senior unsecured note agreements entered into by UNS Gas contain dividend restrictions. See Note 5.

CAPITAL CONTRIBUTIONS

In January 2005, UNS Gas established a short-term inter-company promissory note to UniSource Energy, by which it could borrow up to $10 million for general corporate purposes. In March 2005, UniSource Energy contributed an additional $6 million in capital to UNS Gas. UNS Gas used the proceeds of this contribution to repay the $6 million outstanding on the inter-company promissory note. In December 2005, UniSource Energy contributed $10 million in capital to UNS Gas.

NOTE 11. SUPPLEMENTAL CASH FLOW INFORMATION

A reconciliation of net income to net cash flows from operating activities follows:

	Years Ended December 31,	
	2005	**2004**
	-Thousand of Dollars-	
Net Income	$ 5,046	$ 5,703
Adjustments to Reconcile Net Income to Net Cash Flows		
Depreciation and Amortization Expense	6,773	5,475
Amortization of Deferred Debt-Related Costs Included in Interest Expense	184	140
Provision for Bad Debts	405	715
Deferred Income Taxes	3,185	5,094
Other	1,250	(2,616)
Changes in Assets and Liabilities which Provided (Used) Cash Exclusive of Changes Shown Separately		
Accounts Receivable	(3,391)	(1,154)
Materials and Supplies Inventory	(420)	(750)
Under Recovered Purchased Gas Costs	(4,037)	1,298
Accounts Payable	4,395	9,906
Interest Accrued	41	(79)
Taxes Accrued	639	(4,076)
Other Current Assets	(32)	611
Other Current Liabilities	261	274
Net Cash Flows – Operating Activities	$14,299	$20,541

UNS Gas, Inc.
Income Statement - Test Year Ended December 31, 2005 and
Projected Year Ended December 31, 2006 at Present and Proposed Rates
(Thousands of Dollars Except Return on Average Common Equity)

Line No.	Description	Test Year Ended December 31, 2005 (a)	Projected Year Ended December 31, 2006 Present Rates	Projected Year Ended December 31, 2006 Proposed Rates	Line No.
1	Operating Revenues	$138,279	$168,647	$178,393	1
	Operating Expenses				
2	Purchased Gas	91,171	120,495	120,495	2
3	Other Operations and Maintenance Expense	23,564	26,532	26,532	3
4	Depreciation and Amortization	6,773	6,499	6,499	4
5	Taxes Other than Income Taxes	2,924	3,167	3,167	5
6	Total Operating Expenses	124,432	156,693	156,693	6
7	Pre-Tax Operating Income	13,847	11,954	21,700	7
	Other Income and Deductions				
8	Allowance for Equity Funds	180	159	159	8
9	Other - Net	611	460	557	9
10	Total Other Income and Deductions	791	619	716	10
11	Income Before Interest Expense	14,638	12,573	22,416	11
	Interest Expense				
12	Interest on Long-Term Debt	6,414	6,332	6,332	12
13	Other Interest Expense	307	261	255	13
14	Allowance for Borrowed Funds	(231)	(147)	(147)	14
15	Total Interest Expense	6,490	6,446	6,440	15
16	Income Before Income Tax Expense	8,148	6,127	15,976	16
17	Income Tax Expense	3,102	2,431	6,333	17
18	Net Income Available for Common Stock	$5,046	$3,696	$9,643	18
19	Earnings Per Share of Average Common Stock Outstanding (1)	N/A	N/A	N/A	19
20	Return on Average Common Equity	7.28%	4.53%	11.39%	20

(1) UNS Gas, Inc. is a subsidiary of UniSource Energy Corporation and has no publicly traded stock; thus such information is not meaningful.

Supporting Schedules	Recap Schedules
(a) E-2	A-2

UNS Gas, Inc.
Statement of Cash Flows - Test Year Ended December 31, 2005 and
Projected Year Ended December 31, 2006 at Present and Proposed Rates
(Thousands of Dollars)

Line No.	Description	Test Year Ended December 31, 2005 (a)	Projected Year Ended December 31, 2006 Present Rates	Projected Year Ended December 31, 2006 Proposed Rates	Line No.
	Cash Flows from Operating Activities				
1	Cash Receipts from Retail Customers	$145,281	$170,873	$179,776	1
2	Other Cash Receipts	895	4,028	4,125	2
3	Purchased Gas Costs Paid	(98,317)	(109,618)	(109,618)	3
4	Payment of Other Operations and Maintenance Costs	(11,840)	(22,359)	(22,359)	4
5	Interest Paid, Net of Amounts Capitalized	(6,356)	(6,512)	(6,513)	5
6	Taxes Paid, Net of Amounts Capitalized	(14,499)	(15,555)	(16,098)	6
7	Income Taxes Paid	(620)	(5,006)	(8,908)	7
8	Other Cash Payments	(598)	0	0	8
9	Net Cash Flows from Operating Activities	13,946	15,851	20,405	9
	Cash Flows from Investing Activities				
10	Capital Expenditures	(23,578)	(30,287)	(30,287)	10
11	Other	353	428	428	11
12	Net Cash Flows from Investing Activities	(23,225)	(29,859)	(29,859)	12
	Cash Flow from Financing Activities				
13	Payment of Debt Issuance Costs	(181)	0	0	13
14	Equity Investments from UniSource Energy Servies	16,000	0	0	14
15	Loan from Unisource Energy	6,000	0	0	15
16	Repayment of Loan from UniSource Energy	(6,000)	0	0	16
17	Borrowing under Revolving Credit Facility	0	2,578	0	17
18	Other	(1,056)	2,377	2,377	18
19	Net Cash Flows from Financing Activities	14,763	4,955	2,377	19
20	Net Increase (Decrease) in Cash	$5,484	($9,053)	($7,077)	20

Supporting Schedule	Recap Schedules
(a) E-3	A-5

UNS Gas, Inc.
Projected Construction Requirements
Test Year Ended December 31, 2005 and Projected Years 2006 through 2008
(Thousands of Dollars)

Line No.	Description	Test Year Ended December 31, 2005 (a), (b)	Projected Year Ended December 31, 2006 (a), (b)	2007 (a)	2008 (a)	Total 2006-2008	Line No.
1	Transmission Plant	0	0	0	0	0	1
2	Distribution Plant	19,114	24,015	24,283	19,865	68,163	2
3	General Plant	4,464	6,272	2,140	1,860	10,272	3
4	Total Construction Expenditures	$23,578	$30,287	$26,423	$21,725	$78,435	4

Supporting Schedules
N/A

Recap Schedules
(a) A-4
(b) F-2

UNS Gas, Inc.
Key Assumptions Used in Preparing Forecasts

Customer Growth and Sales
Retail customer growth is forecasted to be 3.6% in 2006.
Retail sales growth is forecasted to be 4.5% in 2006.

Purchased Gas Costs
Natural gas costs are forecasted using forward market projections and completed hedging transactions as of April 11, 2006.
PGA pricing and gas cost recovery are based on the PGA mechanism and surcharge in effect as of July 2006.

Operations and Maintenance Expenses
O&M Expenses for 2006 are based on the operating budget approved in December 2005.

Construction Expenditures
Construction expenditures for 2006 are based on the capital budget approved in December 2005, net of forecasted CIAC.

Interest Rate Assumptions
The interest rate on temporary investments is forecasted at 5.3% in 2006.
The interest rate on short-term borrowing is forecasted at 6.7% in 2006.

Capital Structure Changes
The balance of common equity is forecasted to grow in 2006 due to continued retention of earnings (no dividend is assumed).
External financing needs are assumed to be met with borrowings under the UNS Gas revolving credit facility.

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	SUMMARY AT PRESENT RATES								
2									
3	DEVELOPMENT OF RATE BASE								
4	GAS PLANT IN SERVICE		$248,459,957	$172,449,400	$47,421,599	$15,137,981	$13,295,438	$88,252	$67,287
5	DEPREC & AMORT RESERVE		70,129,727	50,218,524	12,810,979	3,694,460	3,367,260	21,423	17,082
6	NET PLANT IN SERVICE		178,330,230	122,230,876	34,610,620	11,443,522	9,928,178	66,828	50,206
7									
8	ADDITIONS & DEDUCTIONS								
9	CASH WORKING CAPITAL		(3,280,886)	(2,277,175)	(626,197)	(199,895)	(175,565)	(1,165)	(889)
10	MATERIALS & SUPPIES		2,039,798	1,415,769	389,320	124,279	109,152	725	552
11	PREPAYMENTS		195,942	135,998	37,398	11,938	10,485	70	53
12	CUSTOMER ADVANCES FOR CONSTRUCTION		(7,283,595)	(5,055,348)	(1,390,163)	(443,769)	(389,755)	(2,587)	(1,973)
13	CUSTOMER DEPOSITS		(3,040,483)	(2,110,318)	(580,313)	(185,248)	(162,700)	(1,080)	(823)
14	OTHER		1,185,166	900,081	196,749	47,967	39,868	258	242
15	ACCUM DEFERRED INCOME TAXES		(6,484,809)	(4,500,932)	(1,237,705)	(395,102)	(347,011)	(2,303)	(1,756)
16	TOTAL ADDITIONS & DEDUCTIONS		(16,668,867)	(11,491,925)	(3,210,910)	(1,039,830)	(915,526)	(6,083)	(4,593)
17									
18	TOTAL RATE BASE		$161,661,362	$110,738,951	$31,399,710	$10,403,692	$9,012,651	$60,745	$45,613
19									
20	DEVELOPMENT OF RETURN								
21	OPERATING REVENUES								
22	SALES OF GAS TO ULTIMATE CUST		45,689,224	32,152,423	9,709,553	1,639,719	2,090,889	73,078	23,562
23	OTHER OPERATING REVENUES		1,480,303	1,256,411	137,913	25,172	59,937	173	697
24	TOTAL GAS OPERATING REVENUES		47,169,527	33,408,834	9,847,465	1,664,891	2,150,826	73,251	24,260
25									
26	OPERATING EXPENSES								
27	OPER & MAINT EXPENSE		24,814,565	19,141,078	3,951,669	887,154	821,464	8,026	5,173
28	AMORTIZATION & DEPRECIATION EXP		7,220,392	5,228,678	1,282,981	368,964	335,914	2,147	1,707
29	TAXES OTHER THAN INCOME		4,730,094	3,321,941	887,839	274,619	242,859	1,601	1,235
30	TAX EXPENSE		1,975,498	797,315	1,055,574	(83,967)	177,371	23,439	5,766
31	TOTAL OPERATING EXPENSES		38,740,548	28,489,013	7,178,063	1,446,770	1,577,609	35,213	13,880
32									
33	OPERATING INCOME		$8,428,979	$4,919,822	$2,669,402	$218,121	$573,217	$38,038	$10,380
34									
35	RATE OF RETURN		5.21%	4.44%	8.50%	2.10%	6.36%	62.62%	22.76%
36	INDEX RATE OF RETURN		1.000	0.852	1.630	0.402	1.220	12.010	4.365
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	SUMMARY AT PRESENT RATES							
2								
3	DEVELOPMENT OF RATE BASE							
4	GAS PLANT IN SERVICE		$42,783,998	$4,637,601	$499,982	$14,637,999	$8,237,129	$5,058,308
5	DEPREC & AMORT RESERVE		11,660,933	1,150,046	122,640	3,571,820	2,129,789	1,237,471
6	NET PLANT IN SERVICE		31,123,066	3,487,555	377,342	11,066,179	6,107,340	3,820,837
7								
8	ADDITIONS & DEDUCTIONS							
9	CASH WORKING CAPITAL		(564,958)	(61,239)	(6,602)	(193,293)	(108,770)	(66,794)
10	MATERIALS & SUPPIES		351,247	38,074	4,105	120,175	67,625	41,528
11	PREPAYMENTS		33,741	3,657	394	11,544	6,496	3,989
12	CUSTOMER ADVANCES FOR CONSTRUCTION		(1,254,211)	(135,951)	(14,657)	(429,112)	(241,471)	(148,284)
13	CUSTOMER DEPOSITS		(523,561)	(56,752)	(6,118)	(179,130)	(100,800)	(61,900)
14	OTHER		183,767	12,982	1,440	46,528	25,395	14,473
15	ACCUM DEFERRED INCOME TAXES		(1,116,663)	(121,041)	(13,050)	(382,052)	(214,989)	(132,022)
16	TOTAL ADDITIONS & DEDUCTIONS		(2,890,639)	(320,271)	(34,489)	(1,005,341)	(566,515)	(349,011)
17								
18	TOTAL RATE BASE		$28,232,426	$3,167,284	$342,854	$10,060,838	$5,540,825	$3,471,827
19								
20	DEVELOPMENT OF RETURN							
21	OPERATING REVENUES							
22	SALES OF GAS TO ULTIMATE CUST		8,531,880	1,177,672	109,190	1,530,529	1,527,532	563,357
23	OTHER OPERATING REVENUES		130,072	7,841	960	24,212	51,498	8,439
24	TOTAL GAS OPERATING REVENUES		8,661,952	1,185,513	110,150	1,554,741	1,579,030	571,796
25								
26	OPERATING EXPENSES							
27	OPER & MAINT EXPENSE		3,638,470	313,200	29,620	857,534	529,805	291,660
28	AMORTIZATION & DEPRECIATION EXP		1,168,936	114,045	12,258	356,706	212,676	123,238
29	TAXES OTHER THAN INCOME		803,480	84,360	9,080	265,539	151,142	91,717
30	TAX EXPENSE		831,539	224,034	18,827	(102,794)	197,344	(19,973)
31	TOTAL OPERATING EXPENSES		6,442,424	735,639	69,785	1,376,985	1,090,967	486,642
32								
33	OPERATING INCOME		$2,219,528	$449,874	$40,365	$177,757	$488,063	$85,154
34								
35	RATE OF RETURN		7.86%	14.20%	11.77%	1.77%	8.81%	2.45%
36	INDEX RATE OF RETURN		1.508	2.724	2.258	0.339	1.689	0.470
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL		COMMERCIAL		
			RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	SUMMARY AT PRESENT RATES						
2							
3	DEVELOPMENT OF RATE BASE						
4	GAS PLANT IN SERVICE		$165,488,636	$6,960,764	$42,783,998	$1,386,015	$3,251,586
5	DEPREC & AMORT RESERVE		48,185,355	2,033,169	11,660,933	350,087	799,960
6	NET PLANT IN SERVICE		117,303,281	4,927,595	31,123,066	1,035,928	2,451,627
7							
8	ADDITIONS & DEDUCTIONS						
9	CASH WORKING CAPITAL		(2,185,259)	(91,916)	(564,958)	(18,302)	(42,937)
10	MATERIALS & SUPPIES		1,358,623	57,146	351,247	11,379	26,695
11	PREPAYMENTS		130,509	5,489	33,741	1,093	2,564
12	CUSTOMER ADVANCES FOR CONSTRUCTION		(4,851,294)	(204,055)	(1,254,211)	(40,631)	(95,320)
13	CUSTOMER DEPOSITS		(2,025,137)	(85,181)	(523,561)	(16,961)	(39,791)
14	OTHER		868,125	31,956	183,767	4,212	8,769
15	ACCUM DEFERRED INCOME TAXES		(4,319,256)	(181,676)	(1,116,663)	(36,175)	(84,866)
16	TOTAL ADDITIONS & DEDUCTIONS		(11,023,689)	(468,236)	(2,890,639)	(95,385)	(224,886)
17							
18	TOTAL RATE BASE		$106,279,592	$4,459,359	$28,232,426	$940,543	$2,226,741
19							
20	DEVELOPMENT OF RETURN						
21	OPERATING REVENUES						
22	SALES OF GAS TO ULTIMATE CUST		31,176,937	975,486	8,531,880	211,649	966,024
23	OTHER OPERATING REVENUES		1,225,837	30,573	130,072	2,619	5,221
24	TOTAL GAS OPERATING REVENUES		32,402,775	1,006,059	8,661,952	214,268	971,245
25							
26	OPERATING EXPENSES						
27	OPER & MAINT EXPENSE		18,528,597	612,481	3,638,470	82,407	230,793
28	AMORTIZATION & DEPRECIATION EXP		5,020,179	208,499	1,168,936	34,430	79,615
29	TAXES OTHER THAN INCOME		3,189,076	132,865	803,480	25,288	59,072
30	TAX EXPENSE		835,392	(38,076)	831,539	16,071	207,963
31	TOTAL OPERATING EXPENSES		27,573,244	915,769	6,442,424	158,196	577,444
32							
33	OPERATING INCOME		$4,829,531	$90,290	$2,219,528	$56,073	$393,801
34							
35	RATE OF RETURN		4.54%	2.02%	7.86%	5.96%	17.69%
36	INDEX RATE OF RETURN		0.87	0.39	1.51	1.14	3.39
37							
38							
39							
40							
41			4,521,087				
42			7,527,267				
43			3,006,180				
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	SUMMARY AT PRESENT RATES				
2					
3	DEVELOPMENT OF RATE BASE				
4	GAS PLANT IN SERVICE		$499,982	$2,161,146	$12,476,853
5	DEPREC & AMORT RESERVE		122,640	531,882	3,039,938
6	NET PLANT IN SERVICE		377,342	1,629,264	9,436,916
7					
8	ADDITIONS & DEDUCTIONS				
9	CASH WORKING CAPITAL		(6,602)	(28,538)	(164,755)
10	MATERIALS & SUPPIES		4,105	17,743	102,432
11	PREPAYMENTS		394	1,704	9,840
12	CUSTOMER ADVANCES FOR CONSTRUCTION		(14,657)	(63,354)	(365,759)
13	CUSTOMER DEPOSITS		(6,118)	(26,447)	(152,683)
14	OTHER		1,440	6,352	40,176
15	ACCUM DEFERRED INCOME TAXES		(13,050)	(56,406)	(325,646)
16	TOTAL ADDITIONS & DEDUCTIONS		(34,489)	(148,946)	(856,396)
17					
18	TOTAL RATE BASE		$342,854	$1,480,318	$8,580,520
19					
20	DEVELOPMENT OF RETURN				
21	OPERATING REVENUES				
22	SALES OF GAS TO ULTIMATE CUST		109,190	204,407	1,326,122
23	OTHER OPERATING REVENUES		960	4,177	20,035
24	TOTAL GAS OPERATING REVENUES		110,150	208,585	1,346,157
25					
26	OPERATING EXPENSES				
27	OPER & MAINT EXPENSE		29,620	113,848	743,686
28	AMORTIZATION & DEPRECIATION EXP		12,258	52,941	303,765
29	TAXES OTHER THAN INCOME		9,080	39,268	226,271
30	TAX EXPENSE		18,827	(18,477)	(84,318)
31	TOTAL OPERATING EXPENSES		69,785	187,580	1,189,405
32					
33	OPERATING INCOME		$40,365	$21,005	$156,752
34					
35	RATE OF RETURN		11.77%	1.42%	1.83%
36	INDEX RATE OF RETURN		2.26	0.27	0.35
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		PUBLIC AUTHORITY				
	ALLOC	SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1 SUMMARY AT PRESENT RATES						
2						
3 DEVELOPMENT OF RATE BASE						
4 GAS PLANT IN SERVICE		$8,237,129	$1,206,328	$3,851,981	$88,252	$67,287
5 DEPREC & AMORT RESERVE		2,129,789	296,812	940,659	21,423	17,082
6 NET PLANT IN SERVICE		6,107,340	909,515	2,911,322	66,828	50,206
7						
8 ADDITIONS & DEDUCTIONS						
9 CASH WORKING CAPITAL		(108,770)	(15,929)	(50,865)	(1,165)	(889)
10 MATERIALS & SUPPIES		67,625	9,904	31,624	725	552
11 PREPAYMENTS		6,496	951	3,038	70	53
12 CUSTOMER ADVANCES FOR CONSTRUCTION		(241,471)	(35,363)	(112,921)	(2,587)	(1,973)
13 CUSTOMER DEPOSITS		(100,800)	(14,762)	(47,138)	(1,080)	(823)
14 OTHER		25,395	3,184	11,289	258	242
15 ACCUM DEFERRED INCOME TAXES		(214,989)	(31,485)	(100,537)	(2,303)	(1,756)
16 TOTAL ADDITIONS & DEDUCTIONS		(566,515)	(83,502)	(265,509)	(6,083)	(4,593)
17						
18 TOTAL RATE BASE		$5,540,825	$826,014	$2,645,813	$60,745	$45,613
19						
20 DEVELOPMENT OF RETURN						
21 OPERATING REVENUES						
22 SALES OF GAS TO ULTIMATE CUST		1,527,532	117,541	445,816	73,078	23,562
23 OTHER OPERATING REVENUES		51,498	2,254	6,185	173	697
24 TOTAL GAS OPERATING REVENUES		1,579,030	119,795	452,001	73,251	24,260
25						
26 OPERATING EXPENSES						
27 OPER & MAINT EXPENSE		529,805	60,797	230,862	8,026	5,173
28 AMORTIZATION & DEPRECIATION EXP		212,676	29,414	93,824	2,147	1,707
29 TAXES OTHER THAN INCOME		151,142	21,861	69,856	1,601	1,235
30 TAX EXPENSE		197,344	(7,822)	(12,151)	23,439	5,766
31 TOTAL OPERATING EXPENSES		1,090,967	104,251	382,391	35,213	13,880
32						
33 OPERATING INCOME		$488,063	$15,544	$69,610	$38,038	$10,380
34						
35 RATE OF RETURN		8.81%	1.88%	2.63%	62.62%	22.76%
36 INDEX RATE OF RETURN		1.69	0.36	0.50	12.01	4.36
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	EQUALIZED RETURN AT PROPOSED ROR								
2									
3	UNADJUSTED RATE BASE		$161,661,362	$110,738,951	$31,399,710	$10,403,692	$9,012,651	$60,745	$45,613
4	CHANGE IN WC - PLANT	PLANT	0	0	0	0	0	0	0
5	CHANGE IN WC - COMMODITY	WCGC	0	0	0	0	0	0	0
6	CHANGE IN WC - O&M	WCOTH	0	0	0	0	0	0	0
7	ADJUSTED RATE BASE		161,661,362	110,738,951	31,399,710	10,403,692	9,012,651	60,745	45,613
8	RATE OF RETURN ON RATE BASE		8.80%	8.80%	8.80%	8.80%	8.80%	8.80%	8.80%
9	RETURN		14,223,180	9,742,959	2,762,588	915,331	792,945	5,344	4,013
10									
11	OPERATING EXPENSES								
12	PRESENT OPER & MAINT EXPENSE		24,814,565	19,141,078	3,951,669	887,154	821,464	8,026	5,173
13	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0	0	0
14	INCREASE IN UNCOLLECTIBLES	REVCHGC	0	0	0	0	0	0	0
15	TOTAL O&M AT PROPOSED		24,814,565	19,141,078	3,951,669	887,154	821,464	8,026	5,173
16	AMORTIZATION & DEPRECIATION EXP		7,220,392	5,228,678	1,282,981	368,964	335,914	2,147	1,707
17	TAXES OTHER THAN INCOME		4,730,094	3,321,941	887,839	274,619	242,859	1,601	1,235
18	TAX EXPENSE		5,828,200	4,004,334	1,117,535	379,624	323,474	1,701	1,532
19	TOTAL OPERATING EXPENSES		42,593,250	31,696,032	7,240,025	1,910,361	1,723,711	13,474	9,646
20									
21	COST OF SERVICE		$56,816,430	$41,438,991	$10,002,613	$2,825,691	$2,516,656	$18,819	$13,659
22									
23	PROPOSED REVENUE @ EQUALIZED ROR								
24	FIRM SALES OF GAS		55,336,126	40,250,648	9,836,658	2,777,603	2,439,689	18,807	12,720
25	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0	0	0
26	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0	0	0
27	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0	0	0
28	SALES FOR RESALE	DEMGAS	0	0	0	0	0	0	0
29	TOTAL SALES OF GAS		55,336,126	40,250,648	9,836,658	2,777,603	2,439,689	18,807	12,720
30									
31	OTHER OPERATING REVENUES								
32	FORFEITED DISCOUNTS	FORFDISC	398,966	207,023	106,939	45,989	38,646	0	367
33	MISCELLANEOUS SERVICE REV	CUST487B	1,046,891	957,410	52,441	0	36,477	0	563
34	OTHER REVENUE	PLANT	34,447	23,908	6,575	2,099	1,843	12	9
35	OTHER REVENUE	PLANT	0	0	0	0	0	0	0
36	OTHER REVENUE	PLANT	0	0	0	0	0	0	0
37	TOTAL OTHER OPERATING REV		1,480,303	1,188,342	165,955	48,088	76,967	12	939
38									
39	TOTAL PROPOSED REVENUE @ EQUALIZED ROR		$56,816,430	$41,438,991	$10,002,613	$2,825,691	$2,516,656	$18,819	$13,659
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41									
42									
43									
44									
45									

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	EQUALIZED RETURN AT PROPOSED ROR							
2								
3	UNADJUSTED RATE BASE		$28,232,426	$3,167,284	$342,854	$10,060,838	$5,540,825	$3,471,827
4	CHANGE IN WC - PLANT	PLANT	0	0	0	0	0	0
5	CHANGE IN WC - COMMODITY	WCGC	0	0	0	0	0	0
6	CHANGE IN WC - O&M	WCOTH	0	0	0	0	0	0
7	ADJUSTED RATE BASE		28,232,426	3,167,284	342,854	10,060,838	5,540,825	3,471,827
8	RATE OF RETURN ON RATE BASE		8.80%	8.80%	8.80%	8.80%	8.80%	8.80%
9	RETURN		2,483,926	278,662	30,165	885,166	487,489	305,456
10								
11	OPERATING EXPENSES							
12	PRESENT OPER & MAINT EXPENSE		3,638,470	313,200	29,620	857,534	529,805	291,660
13	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0	0
14	INCREASE IN UNCOLLECTIBLES	REVCHGC	0	0	0	0	0	0
15	TOTAL O&M AT PROPOSED		3,638,470	313,200	29,620	857,534	529,805	291,660
16	AMORTIZATION & DEPRECIATION EXP		1,168,936	114,045	12,258	356,706	212,676	123,238
17	TAXES OTHER THAN INCOME		803,480	84,360	9,080	265,539	151,142	91,717
18	TAX EXPENSE		1,007,344	110,191	12,045	367,579	196,963	126,511
19	TOTAL OPERATING EXPENSES		6,618,229	621,796	63,003	1,847,358	1,090,585	633,126
20								
21	COST OF SERVICE		$9,102,155	$900,458	$93,168	$2,732,524	$1,578,074	$938,582
22								
23	PROPOSED REVENUE @ EQUALIZED ROR							
24	FIRM SALES OF GAS		8,957,772	878,886	90,956	2,686,647	1,527,213	912,477
25	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0	0
26	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0	0
27	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0	0
28	SALES FOR RESALE	DEMGAS	0	0	0	0	0	0
29	TOTAL SALES OF GAS		8,957,772	878,886	90,956	2,686,647	1,527,213	912,477
30								
31	OTHER OPERATING REVENUES							
32	FORFEITED DISCOUNTS	FORFDISC	86,010	20,929	2,142	43,847	13,242	25,404
33	MISCELLANEOUS SERVICE REV	CUST487B	52,441	0	0	0	36,477	0
34	OTHER REVENUE	PLANT	5,932	643	69	2,029	1,142	701
35	OTHER REVENUE	PLANT	0	0	0	0	0	0
36	OTHER REVENUE	PLANT	0	0	0	0	0	0
37	TOTAL OTHER OPERATING REV		144,383	21,572	2,212	45,877	50,861	26,105
38								
39	TOTAL PROPOSED REVENUE @ EQUALIZED ROR		$9,102,155	$900,458	$93,168	$2,732,524	$1,578,074	$938,582
40								
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	EQUALIZED RETURN AT PROPOSED ROR						
2							
3	UNADJUSTED RATE BASE		$106,279,592	$4,459,359	$28,232,426	$940,543	$2,226,741
4	CHANGE IN WC - PLANT	PLANT	0	0	0	0	0
5	CHANGE IN WC - COMMODITY	WCGC	0	0	0	0	0
6	CHANGE IN WC - O&M	WCOTH	0	0	0	0	0
7	ADJUSTED RATE BASE		106,279,592	4,459,359	28,232,426	940,543	2,226,741
8	RATE OF RETURN ON RATE BASE		0.0880	0.0880	0.0880	0.0880	0.0880
9	RETURN		9,350,618	392,340	2,483,926	82,750	195,912
10							
11	OPERATING EXPENSES						
12	PRESENT OPER & MAINT EXPENSE		18,528,597	612,481	3,638,470	82,407	230,793
13	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0
14	INCREASE IN UNCOLLECTIBLES	REVCHGC	0	0	0	0	0
15	TOTAL O&M AT PROPOSED		18,528,597	612,481	3,638,470	82,407	230,793
16	AMORTIZATION & DEPRECIATION EXP		5,020,179	208,499	1,168,936	34,430	79,615
17	TAXES OTHER THAN INCOME		3,189,076	132,865	803,480	25,288	59,072
18	TAX EXPENSE		3,841,570	162,764	1,007,344	33,810	76,382
19	TOTAL OPERATING EXPENSES		30,579,422	1,116,609	6,618,229	175,934	445,862
20							
21	COST OF SERVICE		$39,930,041	$1,508,950	$9,102,155	$258,684	$641,774
22							
23	PROPOSED REVENUE @ EQUALIZED ROR						
24	FIRM SALES OF GAS		38,765,358	1,485,290	8,957,772	256,176	622,710
25	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0
26	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0
27	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0
28	SALES FOR RESALE	DEMGAS	0	0	0	0	0
29	TOTAL SALES OF GAS		38,765,358	1,485,290	8,957,772	256,176	622,710
30							
31	OTHER OPERATING REVENUES						
32	FORFEITED DISCOUNTS	FORFDISC	202,859	4,165	86,010	2,316	18,613
33	MISCELLANEOUS SERVICE REV	CUST487B	938,880	18,530	52,441	0	0
34	OTHER REVENUE	PLANT	22,943	965	5,932	192	451
35	OTHER REVENUE	PLANT	0	0	0	0	0
36	OTHER REVENUE	PLANT	0	0	0	0	0
37	TOTAL OTHER OPERATING REV		1,164,682	23,660	144,383	2,508	19,063
38							
39	TOTAL PROPOSED REVENUE @ EQUALIZED ROR		$39,930,041	$1,508,950	$9,102,155	$258,684	$641,774
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	EQUALIZED RETURN AT PROPOSED ROR				
2					
3	UNADJUSTED RATE BASE		$342,854	$1,480,318	$8,580,520
4	CHANGE IN WC - PLANT	PLANT	0	0	0
5	CHANGE IN WC - COMMODITY	WCGC	0	0	0
6	CHANGE IN WC - O&M	WCOTH	0	0	0
7	ADJUSTED RATE BASE		342,854	1,480,318	8,580,520
8	RATE OF RETURN ON RATE BASE		0.0880	0.0880	0.0880
9	RETURN		30,165	130,240	754,925
10					
11	OPERATING EXPENSES				
12	PRESENT OPER & MAINT EXPENSE		29,620	113,848	743,686
13	CHANGE IN GAS COSTS	GASSALES	0	0	0
14	INCREASE IN UNCOLLECTIBLES	REVCHGC	0	0	0
15	TOTAL O&M AT PROPOSED		29,620	113,848	743,686
16	AMORTIZATION & DEPRECIATION EXP		12,258	52,941	303,765
17	TAXES OTHER THAN INCOME		9,080	39,268	226,271
18	TAX EXPENSE		12,045	54,157	313,422
19	TOTAL OPERATING EXPENSES		63,003	260,213	1,587,145
20					
21	COST OF SERVICE		$93,168	$390,453	$2,342,070
22					
23	PROPOSED REVENUE @ EQUALIZED ROR				
24	FIRM SALES OF GAS		90,956	385,726	2,300,922
25	INTERR SALES GAS COST REV	GASSALES	0	0	0
26	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0
27	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0
28	SALES FOR RESALE	DEMGAS	0	0	0
29	TOTAL SALES OF GAS		90,956	385,726	2,300,922
30					
31	OTHER OPERATING REVENUES				
32	FORFEITED DISCOUNTS	FORFDISC	2,142	4,428	39,419
33	MISCELLANEOUS SERVICE REV	CUST487B	0	0	0
34	OTHER REVENUE	PLANT	69	300	1,730
35	OTHER REVENUE	PLANT	0	0	0
36	OTHER REVENUE	PLANT	0	0	0
37	TOTAL OTHER OPERATING REV		2,212	4,728	41,149
38					
39	TOTAL PROPOSED REVENUE @ EQUALIZED ROR		$93,168	$390,453	$2,342,070
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	EQUALIZED RETURN AT PROPOSED ROR						
2							
3	UNADJUSTED RATE BASE		$5,540,825	$826,014	$2,645,813	$60,745	$45,613
4	CHANGE IN WC - PLANT	PLANT	0	0	0	0	0
5	CHANGE IN WC - COMMODITY	WCGC	0	0	0	0	0
6	CHANGE IN WC - O&M	WCOTH	0	0	0	0	0
7	ADJUSTED RATE BASE		5,540,825	826,014	2,645,813	60,745	45,613
8	RATE OF RETURN ON RATE BASE		0.0880	0.0880	0.0880	0.0880	0.0880
9	RETURN		487,489	72,674	232,782	5,344	4,013
10							
11	OPERATING EXPENSES						
12	PRESENT OPER & MAINT EXPENSE		529,805	60,797	230,862	8,026	5,173
13	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0
14	INCREASE IN UNCOLLECTIBLES	REVCHGC	0	0	0	0	0
15	TOTAL O&M AT PROPOSED		529,805	60,797	230,862	8,026	5,173
16	AMORTIZATION & DEPRECIATION EXP		212,676	29,414	93,824	2,147	1,707
17	TAXES OTHER THAN INCOME		151,142	21,861	69,856	1,601	1,235
18	TAX EXPENSE		196,963	30,166	96,346	1,701	1,532
19	TOTAL OPERATING EXPENSES		1,090,585	142,238	490,888	13,474	9,646
20							
21	COST OF SERVICE		$1,578,074	$214,912	$723,670	$18,819	$13,659
22							
23	PROPOSED REVENUE @ EQUALIZED ROR						
24	FIRM SALES OF GAS		1,527,213	211,722	700,754	18,807	12,720
25	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0
26	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0
27	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0
28	SALES FOR RESALE	DEMGAS	0	0	0	0	0
29	TOTAL SALES OF GAS		1,527,213	211,722	700,754	18,807	12,720
30							
31	OTHER OPERATING REVENUES						
32	FORFEITED DISCOUNTS	FORFDISC	13,242	3,023	22,382	0	367
33	MISCELLANEOUS SERVICE REV	CUST487B	36,477	0	0	0	563
34	OTHER REVENUE	PLANT	1,142	167	534	12	9
35	OTHER REVENUE	PLANT	0	0	0	0	0
36	OTHER REVENUE	PLANT	0	0	0	0	0
37	TOTAL OTHER OPERATING REV		50,861	3,190	22,916	12	939
38							
39	TOTAL PROPOSED REVENUE @ EQUALIZED ROR		$1,578,074	$214,912	$723,670	$18,819	$13,659
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	RETURN AT PROPOSED RATES								
2									
3	SALES REVENUE								
4	FIRM SALES OF GAS		55,336,125	38,941,042	11,134,951	2,520,648	2,622,649	88,298	28,537
5	INTERR SALES GAS COST REV		0	0	0	0	0	0	0
6	INTERR SALES PROFIT MARGINS		0	0	0	0	0	0	0
7	INTERRUPTIBLE TRANSPORTATION		0	0	0	0	0	0	0
8	SALES FOR RESALE		0	0	0	0	0	0	0
9	TOTAL SALES OF GAS		55,336,125	38,941,042	11,134,951	2,520,648	2,622,649	88,298	28,537
10									
11	OTHER OPERATING REVENUES								
12	FORFEITED DISCOUNTS		398,966	207,023	106,939	45,989	38,646	0	367
13	MISCELLANEOUS SERVICE REV		1,046,891	957,410	52,441	0	36,477	0	563
14	OTHER REVENUE		34,447	23,908	6,575	2,099	1,843	12	9
15	OTHER REVENUE		0	0	0	0	0	0	0
16	OTHER REVENUE		0	0	0	0	0	0	0
17	TOTAL OTHER OPERATING REV		1,480,303	1,188,342	165,955	48,088	76,967	12	939
18									
19	TOTAL GAS OPERATING REVENUE		$56,816,429	$40,129,384	$11,300,905	$2,568,736	$2,699,616	$88,311	$29,477
20									
21	OPERATING EXPENSES								
22	OPERATION & MAINT EXPENSE		$24,814,565	$19,141,078	$3,951,669	$887,154	$821,464	$8,026	$5,173
23	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0	0	0
24	INCREASE IN UNCOLLECTIBLES	REVCHGP	0	0	0	0	0	0	0
25	TOTAL O&M AT PROPOSED		24,814,565	19,141,078	3,951,669	887,154	821,464	8,026	5,173
26	AMORTIZATION & DEPRECIATION EXP		7,220,392	5,228,678	1,282,981	368,964	335,914	2,147	1,707
27	TAXES OTHER THAN INCOME		4,730,094	3,321,941	887,839	274,619	242,859	1,601	1,235
28	TAX EXPENSE		5,828,200	4,004,334	1,117,535	379,624	323,474	1,701	1,532
29	TOTAL OPERATING EXPENSES		$42,593,250	$31,696,032	$7,240,025	$1,910,361	$1,723,711	$13,474	$9,646
30									
31	RETURN AT PROPOSED RATES		$14,223,179	$8,433,353	$4,060,880	$658,375	$975,904	$74,836	$19,830
32									
33	RATE OF RETURN		8.80%	7.62%	12.93%	6.33%	10.83%	123.20%	43.48%
34	INDEX RATE OF RETURN		1.000	0.866	1.470	0.719	1.231	14.003	4.941
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
		ALLOC	SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.
			(8)	(9)	(10)	(11)	(12)	(13)
1	RETURN AT PROPOSED RATES							
2								
3	SALES REVENUE							
4	FIRM SALES OF GAS		10,333,290	801,661	132,244	2,388,404	1,850,053	772,596
5	INTERR SALES GAS COST REV		0	0	0	0	0	0
6	INTERR SALES PROFIT MARGINS		0	0	0	0	0	0
7	INTERRUPTIBLE TRANSPORTATION		0	0	0	0	0	0
8	SALES FOR RESALE		0	0	0	0	0	0
9	TOTAL SALES OF GAS		10,333,290	801,661	132,244	2,388,404	1,850,053	772,596
10								
11	OTHER OPERATING REVENUES							
12	FORFEITED DISCOUNTS		86,010	20,929	2,142	43,847	13,242	25,404
13	MISCELLANEOUS SERVICE REV		52,441	0	0	0	36,477	0
14	OTHER REVENUE		5,932	643	69	2,029	1,142	701
15	OTHER REVENUE		0	0	0	0	0	0
16	OTHER REVENUE		0	0	0	0	0	0
17	TOTAL OTHER OPERATING REV		144,383	21,572	2,212	45,877	50,861	26,105
18								
19	TOTAL GAS OPERATING REVENUE		$10,477,673	$823,233	$134,455	$2,434,280	$1,900,914	$798,702
20								
21	OPERATING EXPENSES							
22	OPERATION & MAINT EXPENSE		$3,638,470	$313,200	$29,620	$857,534	$529,805	$291,660
23	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0	0
24	INCREASE IN UNCOLLECTIBLES	REVCHGP	0	0	0	0	0	0
25	TOTAL O&M AT PROPOSED		3,638,470	313,200	29,620	857,534	529,805	291,660
26	AMORTIZATION & DEPRECIATION EXP		1,168,936	114,045	12,258	356,706	212,676	123,238
27	TAXES OTHER THAN INCOME		803,480	84,360	9,080	265,539	151,142	91,717
28	TAX EXPENSE		1,007,344	110,191	12,045	367,579	196,963	126,511
29	TOTAL OPERATING EXPENSES		$6,618,229	$621,796	$63,003	$1,847,358	$1,090,585	$633,126
30								
31	RETURN AT PROPOSED RATES		$3,859,444	$201,437	$71,452	$586,922	$810,329	$165,576
32								
33	RATE OF RETURN		13.67%	6.36%	20.84%	5.83%	14.62%	4.77%
34	INDEX RATE OF RETURN		1.554	0.723	2.369	0.663	1.662	0.542
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	RETURN AT PROPOSED RATES						
2							
3	SALES REVENUE						
4	FIRM SALES OF GAS		37,759,594	1,181,449	10,333,290	256,336	545,325
5	INTERR SALES GAS COST REV		0	0	0	0	0
6	INTERR SALES PROFIT MARGINS		0	0	0	0	0
7	INTERRUPTIBLE TRANSPORTATION		0	0	0	0	0
8	SALES FOR RESALE		0	0	0	0	0
9	TOTAL SALES OF GAS		37,759,594	1,181,449	10,333,290	256,336	545,325
10							
11	OTHER OPERATING REVENUES						
12	FORFEITED DISCOUNTS		202,859	4,165	86,010	2,316	18,613
13	MISCELLANEOUS SERVICE REV		938,880	18,530	52,441	0	0
14	OTHER REVENUE		22,943	965	5,932	192	451
15	OTHER REVENUE		0	0	0	0	0
16	OTHER REVENUE		0	0	0	0	0
17	TOTAL OTHER OPERATING REV		1,164,682	23,660	144,383	2,508	19,063
18							
19	TOTAL GAS OPERATING REVENUE		$38,924,276	$1,205,108	$10,477,673	$258,844	$564,388
20							
21	OPERATING EXPENSES						
22	OPERATION & MAINT EXPENSE		$18,528,597	$612,481	$3,638,470	$82,407	$230,793
23	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0
24	INCREASE IN UNCOLLECTIBLES	REVCHGP	0	0	0	0	0
25	TOTAL O&M AT PROPOSED		18,528,597	612,481	3,638,470	82,407	230,793
26	AMORTIZATION & DEPRECIATION EXP		5,020,179	208,499	1,168,936	34,430	79,615
27	TAXES OTHER THAN INCOME		3,189,076	132,865	803,480	25,288	59,072
28	TAX EXPENSE		3,841,570	162,764	1,007,344	33,810	76,382
29	TOTAL OPERATING EXPENSES		$30,579,422	$1,116,609	$6,618,229	$175,934	$445,862
30							
31	RETURN AT PROPOSED RATES		8,344,854	88,499	3,859,444	82,910	118,526
32							
33	RATE OF RETURN		7.85%	1.98%	13.67%	8.82%	5.32%
34	INDEX RATE OF RETURN		89.24%	22.56%	155.38%	100.19%	60.50%
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	RETURN AT PROPOSED RATES				
2					
3	SALES REVENUE				
4	FIRM SALES OF GAS		132,244	247,916	2,140,488
5	INTERR SALES GAS COST REV		0	0	0
6	INTERR SALES PROFIT MARGINS		0	0	0
7	INTERRUPTIBLE TRANSPORTATION		0	0	0
8	SALES FOR RESALE		0	0	0
9	TOTAL SALES OF GAS		132,244	247,916	2,140,488
10					
11	OTHER OPERATING REVENUES				
12	FORFEITED DISCOUNTS		2,142	4,428	39,419
13	MISCELLANEOUS SERVICE REV		0	0	0
14	OTHER REVENUE		69	300	1,730
15	OTHER REVENUE		0	0	0
16	OTHER REVENUE		0	0	0
17	TOTAL OTHER OPERATING REV		2,212	4,728	41,149
18					
19	TOTAL GAS OPERATING REVENUE		$134,455	$252,643	$2,181,637
20					
21	OPERATING EXPENSES				
22	OPERATION & MAINT EXPENSE		$29,620	$113,848	$743,686
23	CHANGE IN GAS COSTS	GASSALES	0	0	0
24	INCREASE IN UNCOLLECTIBLES	REVCHGP	0	0	0
25	TOTAL O&M AT PROPOSED		29,620	113,848	743,686
26	AMORTIZATION & DEPRECIATION EXP		12,258	52,941	303,765
27	TAXES OTHER THAN INCOME		9,080	39,268	226,271
28	TAX EXPENSE		12,045	54,157	313,422
29	TOTAL OPERATING EXPENSES		$63,003	$260,213	$1,587,145
30					
31	RETURN AT PROPOSED RATES		71,452	(7,569)	594,492
32					
33	RATE OF RETURN		20.84%	-0.51%	6.93%
34	INDEX RATE OF RETURN		236.87%	-5.81%	78.75%
35					
36					
37					
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45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	RETURN AT PROPOSED RATES						
2							
3	SALES REVENUE						
4	FIRM SALES OF GAS		1,850,053	142,359	630,238	88,298	28,537
5	INTERR SALES GAS COST REV		0	0	0	0	0
6	INTERR SALES PROFIT MARGINS		0	0	0	0	0
7	INTERRUPTIBLE TRANSPORTATION		0	0	0	0	0
8	SALES FOR RESALE		0	0	0	0	0
9	TOTAL SALES OF GAS		1,850,053	142,359	630,238	88,298	28,537
10							
11	OTHER OPERATING REVENUES						
12	FORFEITED DISCOUNTS		13,242	3,023	22,382	0	367
13	MISCELLANEOUS SERVICE REV		36,477	0	0	0	563
14	OTHER REVENUE		1,142	167	534	12	9
15	OTHER REVENUE		0	0	0	0	0
16	OTHER REVENUE		0	0	0	0	0
17	TOTAL OTHER OPERATING REV		50,861	3,190	22,916	12	939
18							
19	TOTAL GAS OPERATING REVENUE		$1,900,914	$145,548	$653,154	$88,311	$29,477
20							
21	OPERATING EXPENSES						
22	OPERATION & MAINT EXPENSE		$529,805	$60,797	$230,862	$8,026	$5,173
23	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0
24	INCREASE IN UNCOLLECTIBLES	REVCHGP	0	0	0	0	0
25	TOTAL O&M AT PROPOSED		529,805	60,797	230,862	8,026	5,173
26	AMORTIZATION & DEPRECIATION EXP		212,676	29,414	93,824	2,147	1,707
27	TAXES OTHER THAN INCOME		151,142	21,861	69,856	1,601	1,235
28	TAX EXPENSE		196,963	30,166	96,346	1,701	1,532
29	TOTAL OPERATING EXPENSES		$1,090,585	$142,238	$490,888	$13,474	$9,646
30							
31	RETURN AT PROPOSED RATES		810,329	3,310	162,266	74,836	19,830
32							
33	RATE OF RETURN		14.62%	0.40%	6.13%	123.20%	43.48%
34	INDEX RATE OF RETURN		166.23%	4.55%	69.71%	1400.26%	494.15%
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	DEVELOPMENT OF RATE BASE								
2									
3	**GAS PLANT IN SERVICE**								
4									
5	INTANGIBLE PLANT								
6	302-FRANCHISES & CONSENTS	LABOR	$392,682	$309,982	$60,486	$10,886	$11,203	$63	$62
7	302-FRANCHISES & CONSENTS - ACQ ADJ	LABOR	(36,464)	(28,785)	(5,617)	(1,011)	(1,040)	(6)	(6)
8	303-MISC. INTANGIBLE PLANT	LABOR	922,947	728,571	142,164	25,586	26,332	148	145
9	303-MISC. INTANGIBLE PLANT - ACQ ADJ	LABOR	(36,142)	(28,530)	(5,567)	(1,002)	(1,031)	(6)	(6)
10	TOTAL INTANGIBLE PLANT		1,243,023	981,238	191,466	34,459	35,464	200	196
11									
12	TRANSMISSION PLANT								
13	365-LAND & LAND RIGHTS	TRANS	87,625	50,133	21,265	8,960	7,177	53	36
14	365-LAND & LAND RIGHTS - ACQ ADJ	TRANS	(15,425)	(8,825)	(3,743)	(1,577)	(1,263)	(9)	(6)
15	366-STRUCTURES & IMPROVEMENTS	TRANS	16,047	9,181	3,894	1,641	1,314	10	7
16	366-STRUCTURES & IMPROVE - ACQ ADJ	TRANS	(2,352)	(1,346)	(571)	(241)	(193)	(1)	(1)
17	367-MAINS	TRANS	17,678,612	10,114,575	4,290,372	1,807,800	1,447,918	10,633	7,314
18	367-MAINS - ACQ ADJ	TRANS	(1,604,647)	(918,077)	(389,427)	(164,090)	(131,424)	(965)	(664)
19	369-MEASURING & REG STATION EQUIP.	TRANS	846,096	484,082	205,337	86,521	69,297	509	350
20	369-MEAS & REG STA EQUIP - ACQ ADJ	TRANS	(424,444)	(242,840)	(103,007)	(43,403)	(34,763)	(255)	(176)
21	371-OTHER EQUIPMENT	TRANS	(8,778)	(5,022)	(2,130)	(898)	(719)	(5)	(4)
22	371-OTHER EQUIPMENT - ACQ ADJ	TRANS	(24,187)	(13,838)	(5,870)	(2,473)	(1,981)	(15)	(10)
23	TOTAL TRANSMISSION PLANT		16,548,546	9,468,024	4,016,119	1,692,241	1,355,363	9,953	6,846
24									
25	DISTRIBUTION PLANT								
26	374-LAND & LAND RIGHTS	DISTR	245,654	140,548	59,617	25,120	20,120	148	102
27	374-LAND & LAND RIGHTS - ACQ ADJ	DISTR	(38,784)	(22,190)	(9,412)	(3,966)	(3,177)	(23)	(16)
28	375-STRUCTURES & IMPROV	DISTR	10,423	5,964	2,530	1,066	854	6	4
29	375-STRUCTURES & IMPROV - ACQ ADJ	DISTR	(247)	(141)	(60)	(25)	(20)	(0)	(0)
30	376-MAINS	DISTMAIN	137,954,659	78,928,864	33,479,822	14,107,130	11,298,797	82,973	57,072
31	376-MAINS - ACQ ADJ	DISTMAIN	(17,621,606)	(10,081,960)	(4,276,537)	(1,801,971)	(1,443,249)	(10,599)	(7,290)
32	378-MEAS. & REG. EQUIP-GEN	DISTREG	1,916,236	1,096,348	465,046	195,953	156,944	1,153	793
33	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	DISTREG	(188,503)	(107,849)	(45,747)	(19,276)	(15,439)	(113)	(78)
34	379-MEAS. & REG. EQUIP-CITY GATE	DISTREG	2,222,861	1,271,779	539,460	227,308	182,057	1,337	920
35	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	DISTREG	(239,569)	(137,066)	(58,140)	(24,498)	(19,621)	(144)	(99)
36	380-SERVICES	CUST380	72,951,925	66,170,791	5,802,812	23,007	952,116	0	3,200
37	380-SERVICES - ACQ ADJ	CUST380	(6,640,414)	(6,023,165)	(528,198)	(2,094)	(86,666)	0	(291)
38	381-METERS	CUST381	13,255,870	10,635,950	2,465,772	39,257	113,552	0	1,340
39	381-METERS - ACQ ADJ	CUST381	(1,160,990)	(931,529)	(215,960)	(3,438)	(9,945)	0	(117)
40	382-METER INSTALLATIONS	CUST382	6,788,598	5,446,884	1,262,772	20,104	58,152	0	686
41	382-METER INSTALLATIONS - ACQ ADJ	CUST382	(744,797)	(597,593)	(138,542)	(2,206)	(6,380)	0	(75)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
	ALLOC	SM. VOL. (8)	LG. VOL. (9)	SM. VOL. (10)	LG. VOL. (11)	SM. VOL. (12)	LG. VOL. (13)
1 DEVELOPMENT OF RATE BASE							
2							
3 **GAS PLANT IN SERVICE**							
4							
5 INTANGIBLE PLANT							
6 302-FRANCHISES & CONSENTS	LABOR	$56,930	$3,556	$369	$10,517	$7,607	$3,596
7 302-FRANCHISES & CONSENTS - ACQ ADJ	LABOR	(5,287)	(330)	(34)	(977)	(706)	(334)
8 303-MISC. INTANGIBLE PLANT	LABOR	133,807	8,357	868	24,718	17,880	8,452
9 303-MISC. INTANGIBLE PLANT - ACQ ADJ.	LABOR	(5,240)	(327)	(34)	(968)	(700)	(331)
10 TOTAL INTANGIBLE PLANT		180,211	11,256	1,169	33,290	24,080	11,383
11							
12 TRANSMISSION PLANT							
13 365-LAND & LAND RIGHTS	TRANS	18,588	2,677	292	8,668	4,185	2,991
14 365-LAND & LAND RIGHTS - ACQ ADJ	TRANS	(3,272)	(471)	(51)	(1,526)	(737)	(527)
15 366-STRUCTURES & IMPROVEMENTS	TRANS	3,404	490	54	1,587	766	548
16 366-STRUCTURES & IMPROVE - ACQ ADJ	TRANS	(499)	(72)	(8)	(233)	(112)	(80)
17 367-MAINS	TRANS	3,750,250	540,122	58,963	1,748,837	844,403	603,515
18 367-MAINS - ACQ ADJ	TRANS	(340,402)	(49,026)	(5,352)	(158,738)	(76,644)	(54,780)
19 369-MEASURING & REG STATION EQUIP.	TRANS	179,486	25,850	2,822	83,699	40,413	28,884
20 369-MEAS & REG STA EQUIP - ACQ ADJ	TRANS	(90,039)	(12,968)	(1,416)	(41,988)	(20,273)	(14,490)
21 371-OTHER EQUIPMENT	TRANS	(1,862)	(268)	(29)	(868)	(419)	(300)
22 371-OTHER EQUIPMENT - ACQ ADJ	TRANS	(5,131)	(739)	(81)	(2,393)	(1,155)	(826)
23 TOTAL TRANSMISSION PLANT		3,510,523	505,596	55,194	1,637,047	790,426	564,937
24							
25 DISTRIBUTION PLANT							
26 374-LAND & LAND RIGHTS	DISTR	52,112	7,505	819	24,301	11,733	8,386
27 374-LAND & LAND RIGHTS - ACQ ADJ	DISTR	(8,228)	(1,185)	(129)	(3,837)	(1,853)	(1,324)
28 375-STRUCTURES & IMPROV	DISTR	2,211	318	35	1,031	498	356
29 375-STRUCTURES & IMPROV - ACQ ADJ	DISTR	(52)	(8)	(1)	(24)	(12)	(8)
30 376-MAINS	DISTMAIN	29,264,990	4,214,832	460,115	13,647,015	6,589,278	4,709,520
31 376-MAINS - ACQ ADJ	DISTMAIN	(3,738,157)	(538,381)	(58,773)	(1,743,198)	(841,680)	(601,569)
32 378-MEAS. & REG. EQUIP-GEN	DISTREG	406,500	58,545	6,391	189,562	91,527	65,417
33 378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	DISTREG	(39,988)	(5,759)	(629)	(18,647)	(9,004)	(6,435)
34 379-MEAS. & REG. EQUIP-CITY GATE	DISTREG	471,546	67,914	7,414	219,894	106,173	75,884
35 379-MEAS & REG EQ-CITY GATE - ACQ ADJ	DISTREG	(50,821)	(7,319)	(799)	(23,699)	(11,443)	(8,178)
36 380-SERVICES	CUST380	5,785,431	17,381	6,755	16,252	944,140	7,976
37 380-SERVICES - ACQ ADJ	CUST380	(526,616)	(1,582)	(615)	(1,479)	(85,940)	(726)
38 381-METERS	CUST381	2,422,162	43,611	1,258	37,999	105,023	8,528
39 381-METERS - ACQ ADJ	CUST381	(212,140)	(3,820)	(110)	(3,328)	(9,198)	(747)
40 382-METER INSTALLATIONS	CUST382	1,240,438	22,334	644	19,460	53,785	4,367
41 382-METER INSTALLATIONS - ACQ ADJ	CUST382	(136,092)	(2,450)	(71)	(2,135)	(5,901)	(479)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	DEVELOPMENT OF RATE BASE						
2							
3	**GAS PLANT IN SERVICE**						
4							
5	INTANGIBLE PLANT						
6	302-FRANCHISES & CONSENTS	LABOR	$298,577	$11,405	$56,930	$1,136	$2,420
7	302-FRANCHISES & CONSENTS - ACQ ADJ	LABOR	(27,726)	(1,059)	(5,287)	(105)	(225)
8	303-MISC. INTANGIBLE PLANT	LABOR	701,765	26,806	133,807	2,670	5,688
9	303-MISC. INTANGIBLE PLANT - ACQ ADJ	LABOR	(27,481)	(1,050)	(5,240)	(105)	(223)
10	TOTAL INTANGIBLE PLANT		945,136	36,102	180,211	3,596	7,660
11							
12	TRANSMISSION PLANT						
13	365-LAND & LAND RIGHTS	TRANS	48,178	1,955	18,588	777	1,900
14	365-LAND & LAND RIGHTS - ACQ ADJ	TRANS	(8,481)	(344)	(3,272)	(137)	(335)
15	366-STRUCTURES & IMPROVEMENTS	TRANS	8,823	358	3,404	142	348
16	366-STRUCTURES & IMPROVE - ACQ ADJ	TRANS	(1,293)	(52)	(499)	(21)	(51)
17	367-MAINS	TRANS	9,720,130	394,446	3,750,250	156,726	383,396
18	367-MAINS - ACQ ADJ	TRANS	(882,274)	(35,803)	(340,402)	(14,226)	(34,800)
19	369-MEASURING & REG STATION EQUIP.	TRANS	465,204	18,878	179,486	7,501	18,349
20	369-MEAS & REG STA EQUIP - ACQ ADJ	TRANS	(233,369)	(9,470)	(90,039)	(3,763)	(9,205)
21	371-OTHER EQUIPMENT	TRANS	(4,826)	(196)	(1,862)	(78)	(190)
22	371-OTHER EQUIPMENT - ACQ ADJ	TRANS	(13,299)	(540)	(5,131)	(214)	(525)
23	TOTAL TRANSMISSION PLANT		9,098,792	369,232	3,510,523	146,708	358,888
24							
25	DISTRIBUTION PLANT						
26	374-LAND & LAND RIGHTS	DISTR	135,067	5,481	52,112	2,178	5,327
27	374-LAND & LAND RIGHTS - ACQ ADJ	DISTR	(21,325)	(865)	(8,228)	(344)	(841)
28	375-STRUCTURES & IMPROV	DISTR	5,731	233	2,211	92	226
29	375-STRUCTURES & IMPROV - ACQ ADJ	DISTR	(136)	(6)	(52)	(2)	(5)
30	376-MAINS	DISTMAIN	75,850,817	3,078,047	29,264,990	1,223,010	2,991,822
31	376-MAINS - ACQ ADJ	DISTMAIN	(9,688,786)	(393,174)	(3,738,157)	(156,221)	(382,160)
32	378-MEAS. & REG. EQUIP-GEN	DISTREG	1,053,593	42,755	406,500	16,988	41,557
33	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	DISTREG	(103,643)	(4,206)	(39,988)	(1,671)	(4,088)
34	379-MEAS. & REG. EQUIP-CITY GATE	DISTREG	1,222,183	49,597	471,546	19,706	48,207
35	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	DISTREG	(131,721)	(5,345)	(50,821)	(2,124)	(5,196)
36	380-SERVICES	CUST380	63,363,598	2,807,193	5,785,431	9,255	8,126
37	380-SERVICES - ACQ ADJ	CUST380	(5,767,641)	(255,523)	(526,616)	(842)	(740)
38	381-METERS	CUST381	10,184,736	451,214	2,422,162	23,221	20,389
39	381-METERS - ACQ ADJ	CUST381	(892,010)	(39,519)	(212,140)	(2,034)	(1,786)
40	382-METER INSTALLATIONS	CUST382	5,215,808	231,076	1,240,438	11,892	10,442
41	382-METER INSTALLATIONS - ACQ ADJ	CUST382	(572,241)	(25,352)	(136,092)	(1,305)	(1,146)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	DEVELOPMENT OF RATE BASE				
2					
3	**GAS PLANT IN SERVICE**				
4					
5	INTANGIBLE PLANT				
6	302-FRANCHISES & CONSENTS	LABOR	$369	$1,614	$8,902
7	302-FRANCHISES & CONSENTS - ACQ ADJ	LABOR	(34)	(150)	(827)
8	303-MISC. INTANGIBLE PLANT	LABOR	868	3,794	20,924
9	303-MISC. INTANGIBLE PLANT - ACQ ADJ	LABOR	(34)	(149)	(819)
10	TOTAL INTANGIBLE PLANT		1,169	5,110	28,180
11					
12	TRANSMISSION PLANT				
13	365-LAND & LAND RIGHTS	TRANS	292	1,262	7,406
14	365-LAND & LAND RIGHTS - ACQ ADJ	TRANS	(51)	(222)	(1,304)
15	366-STRUCTURES & IMPROVEMENTS	TRANS	54	231	1,356
16	366-STRUCTURES & IMPROVE - ACQ ADJ	TRANS	(8)	(34)	(199)
17	367-MAINS	TRANS	58,963	254,589	1,494,248
18	367-MAINS - ACQ ADJ	TRANS	(5,352)	(23,108)	(135,629)
19	369-MEASURING & REG STATION EQUIP.	TRANS	2,822	12,185	71,514
20	369-MEAS & REG STA EQUIP - ACQ ADJ	TRANS	(1,416)	(6,112)	(35,875)
21	371-OTHER EQUIPMENT	TRANS	(29)	(126)	(742)
22	371-OTHER EQUIPMENT - ACQ ADJ	TRANS	(81)	(348)	(2,044)
23	TOTAL TRANSMISSION PLANT		55,194	238,315	1,398,732
24					
25	DISTRIBUTION PLANT				
26	374-LAND & LAND RIGHTS	DISTR	819	3,538	20,763
27	374-LAND & LAND RIGHTS - ACQ ADJ	DISTR	(129)	(559)	(3,278)
28	375-STRUCTURES & IMPROV	DISTR	35	150	881
29	375-STRUCTURES & IMPROV - ACQ ADJ	DISTR	(1)	(4)	(21)
30	376-MAINS	DISTMAIN	460,115	1,986,683	11,660,332
31	376-MAINS - ACQ ADJ	DISTMAIN	(58,773)	(253,768)	(1,489,430)
32	378-MEAS. & REG. EQUIP-GEN	DISTREG	6,391	27,596	161,966
33	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	DISTREG	(629)	(2,715)	(15,933)
34	379-MEAS. & REG. EQUIP-CITY GATE	DISTREG	7,414	32,011	187,883
35	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	DISTREG	(799)	(3,450)	(20,249)
36	380-SERVICES	CUST380	6,755	6,320	9,932
37	380-SERVICES - ACQ ADJ	CUST380	(615)	(575)	(904)
38	381-METERS	CUST381	1,258	14,000	24,000
39	381-METERS - ACQ ADJ	CUST381	(110)	(1,226)	(2,102)
40	382-METER INSTALLATIONS	CUST382	644	7,170	12,291
41	382-METER INSTALLATIONS - ACQ ADJ	CUST382	(71)	(787)	(1,348)
42					
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEVELOPMENT OF RATE BASE						
2							
3	**GAS PLANT IN SERVICE**						
4							
5	INTANGIBLE PLANT						
6	302-FRANCHISES & CONSENTS	LABOR	$7,607	$847	$2,749	$63	$62
7	302-FRANCHISES & CONSENTS - ACQ ADJ	LABOR	(706)	(79)	(255)	(6)	(6)
8	303-MISC. INTANGIBLE PLANT	LABOR	17,880	1,991	6,461	148	145
9	303-MISC. INTANGIBLE PLANT - ACQ ADJ	LABOR	(700)	(78)	(253)	(6)	(6)
10	TOTAL INTANGIBLE PLANT		24,080	2,682	8,702	200	196
11							
12	TRANSMISSION PLANT						
13	365-LAND & LAND RIGHTS	TRANS	4,185	710	2,282	53	36
14	365-LAND & LAND RIGHTS - ACQ ADJ	TRANS	(737)	(125)	(402)	(9)	(6)
15	366-STRUCTURES & IMPROVEMENTS	TRANS	766	130	418	10	7
16	366-STRUCTURES & IMPROVE - ACQ ADJ	TRANS	(112)	(19)	(61)	(1)	(1)
17	367-MAINS	TRANS	844,403	143,178	460,338	10,633	7,314
18	367-MAINS - ACQ ADJ	TRANS	(76,644)	(12,996)	(41,784)	(965)	(664)
19	369-MEASURING & REG STATION EQUIP.	TRANS	40,413	6,852	22,032	509	350
20	369-MEAS & REG STA EQUIP - ACQ ADJ	TRANS	(20,273)	(3,438)	(11,052)	(255)	(176)
21	371-OTHER EQUIPMENT	TRANS	(419)	(71)	(229)	(5)	(4)
22	371-OTHER EQUIPMENT - ACQ ADJ	TRANS	(1,155)	(196)	(630)	(15)	(10)
23	TOTAL TRANSMISSION PLANT		790,426	134,025	430,912	9,953	6,846
24							
25	DISTRIBUTION PLANT						
26	374-LAND & LAND RIGHTS	DISTR	11,733	1,990	6,397	148	102
27	374-LAND & LAND RIGHTS - ACQ ADJ	DISTR	(1,853)	(314)	(1,010)	(23)	(16)
28	375-STRUCTURES & IMPROV	DISTR	498	84	271	6	4
29	375-STRUCTURES & IMPROV - ACQ ADJ	DISTR	(12)	(2)	(6)	(0)	(0)
30	376-MAINS	DISTMAIN	6,589,278	1,117,284	3,592,236	82,973	57,072
31	376-MAINS - ACQ ADJ	DISTMAIN	(841,680)	(142,716)	(458,853)	(10,599)	(7,290)
32	378-MEAS. & REG. EQUIP-GEN	DISTREG	91,527	15,519	49,897	1,153	793
33	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	DISTREG	(9,004)	(1,527)	(4,908)	(113)	(78)
34	379-MEAS. & REG. EQUIP-CITY GATE	DISTREG	106,173	18,003	57,882	1,337	920
35	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	DISTREG	(11,443)	(1,940)	(6,238)	(144)	(99)
36	380-SERVICES	CUST380	944,140	5,267	2,709	0	3,200
37	380-SERVICES - ACQ ADJ	CUST380	(85,940)	(479)	(247)	0	(291)
38	381-METERS	CUST381	105,023	528	8,000	0	1,340
39	381-METERS - ACQ ADJ	CUST381	(9,198)	(46)	(701)	0	(117)
40	382-METER INSTALLATIONS	CUST382	53,785	271	4,097	0	686
41	382-METER INSTALLATIONS - ACQ ADJ	CUST382	(5,901)	(30)	(449)	0	(75)
42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	DEVELOPMENT OF RATE BASE								
2									
3	**GAS PLANT IN SERVICE CONTINUED**								
4									
5	DISTRIBUTION PLANT CONTINUED								
6	383-REGULATORS	CUST383	2,628,662	2,109,127	488,967	7,785	22,517	0	266
7	383-REGULATORS - ACQ ADJ	CUST383	(178,700)	(143,382)	(33,241)	(529)	(1,531)	0	(18)
8	384-REGULATOR INSTALLATIONS	CUST384	1,163,556	933,588	216,437	3,446	9,967	0	118
9	384-REGULATOR INSTALLATIONS - ACQ ADJ	CUST384	(82,263)	(66,004)	(15,302)	(244)	(705)	0	(8)
10	385-INDUSTRIAL MEAS. EQUIP	CUST385	1,230,284	0	1,061,608	45,169	122,769	0	739
11	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	CUST385	(106,448)	0	(91,854)	(3,908)	(10,622)	0	(64)
12	387-OTHER EQUIPMENT	DISTMAIN	1,466,810	839,215	355,976	149,995	120,135	882	607
13	387-OTHER EQUIPMENT - ACQ ADJ	DISTMAIN	(146,048)	(83,559)	(35,444)	(14,935)	(11,962)	(88)	(60)
14	TOTAL DISTRIBUTION PLANT		214,687,170	149,384,620	40,752,380	12,968,249	11,448,664	75,531	57,727
15									
16	GENERAL PLANT								
17	389-LAND & LAND RIGHTS	LABOR	198,829	156,955	30,626	5,512	5,673	32	31
18	389-LAND & LAND RIGHTS - ACQ ADJ	LABOR	(49,200)	(38,839)	(7,578)	(1,364)	(1,404)	(8)	(8)
19	390-STRUCTURES & IMPROVE	LABOR	1,302,181	1,027,937	200,579	36,099	37,151	209	205
20	390-STRUCTURES & IMPROVE - ACQ ADJ	LABOR	(123,018)	(97,110)	(18,949)	(3,410)	(3,510)	(20)	(19)
21	391-OFFICE FURN & EQUIPMENT	LABOR	6,545,194	5,166,754	1,008,175	181,446	186,736	1,052	1,031
22	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	LABOR	(643,851)	(508,254)	(99,174)	(17,849)	(18,369)	(103)	(101)
23	392-TRANSPORTATION EQUIP	LABOR	5,144,377	4,060,954	792,403	142,613	146,770	826	811
24	392-TRANSPORTATION EQUIP - ACQ ADJ	LABOR	(85,465)	(67,466)	(13,164)	(2,369)	(2,438)	(14)	(13)
25	393-STORES EQUIPMENT	LABOR	114,038	90,022	17,566	3,161	3,254	18	18
26	393-STORES EQUIPMENT - ACQ ADJ	LABOR	(17,774)	(14,031)	(2,738)	(493)	(507)	(3)	(3)
27	394-TOOLS, SHOP & GARAGE EQUIP	LABOR	1,668,491	1,317,101	257,002	46,254	47,602	268	263
28	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	LABOR	(230,699)	(182,113)	(35,535)	(6,395)	(6,582)	(37)	(36)
29	395-LABORATORY EQUIPMENT	LABOR	748,718	591,036	115,327	20,756	21,361	120	118
30	395-LABORATORY EQUIPMENT - ACQ ADJ	LABOR	(78,875)	(62,264)	(12,149)	(2,187)	(2,250)	(13)	(12)
31	396-POWER OPERATED EQUIP	LABOR	399,442	315,318	61,527	11,073	11,396	64	63
32	396-POWER OPERATED EQUIP - ACQ ADJ	LABOR	(5,510)	(4,350)	(849)	(153)	(157)	(1)	(1)
33	397-COMMUNICATION EQUIP	LABOR	1,009,674	797,033	155,523	27,990	28,806	162	159
34	397-COMMUNICATION EQUIP - ACQ ADJ	LABOR	(153,703)	(121,333)	(23,675)	(4,261)	(4,385)	(25)	(24)
35	398-MISCELLANEOUS EQUIP	LABOR	267,981	211,543	41,278	7,429	7,646	43	42
36	398-MISCELLANEOUS EQUIP - ACQ ADJ	LABOR	(29,611)	(23,375)	(4,561)	(821)	(845)	(5)	(5)
37	399-OTHER TANGIBLE PROPERTY	LABOR	0	0	0	0	0	0	0
38	TOTAL GENERAL PLANT		15,981,218	12,615,519	2,461,634	443,033	455,947	2,567	2,518
39									
40	COMMON PLANT	LABOR	0	0	0	0	0	0	0
41									
42	TOTAL GAS PLANT IN SERVICE		248,459,957	172,449,400	47,421,599	15,137,981	13,295,438	88,252	67,287
43									
44	TOTAL GAS PLANT IN SERVICE ACQ ADJ		(30,709,737)	(20,555,812)	(6,180,614)	(2,130,189)	(1,821,460)	(12,452)	(9,210)
45									

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	DEVELOPMENT OF RATE BASE							
2								
3	**GAS PLANT IN SERVICE CONTINUED**							
4								
5	DISTRIBUTION PLANT CONTINUED							
6	383-REGULATORS	CUST383	480,319	8,648	249	7,535	20,826	1,691
7	383-REGULATORS - ACQ ADJ	CUST383	(32,653)	(588)	(17)	(512)	(1,416)	(115)
8	384-REGULATOR INSTALLATIONS	CUST384	212,609	3,828	110	3,335	9,219	749
9	384-REGULATOR INSTALLATIONS - ACQ ADJ	CUST384	(15,031)	(271)	(8)	(236)	(652)	(53)
10	385-INDUSTRIAL MEAS. EQUIP	CUST385	1,004,540	57,068	1,689	43,480	92,876	29,893
11	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	CUST385	(86,916)	(4,938)	(146)	(3,762)	(8,036)	(2,586)
12	387-OTHER EQUIPMENT	DISTMAIN	311,161	44,814	4,892	145,103	70,061	50,074
13	387-OTHER EQUIPMENT - ACQ ADJ	DISTMAIN	(30,982)	(4,462)	(487)	(14,448)	(6,976)	(4,986)
14	TOTAL DISTRIBUTION PLANT		36,776,343	3,976,037	428,587	12,539,662	7,113,030	4,335,633
15								
16	GENERAL PLANT							
17	389-LAND & LAND RIGHTS	LABOR	28,826	1,800	187	5,325	3,852	1,821
18	389-LAND & LAND RIGHTS - ACQ ADJ	LABOR	(7,133)	(446)	(46)	(1,318)	(953)	(451)
19	390-STRUCTURES & IMPROVE	LABOR	188,787	11,791	1,225	34,874	25,226	11,925
20	390-STRUCTURES & IMPROVE - ACQ ADJ	LABOR	(17,835)	(1,114)	(116)	(3,295)	(2,383)	(1,127)
21	391-OFFICE FURN & EQUIPMENT	LABOR	948,907	59,268	6,157	175,290	126,795	59,940
22	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	LABOR	(93,344)	(5,830)	(606)	(17,243)	(12,473)	(5,896)
23	392-TRANSPORTATION EQUIP	LABOR	745,820	46,583	4,839	137,774	99,658	47,112
24	392-TRANSPORTATION EQUIP - ACQ ADJ	LABOR	(12,391)	(774)	(80)	(2,289)	(1,656)	(783)
25	393-STORES EQUIPMENT	LABOR	16,533	1,033	107	3,054	2,209	1,044
26	393-STORES EQUIPMENT - ACQ ADJ	LABOR	(2,577)	(161)	(17)	(476)	(344)	(163)
27	394-TOOLS, SHOP & GARAGE EQUIP	LABOR	241,894	15,108	1,569	44,685	32,322	15,280
28	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	LABOR	(33,446)	(2,089)	(217)	(6,178)	(4,469)	(2,113)
29	395-LABORATORY EQUIPMENT	LABOR	108,547	6,780	704	20,052	14,504	6,857
30	395-LABORATORY EQUIPMENT - ACQ ADJ	LABOR	(11,435)	(714)	(74)	(2,112)	(1,528)	(722)
31	396-POWER OPERATED EQUIP	LABOR	57,910	3,617	376	10,698	7,738	3,658
32	396-POWER OPERATED EQUIP - ACQ ADJ	LABOR	(799)	(50)	(5)	(148)	(107)	(50)
33	397-COMMUNICATION EQUIP	LABOR	146,380	9,143	950	27,041	19,560	9,247
34	397-COMMUNICATION EQUIP - ACQ ADJ	LABOR	(22,283)	(1,392)	(145)	(4,116)	(2,978)	(1,408)
35	398-MISCELLANEOUS EQUIP	LABOR	38,851	2,427	252	7,177	5,191	2,454
36	398-MISCELLANEOUS EQUIP - ACQ ADJ	LABOR	(4,293)	(268)	(28)	(793)	(574)	(271)
37	399-OTHER TANGIBLE PROPERTY	LABOR	0	0	0	0	0	0
38	TOTAL GENERAL PLANT		2,316,921	144,713	15,032	428,000	309,593	146,355
39								
40	COMMON PLANT	LABOR	0	0	0	0	0	0
41								
42	TOTAL GAS PLANT IN SERVICE		42,783,998	4,637,601	499,982	14,637,999	8,237,129	5,058,308
43								
44	TOTAL GAS PLANT IN SERVICE ACQ ADJ		(5,533,081)	(647,533)	(70,094)	(2,060,096)	(1,109,902)	(711,558)
45								

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL		COMMERCIAL		
			RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	DEVELOPMENT OF RATE BASE						
2							
3	**GAS PLANT IN SERVICE CONTINUED**						
4							
5	DISTRIBUTION PLANT CONTINUED						
6	383-REGULATORS	CUST383	2,019,651	89,476	480,319	4,605	4,043
7	383-REGULATORS - ACQ ADJ	CUST383	(137,299)	(6,083)	(32,653)	(313)	(275)
8	384-REGULATOR INSTALLATIONS	CUST384	893,982	39,606	212,609	2,038	1,790
9	384-REGULATOR INSTALLATIONS - ACQ ADJ	CUST384	(63,204)	(2,800)	(15,031)	(144)	(127)
10	385-INDUSTRIAL MEAS. EQUIP	CUST385	0	0	1,004,540	32,610	24,458
11	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	CUST385	0	0	(86,916)	(2,822)	(2,116)
12	387-OTHER EQUIPMENT	DISTMAIN	806,488	32,727	311,161	13,004	31,811
13	387-OTHER EQUIPMENT - ACQ ADJ	DISTMAIN	(80,301)	(3,259)	(30,982)	(1,295)	(3,167)
14	TOTAL DISTRIBUTION PLANT		143,293,346	6,091,274	36,776,343	1,189,484	2,786,553
15							
16	GENERAL PLANT						
17	389-LAND & LAND RIGHTS	LABOR	151,180	5,775	28,826	575	1,225
18	389-LAND & LAND RIGHTS - ACQ ADJ	LABOR	(37,410)	(1,429)	(7,133)	(142)	(303)
19	390-STRUCTURES & IMPROVE	LABOR	990,117	37,820	188,787	3,767	8,025
20	390-STRUCTURES & IMPROVE - ACQ ADJ	LABOR	(93,537)	(3,573)	(17,835)	(356)	(758)
21	391-OFFICE FURN & EQUIPMENT	LABOR	4,976,656	190,098	948,907	18,933	40,335
22	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	LABOR	(489,554)	(18,700)	(93,344)	(1,862)	(3,968)
23	392-TRANSPORTATION EQUIP	LABOR	3,911,541	149,413	745,820	14,881	31,702
24	392-TRANSPORTATION EQUIP - ACQ ADJ	LABOR	(64,984)	(2,482)	(12,391)	(247)	(527)
25	393-STORES EQUIPMENT	LABOR	86,709	3,312	16,533	330	703
26	393-STORES EQUIPMENT - ACQ ADJ	LABOR	(13,515)	(516)	(2,577)	(51)	(110)
27	394-TOOLS, SHOP & GARAGE EQUIP	LABOR	1,268,641	48,459	241,894	4,826	10,282
28	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	LABOR	(175,413)	(6,700)	(33,446)	(667)	(1,422)
29	395-LABORATORY EQUIPMENT	LABOR	569,290	21,746	108,547	2,166	4,614
30	395-LABORATORY EQUIPMENT - ACQ ADJ	LABOR	(59,973)	(2,291)	(11,435)	(228)	(486)
31	396-POWER OPERATED EQUIP	LABOR	303,717	11,601	57,910	1,155	2,462
32	396-POWER OPERATED EQUIP - ACQ ADJ	LABOR	(4,190)	(160)	(799)	(16)	(34)
33	397-COMMUNICATION EQUIP	LABOR	767,708	29,325	146,380	2,921	6,222
34	397-COMMUNICATION EQUIP - ACQ ADJ	LABOR	(116,868)	(4,464)	(22,283)	(445)	(947)
35	398-MISCELLANEOUS EQUIP	LABOR	203,760	7,783	38,851	775	1,651
36	398-MISCELLANEOUS EQUIP - ACQ ADJ	LABOR	(22,515)	(860)	(4,293)	(86)	(182)
37	399-OTHER TANGIBLE PROPERTY	LABOR	0	0	0	0	0
38	TOTAL GENERAL PLANT		12,151,362	464,157	2,316,921	46,228	98,485
39							
40	COMMON PLANT	LABOR	0	0	0	0	0
41							
42	TOTAL GAS PLANT IN SERVICE		165,488,636	6,960,764	42,783,998	1,386,015	3,251,586
43							
44	TOTAL GAS PLANT IN SERVICE ACQ ADJ		(19,730,187)	(825,625)	(5,533,081)	(191,788)	(455,745)
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	DEVELOPMENT OF RATE BASE				
2					
3	**GAS PLANT IN SERVICE CONTINUED**				
4					
5	DISTRIBUTION PLANT CONTINUED				
6	383-REGULATORS	CUST383	249	2,776	4,759
7	383-REGULATORS - ACQ ADJ	CUST383	(17)	(189)	(324)
8	384-REGULATOR INSTALLATIONS	CUST384	110	1,229	2,107
9	384-REGULATOR INSTALLATIONS - ACQ ADJ	CUST384	(8)	(87)	(149)
10	385-INDUSTRIAL MEAS. EQUIP	CUST385	1,689	16,305	27,175
11	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	CUST385	(146)	(1,411)	(2,351)
12	387-OTHER EQUIPMENT	DISTMAIN	4,892	21,124	123,979
13	387-OTHER EQUIPMENT - ACQ ADJ	DISTMAIN	(487)	(2,103)	(12,344)
14	TOTAL DISTRIBUTION PLANT		428,587	1,852,028	10,687,634
15					
16	GENERAL PLANT				
17	389-LAND & LAND RIGHTS	LABOR	187	817	4,508
18	389-LAND & LAND RIGHTS - ACQ ADJ	LABOR	(46)	(202)	(1,115)
19	390-STRUCTURES & IMPROVE	LABOR	1,225	5,353	29,522
20	390-STRUCTURES & IMPROVE - ACQ ADJ	LABOR	(116)	(506)	(2,789)
21	391-OFFICE FURN & EQUIPMENT	LABOR	6,157	26,905	148,385
22	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	LABOR	(606)	(2,647)	(14,597)
23	392-TRANSPORTATION EQUIP	LABOR	4,839	21,147	116,627
24	392-TRANSPORTATION EQUIP - ACQ ADJ	LABOR	(80)	(351)	(1,938)
25	393-STORES EQUIPMENT	LABOR	107	469	2,585
26	393-STORES EQUIPMENT - ACQ ADJ	LABOR	(17)	(73)	(403)
27	394-TOOLS, SHOP & GARAGE EQUIP	LABOR	1,569	6,859	37,826
28	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	LABOR	(217)	(948)	(5,230)
29	395-LABORATORY EQUIPMENT	LABOR	704	3,078	16,974
30	395-LABORATORY EQUIPMENT - ACQ ADJ	LABOR	(74)	(324)	(1,788)
31	396-POWER OPERATED EQUIP	LABOR	376	1,642	9,056
32	396-POWER OPERATED EQUIP - ACQ ADJ	LABOR	(5)	(23)	(125)
33	397-COMMUNICATION EQUIP	LABOR	950	4,150	22,890
34	397-COMMUNICATION EQUIP - ACQ ADJ	LABOR	(145)	(632)	(3,485)
35	398-MISCELLANEOUS EQUIP	LABOR	252	1,102	6,075
36	398-MISCELLANEOUS EQUIP - ACQ ADJ	LABOR	(28)	(122)	(671)
37	399-OTHER TANGIBLE PROPERTY	LABOR	0	0	0
38	TOTAL GENERAL PLANT		15,032	65,693	362,307
39					
40	COMMON PLANT	LABOR	0	0	0
41					
42	TOTAL GAS PLANT IN SERVICE		499,982	2,161,146	12,476,853
43					
44	TOTAL GAS PLANT IN SERVICE ACQ ADJ		(70,094)	(302,824)	(1,757,272)
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEVELOPMENT OF RATE BASE						
2							
3	**GAS PLANT IN SERVICE CONTINUED**						
4							
5	DISTRIBUTION PLANT CONTINUED						
6	383-REGULATORS	CUST383	20,826	105	1,586	0	266
7	383-REGULATORS - ACQ ADJ	CUST383	(1,416)	(7)	(108)	0	(18)
8	384-REGULATOR INSTALLATIONS	CUST384	9,219	46	702	0	118
9	384-REGULATOR INSTALLATIONS - ACQ ADJ	CUST384	(652)	(3)	(50)	0	(8)
10	385-INDUSTRIAL MEAS. EQUIP	CUST385	92,876	13,588	16,305	0	739
11	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	CUST385	(8,036)	(1,176)	(1,411)	0	(64)
12	387-OTHER EQUIPMENT	DISTMAIN	70,061	11,880	38,195	882	607
13	387-OTHER EQUIPMENT - ACQ ADJ	DISTMAIN	(6,976)	(1,183)	(3,803)	(88)	(60)
14	TOTAL DISTRIBUTION PLANT		7,113,030	1,035,141	3,300,492	75,531	57,727
15							
16	GENERAL PLANT						
17	389-LAND & LAND RIGHTS	LABOR	3,852	429	1,392	32	31
18	389-LAND & LAND RIGHTS - ACQ ADJ	LABOR	(953)	(106)	(344)	(8)	(8)
19	390-STRUCTURES & IMPROVE	LABOR	25,226	2,809	9,116	209	205
20	390-STRUCTURES & IMPROVE - ACQ ADJ	LABOR	(2,383)	(265)	(861)	(20)	(19)
21	391-OFFICE FURN & EQUIPMENT	LABOR	126,795	14,121	45,819	1,052	1,031
22	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	LABOR	(12,473)	(1,389)	(4,507)	(103)	(101)
23	392-TRANSPORTATION EQUIP	LABOR	99,658	11,099	36,013	826	811
24	392-TRANSPORTATION EQUIP - ACQ ADJ	LABOR	(1,656)	(184)	(598)	(14)	(13)
25	393-STORES EQUIPMENT	LABOR	2,209	246	798	18	18
26	393-STORES EQUIPMENT - ACQ ADJ	LABOR	(344)	(38)	(124)	(3)	(3)
27	394-TOOLS, SHOP & GARAGE EQUIP	LABOR	32,322	3,600	11,680	268	263
28	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	LABOR	(4,469)	(498)	(1,615)	(37)	(36)
29	395-LABORATORY EQUIPMENT	LABOR	14,504	1,615	5,241	120	118
30	395-LABORATORY EQUIPMENT - ACQ ADJ	LABOR	(1,528)	(170)	(552)	(13)	(12)
31	396-POWER OPERATED EQUIP	LABOR	7,738	862	2,796	64	63
32	396-POWER OPERATED EQUIP - ACQ ADJ	LABOR	(107)	(12)	(39)	(1)	(1)
33	397-COMMUNICATION EQUIP	LABOR	19,560	2,178	7,068	162	159
34	397-COMMUNICATION EQUIP - ACQ ADJ	LABOR	(2,978)	(332)	(1,076)	(25)	(24)
35	398-MISCELLANEOUS EQUIP	LABOR	5,191	578	1,876	43	42
36	398-MISCELLANEOUS EQUIP - ACQ ADJ	LABOR	(574)	(64)	(207)	(5)	(5)
37	399-OTHER TANGIBLE PROPERTY	LABOR	0	0	0	0	0
38	TOTAL GENERAL PLANT		309,593	34,479	111,875	2,567	2,518
39							
40	COMMON PLANT	LABOR	0	0	0	0	0
41							
42	TOTAL GAS PLANT IN SERVICE		8,237,129	1,206,328	3,851,981	88,252	67,287
43							
44	TOTAL GAS PLANT IN SERVICE ACQ ADJ		(1,109,902)	(169,412)	(542,146)	(12,452)	(9,210)
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	DEVELOPMENT OF RATE BASE CONT.								
2									
3	**DEPRECIATION RESERVE CONTINUED**								
4									
5	**DEPRECIATION RESERVE**								
6	INTANGIBLE RESERVE								
7	302-FRANCHISES & CONSENTS	PLT302	197,465	155,878	30,416	5,474	5,634	32	31
8	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(3,352)	(2,646)	(516)	(93)	(96)	(1)	(1)
9	303-MISC. INTANGIBLE PLANT	PLT303	340,154	268,517	52,395	9,430	9,705	55	54
10	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(3,245)	(2,561)	(500)	(90)	(93)	(1)	(1)
11	TOTAL INTANGIBLE PLANT		531,023	419,188	81,795	14,721	15,150	85	84
12									
13	TRANSMISSION RESERVE								
14	365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0	0	0
15	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0	0	0
16	366-STRUCTURES & IMPROVEMENTS	PLT366	3,705	2,120	899	379	303	2	2
17	366-STRUCTURES & IMPROV - ADQ ADJ	PLT366	(400)	(229)	(97)	(41)	(33)	(0)	(0)
18	367-MAINS	PLT367	3,082,012	1,763,331	747,965	315,164	252,424	1,854	1,275
19	367-MAINS - ACQ ADJ	PLT367	(59,513)	(34,049)	(14,443)	(6,086)	(4,874)	(36)	(25)
20	369-MEASURING & REG STATION EQUIP.	PLT369	234,313	134,059	56,865	23,961	19,191	141	97
21	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(15,972)	(9,138)	(3,876)	(1,633)	(1,308)	(10)	(7)
22	371-OTHER EQUIPMENT	PLT371	(4,641)	(2,655)	(1,126)	(475)	(380)	(3)	(2)
23	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(2,828)	(1,618)	(686)	(289)	(232)	(2)	(1)
24	TOTAL TRANSMISSION PLANT		3,236,677	1,851,821	785,500	330,980	265,091	1,947	1,339
25									
26	DISTRIBUTION RESERVE								
27	374.1-LAND	PLT374	0	0	0	0	0	0	0
28	374.1-LAND - ACQ ADJ	PLT374	0	0	0	0	0	0	0
29	375-STRUCTURES & IMPROV	PLT375	8,751	5,007	2,124	895	717	5	4
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(19)	(11)	(5)	(2)	(2)	(0)	(0)
31	376-MAINS	PLT376	29,504,348	16,880,508	7,160,326	3,017,090	2,416,473	17,745	12,206
32	376-MAINS - ACQ ADJ	PLT376	(879,393)	(503,133)	(213,417)	(89,926)	(72,024)	(529)	(364)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	846,473	484,298	205,428	86,560	69,328	509	350
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(13,445)	(7,692)	(3,263)	(1,375)	(1,101)	(8)	(6)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	735,949	421,063	178,605	75,257	60,276	443	304
36	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	PLT379	(13,417)	(7,676)	(3,256)	(1,372)	(1,099)	(8)	(6)
37	380-SERVICES	PLT380	22,263,336	20,193,882	1,770,892	7,021	290,565	0	976
38	380-SERVICES - ACQ ADJ	PLT380	(449,039)	(407,299)	(35,718)	(142)	(5,861)	0	(20)
39	381-METERS	PLT381	4,875,854	3,912,179	906,975	14,440	41,767	0	493
40	381-METERS - ACQ ADJ	PLT381	(55,706)	(44,696)	(10,362)	(165)	(477)	0	(6)
41	382-METER INSTALLATIONS	PLT382	1,053,528	845,306	195,971	3,120	9,025	0	106
42	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(42,231)	(33,884)	(7,855)	(125)	(362)	0	(4)
43									
44									
45									

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	DEVELOPMENT OF RATE BASE CONT.							
2								
3	**DEPRECIATION RESERVE CONTINUED**							
4								
5	**DEPRECIATION RESERVE**							
6	INTANGIBLE RESERVE							
7	302-FRANCHISES & CONSENTS	PLT302	28,628	1,788	186	5,288	3,825	1,808
8	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(486)	(30)	(3)	(90)	(65)	(31)
9	303-MISC. INTANGIBLE PLANT	PLT303	49,315	3,080	320	9,110	6,590	3,115
10	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(470)	(29)	(3)	(87)	(63)	(30)
11	TOTAL INTANGIBLE PLANT		76,986	4,808	499	14,222	10,287	4,863
12								
13	TRANSMISSION RESERVE							
14	365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0	0
15	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0	0
16	366-STRUCTURES & IMPROVEMENTS	PLT366	786	113	12	367	177	126
17	366-STRUCTURES & IMPROV - ADQ ADJ	PLT366	(85)	(12)	(1)	(40)	(19)	(14)
18	367-MAINS	PLT367	653,802	94,163	10,279	304,885	147,209	105,214
19	367-MAINS - ACQ ADJ	PLT367	(12,625)	(1,818)	(198)	(5,887)	(2,843)	(2,032)
20	369-MEASURING & REG STATION EQUIP.	PLT369	49,706	7,159	781	23,179	11,192	7,999
21	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(3,388)	(488)	(53)	(1,580)	(763)	(545)
22	371-OTHER EQUIPMENT	PLT371	(985)	(142)	(15)	(459)	(222)	(158)
23	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(600)	(86)	(9)	(280)	(135)	(97)
24	TOTAL TRANSMISSION PLANT		686,612	98,888	10,795	320,185	154,597	110,494
25								
26	DISTRIBUTION RESERVE							
27	374.1-LAND	PLT374	0	0	0	0	0	0
28	374.1-LAND - ACQ ADJ	PLT374	0	0	0	0	0	0
29	375-STRUCTURES & IMPROV	PLT375	1,856	267	29	866	418	299
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(4)	(1)	(0)	(2)	(1)	(1)
31	376-MAINS	PLT376	6,258,900	901,426	98,405	2,918,686	1,409,248	1,007,224
32	376-MAINS - ACQ ADJ	PLT376	(186,550)	(26,867)	(2,933)	(86,993)	(42,003)	(30,021)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	179,566	25,862	2,823	83,736	40,431	28,897
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(2,852)	(411)	(45)	(1,330)	(642)	(459)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	156,120	22,485	2,455	72,803	35,152	25,124
36	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	PLT379	(2,846)	(410)	(45)	(1,327)	(641)	(458)
37	380-SERVICES	PLT380	1,765,587	5,304	2,061	4,960	288,131	2,434
38	380-SERVICES - ACQ ADJ	PLT380	(35,611)	(107)	(42)	(100)	(5,811)	(49)
39	381-METERS	PLT381	890,934	16,041	463	13,977	38,630	3,137
40	381-METERS - ACQ ADJ	PLT381	(10,179)	(183)	(5)	(160)	(441)	(36)
41	382-METER INSTALLATIONS	PLT382	192,505	3,466	100	3,020	8,347	678
42	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(7,717)	(139)	(4)	(121)	(335)	(27)
43								
44								
45								

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL RESIDENTIAL SERVICE (14)	RESIDENTIAL CARES (15)	COMMERCIAL SM. VOL. (16)	COMMERCIAL LG. VOL. (17)	COMMERCIAL TRANS-PORTATION (18)
1	DEVELOPMENT OF RATE BASE CONT.						
2							
3	**DEPRECIATION RESERVE CONTINUED**						
4							
5	**DEPRECIATION RESERVE**						
6	INTANGIBLE RESERVE						
7	302-FRANCHISES & CONSENTS	PLT302	150,143	5,735	28,628	571	1,217
8	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(2,549)	(97)	(486)	(10)	(21)
9	303-MISC. INTANGIBLE PLANT	PLT303	258,637	9,879	49,315	984	2,096
10	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(2,467)	(94)	(470)	(9)	(20)
11	TOTAL INTANGIBLE PLANT		403,765	15,423	76,986	1,536	3,272
12							
13	TRANSMISSION RESERVE						
14	365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0
15	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0
16	366-STRUCTURES & IMPROVEMENTS	PLT366	2,037	83	786	33	80
17	366-STRUCTURES & IMPROV - ADQ ADJ	PLT366	(220)	(9)	(85)	(4)	(9)
18	367-MAINS	PLT367	1,694,565	68,766	653,802	27,323	66,840
19	367-MAINS - ACQ ADJ	PLT367	(32,722)	(1,328)	(12,625)	(528)	(1,291)
20	369-MEASURING & REG STATION EQUIP.	PLT369	128,831	5,228	49,706	2,077	5,082
21	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(8,782)	(356)	(3,388)	(142)	(346)
22	371-OTHER EQUIPMENT	PLT371	(2,552)	(104)	(985)	(41)	(101)
23	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(1,555)	(63)	(600)	(25)	(61)
24	TOTAL TRANSMISSION PLANT		1,779,604	72,217	686,612	28,694	70,194
25							
26	DISTRIBUTION RESERVE						
27	374.1-LAND	PLT374	0	0	0	0	0
28	374.1-LAND - ACQ ADJ	PLT374	0	0	0	0	0
29	375-STRUCTURES & IMPROV	PLT375	4,811	195	1,856	78	190
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(11)	(0)	(4)	(0)	(0)
31	376-MAINS	PLT376	16,222,206	658,302	6,258,900	261,565	639,861
32	376-MAINS - ACQ ADJ	PLT376	(483,512)	(19,621)	(186,550)	(7,796)	(19,071)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	465,411	18,887	179,566	7,504	18,357
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(7,392)	(300)	(2,852)	(119)	(292)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	404,642	16,421	156,120	6,524	15,961
36	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	PLT379	(7,377)	(299)	(2,846)	(119)	(291)
37	380-SERVICES	PLT380	19,337,188	856,694	1,765,587	2,824	2,480
38	380-SERVICES - ACQ ADJ	PLT380	(390,020)	(17,279)	(35,611)	(57)	(50)
39	381-METERS	PLT381	3,746,211	165,968	890,934	8,541	7,500
40	381-METERS - ACQ ADJ	PLT381	(42,800)	(1,896)	(10,179)	(98)	(86)
41	382-METER INSTALLATIONS	PLT382	809,446	35,861	192,505	1,846	1,620
42	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(32,447)	(1,437)	(7,717)	(74)	(65)
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	DEVELOPMENT OF RATE BASE CONT.				
2					
3	**DEPRECIATION RESERVE CONTINUED**				
4					
5	**DEPRECIATION RESERVE**				
6	INTANGIBLE RESERVE				
7	302-FRANCHISES & CONSENTS	PLT302	186	812	4,477
8	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(3)	(14)	(76)
9	303-MISC. INTANGIBLE PLANT	PLT303	320	1,398	7,712
10	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(3)	(13)	(74)
11	TOTAL INTANGIBLE PLANT		499	2,183	12,039
12					
13	TRANSMISSION RESERVE				
14	365-LAND & LAND RIGHTS	PLT365	0	0	0
15	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0
16	366-STRUCTURES & IMPROVEMENTS	PLT366	12	53	313
17	366-STRUCTURES & IMPROV - ADQ ADJ	PLT366	(1)	(6)	(34)
18	367-MAINS	PLT367	10,279	44,384	260,501
19	367-MAINS - ACQ ADJ	PLT367	(198)	(857)	(5,030)
20	369-MEASURING & REG STATION EQUIP.	PLT369	781	3,374	19,805
21	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(53)	(230)	(1,350)
22	371-OTHER EQUIPMENT	PLT371	(15)	(67)	(392)
23	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(9)	(41)	(239)
24	TOTAL TRANSMISSION PLANT		10,795	46,611	273,573
25					
26	DISTRIBUTION RESERVE				
27	374.1-LAND	PLT374	0	0	0
28	374.1-LAND - ACQ ADJ	PLT374	0	0	0
29	375-STRUCTURES & IMPROV	PLT375	29	126	740
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(0)	(0)	(2)
31	376-MAINS	PLT376	98,405	424,892	2,493,794
32	376-MAINS - ACQ ADJ	PLT376	(2,933)	(12,664)	(74,329)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	2,823	12,190	71,546
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(45)	(194)	(1,136)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	2,455	10,598	62,205
36	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	PLT379	(45)	(193)	(1,134)
37	380-SERVICES	PLT380	2,061	1,929	3,031
38	380-SERVICES - ACQ ADJ	PLT380	(42)	(39)	(61)
39	381-METERS	PLT381	463	5,149	8,828
40	381-METERS - ACQ ADJ	PLT381	(5)	(59)	(101)
41	382-METER INSTALLATIONS	PLT382	100	1,113	1,907
42	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(4)	(45)	(76)
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEVELOPMENT OF RATE BASE CONT.						
2							
3	**DEPRECIATION RESERVE CONTINUED**						
4							
5	**DEPRECIATION RESERVE**						
6	INTANGIBLE RESERVE						
7	302-FRANCHISES & CONSENTS	PLT302	3,825	426	1,382	32	31
8	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(65)	(7)	(23)	(1)	(1)
9	303-MISC. INTANGIBLE PLANT	PLT303	6,590	734	2,381	55	54
10	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(63)	(7)	(23)	(1)	(1)
11	TOTAL INTANGIBLE PLANT		10,287	1,146	3,717	85	84
12							
13	TRANSMISSION RESERVE						
14	365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0
15	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0
16	366-STRUCTURES & IMPROVEMENTS	PLT366	177	30	96	2	2
17	366-STRUCTURES & IMPROV - ADQ ADJ	PLT366	(19)	(3)	(10)	(0)	(0)
18	367-MAINS	PLT367	147,209	24,961	80,253	1,854	1,275
19	367-MAINS - ACQ ADJ	PLT367	(2,843)	(482)	(1,550)	(36)	(25)
20	369-MEASURING & REG STATION EQUIP.	PLT369	11,192	1,898	6,101	141	97
21	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(763)	(129)	(416)	(10)	(7)
22	371-OTHER EQUIPMENT	PLT371	(222)	(38)	(121)	(3)	(2)
23	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(135)	(23)	(74)	(2)	(1)
24	TOTAL TRANSMISSION PLANT		154,597	26,214	84,281	1,947	1,339
25							
26	DISTRIBUTION RESERVE						
27	374.1-LAND	PLT374	0	0	0	0	0
28	374.1-LAND - ACQ ADJ	PLT374	0	0	0	0	0
29	375-STRUCTURES & IMPROV	PLT375	418	71	228	5	4
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(1)	(0)	(1)	(0)	(0)
31	376-MAINS	PLT376	1,409,248	238,953	768,271	17,745	12,206
32	376-MAINS - ACQ ADJ	PLT376	(42,003)	(7,122)	(22,899)	(529)	(364)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	40,431	6,856	22,042	509	350
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(642)	(109)	(350)	(8)	(6)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	35,152	5,960	19,164	443	304
36	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	PLT379	(641)	(109)	(349)	(8)	(6)
37	380-SERVICES	PLT380	288,131	1,607	827	0	976
38	380-SERVICES - ACQ ADJ	PLT380	(5,811)	(32)	(17)	0	(20)
39	381-METERS	PLT381	38,630	194	2,943	0	493
40	381-METERS - ACQ ADJ	PLT381	(441)	(2)	(34)	0	(6)
41	382-METER INSTALLATIONS	PLT382	8,347	42	636	0	106
42	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(335)	(2)	(25)	0	(4)
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	DEVELOPMENT OF RATE BASE CONT.								
2									
3	**DEPRECIATION RESERVE CONTINUED**								
4	DISTRIBUTION RESERVE CONTINUED								
5	383-REGULATORS	PLT383	1,063,986	853,697	197,916	3,151	9,114	0	108
6	383-REGULATORS - ACQ ADJ	PLT383	(10,992)	(8,819)	(2,045)	(33)	(94)	0	(1)
7	384-REGULATOR INSTALLATIONS	PLT384	94,352	75,704	17,551	279	808	0	10
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(5,443)	(4,367)	(1,012)	(16)	(47)	0	(1)
9	385-INDUSTRIAL MEAS. EQUIP	PLT385	597,058	0	515,199	21,920	59,580	0	359
10	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	PLT385	(6,447)	0	(5,564)	(237)	(643)	0	(4)
11	387-OTHER EQUIPMENT	PLT387	333,544	190,833	80,947	34,108	27,318	201	138
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(10,778)	(6,166)	(2,616)	(1,102)	(883)	(6)	(4)
13	TOTAL DISTRIBUTION RESERVE		59,890,270	42,838,733	10,946,820	3,169,348	2,902,378	18,351	14,639
14									
15	GENERAL PLANT RESERVE								
16	389-LAND AND LAND RIGHTS	PLT389	0	0	0	0	0	0	0
17	389-LAND AND LAND RIGHTS - ACQ ADJ	PLT389	0	0	0	0	0	0	0
18	390-STRUCTURES & IMPROVE	PLT390	521,758	411,874	80,368	14,464	14,886	84	82
19	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(10,840)	(8,557)	(1,670)	(301)	(309)	(2)	(2)
20	391-OFFICE FURN & EQUIPMENT	PLT391	3,247,867	2,563,855	500,278	90,038	92,662	522	512
21	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(178,962)	(141,272)	(27,566)	(4,961)	(5,106)	(29)	(28)
22	392-TRANSPORTATION EQUIP	PLT392	1,760,750	1,389,930	271,213	48,812	50,235	283	277
23	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	(49,951)	(39,431)	(7,694)	(1,385)	(1,425)	(8)	(8)
24	393-STORES EQUIPMENT	PLT393	25,675	20,268	3,955	712	733	4	4
25	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(1,267)	(1,000)	(195)	(35)	(36)	(0)	(0)
26	394-TOOLS, SHOP & GARAGE EQUIPMENT	PLT394	523,919	413,580	80,701	14,524	14,948	84	83
27	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(21,139)	(16,687)	(3,256)	(586)	(603)	(3)	(3)
28	395-LABORATORY EQUIPMENT	PLT395	288,256	227,549	44,401	7,991	8,224	46	45
29	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(17,255)	(13,621)	(2,658)	(478)	(492)	(3)	(3)
30	396-POWER OPERATED EQUIPMENT	PLT396	289,124	228,234	44,535	8,015	8,249	46	46
31	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(678)	(535)	(104)	(19)	(19)	(0)	(0)
32	397-COMMUNICATION EQUIP	PLT397	30,282	23,905	4,664	839	864	5	5
33	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(21,895)	(17,284)	(3,373)	(607)	(625)	(4)	(3)
34	398-MISCELLANEOUS EQUIP	PLT398	88,888	70,168	13,692	2,464	2,536	14	14
35	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(2,775)	(2,191)	(427)	(77)	(79)	(0)	(0)
36	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0	0	0
37	TOTAL GENERAL PLANT RESERVE		6,471,757	5,108,783	996,864	179,411	184,641	1,040	1,020
38									
39	COMMON PLANT	PLTCOMN	0	0	0	0	0	0	0
40									
41	TOTAL DEPRECIATION RESERVE		70,129,727	50,218,524	12,810,979	3,694,460	3,367,260	21,423	17,082
42									
43	TOTAL DEPRECIATION RESERVE ACQ ADJ		(1,876,981)	(1,314,564)	(352,175)	(111,175)	(97,922)	(649)	(496)
44									
45	NET PLANT IN SERVICE		$178,330,230	$122,230,876	$34,610,620	$11,443,522	$9,928,178	$66,828	$50,206
46									

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	DEVELOPMENT OF RATE BASE CONT.							
2								
3	**DEPRECIATION RESERVE CONTINUED**							
4	DISTRIBUTION RESERVE CONTINUED							
5	383-REGULATORS	PLT383	194,415	3,500	101	3,050	8,430	685
6	383-REGULATORS - ACQ ADJ	PLT383	(2,008)	(36)	(1)	(32)	(87)	(7)
7	384-REGULATOR INSTALLATIONS	PLT384	17,240	310	9	270	748	61
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(995)	(18)	(1)	(16)	(43)	(4)
9	385-INDUSTRIAL MEAS. EQUIP	PLT385	487,504	27,695	820	21,101	45,073	14,507
10	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	PLT385	(5,264)	(299)	(9)	(228)	(487)	(157)
11	387-OTHER EQUIPMENT	PLT387	70,756	10,191	1,112	32,996	15,931	11,387
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(2,286)	(329)	(36)	(1,066)	(515)	(368)
13	TOTAL DISTRIBUTION RESERVE		9,959,073	987,747	105,258	3,064,091	1,839,532	1,062,846
14								
15	GENERAL PLANT RESERVE							
16	389-LAND AND LAND RIGHTS	PLT389	0	0	0	0	0	0
17	389-LAND AND LAND RIGHTS - ACQ ADJ	PLT389	0	0	0	0	0	0
18	390-STRUCTURES & IMPROVE	PLT390	75,643	4,725	491	13,973	10,108	4,778
19	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(1,572)	(98)	(10)	(290)	(210)	(99)
20	391-OFFICE FURN & EQUIPMENT	PLT391	470,868	29,410	3,055	86,983	62,919	29,744
21	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(25,946)	(1,621)	(168)	(4,793)	(3,467)	(1,639)
22	392-TRANSPORTATION EQUIP	PLT392	255,270	15,944	1,656	47,155	34,110	16,125
23	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	(7,242)	(452)	(47)	(1,338)	(968)	(457)
24	393-STORES EQUIPMENT	PLT393	3,722	232	24	688	497	235
25	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(184)	(11)	(1)	(34)	(25)	(12)
26	394-TOOLS, SHOP & GARAGE EQUIPMENT	PLT394	75,957	4,744	493	14,031	10,150	4,798
27	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(3,065)	(191)	(20)	(566)	(410)	(194)
28	395-LABORATORY EQUIPMENT	PLT395	41,791	2,610	271	7,720	5,584	2,640
29	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(2,502)	(156)	(16)	(462)	(334)	(158)
30	396-POWER OPERATED EQUIPMENT	PLT396	41,917	2,618	272	7,743	5,601	2,648
31	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(98)	(6)	(1)	(18)	(13)	(6)
32	397-COMMUNICATION EQUIP	PLT397	4,390	274	28	811	587	277
33	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(3,174)	(198)	(21)	(586)	(424)	(201)
34	398-MISCELLANEOUS EQUIP	PLT398	12,887	805	84	2,381	1,722	814
35	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(402)	(25)	(3)	(74)	(54)	(25)
36	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0	0
37	TOTAL GENERAL PLANT RESERVE		938,261	58,603	6,087	173,323	125,373	59,268
38								
39	COMMON PLANT	PLTCOMN	0	0	0	0	0	0
40								
41	TOTAL DEPRECIATION RESERVE		11,660,933	1,150,046	122,640	3,571,820	2,129,789	1,237,471
42								
43	TOTAL DEPRECIATION RESERVE ACQ ADJ		(318,150)	(34,025)	(3,675)	(107,499)	(60,798)	(37,124)
44								
45	NET PLANT IN SERVICE		$31,123,066	$3,487,555	$377,342	$11,066,179	$6,107,340	$3,820,837
46								

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	DEVELOPMENT OF RATE BASE CONT.						
2							
3	**DEPRECIATION RESERVE CONTINUED**						
4	DISTRIBUTION RESERVE CONTINUED						
5	383-REGULATORS	PLT383	817,480	36,217	194,415	1,864	1,637
6	383-REGULATORS - ACQ ADJ	PLT383	(8,445)	(374)	(2,008)	(19)	(17)
7	384-REGULATOR INSTALLATIONS	PLT384	72,492	3,212	17,240	165	145
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(4,182)	(185)	(995)	(10)	(8)
9	385-INDUSTRIAL MEAS. EQUIP	PLT385	0	0	487,504	15,826	11,869
10	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	PLT385	0	0	(5,264)	(171)	(128)
11	387-OTHER EQUIPMENT	PLT387	183,391	7,442	70,756	2,957	7,234
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(5,926)	(240)	(2,286)	(96)	(234)
13	TOTAL DISTRIBUTION RESERVE		41,081,169	1,757,564	9,959,073	301,136	686,611
14							
15	GENERAL PLANT RESERVE						
16	389-LAND AND LAND RIGHTS	PLT389	0	0	0	0	0
17	389-LAND AND LAND RIGHTS - ACQ ADJ	PLT389	0	0	0	0	0
18	390-STRUCTURES & IMPROVE	PLT390	396,720	15,154	75,643	1,509	3,215
19	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(8,243)	(315)	(1,572)	(31)	(67)
20	391-OFFICE FURN & EQUIPMENT	PLT391	2,469,524	94,331	470,868	9,395	20,015
21	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(136,074)	(5,198)	(25,946)	(518)	(1,103)
22	392-TRANSPORTATION EQUIP	PLT392	1,338,791	51,139	255,270	5,093	10,851
23	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	(37,980)	(1,451)	(7,242)	(144)	(308)
24	393-STORES EQUIPMENT	PLT393	19,522	746	3,722	74	158
25	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(963)	(37)	(184)	(4)	(8)
26	394-TOOLS, SHOP & GARAGE EQUIPMENT	PLT394	398,363	15,217	75,957	1,515	3,229
27	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(16,073)	(614)	(3,065)	(61)	(130)
28	395-LABORATORY EQUIPMENT	PLT395	219,176	8,372	41,791	834	1,776
29	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(13,120)	(501)	(2,502)	(50)	(106)
30	396-POWER OPERATED EQUIPMENT	PLT396	219,836	8,397	41,917	836	1,782
31	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(516)	(20)	(98)	(2)	(4)
32	397-COMMUNICATION EQUIP	PLT397	23,025	880	4,390	88	187
33	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(16,648)	(636)	(3,174)	(63)	(135)
34	398-MISCELLANEOUS EQUIP	PLT398	67,587	2,582	12,887	257	548
35	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(2,110)	(81)	(402)	(8)	(17)
36	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0
37	TOTAL GENERAL PLANT RESERVE		4,920,818	187,965	938,261	18,720	39,882
38							
39	COMMON PLANT	PLTCOMN	0	0	0	0	0
40							
41	TOTAL DEPRECIATION RESERVE		48,185,355	2,033,169	11,660,933	350,087	799,960
42							
43	TOTAL DEPRECIATION RESERVE ACQ ADJ		(1,262,132)	(52,433)	(318,150)	(10,157)	(23,868)
44							
45	NET PLANT IN SERVICE		$117,303,281	$4,927,595	$31,123,066	$1,035,928	$2,451,627
46							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	DEVELOPMENT OF RATE BASE CONT.				
2					
3	**DEPRECIATION RESERVE CONTINUED**				
4	DISTRIBUTION RESERVE CONTINUED				
5	383-REGULATORS	PLT383	101	1,124	1,926
6	383-REGULATORS - ACQ ADJ	PLT383	(1)	(12)	(20)
7	384-REGULATOR INSTALLATIONS	PLT384	9	100	171
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(1)	(6)	(10)
9	385-INDUSTRIAL MEAS. EQUIP	PLT385	820	7,913	13,188
10	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	PLT385	(9)	(85)	(142)
11	387-OTHER EQUIPMENT	PLT387	1,112	4,803	28,192
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(36)	(155)	(911)
13	TOTAL DISTRIBUTION RESERVE		105,258	456,485	2,607,606
14					
15	GENERAL PLANT RESERVE				
16	389-LAND AND LAND RIGHTS	PLT389	0	0	0
17	389-LAND AND LAND RIGHTS - ACQ ADJ	PLT389	0	0	0
18	390-STRUCTURES & IMPROVE	PLT390	491	2,145	11,829
19	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(10)	(45)	(246)
20	391-OFFICE FURN & EQUIPMENT	PLT391	3,055	13,351	73,632
21	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(168)	(736)	(4,057)
22	392-TRANSPORTATION EQUIP	PLT392	1,656	7,238	39,918
23	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	(47)	(205)	(1,132)
24	393-STORES EQUIPMENT	PLT393	24	106	582
25	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(1)	(5)	(29)
26	394-TOOLS, SHOP & GARAGE EQUIPMENT	PLT394	493	2,154	11,878
27	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(20)	(87)	(479)
28	395-LABORATORY EQUIPMENT	PLT395	271	1,185	6,535
29	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(16)	(71)	(391)
30	396-POWER OPERATED EQUIPMENT	PLT396	272	1,188	6,555
31	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(1)	(3)	(15)
32	397-COMMUNICATION EQUIP	PLT397	28	124	687
33	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(21)	(90)	(496)
34	398-MISCELLANEOUS EQUIP	PLT398	84	365	2,015
35	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(3)	(11)	(63)
36	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0
37	TOTAL GENERAL PLANT RESERVE		6,087	26,603	146,720
38					
39	COMMON PLANT	PLTCOMN	0	0	0
40					
41	TOTAL DEPRECIATION RESERVE		122,640	531,882	3,039,938
42					
43	TOTAL DEPRECIATION RESERVE ACQ ADJ		(3,675)	(15,865)	(91,634)
44					
45	NET PLANT IN SERVICE		$377,342	$1,629,264	$9,436,916
46					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEVELOPMENT OF RATE BASE CONT.						
2							
3	**DEPRECIATION RESERVE CONTINUED**						
4	DISTRIBUTION RESERVE CONTINUED						
5	383-REGULATORS	PLT383	8,430	42	642	0	108
6	383-REGULATORS - ACQ ADJ	PLT383	(87)	(0)	(7)	0	(1)
7	384-REGULATOR INSTALLATIONS	PLT384	748	4	57	0	10
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(43)	(0)	(3)	0	(1)
9	385-INDUSTRIAL MEAS. EQUIP	PLT385	45,073	6,594	7,913	0	359
10	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	PLT385	(487)	(71)	(85)	0	(4)
11	387-OTHER EQUIPMENT	PLT387	15,931	2,701	8,685	201	138
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(515)	(87)	(281)	(6)	(4)
13	TOTAL DISTRIBUTION RESERVE		1,839,532	255,490	807,356	18,351	14,639
14							
15	GENERAL PLANT RESERVE						
16	389-LAND AND LAND RIGHTS	PLT389	0	0	0	0	0
17	389-LAND AND LAND RIGHTS - ACQ ADJ	PLT389	0	0	0	0	0
18	390-STRUCTURES & IMPROVE	PLT390	10,108	1,126	3,653	84	82
19	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(210)	(23)	(76)	(2)	(2)
20	391-OFFICE FURN & EQUIPMENT	PLT391	62,919	7,007	22,736	522	512
21	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(3,467)	(386)	(1,253)	(29)	(28)
22	392-TRANSPORTATION EQUIP	PLT392	34,110	3,799	12,326	283	277
23	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	(968)	(108)	(350)	(8)	(8)
24	393-STORES EQUIPMENT	PLT393	497	55	180	4	4
25	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(25)	(3)	(9)	(0)	(0)
26	394-TOOLS, SHOP & GARAGE EQUIPMENT	PLT394	10,150	1,130	3,668	84	83
27	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(410)	(46)	(148)	(3)	(3)
28	395-LABORATORY EQUIPMENT	PLT395	5,584	622	2,018	46	45
29	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(334)	(37)	(121)	(3)	(3)
30	396-POWER OPERATED EQUIPMENT	PLT396	5,601	624	2,024	46	46
31	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(13)	(1)	(5)	(0)	(0)
32	397-COMMUNICATION EQUIP	PLT397	587	65	212	5	5
33	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(424)	(47)	(153)	(4)	(3)
34	398-MISCELLANEOUS EQUIP	PLT398	1,722	192	622	14	14
35	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(54)	(6)	(19)	(0)	(0)
36	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0
37	TOTAL GENERAL PLANT RESERVE		125,373	13,963	45,305	1,040	1,020
38							
39	COMMON PLANT	PLTCOMN	0	0	0	0	0
40							
41	TOTAL DEPRECIATION RESERVE		2,129,789	296,812	940,659	21,423	17,082
42							
43	TOTAL DEPRECIATION RESERVE ACQ ADJ		(60,798)	(8,845)	(28,280)	(649)	(496)
44							
45	NET PLANT IN SERVICE		$6,107,340	$909,515	$2,911,322	$66,828	$50,206
46							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
DEVELOPMENT OF RATE BASE CONT.								
OTHER RATE BASE ITEMS								
WORKING CAPITAL								
CASH WORKING CAPITAL								
PLANT	PLANT	($3,280,886)	($2,277,175)	($626,197)	($199,895)	($175,565)	($1,165)	($889)
COMMODITY	WCGC	0	0	0	0	0	0	0
OPERATIONS & MAINTENANCE	WCOTH	0	0	0	0	0	0	0
OTHER	WCOTH	0	0	0	0	0	0	0
TOTAL CASH WORKING CAPITAL		(3,280,886)	(2,277,175)	(626,197)	(199,895)	(175,565)	(1,165)	(889)
MATERIALS & SUPPLIES	PLANT	2,039,798	1,415,769	389,320	124,279	109,152	725	552
PREPAYMENTS	PLANT	195,942	135,998	37,398	11,938	10,485	70	53
TOTAL WORKING CAPITAL		(1,045,146)	(725,408)	(199,479)	(63,678)	(55,927)	(371)	(283)
LESS: CUSTOMER CONTRIBUTIONS								
CUST ADVANCES FOR CONSTRUCTION	PLANT	(7,283,595)	(5,055,348)	(1,390,163)	(443,769)	(389,755)	(2,587)	(1,973)
CUSTOMER DEPOSITS	PLANT	(3,040,483)	(2,110,318)	(580,313)	(185,248)	(162,700)	(1,080)	(823)
OTHER RATE BASE								
CWIP	DISTRPLT	0	0	0	0	0	0	0
Y2K COSTS & GIC DEF	PAYXAG	1,097,410	864,004	171,269	30,768	31,015	179	175
C.A.R.E.S.	THERMS	107,477	55,798	25,479	17,200	8,853	79	67
OTHER - WARM SPIRIT	RESNTPT	(19,721)	(19,721)	0	0	0	0	0
TOTAL OTHER		1,185,166	900,081	196,749	47,967	39,868	258	242
LESS								
ACCUMULATED DEFERRED INC. TAXES	PLANT	(6,484,809)	(4,500,932)	(1,237,705)	(395,102)	(347,011)	(2,303)	(1,756)
TOTAL RATE BASE		$161,661,362	$110,738,951	$31,399,710	$10,403,692	$9,012,651	$60,745	$45,613

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	DEVELOPMENT OF RATE BASE CONT.							
2								
3	**OTHER RATE BASE ITEMS**							
4								
5	WORKING CAPITAL							
6	CASH WORKING CAPITAL							
7	PLANT	PLANT	($564,958)	($61,239)	($6,602)	($193,293)	($108,770)	($66,794)
8	COMMODITY	WCGC	0	0	0	0	0	0
9	OPERATIONS & MAINTENANCE	WCOTH	0	0	0	0	0	0
10	OTHER	WCOTH	0	0	0	0	0	0
11	TOTAL CASH WORKING CAPITAL		(564,958)	(61,239)	(6,602)	(193,293)	(108,770)	(66,794)
12	MATERIALS & SUPPLIES	PLANT	351,247	38,074	4,105	120,175	67,625	41,528
13	PREPAYMENTS	PLANT	33,741	3,657	394	11,544	6,496	3,989
14	TOTAL WORKING CAPITAL		(179,971)	(19,508)	(2,103)	(61,575)	(34,649)	(21,278)
15								
16	LESS: CUSTOMER CONTRIBUTIONS							
17	CUST ADVANCES FOR CONSTRUCTION	PLANT	(1,254,211)	(135,951)	(14,657)	(429,112)	(241,471)	(148,284)
18	CUSTOMER DEPOSITS	PLANT	(523,561)	(56,752)	(6,118)	(179,130)	(100,800)	(61,900)
19								
20	OTHER RATE BASE							
21	CWIP	DISTRPLT	0	0	0	0	0	0
22	Y2K COSTS & GIC DEF	PAYXAG	161,209	10,061	1,042	29,726	20,863	10,151
23	C.A.R.E.S.	THERMS	22,558	2,921	398	16,802	4,531	4,322
24	OTHER - WARM SPIRIT	RESNTPT	0	0	0	0	0	0
25	TOTAL OTHER		183,767	12,982	1,440	46,528	25,395	14,473
26								
27	LESS							
28	ACCUMULATED DEFERRED INC. TAXES	PLANT	(1,116,663)	(121,041)	(13,050)	(382,052)	(214,989)	(132,022)
29								
30								
31	TOTAL RATE BASE		$28,232,426	$3,167,284	$342,854	$10,060,838	$5,540,825	$3,471,827
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		RESIDENTIAL		COMMERCIAL		
	ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1 DEVELOPMENT OF RATE BASE CONT.						
2						
3 **OTHER RATE BASE ITEMS**						
4						
5 WORKING CAPITAL						
6 CASH WORKING CAPITAL						
7 PLANT	PLANT	($2,185,259)	($91,916)	($564,958)	($18,302)	($42,937)
8 COMMODITY	WCGC	0	0	0	0	0
9 OPERATIONS & MAINTENANCE	WCOTH	0	0	0	0	0
10 OTHER	WCOTH	0	0	0	0	0
11 TOTAL CASH WORKING CAPITAL		(2,185,259)	(91,916)	(564,958)	(18,302)	(42,937)
12 MATERIALS & SUPPLIES	PLANT	1,358,623	57,146	351,247	11,379	26,695
13 PREPAYMENTS	PLANT	130,509	5,489	33,741	1,093	2,564
14 TOTAL WORKING CAPITAL		(696,127)	(29,280)	(179,971)	(5,830)	(13,678)
15						
16 LESS: CUSTOMER CONTRIBUTIONS						
17 CUST ADVANCES FOR CONSTRUCTION	PLANT	(4,851,294)	(204,055)	(1,254,211)	(40,631)	(95,320)
18 CUSTOMER DEPOSITS	PLANT	(2,025,137)	(85,181)	(523,561)	(16,961)	(39,791)
19						
20 OTHER RATE BASE						
21 CWIP	DISTRPLT	0	0	0	0	0
22 Y2K COSTS & GIC DEF	PAYXAG	833,441	30,563	161,209	3,217	6,843
23 C.A.R.E.S.	THERMS	53,610	2,188	22,558	995	1,926
24 OTHER - WARM SPIRIT	RESNTPT	(18,926)	(795)	0	0	0
25 TOTAL OTHER		868,125	31,956	183,767	4,212	8,769
26						
27 LESS						
28 ACCUMULATED DEFERRED INC. TAXES	PLANT	(4,319,256)	(181,676)	(1,116,663)	(36,175)	(84,866)
29						
30						
31 TOTAL RATE BASE		$106,279,592	$4,459,359	$28,232,426	$940,543	$2,226,741
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		INDUSTRIAL		
	ALLOC	SM. VOL. (19)	LG. VOL. (20)	TRANS-PORTATION (21)
1 DEVELOPMENT OF RATE BASE CONT.				
2				
3 **OTHER RATE BASE ITEMS**				
4				
5 WORKING CAPITAL				
6 CASH WORKING CAPITAL				
7 PLANT	PLANT	($6,602)	($28,538)	($164,755)
8 COMMODITY	WCGC	0	0	0
9 OPERATIONS & MAINTENANCE	WCOTH	0	0	0
10 OTHER	WCOTH	0	0	0
11 TOTAL CASH WORKING CAPITAL		(6,602)	(28,538)	(164,755)
12 MATERIALS & SUPPLIES	PLANT	4,105	17,743	102,432
13 PREPAYMENTS	PLANT	394	1,704	9,840
14 TOTAL WORKING CAPITAL		(2,103)	(9,091)	(52,484)
15				
16 LESS: CUSTOMER CONTRIBUTIONS				
17 CUST ADVANCES FOR CONSTRUCTION	PLANT	(14,657)	(63,354)	(365,759)
18 CUSTOMER DEPOSITS	PLANT	(6,118)	(26,447)	(152,683)
19				
20 OTHER RATE BASE				
21 CWIP	DISTRPLT	0	0	0
22 Y2K COSTS & GIC DEF	PAYXAG	1,042	4,566	25,160
23 C.A.R.E.S.	THERMS	398	1,786	15,016
24 OTHER - WARM SPIRIT	RESNTPT	0	0	0
25 TOTAL OTHER		1,440	6,352	40,176
26				
27 LESS				
28 ACCUMULATED DEFERRED INC. TAXES	PLANT	(13,050)	(56,406)	(325,646)
29				
30				
31 TOTAL RATE BASE		$342,854	$1,480,318	$8,580,520
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	PUBLIC AUTHORITY LG. VOL. (23)	PUBLIC AUTHORITY TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEVELOPMENT OF RATE BASE CONT.						
2							
3	**OTHER RATE BASE ITEMS**						
4							
5	WORKING CAPITAL						
6	CASH WORKING CAPITAL						
7	PLANT	PLANT	($108,770)	($15,929)	($50,865)	($1,165)	($889)
8	COMMODITY	WCGC	0	0	0	0	0
9	OPERATIONS & MAINTENANCE	WCOTH	0	0	0	0	0
10	OTHER	WCOTH	0	0	0	0	0
11	TOTAL CASH WORKING CAPITAL		(108,770)	(15,929)	(50,865)	(1,165)	(889)
12	MATERIALS & SUPPLIES	PLANT	67,625	9,904	31,624	725	552
13	PREPAYMENTS	PLANT	6,496	951	3,038	70	53
14	TOTAL WORKING CAPITAL		(34,649)	(5,074)	(16,203)	(371)	(283)
15							
16	LESS: CUSTOMER CONTRIBUTIONS						
17	CUST ADVANCES FOR CONSTRUCTION	PLANT	(241,471)	(35,363)	(112,921)	(2,587)	(1,973)
18	CUSTOMER DEPOSITS	PLANT	(100,800)	(14,762)	(47,138)	(1,080)	(823)
19							
20	OTHER RATE BASE						
21	CWIP	DISTRPLT	0	0	0	0	0
22	Y2K COSTS & GIC DEF	PAYXAG	20,863	2,384	7,767	179	175
23	C.A.R.E.S.	THERMS	4,531	800	3,522	79	67
24	OTHER - WARM SPIRIT	RESNTPT	0	0	0	0	0
25	TOTAL OTHER		25,395	3,184	11,289	258	242
26							
27	LESS						
28	ACCUMULATED DEFERRED INC. TAXES	PLANT	(214,989)	(31,485)	(100,537)	(2,303)	(1,756)
29							
30							
31	TOTAL RATE BASE		$5,540,825	$826,014	$2,645,813	$60,745	$45,613
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	OPERATING REVENUES								
2									
3	**REVENUES**								
4									
5	GAS OPERATING REVENUES								
6									
7	SALES REVENUES								
8	FIRM SALES OF GAS		$45,689,224	$32,152,423	$9,709,553	$1,639,719	$2,090,889	$73,078	$23,562
9	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0	0	0
10	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0	0	0
11	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0	0	0
12	SALES FOR RESALE	DEMGAS	0	0	0	0	0	0	0
13	TOTAL SALES OF GAS		45,689,224	32,152,423	9,709,553	1,639,719	2,090,889	73,078	23,562
14									
15	OTHER OPERATING REVENUES								
16	FORFEITED DISCOUNTS	PLANT	398,966	276,911	76,147	24,308	21,349	142	108
17	MISCELLANEOUS SERVICE REV	CUST487B	1,046,891	957,410	52,441	0	36,477	0	563
18	OTHER REVENUE	DEMGAS	34,447	22,089	9,324	865	2,110	31	27
19	OTHER REVENUE	PLANT	0	0	0	0	0	0	0
20	OTHER REVENUE	PLANT	0	0	0	0	0	0	0
21	TOTAL OTHER OPERATING REV		1,480,303	1,256,411	137,913	25,172	59,937	173	697
22									
23	TOTAL GAS OPERATING REVENUE		$47,169,527	$33,408,834	$9,847,465	$1,664,891	$2,150,826	$73,251	$24,260
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
		ALLOC	SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.
			(8)	(9)	(10)	(11)	(12)	(13)
1	OPERATING REVENUES							
2								
3	**REVENUES**							
4								
5	GAS OPERATING REVENUES							
6								
7	SALES REVENUES							
8	FIRM SALES OF GAS		$8,531,880	$1,177,672	$109,190	$1,530,529	$1,527,532	$563,357
9	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0	0
10	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0	0
11	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0	0
12	SALES FOR RESALE	DEMGAS	0	0	0	0	0	0
13	TOTAL SALES OF GAS		8,531,880	1,177,672	109,190	1,530,529	1,527,532	563,357
14								
15	OTHER OPERATING REVENUES							
16	FORFEITED DISCOUNTS	PLANT	68,701	7,447	803	23,505	13,227	8,122
17	MISCELLANEOUS SERVICE REV	CUST487B	52,441	0	0	0	36,477	0
18	OTHER REVENUE	DEMGAS	8,930	394	158	707	1,794	317
19	OTHER REVENUE	PLANT	0	0	0	0	0	0
20	OTHER REVENUE	PLANT	0	0	0	0	0	0
21	TOTAL OTHER OPERATING REV		130,072	7,841	960	24,212	51,498	8,439
22								
23	TOTAL GAS OPERATING REVENUE		$8,661,952	$1,185,513	$110,150	$1,554,741	$1,579,030	$571,796

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	OPERATING REVENUES						
2							
3	**REVENUES**						
4							
5	GAS OPERATING REVENUES						
6							
7	SALES REVENUES						
8	FIRM SALES OF GAS		$31,176,937	$975,486	$8,531,880	$211,649	$966,024
9	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0
10	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0
11	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0
12	SALES FOR RESALE	DEMGAS	0	0	0	0	0
13	TOTAL SALES OF GAS		31,176,937	975,486	8,531,880	211,649	966,024
14							
15	OTHER OPERATING REVENUES						
16	FORFEITED DISCOUNTS	PLANT	265,734	11,177	68,701	2,226	5,221
17	MISCELLANEOUS SERVICE REV	CUST487B	938,880	18,530	52,441	0	0
18	OTHER REVENUE	DEMGAS	21,223	866	8,930	394	0
19	OTHER REVENUE	PLANT	0	0	0	0	0
20	OTHER REVENUE	PLANT	0	0	0	0	0
21	TOTAL OTHER OPERATING REV		1,225,837	30,573	130,072	2,619	5,221
22							
23	TOTAL GAS OPERATING REVENUE		$32,402,775	$1,006,059	$8,661,952	$214,268	$971,245
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	OPERATING REVENUES				
2					
3	**REVENUES**				
4					
5	GAS OPERATING REVENUES				
6					
7	SALES REVENUES				
8	FIRM SALES OF GAS		$109,190	$204,407	$1,326,122
9	INTERR SALES GAS COST REV	GASSALES	0	0	0
10	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0
11	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0
12	SALES FOR RESALE	DEMGAS	0	0	0
13	TOTAL SALES OF GAS		109,190	204,407	1,326,122
14					
15	OTHER OPERATING REVENUES				
16	FORFEITED DISCOUNTS	PLANT	803	3,470	20,035
17	MISCELLANEOUS SERVICE REV	CUST487B	0	0	0
18	OTHER REVENUE	DEMGAS	158	707	0
19	OTHER REVENUE	PLANT	0	0	0
20	OTHER REVENUE	PLANT	0	0	0
21	TOTAL OTHER OPERATING REV		960	4,177	20,035
22					
23	TOTAL GAS OPERATING REVENUE		$110,150	$208,585	$1,346,157
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	OPERATING REVENUES						
2							
3	**REVENUES**						
4							
5	GAS OPERATING REVENUES						
6							
7	SALES REVENUES						
8	FIRM SALES OF GAS		$1,527,532	$117,541	$445,816	$73,078	$23,562
9	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0
10	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0
11	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0
12	SALES FOR RESALE	DEMGAS	0	0	0	0	0
13	TOTAL SALES OF GAS		1,527,532	117,541	445,816	73,078	23,562
14							
15	OTHER OPERATING REVENUES						
16	FORFEITED DISCOUNTS	PLANT	13,227	1,937	6,185	142	108
17	MISCELLANEOUS SERVICE REV	CUST487B	36,477	0	0	0	563
18	OTHER REVENUE	DEMGAS	1,794	317	0	31	27
19	OTHER REVENUE	PLANT	0	0	0	0	0
20	OTHER REVENUE	PLANT	0	0	0	0	0
21	TOTAL OTHER OPERATING REV		51,498	2,254	6,185	173	697
22							
23	TOTAL GAS OPERATING REVENUE		$1,579,030	$119,795	$452,001	$73,251	$24,260

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	OPERATION & MAINTENANCE EXPENSE								
2									
3	**OPERATION & MAINTENANCE EXPENSE**								
4	PRODUCTION EXPENSE								
5	421-PURCHASED POWER	DEMGAS	0	0	0	0	0	0	0
6	805-PURCHASED GAS EXPENSES	DEMGAS	0	0	0	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES								
8	NON-RECONCILABLE	DEMGAS	355,528	227,986	96,238	8,923	21,782	324	276
9	CAPACITY RELATED	DEMGAS	0	0	0	0	0	0	0
10	COMMODITY RELATED	GASSALES	0	0	0	0	0	0	0
11	TOTAL ACCOUNT 807		355,528	227,986	96,238	8,923	21,782	324	276
12	TOTAL PURCHASED GAS SUPPLY		355,529	227,986	96,238	8,923	21,782	324	276
13									
14	TRANSMISSION EXPENSE								
15	856-MAINS EXPENSE	TRANS	11,280	6,454	2,737	1,153	924	7	5
16	857-MEASURING & REG. STATION	TRANS	(52,221)	(29,877)	(12,673)	(5,340)	(4,277)	(31)	(22)
17	864-MAINTENANCE OF COMPRESSOR STATION EC	TRANS	19	11	5	2	2	0	0
18	870-OPERATION SUPERVISION AND ENGINEERING	TRANS	315,983	180,785	76,685	32,312	25,880	190	131
19	TOTAL TRANSMISSION		275,061	157,372	66,754	28,127	22,528	165	114
20									
21	DISTRIBUTION EXPENSE								
22	431-INTEREST ON CUSTOMER DEPOSITS	LABDO	170,459	126,837	32,519	5,649	5,390	31	32
23	871-LOAD DISPATCHING	DISTR	162	93	39	17	13	0	0
24	874-MAINS & SERVICING EXPENSE	PLT376380	1,337,349	924,274	247,042	88,319	76,818	519	378
25	875-MEAS./REG. STATION EXPENSE	PLT378	244,463	139,866	59,328	24,999	20,022	147	101
26	876-MEAS./REG. STATION EXPENSE	PLT379	150,536	86,127	36,533	15,394	12,329	91	62
27	877-MEAS./REG. STATION EXPENSE	PLT383	56,529	45,356	10,515	167	484	0	6
28	878-METER EXPENSE	PLT381	1,349,114	1,082,472	250,954	3,995	11,557	0	136
29	879-CUSTOMER INSTALL EXP	PLT38284	539,082	432,536	100,277	1,596	4,618	0	54
30	880-OTHER EXPENSES	EXP87479	1,090,666	804,007	209,007	39,886	37,322	224	219
31	881-RENTS	DISTR	44,510	25,466	10,802	4,552	3,645	27	18
32	885-MAINT. SUPERV. & ENG.	LABDM	243,170	172,068	43,807	14,397	12,751	84	63
33	886-MAINT. OF STRUCTURES	PLT375	0	0	0	0	0	0	0
34	887-MAINT. OF MAINS	PLT376	1,084,194	620,307	263,120	110,869	88,798	652	449
35	889-MAINT. MEAS./REG	PLT378	25,623	14,660	6,218	2,620	2,099	15	11
36	890-MAINT. MEAS./REG	PLT379	2,072	1,186	503	212	170	1	1
37	891-MAINT. MEAS./REG	PLT383	850	682	158	3	7	0	0
38	892-MAINT. OF SERVICES	PLT380	465,066	421,837	36,993	147	6,070	0	20
39	893-MAINT. OF METER	PLT381	167,015	134,006	31,067	495	1,431	0	17
40	894-MAINT. OF OTHER EQUIP.	PLT387	96,826	55,398	23,498	9,901	7,930	58	40
41	TOTAL DISTRIBUTION EXP		7,067,687	5,087,177	1,362,381	323,217	291,454	1,850	1,608
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	OPERATION & MAINTENANCE EXPENSE							
2								
3	**OPERATION & MAINTENANCE EXPENSE**							
4	PRODUCTION EXPENSE							
5	421-PURCHASED POWER	DEMGAS	0	0	0	0	0	0
6	805-PURCHASED GAS EXPENSES	DEMGAS	0	0	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES							
8	NON-RECONCILABLE	DEMGAS	92,172	4,065	1,626	7,297	18,515	3,267
9	CAPACITY RELATED	DEMGAS	0	0	0	0	0	0
10	COMMODITY RELATED	GASSALES	0	0	0	0	0	0
11	TOTAL ACCOUNT 807		92,172	4,065	1,626	7,297	18,515	3,267
12	TOTAL PURCHASED GAS SUPPLY		92,173	4,065	1,626	7,297	18,515	3,267
13								
14	TRANSMISSION EXPENSE							
15	856-MAINS EXPENSE	TRANS	2,393	345	38	1,116	539	385
16	857-MEASURING & REG. STATION	TRANS	(11,078)	(1,595)	(174)	(5,166)	(2,494)	(1,783)
17	864-MAINTENANCE OF COMPRESSOR STATION EC	TRANS	4	1	0	2	1	1
18	870-OPERATION SUPERVISION AND ENGINEERING	TRANS	67,031	9,654	1,054	31,258	15,093	10,787
19	TOTAL TRANSMISSION		58,350	8,404	917	27,210	13,138	9,390
20								
21	DISTRIBUTION EXPENSE							
22	431-INTEREST ON CUSTOMER DEPOSITS	LABDO	30,593	1,926	186	5,463	3,538	1,852
23	871-LOAD DISPATCHING	DISTR	34	5	1	16	8	6
24	874-MAINS & SERVICING EXPENSE	PLT376380	220,586	26,456	2,920	85,399	47,332	29,486
25	875-MEAS./REG. STATION EXPENSE	PLT378	51,859	7,469	815	24,183	11,677	8,346
26	876-MEAS./REG. STATION EXPENSE	PLT379	31,934	4,599	502	14,892	7,190	5,139
27	877-MEAS./REG. STATION EXPENSE	PLT383	10,329	186	5	162	448	36
28	878-METER EXPENSE	PLT381	246,515	4,438	128	3,867	10,689	868
29	879-CUSTOMER INSTALL EXP	PLT38284	98,503	1,774	51	1,545	4,271	347
30	880-OTHER EXPENSES	EXP87479	195,683	13,324	1,312	38,574	24,205	13,117
31	881-RENTS	DISTR	9,442	1,360	148	4,403	2,126	1,519
32	885-MAINT. SUPERV. & ENG.	LABDM	39,456	4,351	477	13,920	7,949	4,801
33	886-MAINT. OF STRUCTURES	PLT375	0	0	0	0	0	0
34	887-MAINT. OF MAINS	PLT376	229,995	33,125	3,616	107,253	51,786	37,012
35	889-MAINT. MEAS./REG	PLT378	5,436	783	85	2,535	1,224	875
36	890-MAINT. MEAS./REG	PLT379	440	63	7	205	99	71
37	891-MAINT. MEAS./REG	PLT383	155	3	0	2	7	1
38	892-MAINT. OF SERVICES	PLT380	36,882	111	43	104	6,019	51
39	893-MAINT. OF METER	PLT381	30,518	549	16	479	1,323	107
40	894-MAINT. OF OTHER EQUIP.	PLT387	20,540	2,958	323	9,578	4,625	3,305
41	TOTAL DISTRIBUTION EXP		1,258,901	103,480	10,635	312,582	184,514	106,940
42								
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL		COMMERCIAL		
			RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	OPERATION & MAINTENANCE EXPENSE						
2							
3	**OPERATION & MAINTENANCE EXPENSE**						
4	PRODUCTION EXPENSE						
5	421-PURCHASED POWER	DEMGAS	0	0	0	0	0
6	805-PURCHASED GAS EXPENSES	DEMGAS	0	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES						
8	NON-RECONCILABLE	DEMGAS	219,047	8,939	92,172	4,065	0
9	CAPACITY RELATED	DEMGAS	0	0	0	0	0
10	COMMODITY RELATED	GASSALES	0	0	0	0	0
11	TOTAL ACCOUNT 807		219,047	8,939	92,172	4,065	0
12	TOTAL PURCHASED GAS SUPPLY		219,047	8,939	92,173	4,065	0
13							
14	TRANSMISSION EXPENSE						
15	856-MAINS EXPENSE	TRANS	6,202	252	2,393	100	245
16	857-MEASURING & REG. STATION	TRANS	(28,712)	(1,165)	(11,078)	(463)	(1,133)
17	864-MAINTENANCE OF COMPRESSOR STATION EC	TRANS	10	0	4	0	0
18	870-OPERATION SUPERVISION AND ENGINEERING	TRANS	173,735	7,050	67,031	2,801	6,853
19	TOTAL TRANSMISSION		151,235	6,137	58,350	2,438	5,965
20							
21	DISTRIBUTION EXPENSE						
22	431-INTEREST ON CUSTOMER DEPOSITS	LABDO	121,559	5,278	30,593	638	1,288
23	871-LOAD DISPATCHING	DISTR	89	4	34	1	4
24	874-MAINS & SERVICING EXPENSE	PLT376380	886,753	37,521	220,586	7,704	18,752
25	875-MEAS./REG. STATION EXPENSE	PLT378	134,412	5,454	51,859	2,167	5,302
26	876-MEAS./REG. STATION EXPENSE	PLT379	82,768	3,359	31,934	1,335	3,265
27	877-MEAS./REG. STATION EXPENSE	PLT383	43,432	1,924	10,329	99	87
28	878-METER EXPENSE	PLT381	1,036,550	45,922	246,515	2,363	2,075
29	879-CUSTOMER INSTALL EXP	PLT38284	414,187	18,350	98,503	944	829
30	880-OTHER EXPENSES	EXP87479	770,629	33,378	195,683	4,334	8,990
31	881-RENTS	DISTR	24,473	993	9,442	395	965
32	885-MAINT. SUPERV. & ENG.	LABDM	165,042	7,025	39,456	1,280	3,071
33	886-MAINT. OF STRUCTURES	PLT375	0	0	0	0	0
34	887-MAINT. OF MAINS	PLT376	596,116	24,191	229,995	9,612	23,513
35	889-MAINT. MEAS./REG	PLT378	14,088	572	5,436	227	556
36	890-MAINT. MEAS./REG	PLT379	1,140	46	440	18	45
37	891-MAINT. MEAS./REG	PLT383	653	29	155	1	1
38	892-MAINT. OF SERVICES	PLT380	403,941	17,896	36,882	59	52
39	893-MAINT. OF METER	PLT381	128,321	5,685	30,518	293	257
40	894-MAINT. OF OTHER EQUIP.	PLT387	53,237	2,160	20,540	858	2,100
41	TOTAL DISTRIBUTION EXP		4,877,391	209,787	1,258,901	32,329	71,151
42							
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	OPERATION & MAINTENANCE EXPENSE				
2					
3	**OPERATION & MAINTENANCE EXPENSE**				
4	PRODUCTION EXPENSE				
5	421-PURCHASED POWER	DEMGAS	0	0	0
6	805-PURCHASED GAS EXPENSES	DEMGAS	0	0	0
7	807-PURCHASED GAS COST EXPENSES				
8	NON-RECONCILABLE	DEMGAS	1,626	7,297	0
9	CAPACITY RELATED	DEMGAS	0	0	0
10	COMMODITY RELATED	GASSALES	0	0	0
11	TOTAL ACCOUNT 807		1,626	7,297	0
12	TOTAL PURCHASED GAS SUPPLY		1,626	7,297	0
13					
14	TRANSMISSION EXPENSE				
15	856-MAINS EXPENSE	TRANS	38	162	953
16	857-MEASURING & REG. STATION	TRANS	(174)	(752)	(4,414)
17	864-MAINTENANCE OF COMPRESSOR STATION EC	TRANS	0	0	2
18	870-OPERATION SUPERVISION AND ENGINEERING	TRANS	1,054	4,550	26,708
19	TOTAL TRANSMISSION		917	3,961	23,249
20					
21	DISTRIBUTION EXPENSE				
22	431-INTEREST ON CUSTOMER DEPOSITS	LABDO	186	859	4,604
23	871-LOAD DISPATCHING	DISTR	1	2	14
24	874-MAINS & SERVICING EXPENSE	PLT376380	2,920	12,458	72,941
25	875-MEAS./REG. STATION EXPENSE	PLT378	815	3,521	20,663
26	876-MEAS./REG. STATION EXPENSE	PLT379	502	2,168	12,724
27	877-MEAS./REG. STATION EXPENSE	PLT383	5	60	102
28	878-METER EXPENSE	PLT381	128	1,425	2,443
29	879-CUSTOMER INSTALL EXP	PLT38284	51	569	976
30	880-OTHER EXPENSES	EXP87479	1,312	5,992	32,583
31	881-RENTS	DISTR	148	641	3,762
32	885-MAINT. SUPERV. & ENG.	LABDM	477	2,041	11,879
33	886-MAINT. OF STRUCTURES	PLT375	0	0	0
34	887-MAINT. OF MAINS	PLT376	3,616	15,613	91,639
35	889-MAINT. MEAS./REG	PLT378	85	369	2,166
36	890-MAINT. MEAS./REG	PLT379	7	30	175
37	891-MAINT. MEAS./REG	PLT383	0	1	2
38	892-MAINT. OF SERVICES	PLT380	43	40	63
39	893-MAINT. OF METER	PLT381	16	176	302
40	894-MAINT. OF OTHER EQUIP.	PLT387	323	1,394	8,184
41	TOTAL DISTRIBUTION EXP		10,635	47,359	265,222
42					
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	OPERATION & MAINTENANCE EXPENSE						
2							
3	**OPERATION & MAINTENANCE EXPENSE**						
4	PRODUCTION EXPENSE						
5	421-PURCHASED POWER	DEMGAS	0	0	0	0	0
6	805-PURCHASED GAS EXPENSES	DEMGAS	0	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES						
8	NON-RECONCILABLE	DEMGAS	18,515	3,267	0	324	276
9	CAPACITY RELATED	DEMGAS	0	0	0	0	0
10	COMMODITY RELATED	GASSALES	0	0	0	0	0
11	TOTAL ACCOUNT 807		18,515	3,267	0	324	276
12	TOTAL PURCHASED GAS SUPPLY		18,515	3,267	0	324	276
13							
14	TRANSMISSION EXPENSE						
15	856-MAINS EXPENSE	TRANS	539	91	294	7	5
16	857-MEASURING & REG. STATION	TRANS	(2,494)	(423)	(1,360)	(31)	(22)
17	864-MAINTENANCE OF COMPRESSOR STATION EC	TRANS	1	0	0	0	0
18	870-OPERATION SUPERVISION AND ENGINEERING	TRANS	15,093	2,559	8,228	190	131
19	TOTAL TRANSMISSION		13,138	2,228	7,162	165	114
20							
21	DISTRIBUTION EXPENSE						
22	431-INTEREST ON CUSTOMER DEPOSITS	LABDO	3,538	429	1,423	31	32
23	871-LOAD DISPATCHING	DISTR	8	1	4	0	0
24	874-MAINS & SERVICING EXPENSE	PLT376380	47,332	7,017	22,469	519	378
25	875-MEAS./REG. STATION EXPENSE	PLT378	11,677	1,980	6,366	147	101
26	876-MEAS./REG. STATION EXPENSE	PLT379	7,190	1,219	3,920	91	62
27	877-MEAS./REG. STATION EXPENSE	PLT383	448	2	34	0	6
28	878-METER EXPENSE	PLT381	10,689	54	814	0	136
29	879-CUSTOMER INSTALL EXP	PLT38284	4,271	21	325	0	54
30	880-OTHER EXPENSES	EXP87479	24,205	3,053	10,064	224	219
31	881-RENTS	DISTR	2,126	360	1,159	27	18
32	885-MAINT. SUPERV. & ENG.	LABDM	7,949	1,141	3,660	84	63
33	886-MAINT. OF STRUCTURES	PLT375	0	0	0	0	0
34	887-MAINT. OF MAINS	PLT376	51,786	8,781	28,232	652	449
35	889-MAINT. MEAS./REG	PLT378	1,224	208	667	15	11
36	890-MAINT. MEAS./REG	PLT379	99	17	54	1	1
37	891-MAINT. MEAS./REG	PLT383	7	0	1	0	0
38	892-MAINT. OF SERVICES	PLT380	6,019	34	17	0	20
39	893-MAINT. OF METER	PLT381	1,323	7	101	0	17
40	894-MAINT. OF OTHER EQUIP.	PLT387	4,625	784	2,521	58	40
41	TOTAL DISTRIBUTION EXP		184,514	25,109	81,830	1,850	1,608
42							
43							
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	OPERATION & MAINT EXP CONT.								
2									
3	**OPERATION & MAINTENANCE EXPENSE CONTINUED**								
4	CUSTOMER ACCOUNT								
5	901-SUPERVISION	LABCA	74,309	67,770	5,936	19	580	1	3
6	902-METER READING EXPENSE	CUST902	719,037	656,293	56,925	214	5,575	0	31
7	903-CUST RECORDS & COLLECT	CUST903	5,462,173	4,979,822	437,984	1,268	42,738	120	240
8	904-UNCOLLECTIBLE ACCOUNTS	BADDEBT	722,634	415,866	128,129	136,915	41,597	0	126
9	905-MISC CUST ACCTS EXP	EXP9024	34,381	30,139	3,103	689	448	1	2
10	906-CUSTOMER SERVICE & INFO	CUST10	0	0	0	0	0	0	0
11	907-SUPERV. CUSTOMER SERV.	LABCS	14,743	13,459	1,165	3	114	0	1
12	908-CUSTOMER ASSISTANCE	CUST10	(34,228)	(31,248)	(2,706)	(8)	(264)	(1)	(1)
13	909-INFO & INSTRUCTIONAL ADVERT.	CUST10	65,794	60,066	5,201	15	507	1	3
14	910-MISC. CUST. SERV. & INFO.	EXP9089	22,602	20,634	1,787	5	174	0	1
15	CARES DISCOUNTS	THERMS	0	0	0	0	0	0	0
16	CARES EXPENSES	THERMS	0	0	0	0	0	0	0
17	TOTAL CUSTOMER ACCTS EXP		7,081,444	6,212,801	637,524	139,122	91,469	123	406
18									
19	SALES EXPENSE								
20	912-DEMONSTRATING & SELLING	CDA912	558	507	46	0	4	0	0
21	913-ADVERTISING EXPENSES	CDA913	0	0	0	0	0	0	0
22	TOTAL SALES EXPENSE		558	507	46	0	4	0	0
23									
24	ADMINISTRATIVE & GENERAL EXPENSE								
25	920-ADMIN & GENERAL SALARY	PAYXAG	1,529,696	1,204,348	238,735	42,887	43,232	250	244
26	921-OFFICE SUPPLIES & EXP	PAYXAG	1,365,974	1,075,448	213,183	38,297	38,605	223	218
27	923-OUTSIDE SERV EMPLOYED	PAYXAG	(152,817)	(120,315)	(23,850)	(4,284)	(4,319)	(25)	(24)
28	924-PROPERTY INSURANCE	PLANT	2,696,531	1,871,590	514,666	164,292	144,295	958	730
29	925-INJURIES & DAMAGES	PAYXAG	7,415	5,838	1,157	208	210	1	1
30	926-EMPLOYED PENSION & BENF	PAYXAG	574,128	452,018	89,602	16,097	16,226	94	92
31	928-REGULATORY COMM EXPENSE	TOTREV	2,452,071	1,736,732	511,913	86,548	111,809	3,808	1,261
32	930-MISCELLANEOUS GEN EXP	PAYXAG	1,282,411	1,009,658	200,142	35,954	36,243	209	204
33	931-RENTS	PAYXAG	109,053	85,858	17,020	3,057	3,082	18	17
34	932-MAINT OF GENERAL PLT	GENPLT	169,826	134,060	26,159	4,708	4,845	27	27
35	TOTAL ADMIN & GEN EXPENSE		10,034,287	7,455,235	1,788,727	387,764	394,227	5,563	2,770
36									
37	TOTAL GAS O & M EXPENSE		$24,814,565	$19,141,078	$3,951,669	$887,154	$821,464	$8,026	$5,173
38									
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	OPERATION & MAINT EXP CONT.							
2								
3	**OPERATION & MAINTENANCE EXPENSE CONTINUED**							
4	CUSTOMER ACCOUNT							
5	901-SUPERVISION	LABCA	5,925	11	7	12	574	6
6	902-METER READING EXPENSE	CUST902	56,794	131	66	148	5,502	73
7	903-CUST RECORDS & COLLECT	CUST903	437,313	671	507	761	42,364	373
8	904-UNCOLLECTIBLE ACCOUNTS	BADDEBT	88,630	39,499	63	136,852	0	41,597
9	905-MISC CUST ACCTS EXP	EXP9024	2,902	201	3	686	238	209
10	906-CUSTOMER SERVICE & INFO	CUST10	0	0	0	0	0	0
11	907-SUPERV. CUSTOMER SERV.	LABCS	1,164	2	1	2	113	1
12	908-CUSTOMER ASSISTANCE	CUST10	(2,702)	(4)	(3)	(5)	(262)	(2)
13	909-INFO & INSTRUCTIONAL ADVERT.	CUST10	5,193	8	6	9	503	4
14	910-MISC. CUST. SERV. & INFO.	EXP9089	1,784	3	2	3	173	2
15	CARES DISCOUNTS	THERMS	0	0	0	0	0	0
16	CARES EXPENSES	THERMS	0	0	0	0	0	0
17	TOTAL CUSTOMER ACCTS EXP		597,004	40,520	653	138,469	49,205	42,263
18								
19	SALES EXPENSE							
20	912-DEMONSTRATING & SELLING	CDA912	46	0	0	0	4	0
21	913-ADVERTISING EXPENSES	CDA913	0	0	0	0	0	0
22	TOTAL SALES EXPENSE		46	0	0	0	4	0
23								
24	ADMINISTRATIVE & GENERAL EXPENSE							
25	920-ADMIN & GENERAL SALARY	PAYXAG	224,711	14,024	1,452	41,435	29,082	14,150
26	921-OFFICE SUPPLIES & EXP	PAYXAG	200,661	12,523	1,297	37,001	25,969	12,635
27	923-OUTSIDE SERV EMPLOYED	PAYXAG	(22,449)	(1,401)	(145)	(4,139)	(2,905)	(1,414)
28	924-PROPERTY INSURANCE	PLANT	464,334	50,332	5,426	158,866	89,397	54,898
29	925-INJURIES & DAMAGES	PAYXAG	1,089	68	7	201	141	69
30	926-EMPLOYED PENSION & BENF	PAYXAG	84,339	5,263	545	15,552	10,915	5,311
31	928-REGULATORY COMM EXPENSE	TOTREV	450,285	61,628	5,726	80,822	82,085	29,724
32	930-MISCELLANEOUS GEN EXP	PAYXAG	188,385	11,757	1,217	34,737	24,381	11,863
33	931-RENTS	PAYXAG	16,020	1,000	104	2,954	2,073	1,009
34	932-MAINT OF GENERAL PLT	GENPLT	24,621	1,538	160	4,548	3,290	1,555
35	TOTAL ADMIN & GEN EXPENSE		1,631,996	156,731	15,788	371,976	264,427	129,800
36								
37	TOTAL GAS O & M EXPENSE		$3,638,470	$313,200	$29,620	$857,534	$529,805	$291,660
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	OPERATION & MAINT EXP CONT.						
2							
3	**OPERATION & MAINTENANCE EXPENSE CONTINUED**						
4	CUSTOMER ACCOUNT						
5	901-SUPERVISION	LABCA	66,186	1,584	5,925	7	4
6	902-METER READING EXPENSE	CUST902	628,450	27,842	56,794	84	47
7	903-CUST RECORDS & COLLECT	CUST903	4,904,509	75,313	437,313	430	240
8	904-UNCOLLECTIBLE ACCOUNTS	BADDEBT	400,520	15,346	88,630	2,535	36,964
9	905-MISC CUST ACCTS EXP	EXP9024	29,549	590	2,902	15	186
10	906-CUSTOMER SERVICE & INFO	CUST10	0	0	0	0	0
11	907-SUPERV. CUSTOMER SERV.	LABCS	12,856	603	1,164	1	1
12	908-CUSTOMER ASSISTANCE	CUST10	(29,848)	(1,400)	(2,702)	(3)	(1)
13	909-INFO & INSTRUCTIONAL ADVERT.	CUST10	57,374	2,692	5,193	5	3
14	910-MISC. CUST. SERV. & INFO.	EXP9089	19,709	925	1,784	2	1
15	CARES DISCOUNTS	THERMS	0	0	0	0	0
16	CARES EXPENSES	THERMS	0	0	0	0	0
17	TOTAL CUSTOMER ACCTS EXP		6,089,306	123,495	597,004	3,076	37,444
18							
19	SALES EXPENSE						
20	912-DEMONSTRATING & SELLING	CDA912	499	8	46	0	0
21	913-ADVERTISING EXPENSES	CDA913	0	0	0	0	0
22	TOTAL SALES EXPENSE		499	8	46	0	0
23							
24	ADMINISTRATIVE & GENERAL EXPENSE						
25	920-ADMIN & GENERAL SALARY	PAYXAG	1,161,745	42,603	224,711	4,485	9,539
26	921-OFFICE SUPPLIES & EXP	PAYXAG	1,037,405	38,043	200,661	4,005	8,518
27	923-OUTSIDE SERV EMPLOYED	PAYXAG	(116,059)	(4,256)	(22,449)	(448)	(953)
28	924-PROPERTY INSURANCE	PLANT	1,796,045	75,545	464,334	15,042	35,289
29	925-INJURIES & DAMAGES	PAYXAG	5,631	207	1,089	22	46
30	926-EMPLOYED PENSION & BENF	PAYXAG	436,028	15,990	84,339	1,683	3,580
31	928-REGULATORY COMM EXPENSE	TOTREV	1,684,433	52,299	450,285	11,139	50,489
32	930-MISCELLANEOUS GEN EXP	PAYXAG	973,942	35,716	188,385	3,760	7,997
33	931-RENTS	PAYXAG	82,821	3,037	16,020	320	680
34	932-MAINT OF GENERAL PLT	GENPLT	129,127	4,932	24,621	491	1,047
35	TOTAL ADMIN & GEN EXPENSE		7,191,119	264,116	1,631,996	40,498	116,233
36							
37	TOTAL GAS O & M EXPENSE		$18,528,597	$612,481	$3,638,470	$82,407	$230,793
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	OPERATION & MAINT EXP CONT.				
2					
3	**OPERATION & MAINTENANCE EXPENSE CONTINUED**				
4	CUSTOMER ACCOUNT				
5	901-SUPERVISION	LABCA	7	4	8
6	902-METER READING EXPENSE	CUST902	66	55	94
7	903-CUST RECORDS & COLLECT	CUST903	507	280	481
8	904-UNCOLLECTIBLE ACCOUNTS	BADDEBT	63	268	136,583
9	905-MISC CUST ACCTS EXP	EXP9024	3	3	683
10	906-CUSTOMER SERVICE & INFO	CUST10	0	0	0
11	907-SUPERV. CUSTOMER SERV.	LABCS	1	1	1
12	908-CUSTOMER ASSISTANCE	CUST10	(3)	(2)	(3)
13	909-INFO & INSTRUCTIONAL ADVERT.	CUST10	6	3	6
14	910-MISC. CUST. SERV. & INFO.	EXP9089	2	1	2
15	CARES DISCOUNTS	THERMS	0	0	0
16	CARES EXPENSES	THERMS	0	0	0
17	TOTAL CUSTOMER ACCTS EXP		653	614	137,855
18					
19	SALES EXPENSE				
20	912-DEMONSTRATING & SELLING	CDA912	0	0	0
21	913-ADVERTISING EXPENSES	CDA913	0	0	0
22	TOTAL SALES EXPENSE		0	0	0
23					
24	ADMINISTRATIVE & GENERAL EXPENSE				
25	920-ADMIN & GENERAL SALARY	PAYXAG	1,452	6,364	35,071
26	921-OFFICE SUPPLIES & EXP	PAYXAG	1,297	5,683	31,318
27	923-OUTSIDE SERV EMPLOYED	PAYXAG	(145)	(636)	(3,504)
28	924-PROPERTY INSURANCE	PLANT	5,426	23,455	135,411
29	925-INJURIES & DAMAGES	PAYXAG	7	31	170
30	926-EMPLOYED PENSION & BENF	PAYXAG	545	2,389	13,163
31	928-REGULATORY COMM EXPENSE	TOTREV	5,726	10,843	69,979
32	930-MISCELLANEOUS GEN EXP	PAYXAG	1,217	5,335	29,402
33	931-RENTS	PAYXAG	104	454	2,500
34	932-MAINT OF GENERAL PLT	GENPLT	160	698	3,850
35	TOTAL ADMIN & GEN EXPENSE		15,788	54,616	317,360
36					
37	TOTAL GAS O & M EXPENSE		$29,620	$113,848	$743,686
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	OPERATION & MAINT EXP CONT.						
2							
3	**OPERATION & MAINTENANCE EXPENSE CONTINUED**						
4	CUSTOMER ACCOUNT						
5	901-SUPERVISION	LABCA	574	3	3	1	3
6	902-METER READING EXPENSE	CUST902	5,502	42	31	0	31
7	903-CUST RECORDS & COLLECT	CUST903	42,364	213	160	120	240
8	904-UNCOLLECTIBLE ACCOUNTS	BADDEBT	0	0	41,597	0	126
9	905-MISC CUST ACCTS EXP	EXP9024	238	1	208	1	2
10	906-CUSTOMER SERVICE & INFO	CUST10	0	0	0	0	0
11	907-SUPERV. CUSTOMER SERV.	LABCS	113	1	0	0	1
12	908-CUSTOMER ASSISTANCE	CUST10	(262)	(1)	(1)	(1)	(1)
13	909-INFO & INSTRUCTIONAL ADVERT.	CUST10	503	3	2	1	3
14	910-MISC. CUST. SERV. & INFO.	EXP9089	173	1	1	0	1
15	CARES DISCOUNTS	THERMS	0	0	0	0	0
16	CARES EXPENSES	THERMS	0	0	0	0	0
17	TOTAL CUSTOMER ACCTS EXP		49,205	262	42,001	123	406
18							
19	SALES EXPENSE						
20	912-DEMONSTRATING & SELLING	CDA912	4	0	0	0	0
21	913-ADVERTISING EXPENSES	CDA913	0	0	0	0	0
22	TOTAL SALES EXPENSE		4	0	0	0	0
23							
24	ADMINISTRATIVE & GENERAL EXPENSE						
25	920-ADMIN & GENERAL SALARY	PAYXAG	29,082	3,323	10,827	250	244
26	921-OFFICE SUPPLIES & EXP	PAYXAG	25,969	2,968	9,668	223	218
27	923-OUTSIDE SERV EMPLOYED	PAYXAG	(2,905)	(332)	(1,082)	(25)	(24)
28	924-PROPERTY INSURANCE	PLANT	89,397	13,092	41,805	958	730
29	925-INJURIES & DAMAGES	PAYXAG	141	16	52	1	1
30	926-EMPLOYED PENSION & BENF	PAYXAG	10,915	1,247	4,063	94	92
31	928-REGULATORY COMM EXPENSE	TOTREV	82,085	6,227	23,497	3,808	1,261
32	930-MISCELLANEOUS GEN EXP	PAYXAG	24,381	2,786	9,076	209	204
33	931-RENTS	PAYXAG	2,073	237	772	18	17
34	932-MAINT OF GENERAL PLT	GENPLT	3,290	366	1,189	27	27
35	TOTAL ADMIN & GEN EXPENSE		264,427	29,931	99,868	5,563	2,770
36							
37	TOTAL GAS O & M EXPENSE		$529,805	$60,797	$230,862	$8,026	$5,173
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	DEPRECIATION & AMORT EXPENSE								
2									
3	**DEPRECIATION AND AMORITIZATION EXPENSE**								
4									
5	407-AMOR Y2K EXP; GPS & PRESC GAIN	PAYXAG	363,339	286,061	56,705	10,187	10,269	59	58
6	407-AMORTIZATION OF C.A.R.E.S.	PLANT	477,337	331,307	91,106	29,083	25,543	170	129
7									
8	INTANGIBLE PLT DEPRECIATION EXPENSE								
9	302-FRANCHISES & CONSENTS	PLT302	13,489	10,648	2,078	374	385	2	2
10	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(1,284)	(1,014)	(198)	(36)	(37)	(0)	(0)
11	303-MISC. INTANGIBLE PLANT	PLT303	75,438	59,551	11,620	2,091	2,152	12	12
12	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(1,934)	(1,527)	(298)	(54)	(55)	(0)	(0)
13	TOTAL INTANGIBLE PLT DEPR EXP		85,709	67,658	13,202	2,376	2,445	14	14
14									
15	TRANSMISSION PLT DEPR EXP								
16	365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0	0	0
17	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0	0	0
18	366-STRUCTURES & IMPROVEMENTS	PLT366	1,416	810	344	145	116	1	1
19	366-STRUCTURES & IMPROVE - ACQ ADJ	PLT366	(249)	(142)	(60)	(25)	(20)	(0)	(0)
20	367-MAINS	PLT367	272,433	155,869	66,116	27,859	22,313	164	113
21	367-MAINS - ACQ ADJ	PLT367	(24,551)	(14,046)	(5,958)	(2,511)	(2,011)	(15)	(10)
22	369-MEASURING & REG STATION EQ.	PLT369	11,670	6,677	2,832	1,193	956	7	5
23	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(6,536)	(3,740)	(1,586)	(668)	(535)	(4)	(3)
24	371-OTHER EQUIPMENT	PLT371	(332)	(190)	(81)	(34)	(27)	(0)	(0)
25	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(602)	(345)	(146)	(62)	(49)	(0)	(0)
26	TOTAL TRANS PLT DEPR EXP		253,249	144,893	61,460	25,897	20,742	152	105
27									
28	DISTRIBUTION PLT DEPR EXP								
29	375-STRUCTURES & IMPROV	PLT375	2,126	1,216	516	217	174	1	1
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(318)	(182)	(77)	(33)	(26)	(0)	(0)
31	376-MAINS	PLT376	2,867,976	1,640,873	696,021	293,277	234,894	1,725	1,186
32	376-MAINS - ACQ ADJ	PLT376	(364,767)	(208,696)	(88,524)	(37,301)	(29,875)	(219)	(151)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	55,436	31,717	13,454	5,669	4,540	33	23
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(5,598)	(3,203)	(1,359)	(572)	(459)	(3)	(2)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	51,099	29,235	12,401	5,225	4,185	31	21
36	379-MEAS. & REG. EQ-CITY GATE - ACQ ADJ	PLT379	(5,653)	(3,235)	(1,372)	(578)	(463)	(3)	(2)
37	380-SERVICES	PLT380	2,063,965	1,872,112	164,174	651	26,937	0	91
38	380-SERVICES - ACQ ADJ	PLT380	(187,260)	(169,854)	(14,895)	(59)	(2,444)	0	(8)
39	381-METERS	PLT381	261,313	209,666	48,608	774	2,238	0	26
40	381-METERS - ACQ ADJ	PLT381	(23,452)	(18,817)	(4,362)	(69)	(201)	0	(2)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
	ALLOC	SM. VOL. (8)	LG. VOL. (9)	SM. VOL. (10)	LG. VOL. (11)	SM. VOL. (12)	LG. VOL. (13)
1 DEPRECIATION & AMORT EXPENSE							
2							
3 **DEPRECIATION AND AMORITIZATION EXPENSE**							
4							
5 407-AMOR Y2K EXP; GPS & PRESC GAIN	PAYXAG	53,374	3,331	345	9,842	6,908	3,361
6 407-AMORTIZATION OF C.A.R.E.S.	PLANT	82,196	8,910	961	28,122	15,825	9,718
7							
8 INTANGIBLE PLT DEPRECIATION EXPENSE							
9 302-FRANCHISES & CONSENTS	PLT302	1,956	122	13	361	261	124
10 302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(186)	(12)	(1)	(34)	(25)	(12)
11 303-MISC. INTANGIBLE PLANT	PLT303	10,937	683	71	2,020	1,461	691
12 303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(280)	(18)	(2)	(52)	(37)	(18)
13 TOTAL INTANGIBLE PLT DEPR EXP		12,426	776	81	2,295	1,660	785
14							
15 TRANSMISSION PLT DEPR EXP							
16 365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0	0
17 365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0	0
18 366-STRUCTURES & IMPROVEMENTS	PLT366	300	43	5	140	68	48
19 366-STRUCTURES & IMPROVE - ACQ ADJ	PLT366	(53)	(8)	(1)	(25)	(12)	(8)
20 367-MAINS	PLT367	57,792	8,323	909	26,950	13,013	9,300
21 367-MAINS - ACQ ADJ	PLT367	(5,208)	(750)	(82)	(2,429)	(1,173)	(838)
22 369-MEASURING & REG STATION EQ.	PLT369	2,476	357	39	1,154	557	398
23 369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(1,387)	(200)	(22)	(647)	(312)	(223)
24 371-OTHER EQUIPMENT	PLT371	(70)	(10)	(1)	(33)	(16)	(11)
25 371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(128)	(18)	(2)	(60)	(29)	(21)
26 TOTAL TRANS PLT DEPR EXP		53,723	7,737	845	25,052	12,096	8,645
27							
28 DISTRIBUTION PLT DEPR EXP							
29 375-STRUCTURES & IMPROV	PLT375	451	65	7	210	102	73
30 375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(68)	(10)	(1)	(32)	(15)	(11)
31 376-MAINS	PLT376	608,398	87,623	9,565	283,711	136,986	97,907
32 376-MAINS - ACQ ADJ	PLT376	(77,380)	(11,144)	(1,217)	(36,084)	(17,423)	(12,452)
33 378-MEAS. & REG. EQUIP-GEN	PLT378	11,760	1,694	185	5,484	2,648	1,892
34 378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(1,188)	(171)	(19)	(554)	(267)	(191)
35 379-MEAS. & REG. EQUIP-CITY GATE	PLT379	10,840	1,561	170	5,055	2,441	1,744
36 379-MEAS. & REG. EQ-CITY GATE - ACQ ADJ	PLT379	(1,199)	(173)	(19)	(559)	(270)	(193)
37 380-SERVICES	PLT380	163,682	492	191	460	26,712	226
38 380-SERVICES - ACQ ADJ	PLT380	(14,851)	(45)	(17)	(42)	(2,424)	(20)
39 381-METERS	PLT381	47,748	860	25	749	2,070	168
40 381-METERS - ACQ ADJ	PLT381	(4,285)	(77)	(2)	(67)	(186)	(15)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	DEPRECIATION & AMORT EXPENSE						
2							
3	**DEPRECIATION AND AMORITIZATION EXPENSE**						
4							
5	407-AMOR Y2K EXP; GPS & PRESC GAIN	PAYXAG	275,942	10,119	53,374	1,065	2,266
6	407-AMORTIZATION OF C.A.R.E.S.	PLANT	317,934	13,373	82,196	2,663	6,247
7							
8	INTANGIBLE PLT DEPRECIATION EXPENSE						
9	302-FRANCHISES & CONSENTS	PLT302	10,256	392	1,956	39	83
10	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(977)	(37)	(186)	(4)	(8)
11	303-MISC. INTANGIBLE PLANT	PLT303	57,360	2,191	10,937	218	465
12	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(1,471)	(56)	(280)	(6)	(12)
13	TOTAL INTANGIBLE PLT DEPR EXP		65,169	2,489	12,426	248	528
14							
15	TRANSMISSION PLT DEPR EXP						
16	365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0
17	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0
18	366-STRUCTURES & IMPROVEMENTS	PLT366	779	32	300	13	31
19	366-STRUCTURES & IMPROVE - ACQ ADJ	PLT366	(137)	(6)	(53)	(2)	(5)
20	367-MAINS	PLT367	149,790	6,079	57,792	2,415	5,908
21	367-MAINS - ACQ ADJ	PLT367	(13,499)	(548)	(5,208)	(218)	(532)
22	369-MEASURING & REG STATION EQ.	PLT369	6,416	260	2,476	103	253
23	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(3,594)	(146)	(1,387)	(58)	(142)
24	371-OTHER EQUIPMENT	PLT371	(183)	(7)	(70)	(3)	(7)
25	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(331)	(13)	(128)	(5)	(13)
26	TOTAL TRANS PLT DEPR EXP		139,242	5,650	53,723	2,245	5,492
27							
28	DISTRIBUTION PLT DEPR EXP						
29	375-STRUCTURES & IMPROV	PLT375	1,169	47	451	19	46
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(175)	(7)	(68)	(3)	(7)
31	376-MAINS	PLT376	1,576,883	63,990	608,398	25,425	62,198
32	376-MAINS - ACQ ADJ	PLT376	(200,558)	(8,139)	(77,380)	(3,234)	(7,911)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	30,480	1,237	11,760	491	1,202
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(3,078)	(125)	(1,188)	(50)	(121)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	28,095	1,140	10,840	453	1,108
36	379-MEAS. & REG. EQ-CITY GATE - ACQ ADJ	PLT379	(3,108)	(126)	(1,199)	(50)	(123)
37	380-SERVICES	PLT380	1,792,691	79,421	163,682	262	230
38	380-SERVICES - ACQ ADJ	PLT380	(162,648)	(7,206)	(14,851)	(24)	(21)
39	381-METERS	PLT381	200,772	8,895	47,748	458	402
40	381-METERS - ACQ ADJ	PLT381	(18,019)	(798)	(4,285)	(41)	(36)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	DEPRECIATION & AMORT EXPENSE				
2					
3	**DEPRECIATION AND AMORITIZATION EXPENSE**				
4					
5	407-AMOR Y2K EXP; GPS & PRESC GAIN	PAYXAG	345	1,512	8,330
6	407-AMORTIZATION OF C.A.R.E.S.	PLANT	961	4,152	23,970
7					
8	INTANGIBLE PLT DEPRECIATION EXPENSE				
9	302-FRANCHISES & CONSENTS	PLT302	13	55	306
10	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(1)	(5)	(29)
11	303-MISC. INTANGIBLE PLANT	PLT303	71	310	1,710
12	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(2)	(8)	(44)
13	TOTAL INTANGIBLE PLT DEPR EXP		81	352	1,943
14					
15	TRANSMISSION PLT DEPR EXP				
16	365-LAND & LAND RIGHTS	PLT365	0	0	0
17	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0
18	366-STRUCTURES & IMPROVEMENTS	PLT366	5	20	120
19	366-STRUCTURES & IMPROVE - ACQ ADJ	PLT366	(1)	(4)	(21)
20	367-MAINS	PLT367	909	3,923	23,027
21	367-MAINS - ACQ ADJ	PLT367	(82)	(354)	(2,075)
22	369-MEASURING & REG STATION EQ.	PLT369	39	168	986
23	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(22)	(94)	(552)
24	371-OTHER EQUIPMENT	PLT371	(1)	(5)	(28)
25	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(2)	(9)	(51)
26	TOTAL TRANS PLT DEPR EXP		845	3,647	21,405
27					
28	DISTRIBUTION PLT DEPR EXP				
29	375-STRUCTURES & IMPROV	PLT375	7	31	180
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(1)	(5)	(27)
31	376-MAINS	PLT376	9,565	41,302	242,410
32	376-MAINS - ACQ ADJ	PLT376	(1,217)	(5,253)	(30,831)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	185	798	4,686
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(19)	(81)	(473)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	170	736	4,319
36	379-MEAS. & REG. EQ-CITY GATE - ACQ ADJ	PLT379	(19)	(81)	(478)
37	380-SERVICES	PLT380	191	179	281
38	380-SERVICES - ACQ ADJ	PLT380	(17)	(16)	(25)
39	381-METERS	PLT381	25	276	473
40	381-METERS - ACQ ADJ	PLT381	(2)	(25)	(42)
41					
42					
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEPRECIATION & AMORT EXPENSE						
2							
3	**DEPRECIATION AND AMORITIZATION EXPENSE**						
4							
5	407-AMOR Y2K EXP; GPS & PRESC GAIN	PAYXAG	6,908	789	2,572	59	58
6	407-AMORTIZATION OF C.A.R.E.S.	PLANT	15,825	2,318	7,400	170	129
7							
8	INTANGIBLE PLT DEPRECIATION EXPENSE						
9	302-FRANCHISES & CONSENTS	PLT302	261	29	94	2	2
10	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(25)	(3)	(9)	(0)	(0)
11	303-MISC. INTANGIBLE PLANT	PLT303	1,461	163	528	12	12
12	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(37)	(4)	(14)	(0)	(0)
13	TOTAL INTANGIBLE PLT DEPR EXP		1,660	185	600	14	14
14							
15	TRANSMISSION PLT DEPR EXP						
16	365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0
17	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0
18	366-STRUCTURES & IMPROVEMENTS	PLT366	68	11	37	1	1
19	366-STRUCTURES & IMPROVE - ACQ ADJ	PLT366	(12)	(2)	(6)	(0)	(0)
20	367-MAINS	PLT367	13,013	2,206	7,094	164	113
21	367-MAINS - ACQ ADJ	PLT367	(1,173)	(199)	(639)	(15)	(10)
22	369-MEASURING & REG STATION EQ.	PLT369	557	95	304	7	5
23	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(312)	(53)	(170)	(4)	(3)
24	371-OTHER EQUIPMENT	PLT371	(16)	(3)	(9)	(0)	(0)
25	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(29)	(5)	(16)	(0)	(0)
26	TOTAL TRANS PLT DEPR EXP		12,096	2,051	6,594	152	105
27							
28	DISTRIBUTION PLT DEPR EXP						
29	375-STRUCTURES & IMPROV	PLT375	102	17	55	1	1
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(15)	(3)	(8)	(0)	(0)
31	376-MAINS	PLT376	136,986	23,228	74,680	1,725	1,186
32	376-MAINS - ACQ ADJ	PLT376	(17,423)	(2,954)	(9,498)	(219)	(151)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	2,648	449	1,444	33	23
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(267)	(45)	(146)	(3)	(2)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	2,441	414	1,331	31	21
36	379-MEAS. & REG. EQ-CITY GATE - ACQ ADJ	PLT379	(270)	(46)	(147)	(3)	(2)
37	380-SERVICES	PLT380	26,712	149	77	0	91
38	380-SERVICES - ACQ ADJ	PLT380	(2,424)	(14)	(7)	0	(8)
39	381-METERS	PLT381	2,070	10	158	0	26
40	381-METERS - ACQ ADJ	PLT381	(186)	(1)	(14)	0	(2)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	DEPREC & AMORT EXP CONT.								
2	DISTRIBUTION PLT DEPR EXP CONTINUED								
3	382-METER INSTALLATIONS	PLT382	156,349	125,448	29,083	463	1,339	0	16
4	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(17,577)	(14,103)	(3,270)	(52)	(151)	0	(2)
5	383-REGULATORS	PLT383	65,671	52,692	12,216	194	563	0	7
6	383-REGULATORS - ACQ ADJ	PLT383	(4,574)	(3,670)	(851)	(14)	(39)	0	(0)
7	384-REGULATOR INSTALLATIONS	PLT384	31,794	25,511	5,914	94	272	0	3
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(2,303)	(1,848)	(428)	(7)	(20)	0	(0)
9	385-INDUSTRIAL MEAS. EQUIP.	PLT385	32,408	0	27,965	1,190	3,234	0	19
10	385-INDUSTRIAL MEAS. EQUIP. - ACQ ADJ	PLT385	(2,874)	0	(2,480)	(106)	(287)	0	(2)
11	387-OTHER EQUIPMENT	PLT387	43,005	24,605	10,437	4,398	3,522	26	18
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(4,396)	(2,515)	(1,067)	(450)	(360)	(3)	(2)
13	TOTAL DISTRIBUTION PLT DEPR EXP		5,012,368	3,586,952	902,102	272,912	247,575	1,587	1,239
14									
15	GENERAL PLANT DEPR EXP								
16	390-STRUCTURES & IMPROVE	PLT390	70,345	55,530	10,835	1,950	2,007	11	11
17	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(8,730)	(6,891)	(1,345)	(242)	(249)	(1)	(1)
18	391-OFFICE FURN & EQUIPMENT	PLT391	638,907	504,351	98,413	17,712	18,228	103	101
19	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(61,588)	(48,617)	(9,487)	(1,707)	(1,757)	(10)	(10)
20	392-TRANSPORTATION EQUIP	PLT392	146,461	115,616	22,560	4,060	4,179	24	23
21	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	22,952	18,118	3,535	636	655	4	4
22	393-STORES EQUIPMENT	PLT393	2,916	2,302	449	81	83	0	0
23	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(466)	(368)	(72)	(13)	(13)	(0)	(0)
24	394-TOOLS, SHOP & GARAGE EQ	PLT394	63,503	50,129	9,781	1,760	1,812	10	10
25	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(8,997)	(7,102)	(1,386)	(249)	(257)	(1)	(1)
26	395-LABORATORY EQUIPMENT	PLT395	65,249	51,507	10,051	1,809	1,862	10	10
27	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(7,044)	(5,560)	(1,085)	(195)	(201)	(1)	(1)
28	396-POWER OPERATED EQUIPMENT	PLT396	40,891	32,279	6,299	1,134	1,167	7	6
29	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(579)	(457)	(89)	(16)	(17)	(0)	(0)
30	397-COMMUNICATION EQUIP	PLT397	65,623	51,802	10,108	1,819	1,872	11	10
31	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(10,237)	(8,081)	(1,577)	(284)	(292)	(2)	(2)
32	398-MISCELLANEOUS EQUIP	PLT398	10,357	8,175	1,595	287	295	2	2
33	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(1,173)	(926)	(181)	(33)	(33)	(0)	(0)
34	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0	0	0
35	TOTAL GENERAL PLT DEPR EXP		1,028,390	811,808	158,406	28,509	29,340	165	162
36									
37	TOTAL DEPRECIATION & AMORTIZATION EXPENSE		$7,220,392	$5,228,678	$1,282,981	$368,964	$335,914	$2,147	$1,707
38									
39	TOTAL ACQUISITION ADJUSTMENT DEPR EXPENSE		(729,791)	(506,821)	(138,617)	(44,698)	(39,196)	(261)	(198)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	DEPREC & AMORT EXP CONT.							
2	DISTRIBUTION PLT DEPR EXP CONTINUED							
3	382-METER INSTALLATIONS	PLT382	28,569	514	15	448	1,239	101
4	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(3,212)	(58)	(2)	(50)	(139)	(11)
5	383-REGULATORS	PLT383	12,000	216	6	188	520	42
6	383-REGULATORS - ACQ ADJ	PLT383	(836)	(15)	(0)	(13)	(36)	(3)
7	384-REGULATOR INSTALLATIONS	PLT384	5,810	105	3	91	252	20
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(421)	(8)	(0)	(7)	(18)	(1)
9	385-INDUSTRIAL MEAS. EQUIP.	PLT385	26,462	1,503	44	1,145	2,447	787
10	385-INDUSTRIAL MEAS. EQUIP. - ACQ ADJ	PLT385	(2,347)	(133)	(4)	(102)	(217)	(70)
11	387-OTHER EQUIPMENT	PLT387	9,123	1,314	143	4,254	2,054	1,468
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(933)	(134)	(15)	(435)	(210)	(150)
13	TOTAL DISTRIBUTION PLT DEPR EXP		818,123	83,979	9,060	263,852	156,265	91,311
14								
15	GENERAL PLANT DEPR EXP							
16	390-STRUCTURES & IMPROVE	PLT390	10,198	637	66	1,884	1,363	644
17	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(1,266)	(79)	(8)	(234)	(169)	(80)
18	391-OFFICE FURN & EQUIPMENT	PLT391	92,627	5,785	601	17,111	12,377	5,851
19	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(8,929)	(558)	(58)	(1,649)	(1,193)	(564)
20	392-TRANSPORTATION EQUIP	PLT392	21,234	1,326	138	3,922	2,837	1,341
21	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	3,328	208	22	615	445	210
22	393-STORES EQUIPMENT	PLT393	423	26	3	78	56	27
23	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(68)	(4)	(0)	(12)	(9)	(4)
24	394-TOOLS, SHOP & GARAGE EQ	PLT394	9,206	575	60	1,701	1,230	582
25	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(1,304)	(81)	(8)	(241)	(174)	(82)
26	395-LABORATORY EQUIPMENT	PLT395	9,460	591	61	1,747	1,264	598
27	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(1,021)	(64)	(7)	(189)	(136)	(65)
28	396-POWER OPERATED EQUIPMENT	PLT396	5,928	370	38	1,095	792	374
29	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(84)	(5)	(1)	(16)	(11)	(5)
30	397-COMMUNICATION EQUIP	PLT397	9,514	594	62	1,757	1,271	601
31	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(1,484)	(93)	(10)	(274)	(198)	(94)
32	398-MISCELLANEOUS EQUIP	PLT398	1,501	94	10	277	201	95
33	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(170)	(11)	(1)	(31)	(23)	(11)
34	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0	0
35	TOTAL GENERAL PLT DEPR EXP		149,094	9,312	967	27,542	19,922	9,418
36								
37	TOTAL DEPRECIATION & AMORTIZATION EXPENSE		$1,168,936	$114,045	$12,258	$356,706	$212,676	$123,238
38								
39	TOTAL ACQUISITION ADJUSTMENT DEPR EXPENSE		(124,958)	(13,660)	(1,477)	(43,222)	(24,263)	(14,933)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL		COMMERCIAL		
			RESIDENTIAL SERVICE	CARES	SM. VOL.	LG. VOL.	TRANS-PORTATION
			(14)	(15)	(16)	(17)	(18)
1	DEPREC & AMORT EXP CONT.						
2	DISTRIBUTION PLT DEPR EXP CONTINUED						
3	382-METER INSTALLATIONS	PLT382	120,126	5,322	28,569	274	240
4	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(13,505)	(598)	(3,212)	(31)	(27)
5	383-REGULATORS	PLT383	50,457	2,235	12,000	115	101
6	383-REGULATORS - ACQ ADJ	PLT383	(3,514)	(156)	(836)	(8)	(7)
7	384-REGULATOR INSTALLATIONS	PLT384	24,428	1,082	5,810	56	49
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(1,769)	(78)	(421)	(4)	(4)
9	385-INDUSTRIAL MEAS. EQUIP.	PLT385	0	0	26,462	859	644
10	385-INDUSTRIAL MEAS. EQUIP. - ACQ ADJ	PLT385	0	0	(2,347)	(76)	(57)
11	387-OTHER EQUIPMENT	PLT387	23,645	960	9,123	381	933
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(2,417)	(98)	(933)	(39)	(95)
13	TOTAL DISTRIBUTION PLT DEPR EXP		3,439,953	146,999	818,123	25,234	58,745
14							
15	GENERAL PLANT DEPR EXP						
16	390-STRUCTURES & IMPROVE	PLT390	53,487	2,043	10,198	203	434
17	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(6,638)	(254)	(1,266)	(25)	(54)
18	391-OFFICE FURN & EQUIPMENT	PLT391	485,794	18,556	92,627	1,848	3,937
19	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(46,828)	(1,789)	(8,929)	(178)	(380)
20	392-TRANSPORTATION EQUIP	PLT392	111,362	4,254	21,234	424	903
21	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	17,452	667	3,328	66	141
22	393-STORES EQUIPMENT	PLT393	2,217	85	423	8	18
23	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(354)	(14)	(68)	(1)	(3)
24	394-TOOLS, SHOP & GARAGE EQ	PLT394	48,284	1,844	9,206	184	391
25	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(6,841)	(261)	(1,304)	(26)	(55)
26	395-LABORATORY EQUIPMENT	PLT395	49,612	1,895	9,460	189	402
27	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(5,356)	(205)	(1,021)	(20)	(43)
28	396-POWER OPERATED EQUIPMENT	PLT396	31,091	1,188	5,928	118	252
29	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(440)	(17)	(84)	(2)	(4)
30	397-COMMUNICATION EQUIP	PLT397	49,896	1,906	9,514	190	404
31	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(7,784)	(297)	(1,484)	(30)	(63)
32	398-MISCELLANEOUS EQUIP	PLT398	7,875	301	1,501	30	64
33	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(892)	(34)	(170)	(3)	(7)
34	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0
35	TOTAL GENERAL PLT DEPR EXP		781,939	29,868	149,094	2,975	6,338
36							
37	TOTAL DEPRECIATION & AMORTIZATION EXPENSE		$5,020,179	$208,499	$1,168,936	$34,430	$79,615
38							
39	TOTAL ACQUISITION ADJUSTMENT DEPR EXPENSE		(486,480)	(20,341)	(124,958)	(4,071)	(9,589)
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UNS GAS COMPANY
COST OF SERVICE STUDY
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		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	DEPREC & AMORT EXP CONT.				
2	DISTRIBUTION PLT DEPR EXP CONTINUED				
3	382-METER INSTALLATIONS	PLT382	15	165	283
4	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(2)	(19)	(32)
5	383-REGULATORS	PLT383	6	69	119
6	383-REGULATORS - ACQ ADJ	PLT383	(0)	(5)	(8)
7	384-REGULATOR INSTALLATIONS	PLT384	3	34	58
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(0)	(2)	(4)
9	385-INDUSTRIAL MEAS. EQUIP.	PLT385	44	430	716
10	385-INDUSTRIAL MEAS. EQUIP. - ACQ ADJ	PLT385	(4)	(38)	(63)
11	387-OTHER EQUIPMENT	PLT387	143	619	3,635
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(15)	(63)	(372)
13	TOTAL DISTRIBUTION PLT DEPR EXP		9,060	39,050	224,802
14					
15	GENERAL PLANT DEPR EXP				
16	390-STRUCTURES & IMPROVE	PLT390	66	289	1,595
17	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(8)	(36)	(198)
18	391-OFFICE FURN & EQUIPMENT	PLT391	601	2,626	14,485
19	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(58)	(253)	(1,396)
20	392-TRANSPORTATION EQUIP	PLT392	138	602	3,320
21	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	22	94	520
22	393-STORES EQUIPMENT	PLT393	3	12	66
23	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(0)	(2)	(11)
24	394-TOOLS, SHOP & GARAGE EQ	PLT394	60	261	1,440
25	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(8)	(37)	(204)
26	395-LABORATORY EQUIPMENT	PLT395	61	268	1,479
27	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(7)	(29)	(160)
28	396-POWER OPERATED EQUIPMENT	PLT396	38	168	927
29	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(1)	(2)	(13)
30	397-COMMUNICATION EQUIP	PLT397	62	270	1,488
31	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(10)	(42)	(232)
32	398-MISCELLANEOUS EQUIP	PLT398	10	43	235
33	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(1)	(5)	(27)
34	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0
35	TOTAL GENERAL PLT DEPR EXP		967	4,227	23,314
36					
37	TOTAL DEPRECIATION & AMORTIZATION EXPENSE		$12,258	$52,941	$303,765
38					
39	TOTAL ACQUISITION ADJUSTMENT DEPR EXPENSE		(1,477)	(6,373)	(36,849)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEPREC & AMORT EXP CONT.						
2	DISTRIBUTION PLT DEPR EXP CONTINUED						
3	382-METER INSTALLATIONS	PLT382	1,239	6	94	0	16
4	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(139)	(1)	(11)	0	(2)
5	383-REGULATORS	PLT383	520	3	40	0	7
6	383-REGULATORS - ACQ ADJ	PLT383	(36)	(0)	(3)	0	(0)
7	384-REGULATOR INSTALLATIONS	PLT384	252	1	19	0	3
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(18)	(0)	(1)	0	(0)
9	385-INDUSTRIAL MEAS. EQUIP.	PLT385	2,447	358	430	0	19
10	385-INDUSTRIAL MEAS. EQUIP. - ACQ ADJ	PLT385	(217)	(32)	(38)	0	(2)
11	387-OTHER EQUIPMENT	PLT387	2,054	348	1,120	26	18
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(210)	(36)	(114)	(3)	(2)
13	TOTAL DISTRIBUTION PLT DEPR EXP		156,265	21,853	69,458	1,587	1,239
14							
15	GENERAL PLANT DEPR EXP						
16	390-STRUCTURES & IMPROVE	PLT390	1,363	152	492	11	11
17	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(169)	(19)	(61)	(1)	(1)
18	391-OFFICE FURN & EQUIPMENT	PLT391	12,377	1,378	4,473	103	101
19	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(1,193)	(133)	(431)	(10)	(10)
20	392-TRANSPORTATION EQUIP	PLT392	2,837	316	1,025	24	23
21	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	445	50	161	4	4
22	393-STORES EQUIPMENT	PLT393	56	6	20	0	0
23	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(9)	(1)	(3)	(0)	(0)
24	394-TOOLS, SHOP & GARAGE EQ	PLT394	1,230	137	445	10	10
25	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(174)	(19)	(63)	(1)	(1)
26	395-LABORATORY EQUIPMENT	PLT395	1,264	141	457	10	10
27	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(136)	(15)	(49)	(1)	(1)
28	396-POWER OPERATED EQUIPMENT	PLT396	792	88	286	7	6
29	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(11)	(1)	(4)	(0)	(0)
30	397-COMMUNICATION EQUIP	PLT397	1,271	142	459	11	10
31	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(198)	(22)	(72)	(2)	(2)
32	398-MISCELLANEOUS EQUIP	PLT398	201	22	73	2	2
33	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(23)	(3)	(8)	(0)	(0)
34	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0
35	TOTAL GENERAL PLT DEPR EXP		19,922	2,219	7,199	165	162
36							
37	TOTAL DEPRECIATION & AMORTIZATION EXPENSE		$212,676	$29,414	$93,824	$2,147	$1,707
38							
39	TOTAL ACQUISITION ADJUSTMENT DEPR EXPENSE		(24,263)	(3,560)	(11,373)	(261)	(198)
40							
41							
42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	STATE & FED TAXES & OTHER EXPENSE								
2									
3	**TAXES OTHER THAN INCOME**								
4	PROPERTY TAXES - TRANSMISSION	TRANPLT	$295,707	$169,185	$71,764	$30,239	$24,219	$178	$122
5	PROPERTY TAXES - DISTRIBUTION	DISTRPLT	3,625,714	2,522,861	688,241	219,012	193,349	1,276	975
6	PROPERTY TAXES - GENERAL	GENPLT	181,954	143,634	28,027	5,044	5,191	29	29
7	PAYROLL TAXES	LABOR	537,877	424,598	82,851	14,911	15,346	86	85
8	OTHER TAXES	PLANT	88,841	61,662	16,956	5,413	4,754	32	24
9	TOTAL TAX OTHER THAN INCOME		4,730,094	3,321,941	887,839	274,619	242,859	1,601	1,235
10									
11	TOTAL OPERATING EXPENSE BEFORE INCOME TAX		$36,765,050	$27,691,697	$6,122,490	$1,530,737	$1,400,238	$11,774	$8,114
12	**FEDERAL & STATE TAX CALCULATION**								
13									
14	OPERATING REVENUES		$47,169,527	$33,408,834	$9,847,465	$1,664,891	$2,150,826	$73,251	$24,260
15	OPERATING EXPENSES								
16	OPERATION & MAINTENANCE EXP		24,814,565	19,141,078	3,951,669	887,154	821,464	8,026	5,173
17	DEPRECIATION		7,220,392	5,228,678	1,282,981	368,964	335,914	2,147	1,707
18	TAXES OTHER THAN INCOME		4,730,094	3,321,941	887,839	274,619	242,859	1,601	1,235
19	OPERATING INCOME BEFORE INCOME TAXES		10,404,477	5,717,137	3,724,975	134,154	750,588	61,477	16,146
20									
21	INTEREST EXPENSE		(5,393,917)	(3,694,864)	(1,047,668)	(347,125)	(300,712)	(2,027)	(1,522)
22									
23	BOOK TAXABLE INCOME		5,010,560	2,022,273	2,677,307	(212,970)	449,876	59,450	14,624
24									
25	STATE TAX @ 0.00%		0	0	0	0	0	0	0
26									
27	STATE AND FEDERAL TAXABLE BASIS		5,010,560	2,022,273	2,677,307	(212,970)	449,876	59,450	14,624
28									
29	STATE AND FEDERAL INCOME TAX @ 39.43%		1,975,498	797,315	1,055,574	(83,967)	177,371	23,439	5,766
30	AMORTIZATION OF ITC	PLANT	0	0	0	0	0	0	0
31	BLANK.	PLANT	0	0	0	0	0	0	0
32	TOTAL STATE AND FEDERAL TAXES		1,975,498	797,315	1,055,574	(83,967)	177,371	23,439	5,766
33									
34	TOTAL STATE & FEDERAL INCOME TAX		1,975,498	797,315	1,055,574	(83,967)	177,371	23,439	5,766
35									
36	NET INCOME AFTER TAX		$8,428,979	$4,919,822	$2,669,402	$218,121	$573,217	$38,038	$10,380
37									

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	STATE & FED TAXES & OTHER EXPENSE							
2								
3	**TAXES OTHER THAN INCOME**							
4	PROPERTY TAXES - TRANSMISSION	TRANPLT	$62,730	$9,035	$986	$29,253	$14,124	$10,095
5	PROPERTY TAXES - DISTRIBUTION	DISTRPLT	621,092	67,149	7,238	211,774	120,127	73,222
6	PROPERTY TAXES - GENERAL	GENPLT	26,379	1,648	171	4,873	3,525	1,666
7	PAYROLL TAXES	LABOR	77,980	4,871	506	14,405	10,420	4,926
8	OTHER TAXES	PLANT	15,298	1,658	179	5,234	2,945	1,809
9	TOTAL TAX OTHER THAN INCOME		803,480	84,360	9,080	265,539	151,142	91,717
10								
11	TOTAL OPERATING EXPENSE BEFORE INCOME TAX		$5,610,885	$511,605	$50,958	$1,479,779	$893,622	$506,615
12	**FEDERAL & STATE TAX CALCULATION**							
13								
14	OPERATING REVENUES		$8,661,952	$1,185,513	$110,150	$1,554,741	$1,579,030	$571,796
15	OPERATING EXPENSES							
16	OPERATION & MAINTENANCE EXP		3,638,470	313,200	29,620	857,534	529,805	291,660
17	DEPRECIATION		1,168,936	114,045	12,258	356,706	212,676	123,238
18	TAXES OTHER THAN INCOME		803,480	84,360	9,080	265,539	151,142	91,717
19	OPERATING INCOME BEFORE INCOME TAXES		3,051,067	673,908	59,192	74,962	685,407	65,181
20								
21	INTEREST EXPENSE		(941,990)	(105,678)	(11,439)	(335,685)	(184,873)	(115,839)
22								
23	BOOK TAXABLE INCOME		2,109,077	568,230	47,753	(260,723)	500,535	(50,659)
24								
25	STATE TAX @ 0.00%		0	0	0	0	0	0
26								
27	STATE AND FEDERAL TAXABLE BASIS		2,109,077	568,230	47,753	(260,723)	500,535	(50,659)
28								
29	STATE AND FEDERAL INCOME TAX @ 39.43%		831,539	224,034	18,827	(102,794)	197,344	(19,973)
30	AMORTIZATION OF ITC	PLANT	0	0	0	0	0	0
31	BLANK.	PLANT	0	0	0	0	0	0
32	TOTAL STATE AND FEDERAL TAXES		831,539	224,034	18,827	(102,794)	197,344	(19,973)
33								
34	TOTAL STATE & FEDERAL INCOME TAX		831,539	224,034	18,827	(102,794)	197,344	(19,973)
35								
36	NET INCOME AFTER TAX		$2,219,528	$449,874	$40,365	$177,757	$488,063	$85,154
37								

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	STATE & FED TAXES & OTHER EXPENSE						
2							
3	**TAXES OTHER THAN INCOME**						
4	PROPERTY TAXES - TRANSMISSION	TRANPLT	$162,587	$6,598	$62,730	$2,622	$6,413
5	PROPERTY TAXES - DISTRIBUTION	DISTRPLT	2,419,990	102,872	621,092	20,088	47,060
6	PROPERTY TAXES - GENERAL	GENPLT	138,349	5,285	26,379	526	1,121
7	PAYROLL TAXES	LABOR	408,976	15,622	77,980	1,556	3,315
8	OTHER TAXES	PLANT	59,173	2,489	15,298	496	1,163
9	TOTAL TAX OTHER THAN INCOME		3,189,076	132,865	803,480	25,288	59,072
10							
11	TOTAL OPERATING EXPENSE BEFORE INCOME TAX		$26,737,852	$953,845	$5,610,885	$142,124	$369,480
12	**FEDERAL & STATE TAX CALCULATION**						
13							
14	OPERATING REVENUES		$32,402,775	$1,006,059	$8,661,952	$214,268	$971,245
15	OPERATING EXPENSES						
16	OPERATION & MAINTENANCE EXP		18,528,597	612,481	3,638,470	82,407	230,793
17	DEPRECIATION		5,020,179	208,499	1,168,936	34,430	79,615
18	TAXES OTHER THAN INCOME		3,189,076	132,865	803,480	25,288	59,072
19	OPERATING INCOME BEFORE INCOME TAXES		5,664,923	52,214	3,051,067	72,144	601,764
20							
21	INTEREST EXPENSE		(3,546,075)	(148,789)	(941,990)	(31,382)	(74,296)
22							
23	BOOK TAXABLE INCOME		2,118,848	(96,575)	2,109,077	40,762	527,468
24							
25	STATE TAX @ 0.00%		0	0	0	0	0
26							
27	STATE AND FEDERAL TAXABLE BASIS		2,118,848	(96,575)	2,109,077	40,762	527,468
28							
29	STATE AND FEDERAL INCOME TAX @ 39.43%		835,392	(38,076)	831,539	16,071	207,963
30	AMORTIZATION OF ITC	PLANT	0	0	0	0	0
31	BLANK.	PLANT	0	0	0	0	0
32	TOTAL STATE AND FEDERAL TAXES		835,392	(38,076)	831,539	16,071	207,963
33							
34	TOTAL STATE & FEDERAL INCOME TAX		835,392	(38,076)	831,539	16,071	207,963
35							
36	NET INCOME AFTER TAX		$4,829,531	$90,290	$2,219,528	$56,073	$393,801
37							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	STATE & FED TAXES & OTHER EXPENSE				
2					
3	**TAXES OTHER THAN INCOME**				
4	PROPERTY TAXES - TRANSMISSION	TRANPLT	$986	$4,258	$24,994
5	PROPERTY TAXES - DISTRIBUTION	DISTRPLT	7,238	31,278	180,497
6	PROPERTY TAXES - GENERAL	GENPLT	171	748	4,125
7	PAYROLL TAXES	LABOR	506	2,211	12,194
8	OTHER TAXES	PLANT	179	773	4,461
9	TOTAL TAX OTHER THAN INCOME		9,080	39,268	226,271
10					
11	TOTAL OPERATING EXPENSE BEFORE INCOME TAX		$50,958	$206,056	$1,273,723
12	**FEDERAL & STATE TAX CALCULATION**				
13					
14	OPERATING REVENUES		$110,150	$208,585	$1,346,157
15	OPERATING EXPENSES				
16	OPERATION & MAINTENANCE EXP		29,620	113,848	743,686
17	DEPRECIATION		12,258	52,941	303,765
18	TAXES OTHER THAN INCOME		9,080	39,268	226,271
19	OPERATING INCOME BEFORE INCOME TAXES		59,192	2,528	72,434
20					
21	INTEREST EXPENSE		(11,439)	(49,392)	(286,294)
22					
23	BOOK TAXABLE INCOME		47,753	(46,863)	(213,860)
24					
25	STATE TAX @ 0.00%		0	0	0
26					
27	STATE AND FEDERAL TAXABLE BASIS		47,753	(46,863)	(213,860)
28					
29	STATE AND FEDERAL INCOME TAX @ 39.43%		18,827	(18,477)	(84,318)
30	AMORTIZATION OF ITC	PLANT	0	0	0
31	BLANK.	PLANT	0	0	0
32	TOTAL STATE AND FEDERAL TAXES		18,827	(18,477)	(84,318)
33					
34	TOTAL STATE & FEDERAL INCOME TAX		18,827	(18,477)	(84,318)
35					
36	NET INCOME AFTER TAX		$40,365	$21,005	$156,752
37					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	STATE & FED TAXES & OTHER EXPENSE						
2							
3	**TAXES OTHER THAN INCOME**						
4	PROPERTY TAXES - TRANSMISSION	TRANPLT	$14,124	$2,395	$7,700	$178	$122
5	PROPERTY TAXES - DISTRIBUTION	DISTRPLT	120,127	17,482	55,740	1,276	975
6	PROPERTY TAXES - GENERAL	GENPLT	3,525	393	1,274	29	29
7	PAYROLL TAXES	LABOR	10,420	1,160	3,765	86	85
8	OTHER TAXES	PLANT	2,945	431	1,377	32	24
9	TOTAL TAX OTHER THAN INCOME		151,142	21,861	69,856	1,601	1,235
10							
11	TOTAL OPERATING EXPENSE BEFORE INCOME TAX		$893,622	$112,073	$394,542	$11,774	$8,114
12	**FEDERAL & STATE TAX CALCULATION**						
13							
14	OPERATING REVENUES		$1,579,030	$119,795	$452,001	$73,251	$24,260
15	OPERATING EXPENSES						
16	OPERATION & MAINTENANCE EXP		529,805	60,797	230,862	8,026	5,173
17	DEPRECIATION		212,676	29,414	93,824	2,147	1,707
18	TAXES OTHER THAN INCOME		151,142	21,861	69,856	1,601	1,235
19	OPERATING INCOME BEFORE INCOME TAXES		685,407	7,722	57,459	61,477	16,146
20							
21	INTEREST EXPENSE		(184,873)	(27,560)	(88,279)	(2,027)	(1,522)
22							
23	BOOK TAXABLE INCOME		500,535	(19,838)	(30,820)	59,450	14,624
24							
25	STATE TAX @ 0.00%		0	0	0	0	0
26							
27	STATE AND FEDERAL TAXABLE BASIS		500,535	(19,838)	(30,820)	59,450	14,624
28							
29	STATE AND FEDERAL INCOME TAX @ 39.43%		197,344	(7,822)	(12,151)	23,439	5,766
30	AMORTIZATION OF ITC	PLANT	0	0	0	0	0
31	BLANK.	PLANT	0	0	0	0	0
32	TOTAL STATE AND FEDERAL TAXES		197,344	(7,822)	(12,151)	23,439	5,766
33							
34	TOTAL STATE & FEDERAL INCOME TAX		197,344	(7,822)	(12,151)	23,439	5,766
35							
36	NET INCOME AFTER TAX		$488,063	$15,544	$69,610	$38,038	$10,380
37							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	DEVELOPMENT OF RATE BASE					
2						
3	**GAS PLANT IN SERVICE**					
4						
5	INTANGIBLE PLANT					
6	302-FRANCHISES & CONSENTS	LABOR	$392,682	$102,545	$0	$290,137
7	302-FRANCHISES & CONSENTS - ACQ ADJ	LABOR	(36,464)	(9,522)	(0)	(26,942)
8	303-MISC. INTANGIBLE PLANT	LABOR	922,947	241,018	0	681,930
9	303-MISC. INTANGIBLE PLANT - ACQ ADJ	LABOR	(36,142)	(9,438)	(0)	(26,704)
10	TOTAL INTANGIBLE PLANT		1,243,023	324,602	0	918,421
11						
12	TRANSMISSION PLANT					
13	365-LAND & LAND RIGHTS	TRANS	87,625	87,625	0	0
14	365-LAND & LAND RIGHTS - ACQ ADJ	TRANS	(15,425)	(15,425)	0	0
15	366-STRUCTURES & IMPROVEMENTS	TRANS	16,047	16,047	0	0
16	366-STRUCTURES & IMPROVE - ACQ ADJ	TRANS	(2,352)	(2,352)	0	0
17	367-MAINS	TRANS	17,678,612	17,678,612	0	0
18	367-MAINS - ACQ ADJ	TRANS	(1,604,647)	(1,604,647)	0	0
19	369-MEASURING & REG STATION EQUIP.	TRANS	846,096	846,096	0	0
20	369-MEAS & REG STA EQUIP - ACQ ADJ	TRANS	(424,444)	(424,444)	0	0
21	371-OTHER EQUIPMENT	TRANS	(8,778)	(8,778)	0	0
22	371-OTHER EQUIPMENT - ACQ ADJ	TRANS	(24,187)	(24,187)	0	0
23	TOTAL TRANSMISSION PLANT		16,548,546	16,548,546	0	0
24						
25	DISTRIBUTION PLANT					
26	374-LAND & LAND RIGHTS	DISTR	245,654	245,654	0	0
27	374-LAND & LAND RIGHTS - ACQ ADJ	DISTR	(38,784)	(38,784)	0	0
28	375-STRUCTURES & IMPROV	DISTR	10,423	10,423	0	0
29	375-STRUCTURES & IMPROV - ACQ ADJ	DISTR	(247)	(247)	0	0
30	376-MAINS	DISTMAIN	137,954,659	137,954,659	0	0
31	376-MAINS - ACQ ADJ	DISTMAIN	(17,621,606)	(17,621,606)	0	0
32	378-MEAS. & REG. EQUIP-GEN	DISTREG	1,916,236	1,916,236	0	0
33	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	DISTREG	(188,503)	(188,503)	0	0
34	379-MEAS. & REG. EQUIP-CITY GATE	DISTREG	2,222,861	2,222,861	0	0
35	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	DISTREG	(239,569)	(239,569)	0	0
36	380-SERVICES	CUST380	72,951,925	0	0	72,951,925
37	380-SERVICES - ACQ ADJ	CUST380	(6,640,414)	0	0	(6,640,414)
38	381-METERS	CUST381	13,255,870	0	0	13,255,870
39	381-METERS - ACQ ADJ	CUST381	(1,160,990)	0	0	(1,160,990)
40	382-METER INSTALLATIONS	CUST382	6,788,598	0	0	6,788,598
41	382-METER INSTALLATIONS - ACQ ADJ	CUST382	(744,797)	0	0	(744,797)
42						
43						
44						
45						

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	DEVELOPMENT OF RATE BASE					
2						
3	**GAS PLANT IN SERVICE CONTINUED**					
4						
5	DISTRIBUTION PLANT CONTINUED					
6	383-REGULATORS	CUST383	2,628,662	0	0	2,628,662
7	383-REGULATORS - ACQ ADJ	CUST383	(178,700)	0	0	(178,700)
8	384-REGULATOR INSTALLATIONS	CUST384	1,163,556	0	0	1,163,556
9	384-REGULATOR INSTALLATIONS - ACQ ADJ	CUST384	(82,263)	0	0	(82,263)
10	385-INDUSTRIAL MEAS. EQUIP	CUST385	1,230,284	0	0	1,230,284
11	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	CUST385	(106,448)	0	0	(106,448)
12	387-OTHER EQUIPMENT	DISTMAIN	1,466,810	1,466,810	0	0
13	387-OTHER EQUIPMENT - ACQ ADJ	DISTMAIN	(146,048)	(146,048)	0	0
14	TOTAL DISTRIBUTION PLANT		214,687,170	125,581,886	0	89,105,284
15						
16	GENERAL PLANT					
17	389-LAND & LAND RIGHTS	LABOR	198,829	51,922	0	146,907
18	389-LAND & LAND RIGHTS - ACQ ADJ	LABOR	(49,200)	(12,848)	(0)	(36,352)
19	390-STRUCTURES & IMPROVE	LABOR	1,302,181	340,050	0	962,131
20	390-STRUCTURES & IMPROVE - ACQ ADJ	LABOR	(123,018)	(32,125)	(0)	(90,893)
21	391-OFFICE FURN & EQUIPMENT	LABOR	6,545,194	1,709,206	0	4,835,988
22	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	LABOR	(643,851)	(168,135)	(0)	(475,716)
23	392-TRANSPORTATION EQUIP	LABOR	5,144,377	1,343,398	0	3,800,979
24	392-TRANSPORTATION EQUIP - ACQ ADJ	LABOR	(85,465)	(22,318)	(0)	(63,147)
25	393-STORES EQUIPMENT	LABOR	114,038	29,780	0	84,259
26	393-STORES EQUIPMENT - ACQ ADJ	LABOR	(17,774)	(4,642)	(0)	(13,133)
27	394-TOOLS, SHOP & GARAGE EQUIP	LABOR	1,668,491	435,708	0	1,232,783
28	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	LABOR	(230,699)	(60,244)	(0)	(170,454)
29	395-LABORATORY EQUIPMENT	LABOR	748,718	195,520	0	553,199
30	395-LABORATORY EQUIPMENT - ACQ ADJ	LABOR	(78,875)	(20,597)	(0)	(58,278)
31	396-POWER OPERATED EQUIP	LABOR	399,442	104,310	0	295,132
32	396-POWER OPERATED EQUIP - ACQ ADJ	LABOR	(5,510)	(1,439)	(0)	(4,071)
33	397-COMMUNICATION EQUIP	LABOR	1,009,674	263,665	0	746,009
34	397-COMMUNICATION EQUIP - ACQ ADJ	LABOR	(153,703)	(40,138)	(0)	(113,565)
35	398-MISCELLANEOUS EQUIP	LABOR	267,981	69,980	0	198,000
36	398-MISCELLANEOUS EQUIP - ACQ ADJ	LABOR	(29,611)	(7,733)	(0)	(21,879)
37	399-OTHER TANGIBLE PROPERTY	LABOR	0	0	0	0
38	TOTAL GENERAL PLANT		15,981,218	4,173,320	0	11,807,898
39						
40	COMMON PLANT	LABOR	0	0	0	0
41						
42	TOTAL GAS PLANT IN SERVICE		248,459,957	146,628,354	0	101,831,603
43						
44	TOTAL GAS PLANT IN SERVICE ACQ ADJ		(30,709,737)	(20,694,991)	(0)	(10,014,746)
45						

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	DEVELOPMENT OF RATE BASE CONT.					
2						
3	**DEPRECIATION RESERVE CONTINUED**					
4						
5	**DEPRECIATION RESERVE**					
6	INTANGIBLE RESERVE					
7	302-FRANCHISES & CONSENTS	PLT302	197,465	51,566	0	145,899
8	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(3,352)	(875)	(0)	(2,477)
9	303-MISC. INTANGIBLE PLANT	PLT303	340,154	88,828	0	251,327
10	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(3,245)	(847)	(0)	(2,397)
11	TOTAL INTANGIBLE PLANT		531,023	138,671	0	392,352
12						
13	TRANSMISSION RESERVE					
14	365-LAND & LAND RIGHTS	PLT365	0	0	0	0
15	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0
16	366-STRUCTURES & IMPROVEMENTS	PLT366	3,705	3,705	0	0
17	366-STRUCTURES & IMPROV - ADQ ADJ	PLT366	(400)	(400)	0	0
18	367-MAINS	PLT367	3,082,012	3,082,012	0	0
19	367-MAINS - ACQ ADJ	PLT367	(59,513)	(59,513)	0	0
20	369-MEASURING & REG STATION EQUIP.	PLT369	234,313	234,313	0	0
21	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(15,972)	(15,972)	0	0
22	371-OTHER EQUIPMENT	PLT371	(4,641)	(4,641)	0	0
23	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(2,828)	(2,828)	0	0
24	TOTAL TRANSMISSION PLANT		3,236,677	3,236,677	0	0
25						
26	DISTRIBUTION RESERVE					
27	374.1-LAND	PLT374	0	0	0	0
28	374.1-LAND - ACQ ADJ	PLT374	0	0	0	0
29	375-STRUCTURES & IMPROV	PLT375	8,751	8,751	0	0
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(19)	(19)	0	0
31	376-MAINS	PLT376	29,504,348	29,504,348	0	0
32	376-MAINS - ACQ ADJ	PLT376	(879,393)	(879,393)	0	0
33	378-MEAS. & REG. EQUIP-GEN	PLT378	846,473	846,473	0	0
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(13,445)	(13,445)	0	0
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	735,949	735,949	0	0
36	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	PLT379	(13,417)	(13,417)	0	0
37	380-SERVICES	PLT380	22,263,336	0	0	22,263,336
38	380-SERVICES - ACQ ADJ	PLT380	(449,039)	0	0	(449,039)
39	381-METERS	PLT381	4,875,854	0	0	4,875,854
40	381-METERS - ACQ ADJ	PLT381	(55,706)	0	0	(55,706)
41	382-METER INSTALLATIONS	PLT382	1,053,528	0	0	1,053,528
42	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(42,231)	0	0	(42,231)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	DEVELOPMENT OF RATE BASE CONT.					
2						
3	**DEPRECIATION RESERVE CONTINUED**					
4	DISTRIBUTION RESERVE CONTINUED					
5	383-REGULATORS	PLT383	1,063,986	0	0	1,063,986
6	383-REGULATORS - ACQ ADJ	PLT383	(10,992)	0	0	(10,992)
7	384-REGULATOR INSTALLATIONS	PLT384	94,352	0	0	94,352
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(5,443)	0	0	(5,443)
9	385-INDUSTRIAL MEAS. EQUIP	PLT385	597,058	0	0	597,058
10	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	PLT385	(6,447)	0	0	(6,447)
11	387-OTHER EQUIPMENT	PLT387	333,544	333,544	0	0
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(10,778)	(10,778)	0	0
13	TOTAL DISTRIBUTION RESERVE		59,890,270	30,512,013	0	29,378,257
14						
15	GENERAL PLANT RESERVE					
16	389-LAND AND LAND RIGHTS	PLT389	0	0	0	0
17	389-LAND AND LAND RIGHTS - ACQ ADJ	PLT389	0	0	0	0
18	390-STRUCTURES & IMPROVE	PLT390	521,758	136,251	0	385,507
19	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(10,840)	(2,831)	(0)	(8,010)
20	391-OFFICE FURN & EQUIPMENT	PLT391	3,247,867	848,145	0	2,399,722
21	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(178,962)	(46,734)	(0)	(132,228)
22	392-TRANSPORTATION EQUIP	PLT392	1,760,750	459,800	0	1,300,949
23	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	(49,951)	(13,044)	(0)	(36,907)
24	393-STORES EQUIPMENT	PLT393	25,675	6,705	0	18,971
25	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(1,267)	(331)	(0)	(936)
26	394-TOOLS, SHOP & GARAGE EQUIPMENT	PLT394	523,919	136,816	0	387,103
27	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(21,139)	(5,520)	(0)	(15,619)
28	395-LABORATORY EQUIPMENT	PLT395	288,256	75,275	0	212,981
29	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(17,255)	(4,506)	(0)	(12,749)
30	396-POWER OPERATED EQUIPMENT	PLT396	289,124	75,502	0	213,622
31	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(678)	(177)	(0)	(501)
32	397-COMMUNICATION EQUIP	PLT397	30,282	7,908	0	22,374
33	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(21,895)	(5,718)	(0)	(16,177)
34	398-MISCELLANEOUS EQUIP	PLT398	88,888	23,212	0	65,676
35	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(2,775)	(725)	(0)	(2,050)
36	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0
37	TOTAL GENERAL PLANT RESERVE		6,471,757	1,690,028	0	4,781,729
38						
39	COMMON PLANT	PLTCOMN	0	0	0	0
40						
41	TOTAL DEPRECIATION RESERVE		70,129,727	35,577,390	0	34,552,338
42						
43	TOTAL DEPRECIATION RESERVE ACQ ADJ		(1,876,981)	(1,077,072)	(0)	(799,909)
44						
45	NET PLANT IN SERVICE		$178,330,230	$111,050,964	$0	$67,279,265
46						

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1 DEVELOPMENT OF RATE BASE CONT.					
2					
3 **OTHER RATE BASE ITEMS**					
4					
5 WORKING CAPITAL					
6 CASH WORKING CAPITAL					
7 PLANT	PLANT	($3,280,886)	($1,936,211)	($0)	($1,344,675)
8 COMMODITY	WCGC	0	0	0	0
9 OPERATIONS & MAINTENANCE	WCOTH	0	0	0	0
10 OTHER	WCOTH	0	0	0	0
11 TOTAL CASH WORKING CAPITAL		(3,280,886)	(1,936,211)	(0)	(1,344,675)
12 MATERIALS & SUPPLIES	PLANT	2,039,798	1,203,785	0	836,014
13 PREPAYMENTS	PLANT	195,942	115,635	0	80,307
14 TOTAL WORKING CAPITAL		(1,045,146)	(616,791)	(0)	(428,354)
15					
16 LESS: CUSTOMER CONTRIBUTIONS					
17 CUST ADVANCES FOR CONSTRUCTION	PLANT	(7,283,595)	(4,298,405)	(0)	(2,985,190)
18 CUSTOMER DEPOSITS	PLANT	(3,040,483)	(1,794,338)	(0)	(1,246,146)
19					
20 OTHER RATE BASE					
21 CWIP	DISTRPLT	0	0	0	0
22 Y2K COSTS & GIC DEF	PAYXAG	1,097,410	289,673	0	807,736
23 C.A.R.E.S.	THERMS	107,477	0	107,477	0
24 OTHER - WARM SPIRIT	RESNTPT	(19,721)	(10,251)	(0)	(9,470)
25 TOTAL OTHER		1,185,166	279,422	107,477	798,267
26					
27 LESS					
28 ACCUMULATED DEFERRED INC. TAXES	PLANT	(6,484,809)	(3,827,002)	(0)	(2,657,807)
29					
30					
31 TOTAL RATE BASE		$161,661,362	$100,793,850	$107,477	$60,760,036
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	OPERATING REVENUES					
2						
3	**REVENUES**					
4						
5	GAS OPERATING REVENUES					
6						
7	SALES REVENUES					
8	FIRM SALES OF GAS		$45,689,224	20,883,232	7,524	24,798,468
9	INTERR SALES GAS COST REV	GASSALES	0	0	0	0
10	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0
11	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0
12	SALES FOR RESALE	DEMGAS	0	0	0	0
13	TOTAL SALES OF GAS		45,689,224	20,883,232	7,524	24,798,468
14						
15	OTHER OPERATING REVENUES					
16	FORFEITED DISCOUNTS	PLANT	398,966	235,449	0	163,517
17	MISCELLANEOUS SERVICE REV	CUST487B	1,046,891	0	0	1,046,891
18	OTHER REVENUE	DEMGAS	34,447	34,447	0	0
19	OTHER REVENUE	PLANT	0	0	0	0
20	OTHER REVENUE	PLANT	0	0	0	0
21	TOTAL OTHER OPERATING REV		1,480,303	269,896	0	1,210,408
22						
23	TOTAL GAS OPERATING REVENUE		$47,169,527	$21,153,128	$7,524	$26,008,876
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	OPERATION & MAINTENANCE EXPENSE					
2						
3	**OPERATION & MAINTENANCE EXPENSE**					
4	PRODUCTION EXPENSE					
5	421-PURCHASED POWER	DEMGAS	0	0	0	0
6	805-PURCHASED GAS EXPENSES	DEMGAS	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES					
8	NON-RECONCILABLE	DEMGAS	355,528	355,528	0	0
9	CAPACITY RELATED	DEMGAS	0	0	0	0
10	COMMODITY RELATED	GASSALES	0	0	0	0
11	TOTAL ACCOUNT 807		355,528	355,528	0	0
12	TOTAL PURCHASED GAS SUPPLY		355,529	355,529	0	0
13						
14	TRANSMISSION EXPENSE					
15	856-MAINS EXPENSE	TRANS	11,280	11,280	0	0
16	857-MEASURING & REG. STATION	TRANS	(52,221)	(52,221)	0	0
17	864-MAINTENANCE OF COMPRESSOR STATION EC	TRANS	19	19	0	0
18	870-OPERATION SUPERVISION AND ENGINEERING	TRANS	315,983	315,983	0	0
19	TOTAL TRANSMISSION		275,061	275,061	0	0
20						
21	DISTRIBUTION EXPENSE					
22	431-INTEREST ON CUSTOMER DEPOSITS	LABDO	170,459	52,346	0	118,113
23	871-LOAD DISPATCHING	DISTR	162	162	0	0
24	874-MAINS & SERVICING EXPENSE	PLT376380	1,337,349	862,212	0	475,136
25	875-MEAS./REG. STATION EXPENSE	PLT378	244,463	244,463	0	0
26	876-MEAS./REG. STATION EXPENSE	PLT379	150,536	150,536	0	0
27	877-MEAS./REG. STATION EXPENSE	PLT383	56,529	0	0	56,529
28	878-METER EXPENSE	PLT381	1,349,114	0	0	1,349,114
29	879-CUSTOMER INSTALL EXP	PLT38284	539,082	0	0	539,082
30	880-OTHER EXPENSES	EXP87479	1,090,666	372,905	0	717,761
31	881-RENTS	DISTR	44,510	44,510	0	0
32	885-MAINT. SUPERV. & ENG.	LABDM	243,170	140,081	0	103,088
33	886-MAINT. OF STRUCTURES	PLT375	0	0	0	0
34	887-MAINT. OF MAINS	PLT376	1,084,194	1,084,194	0	0
35	889-MAINT. MEAS./REG	PLT378	25,623	25,623	0	0
36	890-MAINT. MEAS./REG	PLT379	2,072	2,072	0	0
37	891-MAINT. MEAS./REG	PLT383	850	0	0	850
38	892-MAINT. OF SERVICES	PLT380	465,066	0	0	465,066
39	893-MAINT. OF METER	PLT381	167,015	0	0	167,015
40	894-MAINT. OF OTHER EQUIP.	PLT387	96,826	96,826	0	0
41	TOTAL DISTRIBUTION EXP		7,067,687	3,075,932	0	3,991,755
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1 OPERATION & MAINT EXP CONT.					
2					
3 **OPERATION & MAINTENANCE EXPENSE CONTINUED**					
4 CUSTOMER ACCOUNT					
5 901-SUPERVISION	LABCA	74,309	2	0	74,307
6 902-METER READING EXPENSE	CUST902	719,037	0	0	719,037
7 903-CUST RECORDS & COLLECT	CUST903	5,462,173	0	0	5,462,173
8 904-UNCOLLECTIBLE ACCOUNTS	BADDEBT	722,634	427,498	266	294,869
9 905-MISC CUST ACCTS EXP	EXP9024	34,381	2,129	1	32,251
10 906-CUSTOMER SERVICE & INFO	CUST10	0	0	0	0
11 907-SUPERV. CUSTOMER SERV.	LABCS	14,743	0	0	14,743
12 908-CUSTOMER ASSISTANCE	CUST10	(34,228)	0	0	(34,228)
13 909-INFO & INSTRUCTIONAL ADVERT.	CUST10	65,794	0	0	65,794
14 910-MISC. CUST. SERV. & INFO.	EXP9089	22,602	0	0	22,602
15 CARES DISCOUNTS	THERMS	0	0	0	0
16 CARES EXPENSES	THERMS	0	0	0	0
17 TOTAL CUSTOMER ACCTS EXP		7,081,444	429,629	268	6,651,547
18					
19 SALES EXPENSE					
20 912-DEMONSTRATING & SELLING	CDA912	558	0	0	558
21 913-ADVERTISING EXPENSES	CDA913	0	0	0	0
22 TOTAL SALES EXPENSE		558	0	0	558
23					
24 ADMINISTRATIVE & GENERAL EXPENSE					
25 920-ADMIN & GENERAL SALARY	PAYXAG	1,529,696	403,780	0	1,125,916
26 921-OFFICE SUPPLIES & EXP	PAYXAG	1,365,974	360,564	0	1,005,410
27 923-OUTSIDE SERV EMPLOYED	PAYXAG	(152,817)	(40,338)	(0)	(112,479)
28 924-PROPERTY INSURANCE	PLANT	2,696,531	1,591,355	0	1,105,177
29 925-INJURIES & DAMAGES	PAYXAG	7,415	1,957	0	5,458
30 926-EMPLOYED PENSION & BENF	PAYXAG	574,128	151,547	0	422,580
31 928-REGULATORY COMM EXPENSE	TOTREV	2,452,071	1,099,629	391	1,352,051
32 930-MISCELLANEOUS GEN EXP	PAYXAG	1,282,411	338,507	0	943,904
33 931-RENTS	PAYXAG	109,053	28,786	0	80,267
34 932-MAINT OF GENERAL PLT	GENPLT	169,826	44,348	0	125,478
35 TOTAL ADMIN & GEN EXPENSE		10,034,287	3,980,135	391	6,053,761
36					
37 TOTAL GAS O & M EXPENSE		$24,814,565	$8,116,285	$659	$16,697,621
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	DEPRECIATION & AMORT EXPENSE					
2						
3	**DEPRECIATION AND AMORITIZATION EXPENSE**					
4						
5	407-AMOR Y2K EXP; GPS & PRESC GAIN	PAYXAG	363,339	95,907	0	267,431
6	407-AMORTIZATION OF C.A.R.E.S.	PLANT	477,337	281,700	0	195,637
7						
8	INTANGIBLE PLT DEPRECIATION EXPENSE					
9	302-FRANCHISES & CONSENTS	PLT302	13,489	3,522	0	9,966
10	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(1,284)	(335)	(0)	(949)
11	303-MISC. INTANGIBLE PLANT	PLT303	75,438	19,700	0	55,739
12	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(1,934)	(505)	(0)	(1,429)
13	TOTAL INTANGIBLE PLT DEPR EXP		85,709	22,382	0	63,327
14						
15	TRANSMISSION PLT DEPR EXP					
16	365-LAND & LAND RIGHTS	PLT365	0	0	0	0
17	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0
18	366-STRUCTURES & IMPROVEMENTS	PLT366	1,416	1,416	0	0
19	366-STRUCTURES & IMPROVE - ACQ ADJ	PLT366	(249)	(249)	0	0
20	367-MAINS	PLT367	272,433	272,433	0	0
21	367-MAINS - ACQ ADJ	PLT367	(24,551)	(24,551)	0	0
22	369-MEASURING & REG STATION EQ.	PLT369	11,670	11,670	0	0
23	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(6,536)	(6,536)	0	0
24	371-OTHER EQUIPMENT	PLT371	(332)	(332)	0	0
25	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(602)	(602)	0	0
26	TOTAL TRANS PLT DEPR EXP		253,249	253,249	0	0
27						
28	DISTRIBUTION PLT DEPR EXP					
29	375-STRUCTURES & IMPROV	PLT375	2,126	2,126	0	0
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(318)	(318)	0	0
31	376-MAINS	PLT376	2,867,976	2,867,976	0	0
32	376-MAINS - ACQ ADJ	PLT376	(364,767)	(364,767)	0	0
33	378-MEAS. & REG. EQUIP-GEN	PLT378	55,436	55,436	0	0
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(5,598)	(5,598)	0	0
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	51,099	51,099	0	0
36	379-MEAS. & REG. EQ-CITY GATE - ACQ ADJ	PLT379	(5,653)	(5,653)	0	0
37	380-SERVICES	PLT380	2,063,965	0	0	2,063,965
38	380-SERVICES - ACQ ADJ	PLT380	(187,260)	0	0	(187,260)
39	381-METERS	PLT381	261,313	0	0	261,313
40	381-METERS - ACQ ADJ	PLT381	(23,452)	0	0	(23,452)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	DEPREC & AMORT EXP CONT.					
2	DISTRIBUTION PLT DEPR EXP CONTINUED					
3	382-METER INSTALLATIONS	PLT382	156,349	0	0	156,349
4	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(17,577)	0	0	(17,577)
5	383-REGULATORS	PLT383	65,671	0	0	65,671
6	383-REGULATORS - ACQ ADJ	PLT383	(4,574)	0	0	(4,574)
7	384-REGULATOR INSTALLATIONS	PLT384	31,794	0	0	31,794
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(2,303)	0	0	(2,303)
9	385-INDUSTRIAL MEAS. EQUIP.	PLT385	32,408	0	0	32,408
10	385-INDUSTRIAL MEAS. EQUIP. - ACQ ADJ	PLT385	(2,874)	0	0	(2,874)
11	387-OTHER EQUIPMENT	PLT387	43,005	43,005	0	0
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(4,396)	(4,396)	0	0
13	TOTAL DISTRIBUTION PLT DEPR EXP		5,012,368	2,638,908	0	2,373,460
14						
15	GENERAL PLANT DEPR EXP					
16	390-STRUCTURES & IMPROVE	PLT390	70,345	18,370	0	51,975
17	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(8,730)	(2,280)	(0)	(6,450)
18	391-OFFICE FURN & EQUIPMENT	PLT391	638,907	166,843	0	472,063
19	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(61,588)	(16,083)	(0)	(45,505)
20	392-TRANSPORTATION EQUIP	PLT392	146,461	38,247	0	108,215
21	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	22,952	5,994	0	16,958
22	393-STORES EQUIPMENT	PLT393	2,916	761	0	2,155
23	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(466)	(122)	(0)	(344)
24	394-TOOLS, SHOP & GARAGE EQ	PLT394	63,503	16,583	0	46,920
25	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(8,997)	(2,349)	(0)	(6,647)
26	395-LABORATORY EQUIPMENT	PLT395	65,249	17,039	0	48,210
27	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(7,044)	(1,839)	(0)	(5,204)
28	396-POWER OPERATED EQUIPMENT	PLT396	40,891	10,678	0	30,213
29	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(579)	(151)	(0)	(428)
30	397-COMMUNICATION EQUIP	PLT397	65,623	17,137	0	48,486
31	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(10,237)	(2,673)	(0)	(7,564)
32	398-MISCELLANEOUS EQUIP	PLT398	10,357	2,705	0	7,652
33	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(1,173)	(306)	(0)	(866)
34	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0
35	TOTAL GENERAL PLT DEPR EXP		1,028,390	268,553	0	759,837
36						
37	TOTAL DEPRECIATION & AMORTIZATION EXPENSE		$7,220,392	$3,560,698	$0	$3,659,693
38						
39	TOTAL ACQUISITION ADJUSTMENT DEPR EXPENSE		(729,791)	(433,322)	(0)	(296,469)
40						
41						
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	STATE & FED TAXES & OTHER EXPENSE					
2						
3	**TAXES OTHER THAN INCOME**					
4	PROPERTY TAXES - TRANSMISSION	TRANPLT	$295,707	$295,707	$0	$0
5	PROPERTY TAXES - DISTRIBUTION	DISTRPLT	3,625,714	2,120,872	0	1,504,842
6	PROPERTY TAXES - GENERAL	GENPLT	181,954	47,515	0	134,439
7	PAYROLL TAXES	LABOR	537,877	140,461	0	397,416
8	OTHER TAXES	PLANT	88,841	52,429	0	36,412
9	TOTAL TAX OTHER THAN INCOME		4,730,094	2,656,985	0	2,073,109
10						
11	TOTAL OPERATING EXPENSE BEFORE INCOME TAX		$36,765,050	$14,333,968	$659	$22,430,423
12	**FEDERAL & STATE TAX CALCULATION**					
13						
14	OPERATING REVENUES		$47,169,527	$21,153,128	$7,524	$26,008,876
15	OPERATING EXPENSES					
16	OPERATION & MAINTENANCE EXP		24,814,565	8,116,285	659	16,697,621
17	DEPRECIATION		7,220,392	3,560,698	0	3,659,693
18	TAXES OTHER THAN INCOME		4,730,094	2,656,985	0	2,073,109
19	OPERATING INCOME BEFORE INCOME TAXES		10,404,477	6,819,159	6,865	3,578,453
20						
21	INTEREST EXPENSE		(5,393,917)	(3,363,040)	(3,586)	(2,027,291)
22						
23	BOOK TAXABLE INCOME		5,010,560	3,456,119	3,279	1,551,162
24						
25	STATE TAX @ 0.00%		0	0	0	0
26						
27	STATE AND FEDERAL TAXABLE BASIS		5,010,560	3,456,119	3,279	1,551,162
28						
29	STATE AND FEDERAL INCOME TAX @ 39.43%		1,975,498	1,362,633	1,293	611,572
30	AMORTIZATION OF ITC	PLANT	0	0	0	0
31	BLANK.	PLANT	0	0	0	0
32	TOTAL STATE AND FEDERAL TAXES		1,975,498	1,362,633	1,293	611,572
33						
34	TOTAL STATE & FEDERAL INCOME TAX		1,975,498	1,362,633	1,293	611,572
35						
36	NET INCOME AFTER TAX		$8,428,979	$5,456,526	$5,572	$2,966,881
37						
38						
39	EFFECTIVE STATE TAX RATE- Included in Federal		0.0000%	0.0000%	0.0000%	0.0000%
40	FEDERAL TAX RATE - CURRENT		39.4267%	39.4267%	39.4267%	39.4267%
41	UNCOLLECTIBLE FACTOR		0.5105%	0.5105%	0.5105%	0.5105%
42	1 - INCREMENTAL TAX RATE		0.608826	0.608826	0.608826	0.608826
43	FACTOR FOR TAXABLE BASIS		1.664924	1.664924	1.664924	1.664924
44	INTEREST EXPENSE PERCENTAGE		-3.34%	-3.34%	-3.34%	-3.34%
45	INCREMENTAL RETURN TAX RATE		1.50393	1.50393	1.50393	1.50393

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - COMPONENT FORMAT								
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%	8.80%	8.80%
	REVENUES REQUIRED								
1	**CAPACITY COMPONENTS**	26,586,953	26,586,953	15,159,662	6,494,760	2,738,947	2,163,579	18,623	11,382
2	**PRODUCTION DEMAND COMP**		375,965	241,717	101,638	9,237	22,742	341	290
3	PROD DEM GAS COST		375,965	241,717	101,638	9,237	22,742	341	290
4									
5	**TRANSMISSION DEMAND COMP**		2,679,450	1,523,916	654,290	279,056	219,131	1,916	1,141
6	TRANSMISSION PLANT		2,679,450	1,523,916	654,290	279,056	219,131	1,916	1,141
7									
8	**DISTRIBUTION DEMAND COMP**	23,531,538	23,531,538	13,394,029	5,738,832	2,450,653	1,921,706	16,366	9,952
9	DISTRIBUTION MAINS		21,972,727	12,504,756	5,360,042	2,288,332	1,794,924	15,369	9,305
10	DISTRIBUTION REGULATORS		1,477,721	843,050	359,060	153,877	120,177	944	613
11	DISTRIBUTION OTHER		81,090	46,224	19,730	8,444	6,605	53	34
12									
13	**COMMODITY COMPONENTS**	13,911	13,911	7,143	3,326	2,268	1,151	14	9
14	COMMODITY GAS COST COMP		0	0	0	0	(0)	0	0
15	COMMODITY OTHER COMP		13,911	7,143	3,326	2,268	1,151	14	9
16									
17	**CUSTOMER COMPONENTS**	28,735,262	28,735,262	25,083,844	3,338,572	36,388	274,959	170	1,329
18	CUST SERVICE DROP COMPONENT		11,874,660	10,767,728	948,178	3,761	154,459	0	534
19	CUST METER COMPONENT		7,724,306	6,197,382	1,437,327	23,088	65,723	0	787
20	CUST REGULATOR COMPONENT		1,003,481	702,820	273,117	7,313	20,064	0	168
21	CUST DEPOSITS COMPONENT		0	0	0	0	0	0	0
22	CUST MISC REV COMP		(1,050,866)	(961,689)	(52,457)	0	(36,161)	(0)	(560)
23	CUST METER READING COMP		1,513,409	1,381,807	119,487	451	11,599	0	65
24	CUST RECORDS & COLL COMP		7,544,236	6,880,694	602,984	1,746	58,315	167	330
25	CUST SALES		126,035	115,101	9,936	29	961	3	5
26	**TOTAL COMPANY**	55,336,126	55,336,126	40,250,648	9,836,658	2,777,603	2,439,689	18,807	12,720
27									
28									
29	**TOTAL PRODUCTION**		389,876	248,860	104,963	11,506	23,894	355	299
30									
31	**TOTAL DELIVERY SERVICE**		54,946,250	40,001,789	9,731,695	2,766,098	2,415,796	18,452	12,421
32									
33	**TRAND & DISTR COMPONENT $/THERM**		$0.1896	$0.2079	$0.1951	$0.1234	$0.1880	$0.1795	$0.1278
34									
35	**CUSTOMER COMPONENT $/MO/CUST**		$17.31	$16.55	$25.44	$95.76	$21.47	$4.71	$18.46
36									
37	**TOTAL THRUPUT THERM**		138,233,864	71,765,520	32,770,803	22,121,972	11,386,911	101,855	86,803
38									
39	**TOTAL ANNUAL CUSTOMERS**		138,340	126,296	10,936	32	1,067	3	6
40									
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
			SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.
			(8)	(9)	(10)	(11)	(12)	(13)
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - COMPONENT							
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%	8.80%
	REVENUES REQUIRED							
1	**CAPACITY COMPONENTS**	26,586,953	5,655,415	839,345	88,008	2,650,939	1,262,274	901,305
2	**PRODUCTION DEMAND COMP**		97,348	4,290	1,686	7,551	19,377	3,366
3	PROD DEM GAS COST		97,348	4,290	1,686	7,551	19,377	3,366
4								
5	**TRANSMISSION DEMAND COMP**		568,684	85,607	8,843	270,213	127,218	91,913
6	TRANSMISSION PLANT		568,684	85,607	8,843	270,213	127,218	91,913
7								
8	**DISTRIBUTION DEMAND COMP**	23,531,538	4,989,384	749,448	77,479	2,373,175	1,115,680	806,026
9	DISTRIBUTION MAINS		4,659,795	700,247	72,381	2,215,951	1,042,069	752,855
10	DISTRIBUTION REGULATORS		312,427	46,633	4,832	149,046	69,776	50,401
11	DISTRIBUTION OTHER		17,162	2,568	266	8,178	3,835	2,770
12								
13	**COMMODITY COMPONENTS**	13,911	2,928	398	51	2,217	585	566
14	COMMODITY GAS COST COMP		0	0	0	0	0	(0)
15	COMMODITY OTHER COMP		2,928	398	51	2,217	585	566
16								
17	**CUSTOMER COMPONENTS**	28,735,262	3,299,429	39,143	2,897	33,491	264,353	10,606
18	CUST SERVICE DROP COMPONENT		945,264	2,914	1,090	2,672	153,176	1,282
19	CUST METER COMPONENT		1,411,321	26,005	721	22,367	60,705	5,018
20	CUST REGULATOR COMPONENT		264,125	8,992	254	7,059	16,426	3,638
21	CUST DEPOSITS COMPONENT		0	0	0	0	0	(0)
22	CUST MISC REV COMP		(52,457)	0	0	0	(36,161)	0
23	CUST METER READING COMP		119,209	279	136	315	11,448	151
24	CUST RECORDS & COLL COMP		602,046	938	685	1,061	57,806	508
25	CUST SALES		9,921	15	11	17	953	8
26	**TOTAL COMPANY**	55,336,126	8,957,772	878,886	90,956	2,686,647	1,527,213	912,477
27								
28								
29	**TOTAL PRODUCTION**		100,275	4,688	1,737	9,769	19,962	3,932
30								
31	**TOTAL DELIVERY SERVICE**		8,857,497	874,198	89,219	2,676,879	1,507,251	908,545
32								
33	**TRAND & DISTR COMPONENT $/THERM**		$0.1916	$0.2223	$0.1687	$0.1223	$0.2133	$0.1615
34								
35	**CUSTOMER COMPONENT $/MO/CUST**		$25.18	$194.80	$19.06	$146.89	$20.83	$94.82
36								
37	**TOTAL THRUPUT THERM**		29,014,067	3,756,736	511,826	21,610,146	5,828,186	5,558,725
38								
39	**TOTAL ANNUAL CUSTOMERS**		10,919	17	13	19	1,058	9
40								
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
			RESIDENTIAL SERVICE	CARES	SM. VOL.	LG. VOL.	TRANS-PORTATION
			(14)	(15)	(16)	(17)	(18)
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - COMPONENT						
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%
	REVENUES REQUIRED						
1	**CAPACITY COMPONENTS**	26,586,953	14,571,287	588,375	5,655,415	235,391	603,954
2	**PRODUCTION DEMAND COMP**		232,221	9,496	97,348	4,290	0
3	PROD DEM GAS COST		232,221	9,496	97,348	4,290	0
4							
5	**TRANSMISSION DEMAND COMP**		1,464,857	59,059	568,684	23,628	61,979
6	TRANSMISSION PLANT		1,464,857	59,059	568,684	23,628	61,979
7							
8	**DISTRIBUTION DEMAND COMP**	23,531,538	12,874,209	519,820	4,989,384	207,473	541,976
9	DISTRIBUTION MAINS		12,019,587	485,168	4,659,795	193,735	506,512
10	DISTRIBUTION REGULATORS		810,197	32,853	312,427	13,023	33,611
11	DISTRIBUTION OTHER		44,425	1,799	17,162	715	1,853
12							
13	**COMMODITY COMPONENTS**	13,911	6,866	277	2,928	128	270
14	COMMODITY GAS COST COMP		0	0	0	0	0
15	COMMODITY OTHER COMP		6,866	277	2,928	128	270
16							
17	**CUSTOMER COMPONENTS**	28,735,262	24,187,205	896,638	3,299,429	20,657	18,486
18	CUST SERVICE DROP COMPONENT		10,312,891	454,837	945,264	1,505	1,409
19	CUST METER COMPONENT		5,934,757	262,625	1,411,321	13,492	12,513
20	CUST REGULATOR COMPONENT		673,089	29,731	264,125	4,883	4,109
21	CUST DEPOSITS COMPONENT		0	0	0	0	0
22	CUST MISC REV COMP		(943,034)	(18,654)	(52,457)	0	0
23	CUST METER READING COMP		1,323,109	58,698	119,209	176	103
24	CUST RECORDS & COLL COMP		6,776,442	104,252	602,046	592	346
25	CUST SALES		109,951	5,150	9,921	10	6
26	**TOTAL COMPANY**	55,336,126	38,765,358	1,485,290	8,957,772	256,176	622,710
27							
28							
29	**TOTAL PRODUCTION**		239,087	9,773	100,275	4,418	270
30							
31	**TOTAL DELIVERY SERVICE**		38,526,272	1,475,517	8,857,497	251,758	622,440
32							
33	**TRAND & DISTR COMPONENT $/THERM**		$0.2080	$0.2057	$0.1916	$0.1806	$0.2438
34							
35	**CUSTOMER COMPONENT $/MO/CUST**		$16.71	$13.20	$25.18	$160.21	$256.75
36							
37	**TOTAL THRUPUT THERM**		68,951,676	2,813,844	29,014,067	1,279,629	2,477,106
38							
39	**TOTAL ANNUAL CUSTOMERS**		120,636	5,660	10,919	11	6
40							
41							
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
			SM. VOL.	LG. VOL.	TRANS-PORTATION
			(19)	(20)	(21)
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - COMPONENT				
	RATE OF RETURN		8.80%	8.80%	8.80%
	REVENUES REQUIRED				
1	**CAPACITY COMPONENTS**	26,586,953	88,008	373,518	2,277,421
2	**PRODUCTION DEMAND COMP**		1,686	7,551	(0)
3	PROD DEM GAS COST		1,686	7,551	(0)
4					
5	**TRANSMISSION DEMAND COMP**		8,843	37,384	232,829
6	TRANSMISSION PLANT		8,843	37,384	232,829
7					
8	**DISTRIBUTION DEMAND COMP**	23,531,538	77,479	328,583	2,044,592
9	DISTRIBUTION MAINS		72,381	306,767	1,909,184
10	DISTRIBUTION REGULATORS		4,832	20,682	128,363
11	DISTRIBUTION OTHER		266	1,134	7,044
12					
13	**COMMODITY COMPONENTS**	13,911	51	223	1,994
14	COMMODITY GAS COST COMP		0	0	(0)
15	COMMODITY OTHER COMP		51	223	1,994
16					
17	**CUSTOMER COMPONENTS**	28,735,262	2,897	11,984	21,506
18	CUST SERVICE DROP COMPONENT		1,090	1,002	1,670
19	CUST METER COMPONENT		721	7,951	14,416
20	CUST REGULATOR COMPONENT		254	2,536	4,523
21	CUST DEPOSITS COMPONENT		0	0	(0)
22	CUST MISC REV COMP		0	0	(0)
23	CUST METER READING COMP		136	112	203
24	CUST RECORDS & COLL COMP		685	378	683
25	CUST SALES		11	6	11
26	**TOTAL COMPANY**	55,336,126	90,956	385,726	2,300,922
27					
28					
29	**TOTAL PRODUCTION**		1,737	7,774	1,994
30					
31	**TOTAL DELIVERY SERVICE**		89,219	377,951	2,298,927
32					
33	**TRAND & DISTR COMPONENT $/THERM**		$0.1687	$0.1593	$0.1179
34					
35	**CUSTOMER COMPONENT $/MO/CUST**		$19.06	$142.67	$149.35
36					
37	**TOTAL THRUPUT THERM**		511,826	2,297,027	19,313,119
38					
39	**TOTAL ANNUAL CUSTOMERS**		13	7	12
40					
41					
42					
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			PUBLIC AUTHORITY			SPECIAL	
			SM. VOL.	LG. VOL.	TRANS-PORTATION	GAS LIGHT SERVICE	IRRIGATION
			(22)	(23)	(24)	(25)	(26)
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - COMPONENT						
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%
	REVENUES REQUIRED						
1	**CAPACITY COMPONENTS**	26,586,953	1,262,274	208,723	692,582	18,623	11,382
2	**PRODUCTION DEMAND COMP**		19,377	3,366	(0)	341	290
3	PROD DEM GAS COST		19,377	3,366	(0)	341	290
4							
5	**TRANSMISSION DEMAND COMP**		127,218	20,987	70,926	1,916	1,141
6	TRANSMISSION PLANT		127,218	20,987	70,926	1,916	1,141
7							
8	**DISTRIBUTION DEMAND COMP**	23,531,538	1,115,680	184,370	621,656	16,366	9,952
9	DISTRIBUTION MAINS		1,042,069	172,147	580,708	15,369	9,305
10	DISTRIBUTION REGULATORS		69,776	11,587	38,813	944	613
11	DISTRIBUTION OTHER		3,835	636	2,134	53	34
12							
13	**COMMODITY COMPONENTS**	13,911	585	100	466	14	9
14	COMMODITY GAS COST COMP		0	(0)	(0)	0	0
15	COMMODITY OTHER COMP		585	100	466	14	9
16							
17	**CUSTOMER COMPONENTS**	28,735,262	264,353	2,900	7,706	170	1,329
18	CUST SERVICE DROP COMPONENT		153,176	833	449	0	534
19	CUST METER COMPONENT		60,705	299	4,719	0	787
20	CUST REGULATOR COMPONENT		16,426	1,392	2,246	0	168
21	CUST DEPOSITS COMPONENT		0	(0)	(0)	0	0
22	CUST MISC REV COMP		(36,161)	(0)	0	(0)	(560)
23	CUST METER READING COMP		11,448	85	66	0	65
24	CUST RECORDS & COLL COMP		57,806	286	223	167	330
25	CUST SALES		953	5	4	3	5
26	**TOTAL COMPANY**	55,336,126	1,527,213	211,722	700,754	18,807	12,720
27							
28							
29	**TOTAL PRODUCTION**		19,962	3,465	466	355	299
30							
31	**TOTAL DELIVERY SERVICE**		1,507,251	208,257	700,288	18,452	12,421
32							
33	**TRAND & DISTR COMPONENT $/THERM**		$0.2133	$0.1997	$0.1529	$0.1795	$0.1278
34							
35	**CUSTOMER COMPONENT $/MO/CUST**		$20.83	$45.41	$160.55	$4.71	$18.46
36							
37	**TOTAL THRUPUT THERM**		5,828,186	1,028,395	4,530,330	101,855	86,803
38							
39	**TOTAL ANNUAL CUSTOMERS**		1,058	5	4	3	6
40							
41							
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43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

CLAIMED RATE OF RETURN SUMMARY SCHEDULE - FUNCTION FORMAT

			TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%	8.80%	8.80%
	$/THERM								
1	**CAPACITY COMPONENTS**	0.1923	0.1923	0.2112	0.1982	0.1238	0.1900	0.1828	0.1311
2	**PRODUCTION DEMAND COMP**		0.0027	0.0034	0.0031	0.0004	0.0020	0.0034	0.0033
3	PROD DEM GAS COST		0.0027	0.0034	0.0031	0.0004	0.0020	0.0034	0.0033
4									
5	**TRANSMISSION DEMAND COMP**		0.0194	0.0212	0.0200	0.0126	0.0192	0.0188	0.0131
6	TRANSMISSION PLANT		0.0194	0.0212	0.0200	0.0126	0.0192	0.0188	0.0131
7									
8	**DISTRIBUTION DEMAND COMP**	0.1702	0.1702	0.1866	0.1751	0.1108	0.1688	0.1607	0.1146
9	DISTRIBUTION MAINS		0.1590	0.1742	0.1636	0.1034	0.1576	0.1509	0.1072
10	DISTRIBUTION REGULATORS		0.0107	0.0117	0.0110	0.0070	0.0106	0.0093	0.0071
11	DISTRIBUTION OTHER		0.0006	0.0006	0.0006	0.0004	0.0006	0.0005	0.0004
12									
13	**COMMODITY COMPONENTS**	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
14	COMMODITY GAS COST COMP		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
15	COMMODITY OTHER COMP		0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
16									
17	**CUSTOMER COMPONENTS**	0.2079	0.2079	0.3495	0.1019	0.0016	0.0241	0.0017	0.0153
18	CUST SERVICE DROP COMPONENT		0.0859	0.1500	0.0289	0.0002	0.0136	0.0000	0.0061
19	CUST METER COMPONENT		0.0559	0.0864	0.0439	0.0010	0.0058	0.0000	0.0091
20	CUST REGULATOR COMPONENT		0.0073	0.0098	0.0083	0.0003	0.0018	0.0000	0.0019
21	CUST DEPOSITS COMPONENT		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
22	CUST MISC REV COMP		-0.0076	-0.0134	-0.0016	0.0000	-0.0032	0.0000	-0.0064
23	CUST METER READING COMP		0.0109	0.0193	0.0036	0.0000	0.0010	0.0000	0.0008
24	CUST RECORDS & COLL COMP		0.0546	0.0959	0.0184	0.0001	0.0051	0.0016	0.0038
25	CUST SALES		0.0009	0.0016	0.0003	0.0000	0.0001	0.0000	0.0001
26	**TOTAL COMPANY**		0.4003	0.5609	0.3002	0.1256	0.2143	0.1846	0.1465
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
			SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.
			(8)	(9)	(10)	(11)	(12)	(13)
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - FUNCTION FO							
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%	8.80%
	$/THERM							
1	**CAPACITY COMPONENTS**	0.1923	0.1949	0.2234	0.1719	0.1227	0.2166	0.1621
2	**PRODUCTION DEMAND COMP**		0.0034	0.0011	0.0033	0.0003	0.0033	0.0006
3	PROD DEM GAS COST		0.0034	0.0011	0.0033	0.0003	0.0033	0.0006
4								
5	**TRANSMISSION DEMAND COMP**		0.0196	0.0228	0.0173	0.0125	0.0218	0.0165
6	TRANSMISSION PLANT		0.0196	0.0228	0.0173	0.0125	0.0218	0.0165
7								
8	**DISTRIBUTION DEMAND COMP**	0.1702	0.1720	0.1995	0.1514	0.1098	0.1914	0.1450
9	DISTRIBUTION MAINS		0.1606	0.1864	0.1414	0.1025	0.1788	0.1354
10	DISTRIBUTION REGULATORS		0.0108	0.0124	0.0094	0.0069	0.0120	0.0091
11	DISTRIBUTION OTHER		0.0006	0.0007	0.0005	0.0004	0.0007	0.0005
12								
13	**COMMODITY COMPONENTS**	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
14	COMMODITY GAS COST COMP		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
15	COMMODITY OTHER COMP		0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
16								
17	**CUSTOMER COMPONENTS**	0.2079	0.1137	0.0104	0.0057	0.0015	0.0454	0.0019
18	CUST SERVICE DROP COMPONENT		0.0326	0.0008	0.0021	0.0001	0.0263	0.0002
19	CUST METER COMPONENT		0.0486	0.0069	0.0014	0.0010	0.0104	0.0009
20	CUST REGULATOR COMPONENT		0.0091	0.0024	0.0005	0.0003	0.0028	0.0007
21	CUST DEPOSITS COMPONENT		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
22	CUST MISC REV COMP		-0.0018	0.0000	0.0000	0.0000	-0.0062	0.0000
23	CUST METER READING COMP		0.0041	0.0001	0.0003	0.0000	0.0020	0.0000
24	CUST RECORDS & COLL COMP		0.0208	0.0002	0.0013	0.0000	0.0099	0.0001
25	CUST SALES		0.0003	0.0000	0.0000	0.0000	0.0002	0.0000
26	**TOTAL COMPANY**		0.3087	0.2339	0.1777	0.1243	0.2620	0.1642
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
			RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - FUNCTION FO						
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%
	$/THERM						
1	**CAPACITY COMPONENTS**	0.1923	0.2113	0.2091	0.1949	0.1840	0.2438
2	**PRODUCTION DEMAND COMP**		0.0034	0.0034	0.0034	0.0034	0.0000
3	PROD DEM GAS COST		0.0034	0.0034	0.0034	0.0034	0.0000
4							
5	**TRANSMISSION DEMAND COMP**		0.0212	0.0210	0.0196	0.0185	0.0250
6	TRANSMISSION PLANT		0.0212	0.0210	0.0196	0.0185	0.0250
7							
8	**DISTRIBUTION DEMAND COMP**	0.1702	0.1867	0.1847	0.1720	0.1621	0.2188
9	DISTRIBUTION MAINS		0.1743	0.1724	0.1606	0.1514	0.2045
10	DISTRIBUTION REGULATORS		0.0118	0.0117	0.0108	0.0102	0.0136
11	DISTRIBUTION OTHER		0.0006	0.0006	0.0006	0.0006	0.0007
12							
13	**COMMODITY COMPONENTS**	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
14	COMMODITY GAS COST COMP		0.0000	0.0000	0.0000	0.0000	0.0000
15	COMMODITY OTHER COMP		0.0001	0.0001	0.0001	0.0001	0.0001
16							
17	**CUSTOMER COMPONENTS**	0.2079	0.3508	0.3187	0.1137	0.0161	0.0075
18	CUST SERVICE DROP COMPONENT		0.1496	0.1616	0.0326	0.0012	0.0006
19	CUST METER COMPONENT		0.0861	0.0933	0.0486	0.0105	0.0051
20	CUST REGULATOR COMPONENT		0.0098	0.0106	0.0091	0.0038	0.0017
21	CUST DEPOSITS COMPONENT		0.0000	0.0000	0.0000	0.0000	0.0000
22	CUST MISC REV COMP		-0.0137	-0.0066	-0.0018	0.0000	0.0000
23	CUST METER READING COMP		0.0192	0.0209	0.0041	0.0001	0.0000
24	CUST RECORDS & COLL COMP		0.0983	0.0370	0.0208	0.0005	0.0001
25	CUST SALES		0.0016	0.0018	0.0003	0.0000	0.0000
26	**TOTAL COMPANY**		0.5622	0.5279	0.3087	0.2002	0.2514
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
			SM. VOL.	LG. VOL.	TRANS-PORTATION
			(19)	(20)	(21)
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - FUNCTION FO				
	RATE OF RETURN		8.80%	8.80%	8.80%
	$/THERM				
1	**CAPACITY COMPONENTS**	0.1923	0.1719	0.1626	0.1179
2	**PRODUCTION DEMAND COMP**		0.0033	0.0033	0.0000
3	PROD DEM GAS COST		0.0033	0.0033	0.0000
4					
5	**TRANSMISSION DEMAND COMP**		0.0173	0.0163	0.0121
6	TRANSMISSION PLANT		0.0173	0.0163	0.0121
7					
8	**DISTRIBUTION DEMAND COMP**	0.1702	0.1514	0.1430	0.1059
9	DISTRIBUTION MAINS		0.1414	0.1335	0.0989
10	DISTRIBUTION REGULATORS		0.0094	0.0090	0.0066
11	DISTRIBUTION OTHER		0.0005	0.0005	0.0004
12					
13	**COMMODITY COMPONENTS**	0.0001	0.0001	0.0001	0.0001
14	COMMODITY GAS COST COMP		0.0000	0.0000	0.0000
15	COMMODITY OTHER COMP		0.0001	0.0001	0.0001
16					
17	**CUSTOMER COMPONENTS**	0.2079	0.0057	0.0052	0.0011
18	CUST SERVICE DROP COMPONENT		0.0021	0.0004	0.0001
19	CUST METER COMPONENT		0.0014	0.0035	0.0007
20	CUST REGULATOR COMPONENT		0.0005	0.0011	0.0002
21	CUST DEPOSITS COMPONENT		0.0000	0.0000	0.0000
22	CUST MISC REV COMP		0.0000	0.0000	0.0000
23	CUST METER READING COMP		0.0003	0.0000	0.0000
24	CUST RECORDS & COLL COMP		0.0013	0.0002	0.0000
25	CUST SALES		0.0000	0.0000	0.0000
26	**TOTAL COMPANY**		0.1777	0.1679	0.1191
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			PUBLIC AUTHORITY				
			SM. VOL.	LG. VOL.	TRANS-PORTATION	SPECIAL GAS LIGHT SERVICE	IRRIGATION
			(22)	(23)	(24)	(25)	(26)
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - FUNCTION FO						
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%
	$/THERM						
1	**CAPACITY COMPONENTS**	0.1923	0.2166	0.2030	0.1529	0.1828	0.1311
2	**PRODUCTION DEMAND COMP**		0.0033	0.0033	0.0000	0.0034	0.0033
3	PROD DEM GAS COST		0.0033	0.0033	0.0000	0.0034	0.0033
4							
5	**TRANSMISSION DEMAND COMP**		0.0218	0.0204	0.0157	0.0188	0.0131
6	TRANSMISSION PLANT		0.0218	0.0204	0.0157	0.0188	0.0131
7							
8	**DISTRIBUTION DEMAND COMP**	0.1702	0.1914	0.1793	0.1372	0.1607	0.1146
9	DISTRIBUTION MAINS		0.1788	0.1674	0.1282	0.1509	0.1072
10	DISTRIBUTION REGULATORS		0.0120	0.0113	0.0086	0.0093	0.0071
11	DISTRIBUTION OTHER		0.0007	0.0006	0.0005	0.0005	0.0004
12							
13	**COMMODITY COMPONENTS**	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
14	COMMODITY GAS COST COMP		0.0000	0.0000	0.0000	0.0000	0.0000
15	COMMODITY OTHER COMP		0.0001	0.0001	0.0001	0.0001	0.0001
16							
17	**CUSTOMER COMPONENTS**	0.2079	0.0454	0.0028	0.0017	0.0017	0.0153
18	CUST SERVICE DROP COMPONENT		0.0263	0.0008	0.0001	0.0000	0.0061
19	CUST METER COMPONENT		0.0104	0.0003	0.0010	0.0000	0.0091
20	CUST REGULATOR COMPONENT		0.0028	0.0014	0.0005	0.0000	0.0019
21	CUST DEPOSITS COMPONENT		0.0000	0.0000	0.0000	0.0000	0.0000
22	CUST MISC REV COMP		-0.0062	0.0000	0.0000	0.0000	-0.0064
23	CUST METER READING COMP		0.0020	0.0001	0.0000	0.0000	0.0008
24	CUST RECORDS & COLL COMP		0.0099	0.0003	0.0000	0.0016	0.0038
25	CUST SALES		0.0002	0.0000	0.0000	0.0000	0.0001
26	**TOTAL COMPANY**		0.2620	0.2059	0.1547	0.1846	0.1465
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
			0						
1	DEVELOPMENT OF LABOR ALLOCATOR								
2									
3	**EXPENSED LABOR**								
4	PRODUCTION LABOR								
5	421-PURCHASED POWER	EXP421	0	0	0	0	0	0	0
6	805-PURCHASED GAS EXPENSE	EXP805	0	0	0	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES								
8	DEMAND RELATED	EXP807D	0	0	0	0	0	0	0
9	COMMODITY RELATED	EXP807C	0	0	0	0	0	0	0
10	TOTAL ACCOUNT 807		0	0	0	0	0	0	0
11	TOTAL PURCHASED GAS SUPPLY		0	0	0	0	0	0	0
12									
13	TRANSMISSION LABOR								
14	856-MAINS EXPENSE	EXP856	8,362	4,784	2,029	855	685	5	3
15	857-MEASURING & REG. STATION	EXP857	110	63	27	11	9	0	0
16	864-MAINT. OF STATION EQUIP.	EXP864	0	0	0	0	0	0	0
17	867-MAINT. OF OTHER EQUIP.	EXP867	0	0	0	0	0	0	0
18	TOTAL TRANSMISSION LABOR		8,472	4,847	2,056	866	694	5	4
19									
20	DISTRIBUTION LABOR								
21	870-OPERATION SUPERV. & ENG.	LABDO	260,572	193,889	49,711	8,635	8,239	48	50
22	871-LOAD DISPATCHING	EXP871	0	0	0	0	0	0	0
23	874-MAINS & SERVICING EXPENSE	EXP874	969,232	669,860	179,041	64,008	55,673	376	274
24	875-MEAS./REG. STATION EXPENSE	EXP875	149,128	85,321	36,191	15,250	12,214	90	62
25	876-MEAS./REG. STATION EXPENSE	EXP876	114,529	65,526	27,795	11,712	9,380	69	47
26	877-MEAS./REG. STATION EXPENSE	EXP877	15,325	12,297	2,851	45	131	0	2
27	878-METER EXPENSE	EXP878	1,084,223	869,935	201,680	3,211	9,288	0	110
28	879-CUSTOMER INSTALL EXP	EXP879	590,687	473,943	109,876	1,749	5,060	0	60
29	880-OTHER EXPENSES	EXP880	261,949	193,102	50,198	9,579	8,964	54	53
30	881-RENTS	EXP881	0	0	0	0	0	0	0
31	885-MAINT. SUPERV. & ENG.	LABDM	190,429	134,748	34,306	11,275	9,985	66	50
32	886-MAINT. OF STRUCTURES	EXP886	0	0	0	0	0	0	0
33	887-MAINT. OF MAINS	EXP887	522,694	299,052	126,851	53,450	42,810	314	216
34	889-MAINT. MEAS./REG	EXP889	8,235	4,711	1,998	842	674	5	3
35	890-MAINT. MEAS./REG	EXP890	75	43	18	8	6	0	0
36	891-MAINT. MEAS./REG	EXP891	579	464	108	2	5	0	0
37	892-MAINT. OF SERVICES	EXP892	345,392	313,287	27,474	109	4,508	0	15
38	893-MAINT. OF METER	EXP893	58,834	47,206	10,944	174	504	0	6
39	894-MAINT. OF OTHER EQUIP.	EXP894	19,066	10,908	4,627	1,950	1,562	11	8
40	TOTAL DISTRIBUTION LABOR		4,590,950	3,374,292	863,669	181,999	169,003	1,033	954
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1 DEVELOPMENT OF LABOR ALLOCATOR							
2							
3 **EXPENSED LABOR**							
4 PRODUCTION LABOR							
5 421-PURCHASED POWER	EXP421	0	0	0	0	0	0
6 805-PURCHASED GAS EXPENSE	EXP805	0	0	0	0	0	0
7 807-PURCHASED GAS COST EXPENSES							
8 DEMAND RELATED	EXP807D	0	0	0	0	0	0
9 COMMODITY RELATED	EXP807C	0	0	0	0	0	0
10 TOTAL ACCOUNT 807		0	0	0	0	0	0
11 TOTAL PURCHASED GAS SUPPLY		0	0	0	0	0	0
12							
13 TRANSMISSION LABOR							
14 856-MAINS EXPENSE	EXP856	1,774	255	28	827	399	285
15 857-MEASURING & REG. STATION	EXP857	23	3	0	11	5	4
16 864-MAINT. OF STATION EQUIP.	EXP864	0	0	0	0	0	0
17 867-MAINT. OF OTHER EQUIP.	EXP867	0	0	0	0	0	0
18 TOTAL TRANSMISSION LABOR		1,797	259	28	838	405	289
19							
20 DISTRIBUTION LABOR							
21 870-OPERATION SUPERV. & ENG.	LABDO	46,766	2,944	284	8,352	5,408	2,831
22 871-LOAD DISPATCHING	EXP871	0	0	0	0	0	0
23 874-MAINS & SERVICING EXPENSE	EXP874	159,868	19,174	2,116	61,892	34,303	21,370
24 875-MEAS./REG. STATION EXPENSE	EXP875	31,635	4,556	497	14,752	7,123	5,091
25 876-MEAS./REG. STATION EXPENSE	EXP876	24,296	3,499	382	11,330	5,470	3,910
26 877-MEAS./REG. STATION EXPENSE	EXP877	2,800	50	1	44	121	10
27 878-METER EXPENSE	EXP878	198,113	3,567	103	3,108	8,590	698
28 879-CUSTOMER INSTALL EXP	EXP879	107,933	1,943	56	1,693	4,680	380
29 880-OTHER EXPENSES	EXP880	46,998	3,200	315	9,265	5,814	3,150
30 881-RENTS	EXP881	0	0	0	0	0	0
31 885-MAINT. SUPERV. & ENG.	LABDM	30,899	3,407	373	10,901	6,225	3,760
32 886-MAINT. OF STRUCTURES	EXP886	0	0	0	0	0	0
33 887-MAINT. OF MAINS	EXP887	110,882	15,969	1,743	51,707	24,966	17,844
34 889-MAINT. MEAS./REG	EXP889	1,747	252	27	815	393	281
35 890-MAINT. MEAS./REG	EXP890	16	2	0	7	4	3
36 891-MAINT. MEAS./REG	EXP891	106	2	0	2	5	0
37 892-MAINT. OF SERVICES	EXP892	27,391	82	32	77	4,470	38
38 893-MAINT. OF METER	EXP893	10,750	194	6	169	466	38
39 894-MAINT. OF OTHER EQUIP.	EXP894	4,045	583	64	1,886	911	651
40 TOTAL DISTRIBUTION LABOR		804,244	59,425	6,000	175,999	108,949	60,054
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	DEVELOPMENT OF LABOR ALLOCATOR						
2							
3	**EXPENSED LABOR**						
4	PRODUCTION LABOR						
5	421-PURCHASED POWER	EXP421	0	0	0	0	0
6	805-PURCHASED GAS EXPENSE	EXP805	0	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES						
8	DEMAND RELATED	EXP807D	0	0	0	0	0
9	COMMODITY RELATED	EXP807C	0	0	0	0	0
10	TOTAL ACCOUNT 807		0	0	0	0	0
11	TOTAL PURCHASED GAS SUPPLY		0	0	0	0	0
12							
13	TRANSMISSION LABOR						
14	856-MAINS EXPENSE	EXP856	4,598	187	1,774	74	181
15	857-MEASURING & REG. STATION	EXP857	60	2	23	1	2
16	864-MAINT. OF STATION EQUIP.	EXP864	0	0	0	0	0
17	867-MAINT. OF OTHER EQUIP.	EXP867	0	0	0	0	0
18	TOTAL TRANSMISSION LABOR		4,658	189	1,797	75	184
19							
20	DISTRIBUTION LABOR						
21	870-OPERATION SUPERV. & ENG.	LABDO	185,820	8,069	46,766	975	1,969
22	871-LOAD DISPATCHING	EXP871	0	0	0	0	0
23	874-MAINS & SERVICING EXPENSE	EXP874	642,667	27,193	159,868	5,583	13,590
24	875-MEAS./REG. STATION EXPENSE	EXP875	81,994	3,327	31,635	1,322	3,234
25	876-MEAS./REG. STATION EXPENSE	EXP876	62,971	2,555	24,296	1,015	2,484
26	877-MEAS./REG. STATION EXPENSE	EXP877	11,775	522	2,800	27	24
27	878-METER EXPENSE	EXP878	833,029	36,906	198,113	1,899	1,668
28	879-CUSTOMER INSTALL EXP	EXP879	453,836	20,106	107,933	1,035	909
29	880-OTHER EXPENSES	EXP880	185,085	8,016	46,998	1,041	2,159
30	881-RENTS	EXP881	0	0	0	0	0
31	885-MAINT. SUPERV. & ENG.	LABDM	129,247	5,501	30,899	1,002	2,405
32	886-MAINT. OF STRUCTURES	EXP886	0	0	0	0	0
33	887-MAINT. OF MAINS	EXP887	287,390	11,662	110,882	4,634	11,336
34	889-MAINT. MEAS./REG	EXP889	4,528	184	1,747	73	179
35	890-MAINT. MEAS./REG	EXP890	41	2	16	1	2
36	891-MAINT. MEAS./REG	EXP891	444	20	106	1	1
37	892-MAINT. OF SERVICES	EXP892	299,996	13,291	27,391	44	38
38	893-MAINT. OF METER	EXP893	45,204	2,003	10,750	103	90
39	894-MAINT. OF OTHER EQUIP.	EXP894	10,483	425	4,045	169	413
40	TOTAL DISTRIBUTION LABOR		3,234,510	139,782	804,244	18,925	40,500
41							
42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	DEVELOPMENT OF LABOR ALLOCATOR				
2					
3	**EXPENSED LABOR**				
4	PRODUCTION LABOR				
5	421-PURCHASED POWER	EXP421	0	0	0
6	805-PURCHASED GAS EXPENSE	EXP805	0	0	0
7	807-PURCHASED GAS COST EXPENSES				
8	DEMAND RELATED	EXP807D	0	0	0
9	COMMODITY RELATED	EXP807C	0	0	0
10	TOTAL ACCOUNT 807		0	0	0
11	TOTAL PURCHASED GAS SUPPLY		0	0	0
12					
13	TRANSMISSION LABOR				
14	856-MAINS EXPENSE	EXP856	28	120	707
15	857-MEASURING & REG. STATION	EXP857	0	2	9
16	864-MAINT. OF STATION EQUIP.	EXP864	0	0	0
17	867-MAINT. OF OTHER EQUIP.	EXP867	0	0	0
18	TOTAL TRANSMISSION LABOR		28	122	716
19					
20	DISTRIBUTION LABOR				
21	870-OPERATION SUPERV. & ENG.	LABDO	284	1,313	7,038
22	871-LOAD DISPATCHING	EXP871	0	0	0
23	874-MAINS & SERVICING EXPENSE	EXP874	2,116	9,029	52,864
24	875-MEAS./REG. STATION EXPENSE	EXP875	497	2,148	12,605
25	876-MEAS./REG. STATION EXPENSE	EXP876	382	1,649	9,680
26	877-MEAS./REG. STATION EXPENSE	EXP877	1	16	28
27	878-METER EXPENSE	EXP878	103	1,145	1,963
28	879-CUSTOMER INSTALL EXP	EXP879	56	624	1,069
29	880-OTHER EXPENSES	EXP880	315	1,439	7,825
30	881-RENTS	EXP881	0	0	0
31	885-MAINT. SUPERV. & ENG.	LABDM	373	1,598	9,303
32	886-MAINT. OF STRUCTURES	EXP886	0	0	0
33	887-MAINT. OF MAINS	EXP887	1,743	7,527	44,180
34	889-MAINT. MEAS./REG	EXP889	27	119	696
35	890-MAINT. MEAS./REG	EXP890	0	1	6
36	891-MAINT. MEAS./REG	EXP891	0	1	1
37	892-MAINT. OF SERVICES	EXP892	32	30	47
38	893-MAINT. OF METER	EXP893	6	62	107
39	894-MAINT. OF OTHER EQUIP.	EXP894	64	275	1,612
40	TOTAL DISTRIBUTION LABOR		6,000	26,975	149,024
41					
42					
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEVELOPMENT OF LABOR ALLOCATOR						
2							
3	**EXPENSED LABOR**						
4	PRODUCTION LABOR						
5	421-PURCHASED POWER	EXP421	0	0	0	0	0
6	805-PURCHASED GAS EXPENSE	EXP805	0	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES						
8	DEMAND RELATED	EXP807D	0	0	0	0	0
9	COMMODITY RELATED	EXP807C	0	0	0	0	0
10	TOTAL ACCOUNT 807		0	0	0	0	0
11	TOTAL PURCHASED GAS SUPPLY		0	0	0	0	0
12							
13	TRANSMISSION LABOR						
14	856-MAINS EXPENSE	EXP856	399	68	218	5	3
15	857-MEASURING & REG. STATION	EXP857	5	1	3	0	0
16	864-MAINT. OF STATION EQUIP.	EXP864	0	0	0	0	0
17	867-MAINT. OF OTHER EQUIP.	EXP867	0	0	0	0	0
18	TOTAL TRANSMISSION LABOR		405	69	221	5	4
19							
20	DISTRIBUTION LABOR						
21	870-OPERATION SUPERV. & ENG.	LABDO	5,408	656	2,175	48	50
22	871-LOAD DISPATCHING	EXP871	0	0	0	0	0
23	874-MAINS & SERVICING EXPENSE	EXP874	34,303	5,086	16,284	376	274
24	875-MEAS./REG. STATION EXPENSE	EXP875	7,123	1,208	3,883	90	62
25	876-MEAS./REG. STATION EXPENSE	EXP876	5,470	928	2,982	69	47
26	877-MEAS./REG. STATION EXPENSE	EXP877	121	1	9	0	2
27	878-METER EXPENSE	EXP878	8,590	43	654	0	110
28	879-CUSTOMER INSTALL EXP	EXP879	4,680	24	356	0	60
29	880-OTHER EXPENSES	EXP880	5,814	733	2,417	54	53
30	881-RENTS	EXP881	0	0	0	0	0
31	885-MAINT. SUPERV. & ENG.	LABDM	6,225	894	2,866	66	50
32	886-MAINT. OF STRUCTURES	EXP886	0	0	0	0	0
33	887-MAINT. OF MAINS	EXP887	24,966	4,233	13,611	314	216
34	889-MAINT. MEAS./REG	EXP889	393	67	214	5	3
35	890-MAINT. MEAS./REG	EXP890	4	1	2	0	0
36	891-MAINT. MEAS./REG	EXP891	5	0	0	0	0
37	892-MAINT. OF SERVICES	EXP892	4,470	25	13	0	15
38	893-MAINT. OF METER	EXP893	466	2	36	0	6
39	894-MAINT. OF OTHER EQUIP.	EXP894	911	154	496	11	8
40	TOTAL DISTRIBUTION LABOR		108,949	14,054	46,000	1,033	954
41							
42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	DEVEL OF LABOR ALLOC CON'T.								
2	**EXPENSED LABOR CONTINUED**								
3	CUSTOMER ACCOUNT LABOR								
4	901-SUPERVISION	LABCA	57,780	52,695	4,616	15	451	1	3
5	902-METER READING EXPENSE	EXP902	555,711	507,219	43,995	165	4,308	0	24
6	903-CUST RECORDS & COLLECT	EXP903	1,285,183	1,171,692	103,052	298	10,056	28	57
7	904-UNCOLLECTIBLE ACCOUNTS	EXP904	0	0	0	0	0	0	0
8	905-MISC CUST ACCTS EXP	EXP905	779	683	70	16	10	0	0
9	906-CUSTOMER SERVICE & INFO	EXP906	0	0	0	0	0	0	0
10	907-SUPERV. CUSTOMER SERV.	LABCS	13,342	12,180	1,055	3	103	0	1
11	908-CUSTOMER ASSISTANCE	EXP908	3,460	3,159	274	1	27	0	0
12	909-INFO & INSTRUCTIONAL ADVERT.	EXP909	24,715	22,563	1,954	6	191	1	1
13	910-MISC. CUST. SERV. & INFO.	EXP910	0	0	0	0	0	0	0
14	TOTAL CUSTOMER ACCTS LABOR		1,940,970	1,770,191	155,015	504	15,145	30	85
15									
16	SALES LABOR								
17	912-DEMONSTRATING & SELLING	EXP912	0	0	0	0	0	0	0
18	913-ADVERTISING EXPENSES	EXP913	0	0	0	0	0	0	0
19	TOTAL SALES LABOR		0	0	0	0	0	0	0
20									
21	ADMINISTRATIVE & GENERAL LABOR								
22	920-ADMIN & GENERAL SALARY	EXP920	1,295,495	1,019,959	202,184	36,321	36,613	212	206
23	921-OFFICE SUPPLIES & EXP	EXP921	0	0	0	0	0	0	0
24	923-OUTSIDE SERV EMPLOYED	EXP923	1,076,612	847,630	168,024	30,184	30,427	176	172
25	924-PROPERTY INSURANCE	EXP924	0	0	0	0	0	0	0
26	925-INJURIES & DAMAGES	EXP925	13,225	10,413	2,064	371	374	2	2
27	926-EMPLOYED PENSION & BENF	EXP926	74,902	58,971	11,690	2,100	2,117	12	12
28	928-REGULATORY COMM EXPENSE	EXP928	0	0	0	0	0	0	0
29	930-MISCELLANEOUS GEN EXP	EXP930	14,065	11,074	2,195	394	398	2	2
30	931-RENTS	EXP931	0	0	0	0	0	0	0
31	932-MAINT OF GENERAL PLT	EXP932	12,877	10,165	1,984	357	367	2	2
32	TOTAL ADMIN & GEN LABOR		2,487,178	1,958,212	388,140	69,728	70,295	406	396
33									
34	**CAPITALIZED LABOR**								
35	371	CAPLABX	22,791	18,140	3,365	609	669	3	3
36	376-MAINS	PLT376	576,791	330,003	139,980	58,982	47,241	347	239
37	378-MEAS. & REG. EQUIP-GEN	PLT378	23,826	13,632	5,782	2,436	1,951	14	10
38	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	11,621	6,649	2,820	1,188	952	7	5
39	380-SERVICES	PLT380	1,290,458	1,170,506	102,647	407	16,842	0	57
40	382-METER INSTALLATIONS	PLT382	448,397	359,775	83,408	1,328	3,841	0	45
41	384-REGULATOR INSTALLATIONS	PLT384	127,987	102,691	23,807	379	1,096	0	13
42	385-INDUSTRIAL MEAS. EQUIP.	PLT385	5,452	0	4,705	200	544	0	3
43	387-OTHER EQUIPMENT	PLT387	15,338	8,776	3,722	1,569	1,256	9	6
44	390-STRUCTURES & IMPROVE.	PLT390	41	32	6	1	1	0	0
45	391-OFFICE FURN & EQUIP	PLT391	343,980	271,537	52,984	9,536	9,814	55	54
46	TOTAL CAPITALIZED LABOR		2,866,682	2,281,740	423,227	76,636	84,208	436	435
47									
48	SUM OF ALLOCATED LABOR EXP		11,894,252	9,389,282	1,832,106	329,733	339,345	1,911	1,874

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	DEVEL OF LABOR ALLOC CON'T.							
2	**EXPENSED LABOR CONTINUED**							
3	CUSTOMER ACCOUNT LABOR							
4	901-SUPERVISION	LABCA	4,607	8	5	10	446	5
5	902-METER READING EXPENSE	EXP902	43,894	101	51	115	4,252	56
6	903-CUST RECORDS & COLLECT	EXP903	102,894	158	119	179	9,968	88
7	904-UNCOLLECTIBLE ACCOUNTS	EXP904	0	0	0	0	0	0
8	905-MISC CUST ACCTS EXP	EXP905	66	5	0	16	5	5
9	906-CUSTOMER SERVICE & INFO	EXP906	0	0	0	0	0	0
10	907-SUPERV. CUSTOMER SERV.	LABCS	1,053	2	1	2	102	1
11	908-CUSTOMER ASSISTANCE	EXP908	273	0	0	0	26	0
12	909-INFO & INSTRUCTIONAL ADVERT.	EXP909	1,951	3	2	3	189	2
13	910-MISC. CUST. SERV. & INFO.	EXP910	0	0	0	0	0	0
14	TOTAL CUSTOMER ACCTS LABOR		154,738	277	180	325	14,989	156
15								
16	SALES LABOR							
17	912-DEMONSTRATING & SELLING	EXP912	0	0	0	0	0	0
18	913-ADVERTISING EXPENSES	EXP913	0	0	0	0	0	0
19	TOTAL SALES LABOR		0	0	0	0	0	0
20								
21	ADMINISTRATIVE & GENERAL LABOR							
22	920-ADMIN & GENERAL SALARY	EXP920	190,307	11,877	1,230	35,092	24,629	11,984
23	921-OFFICE SUPPLIES & EXP	EXP921	0	0	0	0	0	0
24	923-OUTSIDE SERV EMPLOYED	EXP923	158,154	9,870	1,022	29,163	20,468	9,959
25	924-PROPERTY INSURANCE	EXP924	0	0	0	0	0	0
26	925-INJURIES & DAMAGES	EXP925	1,943	121	13	358	251	122
27	926-EMPLOYED PENSION & BENF	EXP926	11,003	687	71	2,029	1,424	693
28	928-REGULATORY COMM EXPENSE	EXP928	0	0	0	0	0	0
29	930-MISCELLANEOUS GEN EXP	EXP930	2,066	129	13	381	267	130
30	931-RENTS	EXP931	0	0	0	0	0	0
31	932-MAINT OF GENERAL PLT	EXP932	1,867	117	12	345	249	118
32	TOTAL ADMIN & GEN LABOR		365,340	22,800	2,361	67,367	47,290	23,006
33								
34	**CAPITALIZED LABOR**							
35	371	CAPLABX	3,166	198	21	588	467	202
36	376-MAINS	PLT376	122,358	17,622	1,924	57,058	27,550	19,691
37	378-MEAS. & REG. EQUIP-GEN	PLT378	5,054	728	79	2,357	1,138	813
38	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	2,465	355	39	1,150	555	397
39	380-SERVICES	PLT380	102,339	307	119	287	16,701	141
40	382-METER INSTALLATIONS	PLT382	81,933	1,475	43	1,285	3,553	288
41	384-REGULATOR INSTALLATIONS	PLT384	23,386	421	12	367	1,014	82
42	385-INDUSTRIAL MEAS. EQUIP.	PLT385	4,452	253	7	193	412	132
43	387-OTHER EQUIPMENT	PLT387	3,254	469	51	1,517	733	524
44	390-STRUCTURES & IMPROVE.	PLT390	6	0	0	1	1	0
45	391-OFFICE FURN & EQUIP	PLT391	49,870	3,115	324	9,212	6,664	3,150
46	TOTAL CAPITALIZED LABOR		398,283	24,944	2,619	74,017	58,787	25,421
47								
48	SUM OF ALLOCATED LABOR EXP		1,724,402	107,704	11,188	318,545	230,419	108,927

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	DEVEL OF LABOR ALLOC CON'T.						
2	**EXPENSED LABOR CONTINUED**						
3	CUSTOMER ACCOUNT LABOR						
4	901-SUPERVISION	LABCA	51,463	1,231	4,607	5	3
5	902-METER READING EXPENSE	EXP902	485,701	21,518	43,894	65	36
6	903-CUST RECORDS & COLLECT	EXP903	1,153,971	17,720	102,894	101	57
7	904-UNCOLLECTIBLE ACCOUNTS	EXP904	0	0	0	0	0
8	905-MISC CUST ACCTS EXP	EXP905	670	13	66	0	4
9	906-CUSTOMER SERVICE & INFO	EXP906	0	0	0	0	0
10	907-SUPERV. CUSTOMER SERV.	LABCS	11,634	546	1,053	1	1
11	908-CUSTOMER ASSISTANCE	EXP908	3,018	142	273	0	0
12	909-INFO & INSTRUCTIONAL ADVERT.	EXP909	21,552	1,011	1,951	2	1
13	910-MISC. CUST. SERV. & INFO.	EXP910	0	0	0	0	0
14	TOTAL CUSTOMER ACCTS LABOR		1,728,009	42,182	154,738	175	102
15							
16	SALES LABOR						
17	912-DEMONSTRATING & SELLING	EXP912	0	0	0	0	0
18	913-ADVERTISING EXPENSES	EXP913	0	0	0	0	0
19	TOTAL SALES LABOR		0	0	0	0	0
20							
21	ADMINISTRATIVE & GENERAL LABOR						
22	920-ADMIN & GENERAL SALARY	EXP920	983,879	36,080	190,307	3,798	8,079
23	921-OFFICE SUPPLIES & EXP	EXP921	0	0	0	0	0
24	923-OUTSIDE SERV EMPLOYED	EXP923	817,646	29,984	158,154	3,156	6,714
25	924-PROPERTY INSURANCE	EXP924	0	0	0	0	0
26	925-INJURIES & DAMAGES	EXP925	10,044	368	1,943	39	82
27	926-EMPLOYED PENSION & BENF	EXP926	56,885	2,086	11,003	220	467
28	928-REGULATORY COMM EXPENSE	EXP928	0	0	0	0	0
29	930-MISCELLANEOUS GEN EXP	EXP930	10,682	392	2,066	41	88
30	931-RENTS	EXP931	0	0	0	0	0
31	932-MAINT OF GENERAL PLT	EXP932	9,791	374	1,867	37	79
32	TOTAL ADMIN & GEN LABOR		1,888,927	69,284	365,340	7,291	15,509
33							
34	**CAPITALIZED LABOR**						
35	371	CAPLABX	17,393	747	3,166	63	135
36	376-MAINS	PLT376	317,134	12,869	122,358	5,113	12,509
37	378-MEAS. & REG. EQUIP-GEN	PLT378	13,100	532	5,054	211	517
38	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	6,389	259	2,465	103	252
39	380-SERVICES	PLT380	1,120,849	49,657	102,339	164	144
40	382-METER INSTALLATIONS	PLT382	344,512	15,263	81,933	785	690
41	384-REGULATOR INSTALLATIONS	PLT384	98,335	4,357	23,386	224	197
42	385-INDUSTRIAL MEAS. EQUIP.	PLT385	0	0	4,452	145	108
43	387-OTHER EQUIPMENT	PLT387	8,433	342	3,254	136	333
44	390-STRUCTURES & IMPROVE.	PLT390	31	1	6	0	0
45	391-OFFICE FURN & EQUIP	PLT391	261,546	9,991	49,870	995	2,120
46	TOTAL CAPITALIZED LABOR		2,187,722	94,018	398,283	7,940	17,004
47							
48	SUM OF ALLOCATED LABOR EXP		9,043,826	345,455	1,724,402	34,406	73,299

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	DEVEL OF LABOR ALLOC CON'T.				
2	**EXPENSED LABOR CONTINUED**				
3	CUSTOMER ACCOUNT LABOR				
4	901-SUPERVISION	LABCA	5	3	6
5	902-METER READING EXPENSE	EXP902	51	42	72
6	903-CUST RECORDS & COLLECT	EXP903	119	66	113
7	904-UNCOLLECTIBLE ACCOUNTS	EXP904	0	0	0
8	905-MISC CUST ACCTS EXP	EXP905	0	0	15
9	906-CUSTOMER SERVICE & INFO	EXP906	0	0	0
10	907-SUPERV. CUSTOMER SERV.	LABCS	1	1	1
11	908-CUSTOMER ASSISTANCE	EXP908	0	0	0
12	909-INFO & INSTRUCTIONAL ADVERT.	EXP909	2	1	2
13	910-MISC. CUST. SERV. & INFO.	EXP910	0	0	0
14	TOTAL CUSTOMER ACCTS LABOR		180	114	211
15					
16	SALES LABOR				
17	912-DEMONSTRATING & SELLING	EXP912	0	0	0
18	913-ADVERTISING EXPENSES	EXP913	0	0	0
19	TOTAL SALES LABOR		0	0	0
20					
21	ADMINISTRATIVE & GENERAL LABOR				
22	920-ADMIN & GENERAL SALARY	EXP920	1,230	5,390	29,702
23	921-OFFICE SUPPLIES & EXP	EXP921	0	0	0
24	923-OUTSIDE SERV EMPLOYED	EXP923	1,022	4,479	24,683
25	924-PROPERTY INSURANCE	EXP924	0	0	0
26	925-INJURIES & DAMAGES	EXP925	13	55	303
27	926-EMPLOYED PENSION & BENF	EXP926	71	312	1,717
28	928-REGULATORY COMM EXPENSE	EXP928	0	0	0
29	930-MISCELLANEOUS GEN EXP	EXP930	13	59	322
30	931-RENTS	EXP931	0	0	0
31	932-MAINT OF GENERAL PLT	EXP932	12	53	292
32	TOTAL ADMIN & GEN LABOR		2,361	10,347	57,020
33					
34	**CAPITALIZED LABOR**				
35	371	CAPLABX	21	90	498
36	376-MAINS	PLT376	1,924	8,306	48,752
37	378-MEAS. & REG. EQUIP-GEN	PLT378	79	343	2,014
38	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	39	167	982
39	380-SERVICES	PLT380	119	112	176
40	382-METER INSTALLATIONS	PLT382	43	474	812
41	384-REGULATOR INSTALLATIONS	PLT384	12	135	232
42	385-INDUSTRIAL MEAS. EQUIP.	PLT385	7	72	120
43	387-OTHER EQUIPMENT	PLT387	51	221	1,296
44	390-STRUCTURES & IMPROVE.	PLT390	0	0	1
45	391-OFFICE FURN & EQUIP	PLT391	324	1,414	7,798
46	TOTAL CAPITALIZED LABOR		2,619	11,335	62,682
47					
48	SUM OF ALLOCATED LABOR EXP		11,188	48,893	269,652

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEVEL OF LABOR ALLOC CON'T.						
2	**EXPENSED LABOR CONTINUED**						
3	CUSTOMER ACCOUNT LABOR						
4	901-SUPERVISION	LABCA	446	3	2	1	3
5	902-METER READING EXPENSE	EXP902	4,252	32	24	0	24
6	903-CUST RECORDS & COLLECT	EXP903	9,968	50	38	28	57
7	904-UNCOLLECTIBLE ACCOUNTS	EXP904	0	0	0	0	0
8	905-MISC CUST ACCTS EXP	EXP905	5	0	5	0	0
9	906-CUSTOMER SERVICE & INFO	EXP906	0	0	0	0	0
10	907-SUPERV. CUSTOMER SERV.	LABCS	102	1	0	0	1
11	908-CUSTOMER ASSISTANCE	EXP908	26	0	0	0	0
12	909-INFO & INSTRUCTIONAL ADVERT.	EXP909	189	1	1	1	1
13	910-MISC. CUST. SERV. & INFO.	EXP910	0	0	0	0	0
14	TOTAL CUSTOMER ACCTS LABOR		14,989	86	70	30	85
15							
16	SALES LABOR						
17	912-DEMONSTRATING & SELLING	EXP912	0	0	0	0	0
18	913-ADVERTISING EXPENSES	EXP913	0	0	0	0	0
19	TOTAL SALES LABOR		0	0	0	0	0
20							
21	ADMINISTRATIVE & GENERAL LABOR						
22	920-ADMIN & GENERAL SALARY	EXP920	24,629	2,815	9,169	212	206
23	921-OFFICE SUPPLIES & EXP	EXP921	0	0	0	0	0
24	923-OUTSIDE SERV EMPLOYED	EXP923	20,468	2,339	7,620	176	172
25	924-PROPERTY INSURANCE	EXP924	0	0	0	0	0
26	925-INJURIES & DAMAGES	EXP925	251	29	94	2	2
27	926-EMPLOYED PENSION & BENF	EXP926	1,424	163	530	12	12
28	928-REGULATORY COMM EXPENSE	EXP928	0	0	0	0	0
29	930-MISCELLANEOUS GEN EXP	EXP930	267	31	100	2	2
30	931-RENTS	EXP931	0	0	0	0	0
31	932-MAINT OF GENERAL PLT	EXP932	249	28	90	2	2
32	TOTAL ADMIN & GEN LABOR		47,290	5,403	17,602	406	396
33							
34	**CAPITALIZED LABOR**						
35	371	CAPLABX	467	48	154	3	3
36	376-MAINS	PLT376	27,550	4,671	15,019	347	239
37	378-MEAS. & REG. EQUIP-GEN	PLT378	1,138	193	620	14	10
38	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	555	94	303	7	5
39	380-SERVICES	PLT380	16,701	93	48	0	57
40	382-METER INSTALLATIONS	PLT382	3,553	18	271	0	45
41	384-REGULATOR INSTALLATIONS	PLT384	1,014	5	77	0	13
42	385-INDUSTRIAL MEAS. EQUIP.	PLT385	412	60	72	0	3
43	387-OTHER EQUIPMENT	PLT387	733	124	399	9	6
44	390-STRUCTURES & IMPROVE.	PLT390	1	0	0	0	0
45	391-OFFICE FURN & EQUIP	PLT391	6,664	742	2,408	55	54
46	TOTAL CAPITALIZED LABOR		58,787	6,049	19,372	436	435
47							
48	SUM OF ALLOCATED LABOR EXP		230,419	25,662	83,265	1,911	1,874

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
ALLOCATION FACTOR TABLE								
DEMAND RELATED								
PRODUCTION ALLOCATORS								
ANNUAL FIRM THERM THROUGHPUT	DEMGAS	111,913,308	71,765,520	30,293,696	2,808,853	6,856,581	101,855	86,803
TRANSMISSION ALLOCATORS								
PROPORTIONAL RESPONSIBILITY	TRANS	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
DISTRIBUTION ALLOCATORS								
PROPORTIONAL RESPONSIBILITY	DISTR	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
DISTRIBUTION MAINS	DISTMAIN	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
DISTRIBUTION REGULATORS	DISTREG	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
PROPORTIONAL RESPONSIBILITY		1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
	ALLOC	SM. VOL. (8)	LG. VOL. (9)	SM. VOL. (10)	LG. VOL. (11)	SM. VOL. (12)	LG. VOL. (13)
ALLOCATION FACTOR TABLE							
DEMAND RELATED							
PRODUCTION ALLOCATORS							
ANNUAL FIRM THERM THROUGHPUT	DEMGAS	29,014,067	1,279,629	511,826	2,297,027	5,828,186	1,028,395
TRANSMISSION ALLOCATORS							
PROPORTIONAL RESPONSIBILITY	TRANS	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
DISTRIBUTION ALLOCATORS							
PROPORTIONAL RESPONSIBILITY	DISTR	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
DISTRIBUTION MAINS	DISTMAIN	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
DISTRIBUTION REGULATORS	DISTREG	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
PROPORTIONAL RESPONSIBILITY		0.21213	0.03055	0.00334	0.09892	0.04776	0.03414

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	ALLOCATION FACTOR TABLE						
2	DEMAND RELATED						
3							
4	PRODUCTION ALLOCATORS						
5	ANNUAL FIRM THERM THROUGHPUT	DEMGAS	68,951,676	2,813,844	29,014,067	1,279,629	0
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22	TRANSMISSION ALLOCATORS						
23							
24	PROPORTIONAL RESPONSIBILITY	TRANS	0.54982	0.02231	0.21213	0.00887	0.02169
25							
26							
27							
28							
29							
30							
31	DISTRIBUTION ALLOCATORS						
32							
33	PROPORTIONAL RESPONSIBILITY	DISTR	0.54982	0.02231	0.21213	0.00887	0.02169
34	DISTRIBUTION MAINS	DISTMAIN	0.54982	0.02231	0.21213	0.00887	0.02169
35	DISTRIBUTION REGULATORS	DISTREG	0.54982	0.02231	0.21213	0.00887	0.02169
36							
37							
38							
39							
40							
41							
42							
43	PROPORTIONAL RESPONSIBILITY		0.54982	0.02231	0.21213	0.00887	0.02169
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
		ALLOC	SM. VOL. (19)	LG. VOL. (20)	TRANS-PORTATION (21)
1	ALLOCATION FACTOR TABLE				
2	DEMAND RELATED				
3					
4	PRODUCTION ALLOCATORS				
5	ANNUAL FIRM THERM THROUGHPUT	DEMGAS	511,826	2,297,027	0
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22	TRANSMISSION ALLOCATORS				
23					
24	PROPORTIONAL RESPONSIBILITY	TRANS	0.00334	0.01440	0.08452
25					
26					
27					
28					
29					
30					
31	DISTRIBUTION ALLOCATORS				
32					
33	PROPORTIONAL RESPONSIBILITY	DISTR	0.00334	0.01440	0.08452
34	DISTRIBUTION MAINS	DISTMAIN	0.00334	0.01440	0.08452
35	DISTRIBUTION REGULATORS	DISTREG	0.00334	0.01440	0.08452
36					
37					
38					
39					
40					
41					
42					
43	PROPORTIONAL RESPONSIBILITY		0.00334	0.01440	0.08452
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	PUBLIC AUTHORITY LG. VOL. (23)	PUBLIC AUTHORITY TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
ALLOCATION FACTOR TABLE DEMAND RELATED						
PRODUCTION ALLOCATORS						
ANNUAL FIRM THERM THROUGHPUT	DEMGAS	5,828,186	1,028,395	0	101,855	86,803
TRANSMISSION ALLOCATORS						
PROPORTIONAL RESPONSIBILITY	TRANS	0.04776	0.00810	0.02604	0.00060	0.00041
DISTRIBUTION ALLOCATORS						
PROPORTIONAL RESPONSIBILITY	DISTR	0.04776	0.00810	0.02604	0.00060	0.00041
DISTRIBUTION MAINS	DISTMAIN	0.04776	0.00810	0.02604	0.00060	0.00041
DISTRIBUTION REGULATORS	DISTREG	0.04776	0.00810	0.02604	0.00060	0.00041
PROPORTIONAL RESPONSIBILITY		0.04776	0.00810	0.02604	0.00060	0.00041

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
ALLOCATION FACTOR TABLE CONT								
COMMODITY RELATED								
ANNUAL FIRM THERM THROUGHPUT	GASSALES	111,913,308	71,765,520	30,293,696	2,808,853	6,856,581	101,855	86,803
ANNUAL FIRM THERM THROUGHPUT	THERMS	138,233,864	71,765,520	32,770,803	22,121,972	11,386,911	101,855	86,803
CARES	CARES	135,420,020	68,951,676	32,770,803	22,121,972	11,386,911	101,855	86,803
CUSTOMER RELATED								
YEAR END NUMBER OF CUSTOMERS	CUST10	138,340	126,296	10,936	32	1,067	3	6
ACCT 380-SERVICES	CUST380	72,951,925	66,170,791	5,802,812	23,007	952,116	0	3,200
ACCT 381-METERS	CUST381	20,799,241	16,688,431	3,868,942	61,597	178,169	0	2,102
ACCT 382-METER INSTALLATIONS	CUST382	20,799,241	16,688,431	3,868,942	61,597	178,169	0	2,102
ACCT 383-HOUSE REGULATORS	CUST383	20,799,241	16,688,431	3,868,942	61,597	178,169	0	2,102
ACCT 384-HOUSE REG. INSTALLATION	CUST384	20,799,241	16,688,431	3,868,942	61,597	178,169	0	2,102
ACCT 385-INDUSTRIAL REG EQUIP	CUST385	2,444,597	0	2,109,434	89,751	243,944	0	1,468
CUSTOMER DEPOSITS	CUSTDEP	3,014,968	2,362,097	628,938	432	23,369	0	132
ACCT 487-MISC. SERVICE REVENUE	CUST487B	1,083,856	991,216	54,292	0	37,765	0	583
ACCT 902-METER READ EXP	CUST902	718,413	655,722	56,875	214	5,570	0	31
ACCT 903-CUST RECORDS & COLL	CUST903	5,384,828	4,909,308	431,782	1,250	42,132	118	237
ACCT 912-DEMO & SELLING	CDA912	535	487	44	0	4	0	0
ACCT 913-ADVERTISING EXPENSES	CDA913	535	487	44	0	4	0	0

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
		ALLOC	SM. VOL. (8)	LG. VOL. (9)	SM. VOL. (10)	LG. VOL. (11)	SM. VOL. (12)	LG. VOL. (13)
1	ALLOCATION FACTOR TABLE CONT							
2	COMMODITY RELATED							
3	----------							
4	ANNUAL FIRM THERM THROUGHPUT	GASSALES	29,014,067	1,279,629	511,826	2,297,027	5,828,186	1,028,395
5								
6								
7	ANNUAL FIRM THERM THROUGHPUT	THERMS	29,014,067	3,756,736	511,826	21,610,146	5,828,186	5,558,725
8	CARES	CARES	29,014,067	3,756,736	511,826	21,610,146	5,828,186	5,558,725
9								
10								
11								
12								
13								
14								
15								
16	CUSTOMER RELATED							
17	----------							
18	YEAR END NUMBER OF CUSTOMERS	CUST10	10,919	17	13	19	1,058	9
19	ACCT 380-SERVICES	CUST380	5,785,431	17,381	6,755	16,252	944,140	7,976
20	ACCT 381-METERS	CUST381	3,800,514	68,428	1,973	59,623	164,788	13,381
21	ACCT 382-METER INSTALLATIONS	CUST382	3,800,514	68,428	1,973	59,623	164,788	13,381
22	ACCT 383-HOUSE REGULATORS	CUST383	3,800,514	68,428	1,973	59,623	164,788	13,381
23	ACCT 384-HOUSE REG. INSTALLATION	CUST384	3,800,514	68,428	1,973	59,623	164,788	13,381
24	ACCT 385-INDUSTRIAL REG EQUIP	CUST385	1,996,039	113,395	3,355	86,396	184,547	59,397
25	CUSTOMER DEPOSITS	CUSTDEP	587,522	41,416	278	154	23,252	117
26								
27								
28	ACCT 487-MISC. SERVICE REVENUE	CUST487B	54,292	0	0	0	37,765	0
29								
30	ACCT 902-METER READ EXP	CUST902	56,745	131	66	148	5,497	73
31	ACCT 903-CUST RECORDS & COLL	CUST903	431,121	661	500	750	41,764	368
32	ACCT 912-DEMO & SELLING	CDA912	44	0	0	0	4	0
33	ACCT 913-ADVERTISING EXPENSES	CDA913	44	0	0	0	4	0
34								
35								
36								
37								
38								
39								
40								
41								
42								
43								
44								
45								

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	ALLOCATION FACTOR TABLE CONT						
2	COMMODITY RELATED						
3	----------						
4	ANNUAL FIRM THERM THROUGHPUT	GASSALES	68,951,676	2,813,844	29,014,067	1,279,629	0
5							
6							
7	ANNUAL FIRM THERM THROUGHPUT	THERMS	68,951,676	2,813,844	29,014,067	1,279,629	2,477,106
8	CARES	CARES	68,951,676	0	29,014,067	1,279,629	2,477,106
9							
10							
11							
12							
13							
14							
15							
16	CUSTOMER RELATED						
17	----------						
18	YEAR END NUMBER OF CUSTOMERS	CUST10	120,636	5,660	10,919	11	6
19	ACCT 380-SERVICES	CUST380	63,363,598	2,807,193	5,785,431	9,255	8,126
20	ACCT 381-METERS	CUST381	15,980,450	707,981	3,800,514	36,436	31,992
21	ACCT 382-METER INSTALLATIONS	CUST382	15,980,450	707,981	3,800,514	36,436	31,992
22	ACCT 383-HOUSE REGULATORS	CUST383	15,980,450	707,981	3,800,514	36,436	31,992
23	ACCT 384-HOUSE REG. INSTALLATION	CUST384	15,980,450	707,981	3,800,514	36,436	31,992
24	ACCT 385-INDUSTRIAL REG EQUIP	CUST385	0	0	1,996,039	64,797	48,598
25	CUSTOMER DEPOSITS	CUSTDEP	2,330,385	31,712	587,522	41,416	0
26							
27							
28	ACCT 487-MISC. SERVICE REVENUE	CUST487B	972,032	19,184	54,292	0	0
29							
30	ACCT 902-METER READ EXP	CUST902	627,904	27,818	56,745	84	47
31	ACCT 903-CUST RECORDS & COLL	CUST903	4,835,061	74,247	431,121	424	237
32	ACCT 912-DEMO & SELLING	CDA912	479	7	44	0	0
33	ACCT 913-ADVERTISING EXPENSES	CDA913	479	7	44	0	0
34							
35							
36							
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39							
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41							
42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
ALLOCATION FACTOR TABLE CONT				
COMMODITY RELATED				
ANNUAL FIRM THERM THROUGHPUT	GASSALES	511,826	2,297,027	0
ANNUAL FIRM THERM THROUGHPUT	THERMS	511,826	2,297,027	19,313,119
CARES	CARES	511,826	2,297,027	19,313,119
CUSTOMER RELATED				
YEAR END NUMBER OF CUSTOMERS	CUST10	13	7	12
ACCT 380-SERVICES	CUST380	6,755	6,320	9,932
ACCT 381-METERS	CUST381	1,973	21,967	37,657
ACCT 382-METER INSTALLATIONS	CUST382	1,973	21,967	37,657
ACCT 383-HOUSE REGULATORS	CUST383	1,973	21,967	37,657
ACCT 384-HOUSE REG. INSTALLATION	CUST384	1,973	21,967	37,657
ACCT 385-INDUSTRIAL REG EQUIP	CUST385	3,355	32,399	53,998
CUSTOMER DEPOSITS	CUSTDEP	278	154	0
ACCT 487-MISC. SERVICE REVENUE	CUST487B	0	0	0
ACCT 902-METER READ EXP	CUST902	66	55	94
ACCT 903-CUST RECORDS & COLL	CUST903	500	276	474
ACCT 912-DEMO & SELLING	CDA912	0	0	0
ACCT 913-ADVERTISING EXPENSES	CDA913	0	0	0

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			PUBLIC AUTHORITY			SPECIAL	
		ALLOC	SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	ALLOCATION FACTOR TABLE CONT						
2	COMMODITY RELATED						
3							
4	ANNUAL FIRM THERM THROUGHPUT	GASSALES	5,828,186	1,028,395	0	101,855	86,803
5							
6							
7	ANNUAL FIRM THERM THROUGHPUT	THERMS	5,828,186	1,028,395	4,530,330	101,855	86,803
8	CARES	CARES	5,828,186	1,028,395	4,530,330	101,855	86,803
9							
10							
11							
12							
13							
14							
15							
16	CUSTOMER RELATED						
17							
18	YEAR END NUMBER OF CUSTOMERS	CUST10	1,058	5	4	3	6
19	ACCT 380-SERVICES	CUST380	944,140	5,267	2,709	0	3,200
20	ACCT 381-METERS	CUST381	164,788	829	12,552	0	2,102
21	ACCT 382-METER INSTALLATIONS	CUST382	164,788	829	12,552	0	2,102
22	ACCT 383-HOUSE REGULATORS	CUST383	164,788	829	12,552	0	2,102
23	ACCT 384-HOUSE REG. INSTALLATION	CUST384	164,788	829	12,552	0	2,102
24	ACCT 385-INDUSTRIAL REG EQUIP	CUST385	184,547	26,999	32,399	0	1,468
25	CUSTOMER DEPOSITS	CUSTDEP	23,252	117	0	0	132
26							
27							
28	ACCT 487-MISC. SERVICE REVENUE	CUST487B	37,765	0	0	0	583
29							
30	ACCT 902-METER READ EXP	CUST902	5,497	41	31	0	31
31	ACCT 903-CUST RECORDS & COLL	CUST903	41,764	210	158	118	237
32	ACCT 912-DEMO & SELLING	CDA912	4	0	0	0	0
33	ACCT 913-ADVERTISING EXPENSES	CDA913	4	0	0	0	0
34							
35							
36							
37							
38							
39							
40							
41							
42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	INTERNALLY DEVELOPED FACTORS								
2	----------								
3	TOTAL GAS PLANT IN SERVICE	PLANT	248,459,957	172,449,400	47,421,599	15,137,981	13,295,438	88,252	67,287
4	SUM OF ALLOCATED LABOR EXP	LABOR	11,894,252	9,389,282	1,832,106	329,733	339,345	1,911	1,874
5	ACCT 302-FRANCHISE & CONSENTS	PLT302	356,217	281,197	54,869	9,875	10,163	57	56
6	ACCT 303-MISC. INTANGIBLE PLANT	PLT303	886,805	700,041	136,597	24,584	25,301	142	140
7	ACCT 365-LAND & LAND RIGHTS	PLT365	72,200	41,308	17,522	7,383	5,913	43	30
8	ACCT 366-STRUCTURES & IMPROV.	PLT366	13,695	7,835	3,324	1,400	1,122	8	6
9	ACCT 367-MAINS	PLT367	16,073,965	9,196,498	3,900,945	1,643,710	1,316,494	9,668	6,650
10	ACCT 369-MEAS. & REG STATION EQ	PLT369	421,652	241,242	102,330	43,118	34,534	254	174
11	ACCT 371-OTHER TRANS EQUIP	PLT371	(32,965)	(18,860)	(8,000)	(3,371)	(2,700)	(20)	(14)
12	TOTAL TRANSMISSION PLANT	TRANPLT	16,548,546	9,468,024	4,016,119	1,692,241	1,355,363	9,953	6,846
13	ACCT 374-DISTR LAND & LAND RIGHTS	PLT374	206,870	118,358	50,205	21,154	16,943	124	86
14	ACCT 375-STRUCTURES & IMPROV	PLT375	10,176	5,822	2,470	1,041	833	6	4
15	ACCT 376-MAINS	PLT376	120,333,053	68,846,905	29,203,285	12,305,159	9,855,548	72,374	49,782
16	ACCT 378-MEAS & REG EQ - GEN	PLT378	1,727,734	988,499	419,299	176,677	141,505	1,039	715
17	ACCT 379-MEAS & REG EQ - CITY GATE	PLT379	1,983,292	1,134,713	481,319	202,810	162,436	1,193	820
18	ACCT 380-SERVICES	PLT380	66,311,511	60,147,626	5,274,614	20,913	865,450	0	2,908
19	ACCT 381-METERS	PLT381	12,094,881	9,704,421	2,249,813	35,819	103,606	0	1,222
20	ACCT 382-METER INSTALLATIONS	PLT382	6,043,802	4,849,291	1,124,229	17,899	51,772	0	611
21	ACCT 383-REGULATORS	PLT383	2,449,962	1,965,746	455,726	7,256	20,987	0	248
22	ACCT 384-REGULATOR INSTALLATIONS	PLT384	1,081,292	867,583	201,135	3,202	9,262	0	109
23	ACCT 385-INDUSTRIAL MEAS. EQUIP	PLT385	1,123,836	0	969,754	41,261	112,146	0	675
24	ACCT 387-OTHER EQUIPMENT	PLT387	1,320,762	755,656	320,532	135,060	108,173	794	546
25	ACCT 389-GEN PLT LAND	PLT389	149,628	118,116	23,048	4,148	4,269	24	24
26	ACCT 390-STRUCTURES & IMPROVE	PLT390	1,179,163	930,828	181,630	32,689	33,642	189	186
27	ACCT 391-OFFICE FURN & EQUIP	PLT391	5,901,343	4,658,500	909,001	163,597	168,366	948	930
28	ACCT 392-TRANSPORTATION EQUIP	PLT392	5,058,912	3,993,488	779,239	140,244	144,332	813	797
29	ACCT 393-STORES EQUIPMENT	PLT393	96,264	75,991	14,828	2,669	2,746	15	15
30	ACCT 394-TOOLS, SHOP & GAR EQ	PLT394	1,437,792	1,134,988	221,467	39,859	41,020	231	227
31	ACCT 395-LABORATORY EQUIPMENT	PLT395	669,843	528,772	103,178	18,569	19,111	108	106
32	ACCT 396-POWER OPER EQUIP	PLT396	393,932	310,968	60,678	10,921	11,239	63	62
33	ACCT 397-COMMUNICATION EQUIP	PLT397	855,971	675,701	131,848	23,729	24,421	138	135
34	ACCT 398-MISCELLANEOUS EQUIP	PLT398	238,369	188,168	36,717	6,608	6,801	38	38
35	ACCT 399-OTHER TANGIBLE PROP	PLT399	0	0	0	0	0	0	0
36	ACCT 367 & 376 TOTAL MAINS	PLT367376	136,407,018	78,043,403	33,104,229	13,948,869	11,172,042	82,042	56,432
37	ACCT 376 MAINS + 380 SERVICES	PLT376380	186,644,564	128,994,531	34,477,898	12,326,072	10,720,998	72,374	52,691
38	TOTAL DISTRIBUTION PLANT	DISTRPLT	214,687,170	149,384,620	40,752,380	12,968,249	11,448,664	75,531	57,727
39									
40	ACCT 378 & 379 MEAS. & REG. EQUIP	PLT37879	3,711,026	2,123,212	900,618	379,486	303,941	2,232	1,535
41	ACCT 382 & 384 INSTALLATIONS	PLT38284	7,125,094	5,716,874	1,325,365	21,101	61,034	0	720
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	INTERNALLY DEVELOPED FACTORS							
2								
3	TOTAL GAS PLANT IN SERVICE	PLANT	42,783,998	4,637,601	499,982	14,637,999	8,237,129	5,058,308
4	SUM OF ALLOCATED LABOR EXP	LABOR	1,724,402	107,704	11,188	318,545	230,419	108,927
5	ACCT 302-FRANCHISE & CONSENTS	PLT302	51,644	3,226	335	9,540	6,901	3,262
6	ACCT 303-MISC. INTANGIBLE PLANT	PLT303	128,567	8,030	834	23,750	17,179	8,121
7	ACCT 365-LAND & LAND RIGHTS	PLT365	15,316	2,206	241	7,142	3,449	2,465
8	ACCT 366-STRUCTURES & IMPROV.	PLT366	2,905	418	46	1,355	654	468
9	ACCT 367-MAINS	PLT367	3,409,848	491,097	53,611	1,590,100	767,758	548,736
10	ACCT 369-MEAS. & REG STATION EQ	PLT369	89,447	12,882	1,406	41,711	20,140	14,394
11	ACCT 371-OTHER TRANS EQUIP	PLT371	(6,993)	(1,007)	(110)	(3,261)	(1,575)	(1,125)
12	TOTAL TRANSMISSION PLANT	TRANPLT	3,510,523	505,596	55,194	1,637,047	790,426	564,937
13	ACCT 374-DISTR LAND & LAND RIGHTS	PLT374	43,884	6,320	690	20,464	9,881	7,062
14	ACCT 375-STRUCTURES & IMPROV	PLT375	2,159	311	34	1,007	486	347
15	ACCT 376-MAINS	PLT376	25,526,833	3,676,452	401,342	11,903,817	5,747,598	4,107,950
16	ACCT 378-MEAS & REG EQ - GEN	PLT378	366,512	52,786	5,762	170,914	82,524	58,982
17	ACCT 379-MEAS & REG EQ - CITY GATE	PLT379	420,725	60,594	6,615	196,195	94,730	67,706
18	ACCT 380-SERVICES	PLT380	5,258,815	15,799	6,140	14,773	858,200	7,250
19	ACCT 381-METERS	PLT381	2,210,021	39,791	1,148	34,671	95,825	7,781
20	ACCT 382-METER INSTALLATIONS	PLT382	1,104,346	19,884	573	17,325	47,884	3,888
21	ACCT 383-REGULATORS	PLT383	447,666	8,060	232	7,023	19,411	1,576
22	ACCT 384-REGULATOR INSTALLATIONS	PLT384	197,578	3,557	103	3,100	8,567	696
23	ACCT 385-INDUSTRIAL MEAS. EQUIP	PLT385	917,624	52,130	1,543	39,718	84,840	27,306
24	ACCT 387-OTHER EQUIPMENT	PLT387	280,180	40,352	4,405	130,655	63,085	45,088
25	ACCT 389-GEN PLT LAND	PLT389	21,693	1,355	141	4,007	2,899	1,370
26	ACCT 390-STRUCTURES & IMPROVE	PLT390	170,952	10,678	1,109	31,580	22,843	10,799
27	ACCT 391-OFFICE FURN & EQUIP	PLT391	855,563	53,438	5,551	158,047	114,322	54,044
28	ACCT 392-TRANSPORTATION EQUIP	PLT392	733,430	45,809	4,759	135,485	98,003	46,329
29	ACCT 393-STORES EQUIPMENT	PLT393	13,956	872	91	2,578	1,865	882
30	ACCT 394-TOOLS, SHOP & GAR EQ	PLT394	208,448	13,019	1,352	38,506	27,853	13,167
31	ACCT 395-LABORATORY EQUIPMENT	PLT395	97,112	6,066	630	17,939	12,976	6,134
32	ACCT 396-POWER OPER EQUIP	PLT396	57,111	3,567	371	10,550	7,631	3,608
33	ACCT 397-COMMUNICATION EQUIP	PLT397	124,097	7,751	805	22,924	16,582	7,839
34	ACCT 398-MISCELLANEOUS EQUIP	PLT398	34,558	2,158	224	6,384	4,618	2,183
35	ACCT 399-OTHER TANGIBLE PROP	PLT399	0	0	0	0	0	0
36	ACCT 367 & 376 TOTAL MAINS	PLT367376	28,936,681	4,167,548	454,953	13,493,916	6,515,356	4,656,686
37	ACCT 376 MAINS + 380 SERVICES	PLT376380	30,785,648	3,692,250	407,482	11,918,590	6,605,798	4,115,200
38	TOTAL DISTRIBUTION PLANT	DISTRPLT	36,776,343	3,976,037	428,587	12,539,662	7,113,030	4,335,633
39								
40	ACCT 378 & 379 MEAS. & REG. EQUIP	PLT37879	787,238	113,380	12,377	367,109	177,254	126,688
41	ACCT 382 & 384 INSTALLATIONS	PLT38284	1,301,924	23,441	676	20,425	56,451	4,584
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	INTERNALLY DEVELOPED FACTORS						
2							
3	TOTAL GAS PLANT IN SERVICE	PLANT	165,488,636	6,960,764	42,783,998	1,386,015	3,251,586
4	SUM OF ALLOCATED LABOR EXP	LABOR	9,043,826	345,455	1,724,402	34,406	73,299
5	ACCT 302-FRANCHISE & CONSENTS	PLT302	270,851	10,346	51,644	1,030	2,195
6	ACCT 303-MISC. INTANGIBLE PLANT	PLT303	674,285	25,756	128,567	2,565	5,465
7	ACCT 365-LAND & LAND RIGHTS	PLT365	39,697	1,611	15,316	640	1,566
8	ACCT 366-STRUCTURES & IMPROV.	PLT366	7,530	306	2,905	121	297
9	ACCT 367-MAINS	PLT367	8,837,856	358,643	3,409,848	142,501	348,596
10	ACCT 369-MEAS. & REG STATION EQ	PLT369	231,835	9,408	89,447	3,738	9,144
11	ACCT 371-OTHER TRANS EQUIP	PLT371	(18,125)	(736)	(6,993)	(292)	(715)
12	TOTAL TRANSMISSION PLANT	TRANPLT	9,098,792	369,232	3,510,523	146,708	358,888
13	ACCT 374-DISTR LAND & LAND RIGHTS	PLT374	113,742	4,616	43,884	1,834	4,486
14	ACCT 375-STRUCTURES & IMPROV	PLT375	5,595	227	2,159	90	221
15	ACCT 376-MAINS	PLT376	66,162,031	2,684,874	25,526,833	1,066,789	2,609,662
16	ACCT 378-MEAS & REG EQ - GEN	PLT378	949,950	38,549	366,512	15,317	37,469
17	ACCT 379-MEAS & REG EQ - CITY GATE	PLT379	1,090,462	44,251	420,725	17,582	43,012
18	ACCT 380-SERVICES	PLT380	57,595,957	2,551,670	5,258,815	8,412	7,386
19	ACCT 381-METERS	PLT381	9,292,726	411,695	2,210,021	21,187	18,604
20	ACCT 382-METER INSTALLATIONS	PLT382	4,643,567	205,724	1,104,346	10,587	9,296
21	ACCT 383-REGULATORS	PLT383	1,882,352	83,394	447,666	4,292	3,768
22	ACCT 384-REGULATOR INSTALLATIONS	PLT384	830,777	36,806	197,578	1,894	1,663
23	ACCT 385-INDUSTRIAL MEAS. EQUIP	PLT385	0	0	917,624	29,789	22,341
24	ACCT 387-OTHER EQUIPMENT	PLT387	726,187	29,469	280,180	11,709	28,643
25	ACCT 389-GEN PLT LAND	PLT389	113,770	4,346	21,693	433	922
26	ACCT 390-STRUCTURES & IMPROVE	PLT390	896,580	34,247	170,952	3,411	7,267
27	ACCT 391-OFFICE FURN & EQUIP	PLT391	4,487,102	171,398	855,563	17,070	36,367
28	ACCT 392-TRANSPORTATION EQUIP	PLT392	3,846,557	146,930	733,430	14,633	31,176
29	ACCT 393-STORES EQUIPMENT	PLT393	73,195	2,796	13,956	278	593
30	ACCT 394-TOOLS, SHOP & GAR EQ	PLT394	1,093,229	41,759	208,448	4,159	8,860
31	ACCT 395-LABORATORY EQUIPMENT	PLT395	509,317	19,455	97,112	1,938	4,128
32	ACCT 396-POWER OPER EQUIP	PLT396	299,527	11,441	57,111	1,139	2,428
33	ACCT 397-COMMUNICATION EQUIP	PLT397	650,840	24,861	124,097	2,476	5,275
34	ACCT 398-MISCELLANEOUS EQUIP	PLT398	181,245	6,923	34,558	690	1,469
35	ACCT 399-OTHER TANGIBLE PROP	PLT399	0	0	0	0	0
36	ACCT 367 & 376 TOTAL MAINS	PLT367376	74,999,887	3,043,516	28,936,681	1,209,290	2,958,258
37	ACCT 376 MAINS + 380 SERVICES	PLT376380	123,757,988	5,236,543	30,785,648	1,075,202	2,617,049
38	TOTAL DISTRIBUTION PLANT	DISTRPLT	143,293,346	6,091,274	36,776,343	1,189,484	2,786,553
39							
40	ACCT 378 & 379 MEAS. & REG. EQUIP	PLT37879	2,040,412	82,800	787,238	32,899	80,481
41	ACCT 382 & 384 INSTALLATIONS	PLT38284	5,474,345	242,530	1,301,924	12,482	10,959
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	INTERNALLY DEVELOPED FACTORS				
2	----------				
3	TOTAL GAS PLANT IN SERVICE	PLANT	499,982	2,161,146	12,476,853
4	SUM OF ALLOCATED LABOR EXP	LABOR	11,188	48,893	269,652
5	ACCT 302-FRANCHISE & CONSENTS	PLT302	335	1,464	8,076
6	ACCT 303-MISC. INTANGIBLE PLANT	PLT303	834	3,645	20,105
7	ACCT 365-LAND & LAND RIGHTS	PLT365	241	1,040	6,103
8	ACCT 366-STRUCTURES & IMPROV.	PLT366	46	197	1,158
9	ACCT 367-MAINS	PLT367	53,611	231,481	1,358,619
10	ACCT 369-MEAS. & REG STATION EQ	PLT369	1,406	6,072	35,639
11	ACCT 371-OTHER TRANS EQUIP	PLT371	(110)	(475)	(2,786)
12	TOTAL TRANSMISSION PLANT	TRANPLT	55,194	238,315	1,398,732
13	ACCT 374-DISTR LAND & LAND RIGHTS	PLT374	690	2,979	17,485
14	ACCT 375-STRUCTURES & IMPROV	PLT375	34	147	860
15	ACCT 376-MAINS	PLT376	401,342	1,732,914	10,170,902
16	ACCT 378-MEAS & REG EQ - GEN	PLT378	5,762	24,881	146,033
17	ACCT 379-MEAS & REG EQ - CITY GATE	PLT379	6,615	28,561	167,634
18	ACCT 380-SERVICES	PLT380	6,140	5,745	9,028
19	ACCT 381-METERS	PLT381	1,148	12,774	21,898
20	ACCT 382-METER INSTALLATIONS	PLT382	573	6,383	10,942
21	ACCT 383-REGULATORS	PLT383	232	2,587	4,436
22	ACCT 384-REGULATOR INSTALLATIONS	PLT384	103	1,142	1,958
23	ACCT 385-INDUSTRIAL MEAS. EQUIP	PLT385	1,543	14,894	24,824
24	ACCT 387-OTHER EQUIPMENT	PLT387	4,405	19,020	111,635
25	ACCT 389-GEN PLT LAND	PLT389	141	615	3,392
26	ACCT 390-STRUCTURES & IMPROVE	PLT390	1,109	4,847	26,733
27	ACCT 391-OFFICE FURN & EQUIP	PLT391	5,551	24,258	133,788
28	ACCT 392-TRANSPORTATION EQUIP	PLT392	4,759	20,795	114,690
29	ACCT 393-STORES EQUIPMENT	PLT393	91	396	2,182
30	ACCT 394-TOOLS, SHOP & GAR EQ	PLT394	1,352	5,910	32,596
31	ACCT 395-LABORATORY EQUIPMENT	PLT395	630	2,753	15,186
32	ACCT 396-POWER OPER EQUIP	PLT396	371	1,619	8,931
33	ACCT 397-COMMUNICATION EQUIP	PLT397	805	3,519	19,406
34	ACCT 398-MISCELLANEOUS EQUIP	PLT398	224	980	5,404
35	ACCT 399-OTHER TANGIBLE PROP	PLT399	0	0	0
36	ACCT 367 & 376 TOTAL MAINS	PLT367376	454,953	1,964,395	11,529,521
37	ACCT 376 MAINS + 380 SERVICES	PLT376380	407,482	1,738,659	10,179,930
38	TOTAL DISTRIBUTION PLANT	DISTRPLT	428,587	1,852,028	10,687,634
39					
40	ACCT 378 & 379 MEAS. & REG. EQUIP	PLT37879	12,377	53,442	313,667
41	ACCT 382 & 384 INSTALLATIONS	PLT38284	676	7,525	12,900
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	INTERNALLY DEVELOPED FACTORS						
2							
3	TOTAL GAS PLANT IN SERVICE	PLANT	8,237,129	1,206,328	3,851,981	88,252	67,287
4	SUM OF ALLOCATED LABOR EXP	LABOR	230,419	25,662	83,265	1,911	1,874
5	ACCT 302-FRANCHISE & CONSENTS	PLT302	6,901	769	2,494	57	56
6	ACCT 303-MISC. INTANGIBLE PLANT	PLT303	17,179	1,913	6,208	142	140
7	ACCT 365-LAND & LAND RIGHTS	PLT365	3,449	585	1,880	43	30
8	ACCT 366-STRUCTURES & IMPROV.	PLT366	654	111	357	8	6
9	ACCT 367-MAINS	PLT367	767,758	130,182	418,554	9,668	6,650
10	ACCT 369-MEAS. & REG STATION EQ	PLT369	20,140	3,415	10,980	254	174
11	ACCT 371-OTHER TRANS EQUIP	PLT371	(1,575)	(267)	(858)	(20)	(14)
12	TOTAL TRANSMISSION PLANT	TRANPLT	790,426	134,025	430,912	9,953	6,846
13	ACCT 374-DISTR LAND & LAND RIGHTS	PLT374	9,881	1,675	5,387	124	86
14	ACCT 375-STRUCTURES & IMPROV	PLT375	486	82	265	6	4
15	ACCT 376-MAINS	PLT376	5,747,598	974,568	3,133,382	72,374	49,782
16	ACCT 378-MEAS & REG EQ - GEN	PLT378	82,524	13,993	44,989	1,039	715
17	ACCT 379-MEAS & REG EQ - CITY GATE	PLT379	94,730	16,063	51,643	1,193	820
18	ACCT 380-SERVICES	PLT380	858,200	4,788	2,462	0	2,908
19	ACCT 381-METERS	PLT381	95,825	482	7,299	0	1,222
20	ACCT 382-METER INSTALLATIONS	PLT382	47,884	241	3,647	0	611
21	ACCT 383-REGULATORS	PLT383	19,411	98	1,479	0	248
22	ACCT 384-REGULATOR INSTALLATIONS	PLT384	8,567	43	653	0	109
23	ACCT 385-INDUSTRIAL MEAS. EQUIP	PLT385	84,840	12,412	14,894	0	675
24	ACCT 387-OTHER EQUIPMENT	PLT387	63,085	10,697	34,392	794	546
25	ACCT 389-GEN PLT LAND	PLT389	2,899	323	1,047	24	24
26	ACCT 390-STRUCTURES & IMPROVE	PLT390	22,843	2,544	8,255	189	186
27	ACCT 391-OFFICE FURN & EQUIP	PLT391	114,322	12,732	41,312	948	930
28	ACCT 392-TRANSPORTATION EQUIP	PLT392	98,003	10,915	35,414	813	797
29	ACCT 393-STORES EQUIPMENT	PLT393	1,865	208	674	15	15
30	ACCT 394-TOOLS, SHOP & GAR EQ	PLT394	27,853	3,102	10,065	231	227
31	ACCT 395-LABORATORY EQUIPMENT	PLT395	12,976	1,445	4,689	108	106
32	ACCT 396-POWER OPER EQUIP	PLT396	7,631	850	2,758	63	62
33	ACCT 397-COMMUNICATION EQUIP	PLT397	16,582	1,847	5,992	138	135
34	ACCT 398-MISCELLANEOUS EQUIP	PLT398	4,618	514	1,669	38	38
35	ACCT 399-OTHER TANGIBLE PROP	PLT399	0	0	0	0	0
36	ACCT 367 & 376 TOTAL MAINS	PLT367376	6,515,356	1,104,750	3,551,936	82,042	56,432
37	ACCT 376 MAINS + 380 SERVICES	PLT376380	6,605,798	979,356	3,135,844	72,374	52,691
38	TOTAL DISTRIBUTION PLANT	DISTRPLT	7,113,030	1,035,141	3,300,492	75,531	57,727
39							
40	ACCT 378 & 379 MEAS. & REG. EQUIP	PLT37879	177,254	30,055	96,632	2,232	1,535
41	ACCT 382 & 384 INSTALLATIONS	PLT38284	56,451	284	4,300	0	720
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	INTERNALLY DEVELOPED FACTORS CONT								
2									
3	TOTAL GAS COSTS	GASCOSTS	355,528	227,986	96,238	8,923	21,782	324	276
4	ACCT 421-PURCHASED POWER EXPENSE	EXP421	0	0	0	0	0	0	0
4	ACCT 805-PURCHASED GAS EXPENSE	EXP805	0	0	0	0	0	0	0
6	ACCT 807-PUR GAS DEMAND	EXP807D	0	0	0	0	0	0	0
7	ACCT 807-PUR GAS COMMODITY	EXP807C	0	0	0	0	0	0	0
8									
9									
10	ACCT 856-MAIN EXPENSE	EXP856	11,280	6,454	2,737	1,153	924	7	5
11	ACCT 857-MEAS AND REG STATION	EXP857	(52,221)	(29,877)	(12,673)	(5,340)	(4,277)	(31)	(22)
12	ACCT 864-MAINT OF STATION EQUIP	EXP864	19	11	5	2	2	0	0
13	ACCT 867-MAINT OF OTHER EQUIP	EXP867	315,983	180,785	76,685	32,312	25,880	190	131
14	ACCT 871-LOAD DISPATCHING	EXP871	162	93	39	17	13	0	0
15	ACCT 874-MAINS & SERVICING EXP	EXP874	1,337,349	924,274	247,042	88,319	76,818	519	378
16	ACCT 875-MEAS AND REG STATION	EXP875	244,463	139,866	59,328	24,999	20,022	147	101
17	ACCT 876-MEAS AND REG STATION	EXP876	150,536	86,127	36,533	15,394	12,329	91	62
18	ACCT 877-MEAS AND REG STATION	EXP877	56,529	45,356	10,515	167	484	0	6
19	ACCT 878-METER EXPENSE	EXP878	1,349,114	1,082,472	250,954	3,995	11,557	0	136
20	ACCT 879-CUST INSTALL EXPENSE	EXP879	539,082	432,536	100,277	1,596	4,618	0	54
21	ACCT 880-OTHER DISTR EXP	EXP880	1,090,666	804,007	209,007	39,886	37,322	224	219
22	ACCT 881-RENTS	EXP881	44,510	25,466	10,802	4,552	3,645	27	18
23	ACCT 886-MAINT OF STRUCTURES	EXP886	0	0	0	0	0	0	0
24	ACCT 887-MAINT OF MAINS	EXP887	1,084,194	620,307	263,120	110,869	88,798	652	449
25	ACCT 889-MAINT OF MEAS/REG	EXP889	25,623	14,660	6,218	2,620	2,099	15	11
26	ACCT 890-MAINT OF MEAS/REG	EXP890	2,072	1,186	503	212	170	1	1
27	ACCT 891-MAINT OF MEAS/REG	EXP891	850	682	158	3	7	0	0
28	ACCT 892-MAINT OF SERVICES	EXP892	465,066	421,837	36,993	147	6,070	0	20
29	ACCT 893-MAINT OF METER	EXP893	167,015	134,006	31,067	495	1,431	0	17
30	ACCT 894-MAINT OF OTHER EQUIP	EXP894	96,826	55,398	23,498	9,901	7,930	58	40
31	ACCT 902-METER READING EXP	EXP902	719,037	656,293	56,925	214	5,575	0	31
32	ACCT 903-CUST RECORDS & COLLEC	EXP903	5,462,173	4,979,822	437,984	1,268	42,738	120	240
33	ACCT 904-UNCOLLECTIBLE ACCTS	EXP904	722,634	415,866	128,129	136,915	41,597	0	126
34	ACCT 905-MISC CUST ACCT EXP	EXP905	34,381	30,139	3,103	689	448	1	2
35	ACCT 906-CUST SERVICE & INFO	EXP906	0	0	0	0	0	0	0
36	ACCT 908-CUSTOMER ASSISTANCE	EXP908	(34,228)	(31,248)	(2,706)	(8)	(264)	(1)	(1)
37	ACCT 909-INFO & INSTRUCT ADV	EXP909	65,794	60,066	5,201	15	507	1	3
38	ACCT 910-MISC SERV & INFO	EXP910	22,602	20,634	1,787	5	174	0	1
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	INTERNALLY DEVELOPED FACTORS CONT							
2	----------							
3	TOTAL GAS COSTS	GASCOSTS	92,172	4,065	1,626	7,297	18,515	3,267
4	ACCT 421-PURCHASED POWER EXPENSE	EXP421	0	0	0	0	0	0
4	ACCT 805-PURCHASED GAS EXPENSE	EXP805	0	0	0	0	0	0
6	ACCT 807-PUR GAS DEMAND	EXP807D	0	0	0	0	0	0
7	ACCT 807-PUR GAS COMMODITY	EXP807C	0	0	0	0	0	0
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10	ACCT 856-MAIN EXPENSE	EXP856	2,393	345	38	1,116	539	385
11	ACCT 857-MEAS AND REG STATION	EXP857	(11,078)	(1,595)	(174)	(5,166)	(2,494)	(1,783)
12	ACCT 864-MAINT OF STATION EQUIP	EXP864	4	1	0	2	1	1
13	ACCT 867-MAINT OF OTHER EQUIP	EXP867	67,031	9,654	1,054	31,258	15,093	10,787
14	ACCT 871-LOAD DISPATCHING	EXP871	34	5	1	16	8	6
15	ACCT 874-MAINS & SERVICING EXP	EXP874	220,586	26,456	2,920	85,399	47,332	29,486
16	ACCT 875-MEAS AND REG STATION	EXP875	51,859	7,469	815	24,183	11,677	8,346
17	ACCT 876-MEAS AND REG STATION	EXP876	31,934	4,599	502	14,892	7,190	5,139
18	ACCT 877-MEAS AND REG STATION	EXP877	10,329	186	5	162	448	36
19	ACCT 878-METER EXPENSE	EXP878	246,515	4,438	128	3,867	10,689	868
20	ACCT 879-CUST INSTALL EXPENSE	EXP879	98,503	1,774	51	1,545	4,271	347
21	ACCT 880-OTHER DISTR EXP	EXP880	195,683	13,324	1,312	38,574	24,205	13,117
22	ACCT 881-RENTS	EXP881	9,442	1,360	148	4,403	2,126	1,519
23	ACCT 886-MAINT OF STRUCTURES	EXP886	0	0	0	0	0	0
24	ACCT 887-MAINT OF MAINS	EXP887	229,995	33,125	3,616	107,253	51,786	37,012
25	ACCT 889-MAINT OF MEAS/REG	EXP889	5,436	783	85	2,535	1,224	875
26	ACCT 890-MAINT OF MEAS/REG	EXP890	440	63	7	205	99	71
27	ACCT 891-MAINT OF MEAS/REG	EXP891	155	3	0	2	7	1
28	ACCT 892-MAINT OF SERVICES	EXP892	36,882	111	43	104	6,019	51
29	ACCT 893-MAINT OF METER	EXP893	30,518	549	16	479	1,323	107
30	ACCT 894-MAINT OF OTHER EQUIP	EXP894	20,540	2,958	323	9,578	4,625	3,305
31	ACCT 902-METER READING EXP	EXP902	56,794	131	66	148	5,502	73
32	ACCT 903-CUST RECORDS & COLLEC	EXP903	437,313	671	507	761	42,364	373
33	ACCT 904-UNCOLLECTIBLE ACCTS	EXP904	88,630	39,499	63	136,852	0	41,597
34	ACCT 905-MISC CUST ACCT EXP	EXP905	2,902	201	3	686	238	209
35	ACCT 906-CUST SERVICE & INFO	EXP906	0	0	0	0	0	0
36	ACCT 908-CUSTOMER ASSISTANCE	EXP908	(2,702)	(4)	(3)	(5)	(262)	(2)
37	ACCT 909-INFO & INSTRUCT ADV	EXP909	5,193	8	6	9	503	4
38	ACCT 910-MISC SERV & INFO	EXP910	1,784	3	2	3	173	2
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	INTERNALLY DEVELOPED FACTORS CONT						
2	----------						
3	TOTAL GAS COSTS	GASCOSTS	219,047	8,939	92,172	4,065	0
4	ACCT 421-PURCHASED POWER EXPENSE	EXP421	0	0	0	0	0
4	ACCT 805-PURCHASED GAS EXPENSE	EXP805	0	0	0	0	0
6	ACCT 807-PUR GAS DEMAND	EXP807D	0	0	0	0	0
7	ACCT 807-PUR GAS COMMODITY	EXP807C	0	0	0	0	0
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10	ACCT 856-MAIN EXPENSE	EXP856	6,202	252	2,393	100	245
11	ACCT 857-MEAS AND REG STATION	EXP857	(28,712)	(1,165)	(11,078)	(463)	(1,133)
12	ACCT 864-MAINT OF STATION EQUIP	EXP864	10	0	4	0	0
13	ACCT 867-MAINT OF OTHER EQUIP	EXP867	173,735	7,050	67,031	2,801	6,853
14	ACCT 871-LOAD DISPATCHING	EXP871	89	4	34	1	4
15	ACCT 874-MAINS & SERVICING EXP	EXP874	886,753	37,521	220,586	7,704	18,752
16	ACCT 875-MEAS AND REG STATION	EXP875	134,412	5,454	51,859	2,167	5,302
17	ACCT 876-MEAS AND REG STATION	EXP876	82,768	3,359	31,934	1,335	3,265
18	ACCT 877-MEAS AND REG STATION	EXP877	43,432	1,924	10,329	99	87
19	ACCT 878-METER EXPENSE	EXP878	1,036,550	45,922	246,515	2,363	2,075
20	ACCT 879-CUST INSTALL EXPENSE	EXP879	414,187	18,350	98,503	944	829
21	ACCT 880-OTHER DISTR EXP	EXP880	770,629	33,378	195,683	4,334	8,990
22	ACCT 881-RENTS	EXP881	24,473	993	9,442	395	965
23	ACCT 886-MAINT OF STRUCTURES	EXP886	0	0	0	0	0
24	ACCT 887-MAINT OF MAINS	EXP887	596,116	24,191	229,995	9,612	23,513
25	ACCT 889-MAINT OF MEAS/REG	EXP889	14,088	572	5,436	227	556
26	ACCT 890-MAINT OF MEAS/REG	EXP890	1,140	46	440	18	45
27	ACCT 891-MAINT OF MEAS/REG	EXP891	653	29	155	1	1
28	ACCT 892-MAINT OF SERVICES	EXP892	403,941	17,896	36,882	59	52
29	ACCT 893-MAINT OF METER	EXP893	128,321	5,685	30,518	293	257
30	ACCT 894-MAINT OF OTHER EQUIP	EXP894	53,237	2,160	20,540	858	2,100
31	ACCT 902-METER READING EXP	EXP902	628,450	27,842	56,794	84	47
32	ACCT 903-CUST RECORDS & COLLEC	EXP903	4,904,509	75,313	437,313	430	240
33	ACCT 904-UNCOLLECTIBLE ACCTS	EXP904	400,520	15,346	88,630	2,535	36,964
34	ACCT 905-MISC CUST ACCT EXP	EXP905	29,549	590	2,902	15	186
35	ACCT 906-CUST SERVICE & INFO	EXP906	0	0	0	0	0
36	ACCT 908-CUSTOMER ASSISTANCE	EXP908	(29,848)	(1,400)	(2,702)	(3)	(1)
37	ACCT 909-INFO & INSTRUCT ADV	EXP909	57,374	2,692	5,193	5	3
38	ACCT 910-MISC SERV & INFO	EXP910	19,709	925	1,784	2	1
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	INTERNALLY DEVELOPED FACTORS CONT				
2	----------				
3	TOTAL GAS COSTS	GASCOSTS	1,626	7,297	0
4	ACCT 421-PURCHASED POWER EXPENSE	EXP421	0	0	0
4	ACCT 805-PURCHASED GAS EXPENSE	EXP805	0	0	0
6	ACCT 807-PUR GAS DEMAND	EXP807D	0	0	0
7	ACCT 807-PUR GAS COMMODITY	EXP807C	0	0	0
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10	ACCT 856-MAIN EXPENSE	EXP856	38	162	953
11	ACCT 857-MEAS AND REG STATION	EXP857	(174)	(752)	(4,414)
12	ACCT 864-MAINT OF STATION EQUIP	EXP864	0	0	2
13	ACCT 867-MAINT OF OTHER EQUIP	EXP867	1,054	4,550	26,708
14	ACCT 871-LOAD DISPATCHING	EXP871	1	2	14
15	ACCT 874-MAINS & SERVICING EXP	EXP874	2,920	12,458	72,941
16	ACCT 875-MEAS AND REG STATION	EXP875	815	3,521	20,663
17	ACCT 876-MEAS AND REG STATION	EXP876	502	2,168	12,724
18	ACCT 877-MEAS AND REG STATION	EXP877	5	60	102
19	ACCT 878-METER EXPENSE	EXP878	128	1,425	2,443
20	ACCT 879-CUST INSTALL EXPENSE	EXP879	51	569	976
21	ACCT 880-OTHER DISTR EXP	EXP880	1,312	5,992	32,583
22	ACCT 881-RENTS	EXP881	148	641	3,762
23	ACCT 886-MAINT OF STRUCTURES	EXP886	0	0	0
24	ACCT 887-MAINT OF MAINS	EXP887	3,616	15,613	91,639
25	ACCT 889-MAINT OF MEAS/REG	EXP889	85	369	2,166
26	ACCT 890-MAINT OF MEAS/REG	EXP890	7	30	175
27	ACCT 891-MAINT OF MEAS/REG	EXP891	0	1	2
28	ACCT 892-MAINT OF SERVICES	EXP892	43	40	63
29	ACCT 893-MAINT OF METER	EXP893	16	176	302
30	ACCT 894-MAINT OF OTHER EQUIP	EXP894	323	1,394	8,184
31	ACCT 902-METER READING EXP	EXP902	66	55	94
32	ACCT 903-CUST RECORDS & COLLEC	EXP903	507	280	481
33	ACCT 904-UNCOLLECTIBLE ACCTS	EXP904	63	268	136,583
34	ACCT 905-MISC CUST ACCT EXP	EXP905	3	3	683
35	ACCT 906-CUST SERVICE & INFO	EXP906	0	0	0
36	ACCT 908-CUSTOMER ASSISTANCE	EXP908	(3)	(2)	(3)
37	ACCT 909-INFO & INSTRUCT ADV	EXP909	6	3	6
38	ACCT 910-MISC SERV & INFO	EXP910	2	1	2
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	INTERNALLY DEVELOPED FACTORS CONT						
2	----------						
3	TOTAL GAS COSTS	GASCOSTS	18,515	3,267	0	324	276
4	ACCT 421-PURCHASED POWER EXPENSE	EXP421	0	0	0	0	0
4	ACCT 805-PURCHASED GAS EXPENSE	EXP805	0	0	0	0	0
6	ACCT 807-PUR GAS DEMAND	EXP807D	0	0	0	0	0
7	ACCT 807-PUR GAS COMMODITY	EXP807C	0	0	0	0	0
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10	ACCT 856-MAIN EXPENSE	EXP856	539	91	294	7	5
11	ACCT 857-MEAS AND REG STATION	EXP857	(2,494)	(423)	(1,360)	(31)	(22)
12	ACCT 864-MAINT OF STATION EQUIP	EXP864	1	0	0	0	0
13	ACCT 867-MAINT OF OTHER EQUIP	EXP867	15,093	2,559	8,228	190	131
14	ACCT 871-LOAD DISPATCHING	EXP871	8	1	4	0	0
15	ACCT 874-MAINS & SERVICING EXP	EXP874	47,332	7,017	22,469	519	378
16	ACCT 875-MEAS AND REG STATION	EXP875	11,677	1,980	6,366	147	101
17	ACCT 876-MEAS AND REG STATION	EXP876	7,190	1,219	3,920	91	62
18	ACCT 877-MEAS AND REG STATION	EXP877	448	2	34	0	6
19	ACCT 878-METER EXPENSE	EXP878	10,689	54	814	0	136
20	ACCT 879-CUST INSTALL EXPENSE	EXP879	4,271	21	325	0	54
21	ACCT 880-OTHER DISTR EXP	EXP880	24,205	3,053	10,064	224	219
22	ACCT 881-RENTS	EXP881	2,126	360	1,159	27	18
23	ACCT 886-MAINT OF STRUCTURES	EXP886	0	0	0	0	0
24	ACCT 887-MAINT OF MAINS	EXP887	51,786	8,781	28,232	652	449
25	ACCT 889-MAINT OF MEAS/REG	EXP889	1,224	208	667	15	11
26	ACCT 890-MAINT OF MEAS/REG	EXP890	99	17	54	1	1
27	ACCT 891-MAINT OF MEAS/REG	EXP891	7	0	1	0	0
28	ACCT 892-MAINT OF SERVICES	EXP892	6,019	34	17	0	20
29	ACCT 893-MAINT OF METER	EXP893	1,323	7	101	0	17
30	ACCT 894-MAINT OF OTHER EQUIP	EXP894	4,625	784	2,521	58	40
31	ACCT 902-METER READING EXP	EXP902	5,502	42	31	0	31
32	ACCT 903-CUST RECORDS & COLLEC	EXP903	42,364	213	160	120	240
33	ACCT 904-UNCOLLECTIBLE ACCTS	EXP904	0	0	41,597	0	126
34	ACCT 905-MISC CUST ACCT EXP	EXP905	238	1	208	1	2
35	ACCT 906-CUST SERVICE & INFO	EXP906	0	0	0	0	0
36	ACCT 908-CUSTOMER ASSISTANCE	EXP908	(262)	(1)	(1)	(1)	(1)
37	ACCT 909-INFO & INSTRUCT ADV	EXP909	503	3	2	1	3
38	ACCT 910-MISC SERV & INFO	EXP910	173	1	1	0	1
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	INTERNALLY DEVELOPED FACTORS CONT.								
2	----------								
3	ACCT 912-DEMO & SELLING	EXP912	558	507	46	0	4	0	0
4	ACCT 913-ADVERTISING EXP	EXP913	0	0	0	0	0	0	0
5	ACCT 920-ADMIN & GENERAL SALARY	EXP920	1,529,696	1,204,348	238,735	42,887	43,232	250	244
6	ACCT 921-OFFICE SUPPIES & EXP	EXP921	1,365,974	1,075,448	213,183	38,297	38,605	223	218
7	ACCT 923-OUTSIDE SERVICES	EXP923	(152,817)	(120,315)	(23,850)	(4,284)	(4,319)	(25)	(24)
8	ACCT 924-PROPERTY INSURANCE	EXP924	2,696,531	1,871,590	514,666	164,292	144,295	958	730
9	ACCT 925-INJURIES & DAMAGES	EXP925	7,415	5,838	1,157	208	210	1	1
10	ACCT 926-EMPLOYEE PENSION & BENF	EXP926	574,128	452,018	89,602	16,097	16,226	94	92
11	ACCT 928-REG COMMISSION EXP	EXP928	2,452,071	1,736,732	511,913	86,548	111,809	3,808	1,261
12	ACCT 930-MISC GEN EXP	EXP930	1,282,411	1,009,658	200,142	35,954	36,243	209	204
13	ACCT 931-RENTS	EXP931	109,053	85,858	17,020	3,057	3,082	18	17
14	ACCT 932-MAINT OF GENERAL PLT	EXP932	169,826	134,060	26,159	4,708	4,845	27	27
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17	LABOR ACCT 820-867	LABTM	8,472	4,847	2,056	866	694	5	4
18	LABOR ACCT 871-881	LABDO	3,185,074	2,369,983	607,632	105,555	100,710	588	606
19	LABOR ACCT 874-881 & 886-894	LABDM	954,875	675,672	172,020	56,535	50,069	331	249
20	LAROR ACCT 902-906	LABCA	1,841,673	1,679,593	147,117	480	14,374	28	81
21	LABOR ACCT 908-910	LABCS	28,175	25,722	2,227	6	217	1	1
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25	ACCTS 902-904	EXP9024	6,903,844	6,051,981	623,038	138,397	89,909	120	397
26	ACCTS 874 - 879	EXP87479	3,677,072	2,710,632	704,648	134,471	125,828	756	737
27	ACCTS 908 & 909	EXP9089	31,566	28,818	2,495	7	243	1	1
28	REV CLAIMED ROR LESS GAS COSTS	REVCLAIM	54,980,598	40,022,662	9,740,421	2,768,680	2,417,907	18,483	12,444
29	TOTAL GENERAL PLANT	GENPLT	15,981,218	12,615,519	2,461,634	443,033	455,947	2,567	2,518
30	WORKING CASH 1/8 OF O&M	WCOM	3,101,821	2,392,635	493,959	110,894	102,683	1,003	647
31	PRESENT REVENUE	TOTREV	47,169,527	33,408,834	9,847,465	1,664,891	2,150,826	73,251	24,260
32	PAYROLL EXCLUDING A&G	PAYXAG	6,540,392	5,149,330	1,020,739	183,370	184,842	1,068	1,042
33	COMMON PLANT	PLTCOMN	0	0	0	0	0	0	0
34	CHANGE IN REVENUE @ EQUALIZED	REVCHGC	9,646,902	8,098,225	127,106	1,137,884	348,801	(54,271)	(10,842)
35	CHANGE IN REVENUE @ PROPOSED	REVCHGP	9,646,901	6,788,619	1,425,398	880,929	531,760	15,220	4,975
36	NET PLANT - RESIDENTIAL ONLY	RESNTPT	122,230,876	122,230,876	0	0	0	0	0
37	CAPITALIZED LABOR EXCL ACCT 371	CAPLABX	2,843,892	2,263,600	419,862	76,027	83,538	433	432
38	WORKING CASH - GAS COSTS	WCGC	355,529	227,986	96,238	8,923	21,782	324	276
39	WORKING CASH - OTHER	WCOTH	24,459,036	18,913,092	3,855,432	878,230	799,682	7,702	4,897
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4	REVENUES FIRM SALES OF GAS								

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	INTERNALLY DEVELOPED FACTORS CONT.							
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3	ACCT 912-DEMO & SELLING	EXP912	46	0	0	0	4	0
4	ACCT 913-ADVERTISING EXP	EXP913	0	0	0	0	0	0
5	ACCT 920-ADMIN & GENERAL SALARY	EXP920	224,711	14,024	1,452	41,435	29,082	14,150
6	ACCT 921-OFFICE SUPPIES & EXP	EXP921	200,661	12,523	1,297	37,001	25,969	12,635
7	ACCT 923-OUTSIDE SERVICES	EXP923	(22,449)	(1,401)	(145)	(4,139)	(2,905)	(1,414)
8	ACCT 924-PROPERTY INSURANCE	EXP924	464,334	50,332	5,426	158,866	89,397	54,898
9	ACCT 925-INJURIES & DAMAGES	EXP925	1,089	68	7	201	141	69
10	ACCT 926-EMPLOYEE PENSION & BENF	EXP926	84,339	5,263	545	15,552	10,915	5,311
11	ACCT 928-REG COMMISSION EXP	EXP928	450,285	61,628	5,726	80,822	82,085	29,724
12	ACCT 930-MISC GEN EXP	EXP930	188,385	11,757	1,217	34,737	24,381	11,863
13	ACCT 931-RENTS	EXP931	16,020	1,000	104	2,954	2,073	1,009
14	ACCT 932-MAINT OF GENERAL PLT	EXP932	24,621	1,538	160	4,548	3,290	1,555
15								
16								
17	LABOR ACCT 820-867	LABTM	1,797	259	28	838	405	289
18	LABOR ACCT 871-881	LABDO	571,643	35,990	3,471	102,084	66,102	34,608
19	LABOR ACCT 874-881 & 886-894	LABDM	154,936	17,084	1,872	54,662	31,214	18,854
20	LAROR ACCT 902-906	LABCA	146,854	263	170	309	14,225	149
21	LABOR ACCT 908-910	LABCS	2,224	3	3	4	215	2
22								
23								
24								
25	ACCTS 902-904	EXP9024	582,738	40,300	636	137,761	47,866	42,043
26	ACCTS 874 - 879	EXP87479	659,726	44,922	4,422	130,049	81,606	44,222
27	ACCTS 908 & 909	EXP9089	2,491	4	3	4	241	2
28	REV CLAIMED ROR LESS GAS COSTS	REVCLAIM	8,865,600	874,821	89,330	2,679,350	1,508,698	909,210
29	TOTAL GENERAL PLANT	GENPLT	2,316,921	144,713	15,032	428,000	309,593	146,355
30	WORKING CASH 1/8 OF O&M	WCOM	454,809	39,150	3,702	107,192	66,226	36,457
31	PRESENT REVENUE	TOTREV	8,661,952	1,185,513	110,150	1,554,741	1,579,030	571,796
32	PAYROLL EXCLUDING A&G	PAYXAG	960,779	59,960	6,208	177,162	124,343	60,500
33	COMMON PLANT	PLTCOMN	0	0	0	0	0	0
34	CHANGE IN REVENUE @ EQUALIZED	REVCHGC	425,892	(298,786)	(18,234)	1,156,118	(319)	349,120
35	CHANGE IN REVENUE @ PROPOSED	REVCHGP	1,801,410	(376,011)	23,054	857,874	322,521	209,239
36	NET PLANT - RESIDENTIAL ONLY	RESNTPT	0	0	0	0	0	0
37	CAPITALIZED LABOR EXCL ACCT 371	CAPLABX	395,116	24,746	2,598	73,428	58,319	25,219
38	WORKING CASH - GAS COSTS	WCGC	92,173	4,065	1,626	7,297	18,515	3,267
39	WORKING CASH - OTHER	WCOTH	3,546,297	309,135	27,994	850,237	511,290	288,393
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4	REVENUES FIRM SALES OF GAS							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL		COMMERCIAL		
			RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	INTERNALLY DEVELOPED FACTORS CONT.						
2							
3	ACCT 912-DEMO & SELLING	EXP912	499	8	46	0	0
4	ACCT 913-ADVERTISING EXP	EXP913	0	0	0	0	0
5	ACCT 920-ADMIN & GENERAL SALARY	EXP920	1,161,745	42,603	224,711	4,485	9,539
6	ACCT 921-OFFICE SUPPIES & EXP	EXP921	1,037,405	38,043	200,661	4,005	8,518
7	ACCT 923-OUTSIDE SERVICES	EXP923	(116,059)	(4,256)	(22,449)	(448)	(953)
8	ACCT 924-PROPERTY INSURANCE	EXP924	1,796,045	75,545	464,334	15,042	35,289
9	ACCT 925-INJURIES & DAMAGES	EXP925	5,631	207	1,089	22	46
10	ACCT 926-EMPLOYEE PENSION & BENF	EXP926	436,028	15,990	84,339	1,683	3,580
11	ACCT 928-REG COMMISSION EXP	EXP928	1,684,433	52,299	450,285	11,139	50,489
12	ACCT 930-MISC GEN EXP	EXP930	973,942	35,716	188,385	3,760	7,997
13	ACCT 931-RENTS	EXP931	82,821	3,037	16,020	320	680
14	ACCT 932-MAINT OF GENERAL PLT	EXP932	129,127	4,932	24,621	491	1,047
15							
16							
17	LABOR ACCT 820-867	LABTM	4,658	189	1,797	75	184
18	LABOR ACCT 871-881	LABDO	2,271,357	98,626	571,643	11,923	24,067
19	LABOR ACCT 874-881 & 886-894	LABDM	648,086	27,586	154,936	5,024	12,059
20	LAROR ACCT 902-906	LABCA	1,640,342	39,252	146,854	166	97
21	LABOR ACCT 908-910	LABCS	24,570	1,153	2,224	2	1
22							
23							
24							
25	ACCTS 902-904	EXP9024	5,933,480	118,502	582,738	3,049	37,251
26	ACCTS 874 - 879	EXP87479	2,598,101	112,530	659,726	14,613	30,309
27	ACCTS 908 & 909	EXP9089	27,526	1,292	2,491	2	1
28	REV CLAIMED ROR LESS GAS COSTS	REVCLAIM	38,546,311	1,476,351	8,865,600	252,111	622,710
29	TOTAL GENERAL PLANT	GENPLT	12,151,362	464,157	2,316,921	46,228	98,485
30	WORKING CASH 1/8 OF O&M	WCOM	2,316,075	76,560	454,809	10,301	28,849
31	PRESENT REVENUE	TOTREV	32,402,775	1,006,059	8,661,952	214,268	971,245
32	PAYROLL EXCLUDING A&G	PAYXAG	4,967,177	182,153	960,779	19,175	40,786
33	COMMON PLANT	PLTCOMN	0	0	0	0	0
34	CHANGE IN REVENUE @ EQUALIZED	REVCHGC	7,588,421	509,804	425,892	44,527	(343,313)
35	CHANGE IN REVENUE @ PROPOSED	REVCHGP	6,582,656	205,963	1,801,410	44,687	(420,699)
36	NET PLANT - RESIDENTIAL ONLY	RESNTPT	117,303,281	4,927,595	0	0	0
37	CAPITALIZED LABOR EXCL ACCT 371	CAPLABX	2,170,329	93,270	395,116	7,877	16,869
38	WORKING CASH - GAS COSTS	WCGC	219,047	8,939	92,173	4,065	0
39	WORKING CASH - OTHER	WCOTH	18,309,550	603,542	3,546,297	78,342	230,793
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4	REVENUES FIRM SALES OF GAS						

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	INTERNALLY DEVELOPED FACTORS CONT.				
2					
3	ACCT 912-DEMO & SELLING	EXP912	0	0	0
4	ACCT 913-ADVERTISING EXP	EXP913	0	0	0
5	ACCT 920-ADMIN & GENERAL SALARY	EXP920	1,452	6,364	35,071
6	ACCT 921-OFFICE SUPPIES & EXP	EXP921	1,297	5,683	31,318
7	ACCT 923-OUTSIDE SERVICES	EXP923	(145)	(636)	(3,504)
8	ACCT 924-PROPERTY INSURANCE	EXP924	5,426	23,455	135,411
9	ACCT 925-INJURIES & DAMAGES	EXP925	7	31	170
10	ACCT 926-EMPLOYEE PENSION & BENF	EXP926	545	2,389	13,163
11	ACCT 928-REG COMMISSION EXP	EXP928	5,726	10,843	69,979
12	ACCT 930-MISC GEN EXP	EXP930	1,217	5,335	29,402
13	ACCT 931-RENTS	EXP931	104	454	2,500
14	ACCT 932-MAINT OF GENERAL PLT	EXP932	160	698	3,850
15					
16					
17	LABOR ACCT 820-867	LABTM	28	122	716
18	LABOR ACCT 871-881	LABDO	3,471	16,050	86,034
19	LABOR ACCT 874-881 & 886-894	LABDM	1,872	8,014	46,648
20	LAROR ACCT 902-906	LABCA	170	108	201
21	LABOR ACCT 908-910	LABCS	3	1	2
22					
23					
24					
25	ACCTS 902-904	EXP9024	636	603	137,158
26	ACCTS 874 - 879	EXP87479	4,422	20,200	109,849
27	ACCTS 908 & 909	EXP9089	3	2	3
28	REV CLAIMED ROR LESS GAS COSTS	REVCLAIM	89,330	378,428	2,300,922
29	TOTAL GENERAL PLANT	GENPLT	15,032	65,693	362,307
30	WORKING CASH 1/8 OF O&M	WCOM	3,702	14,231	92,961
31	PRESENT REVENUE	TOTREV	110,150	208,585	1,346,157
32	PAYROLL EXCLUDING A&G	PAYXAG	6,208	27,211	149,951
33	COMMON PLANT	PLTCOMN	0	0	0
34	CHANGE IN REVENUE @ EQUALIZED	REVCHGC	(18,234)	181,318	974,800
35	CHANGE IN REVENUE @ PROPOSED	REVCHGP	23,054	43,508	814,366
36	NET PLANT - RESIDENTIAL ONLY	RESNTPT	0	0	0
37	CAPITALIZED LABOR EXCL ACCT 371	CAPLABX	2,598	11,245	62,183
38	WORKING CASH - GAS COSTS	WCGC	1,626	7,297	0
39	WORKING CASH - OTHER	WCOTH	27,994	106,551	743,686
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4	REVENUES FIRM SALES OF GAS				

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	INTERNALLY DEVELOPED FACTORS CONT.						
2							
3	ACCT 912-DEMO & SELLING	EXP912	4	0	0	0	0
4	ACCT 913-ADVERTISING EXP	EXP913	0	0	0	0	0
5	ACCT 920-ADMIN & GENERAL SALARY	EXP920	29,082	3,323	10,827	250	244
6	ACCT 921-OFFICE SUPPIES & EXP	EXP921	25,969	2,968	9,668	223	218
7	ACCT 923-OUTSIDE SERVICES	EXP923	(2,905)	(332)	(1,082)	(25)	(24)
8	ACCT 924-PROPERTY INSURANCE	EXP924	89,397	13,092	41,805	958	730
9	ACCT 925-INJURIES & DAMAGES	EXP925	141	16	52	1	1
10	ACCT 926-EMPLOYEE PENSION & BENF	EXP926	10,915	1,247	4,063	94	92
11	ACCT 928-REG COMMISSION EXP	EXP928	82,085	6,227	23,497	3,808	1,261
12	ACCT 930-MISC GEN EXP	EXP930	24,381	2,786	9,076	209	204
13	ACCT 931-RENTS	EXP931	2,073	237	772	18	17
14	ACCT 932-MAINT OF GENERAL PLT	EXP932	3,290	366	1,189	27	27
15							
16							
17	LABOR ACCT 820-867	LABTM	405	69	221	5	4
18	LABOR ACCT 871-881	LABDO	66,102	8,022	26,587	588	606
19	LABOR ACCT 874-881 & 886-894	LABDM	31,214	4,482	14,372	331	249
20	LAROR ACCT 902-906	LABCA	14,225	82	67	28	81
21	LABOR ACCT 908-910	LABCS	215	1	1	1	1
22							
23							
24							
25	ACCTS 902-904	EXP9024	47,866	255	41,788	120	397
26	ACCTS 874 - 879	EXP87479	81,606	10,294	33,928	756	737
27	ACCTS 908 & 909	EXP9089	241	1	1	1	1
28	REV CLAIMED ROR LESS GAS COSTS	REVCLAIM	1,508,698	208,455	700,754	18,483	12,444
29	TOTAL GENERAL PLANT	GENPLT	309,593	34,479	111,875	2,567	2,518
30	WORKING CASH 1/8 OF O&M	WCOM	66,226	7,600	28,858	1,003	647
31	PRESENT REVENUE	TOTREV	1,579,030	119,795	452,001	73,251	24,260
32	PAYROLL EXCLUDING A&G	PAYXAG	124,343	14,209	46,290	1,068	1,042
33	COMMON PLANT	PLTCOMN	0	0	0	0	0
34	CHANGE IN REVENUE @ EQUALIZED	REVCHGC	(319)	94,181	254,938	(54,271)	(10,842)
35	CHANGE IN REVENUE @ PROPOSED	REVCHGP	322,521	24,817	184,422	15,220	4,975
36	NET PLANT - RESIDENTIAL ONLY	RESNTPT	0	0	0	0	0
37	CAPITALIZED LABOR EXCL ACCT 371	CAPLABX	58,319	6,001	19,218	433	432
38	WORKING CASH - GAS COSTS	WCGC	18,515	3,267	0	324	276
39	WORKING CASH - OTHER	WCOTH	511,290	57,530	230,862	7,702	4,897
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4	REVENUES FIRM SALES OF GAS						

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	INTERNALLY DEVELOPED FACTORS CONT.								
2	----------								
3	REVENUES FROM GAS SALES								
4	BASE REVENUES		45,689,224	32,152,423	9,709,553	1,639,719	2,090,889	73,078	23,562
5	CUSTOMER AND WEATHER ADJUSTMENT		1,242,603	1,029,390	(348,269)	441,213	120,225	0	44
6	ADJ DEMAND TO VOLUMETRIC		0	0	0	0	0	0	0
7	ADJ DEF FARM DISCOUNT CREDITS		0	0	0	0	0	0	0
8	BASE REVENUES PRESENT RATES		44,446,621	31,123,033	9,542,056	1,639,719	2,045,216	73,078	23,519
9	UNBILLED REVENUES		0	0	0	0	0	0	0
10	PGA REVENUES		0	0	0	0	0	0	0
11	LOST MARGIN ADJUSTMENT		0	0	0	0	0	0	0
12									
13	REVENUES FOR RATE DESIGN		45,689,224	32,152,423	9,193,787	2,080,932	2,165,441	73,078	23,562
14									
15									
16	REVENUE REQUIREMENT INPUTS								
17	----------								
18	CLAIMED RATE OF RETURN		8.80%	8.798%	8.798%	8.798%	8.798%	8.798%	8.798%
19	ANNUAL BOOKED THERM SALES		138,233,864	71,765,520	32,770,803	22,121,972	11,386,911	101,855	86,803
20	PROPOSED SALES REVENUES		55,336,125	38,941,042	11,134,951	2,520,648	2,622,649	88,298	28,537
21	TOTAL YEAR END CUSTOMERS		138,340	126,296	10,936	32	1,067	3	6
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	INTERNALLY DEVELOPED FACTORS CONT.							
2	----------							
3	REVENUES FROM GAS SALES							
4	BASE REVENUES		8,531,880	1,177,672	109,190	1,530,529	1,527,532	563,357
5	CUSTOMER AND WEATHER ADJUSTMENT		156,080	(504,349)	0	441,213	58,763	61,462
6	ADJ DEMAND TO VOLUMETRIC		0	0	0	0	0	0
7	ADJ DEF FARM DISCOUNT CREDITS		0	0	0	0	0	0
8	BASE REVENUES PRESENT RATES		8,375,800	1,166,256	109,190	1,530,529	1,468,769	576,447
9	UNBILLED REVENUES		0	0	0	0	0	0
10	PGA REVENUES		0	0	0	0	0	0
11	LOST MARGIN ADJUSTMENT		0	0	0	0	0	0
12								
13	REVENUES FOR RATE DESIGN		8,531,880	661,907	109,190	1,971,743	1,527,532	637,909
14								
15								
16	REVENUE REQUIREMENT INPUTS							
17	----------							
18	CLAIMED RATE OF RETURN		8.798%	8.798%	8.798%	8.798%	8.798%	8.798%
19	ANNUAL BOOKED THERM SALES		29,014,067	3,756,736	511,826	21,610,146	5,828,186	5,558,725
20	PROPOSED SALES REVENUES		10,333,290	801,661	132,244	2,388,404	1,850,053	772,596
21	TOTAL YEAR END CUSTOMERS		10,919	17	13	19	1,058	9
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL		COMMERCIAL		
			RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	INTERNALLY DEVELOPED FACTORS CONT.						
2	----------						
3	REVENUES FROM GAS SALES						
4	BASE REVENUES		31,176,937	975,486	8,531,880	211,649	966,024
5	CUSTOMER AND WEATHER ADJUSTMENT		909,769	119,621	156,080	11,416	(515,766)
6	ADJ DEMAND TO VOLUMETRIC		0	0	0	0	0
7	ADJ DEF FARM DISCOUNT CREDITS		0	0	0	0	0
8	BASE REVENUES PRESENT RATES		30,267,169	855,865	8,375,800	200,233	966,024
9	UNBILLED REVENUES		0	0	0	0	0
10	PGA REVENUES		0	0	0	0	0
11	LOST MARGIN ADJUSTMENT		0	0	0	0	0
12							
13	REVENUES FOR RATE DESIGN		31,176,937	975,486	8,531,880	211,649	450,258
14							
15							
16	REVENUE REQUIREMENT INPUTS						
17	----------						
18	CLAIMED RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%
19	ANNUAL BOOKED THERM SALES		68,951,676	2,813,844	29,014,067	1,279,629	2,477,106
20	PROPOSED SALES REVENUES		37,759,594	1,181,449	10,333,290	256,336	545,325
21	TOTAL YEAR END CUSTOMERS		120,636	5,660	10,919	11	6
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	INTERNALLY DEVELOPED FACTORS CONT.				
2	----------				
3	REVENUES FROM GAS SALES ·				
4	BASE REVENUES		109,190	204,407	1,326,122
5	CUSTOMER AND WEATHER ADJUSTMENT		0	0	441,213
6	ADJ DEMAND TO VOLUMETRIC		0	0	0
7	ADJ DEF FARM DISCOUNT CREDITS		0	0	0
8	BASE REVENUES PRESENT RATES		109,190	204,407	1,326,122
9	UNBILLED REVENUES		0	0	0
10	PGA REVENUES		0	0	0
11	LOST MARGIN ADJUSTMENT		0	0	0
12					
13	REVENUES FOR RATE DESIGN		109,190	204,407	1,767,335
14					
15					
16	REVENUE REQUIREMENT INPUTS				
17	----------				
18	CLAIMED RATE OF RETURN		8.80%	8.80%	8.80%
19	ANNUAL BOOKED THERM SALES		511,826	2,297,027	19,313,119
20	PROPOSED SALES REVENUES		132,244	247,916	2,140,488
21	TOTAL YEAR END CUSTOMERS		13	7	12
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	INTERNALLY DEVELOPED FACTORS CONT.						
2							
3	REVENUES FROM GAS SALES						
4	BASE REVENUES		1,527,532	117,541	445,816	73,078	23,562
5	CUSTOMER AND WEATHER ADJUSTMENT		58,763	(13,090)	74,552	0	44
6	ADJ DEMAND TO VOLUMETRIC		0	0	0	0	0
7	ADJ DEF FARM DISCOUNT CREDITS		0	0	0	0	0
8	BASE REVENUES PRESENT RATES		1,468,769	130,631	445,816	73,078	23,519
9	UNBILLED REVENUES		0	0	0	0	0
10	PGA REVENUES		0	0	0	0	0
11	LOST MARGIN ADJUSTMENT		0	0	0	0	0
12							
13	REVENUES FOR RATE DESIGN		1,527,532	117,541	520,368	73,078	23,562
14							
15							
16	REVENUE REQUIREMENT INPUTS						
17							
18	CLAIMED RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%
19	ANNUAL BOOKED THERM SALES		5,828,186	1,028,395	4,530,330	101,855	86,803
20	PROPOSED SALES REVENUES		1,850,053	142,359	630,238	88,298	28,537
21	TOTAL YEAR END CUSTOMERS		1,058	5	4	3	6

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

ALLOCATION FACTOR TABLE CONT.

INTERNALLY DEVELOPED

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
DEVELOPMENT OF UNCOLLECTABLE FACTOR								
RESIDENTIAL REVENUE	RESREV	40,250,648	40,250,648	0	0	0	0	0
COMMERCIAL REVENUE	COMREV	9,226,668	0	9,213,948	0	0	0	12,720
INDUSTRIAL REVENUE	INDREV	476,682	0	0	476,682	0	0	0
TRANSPORTATION REVENUE	TRAREV	3,624,386	0	622,710	2,300,922	700,754	0	0
ALLOCATION OF BAD DEBTS								
RESIDENTIAL	RESREV	233,001	233,001	0	0	0	0	0
COMMERCIAL	COMREV	51,148	0	51,078	0	0	0	71
INDUSTRIAL	INDREV	186	0	0	186	0	0	0
TRANSPORTATION	TRAREV	120,541	0	20,710	76,525	23,306	0	0
ALLOCATED BAD DEBTS	BADDEBT	404,876	233,001	71,788	76,710	23,306	0	71

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
ALLOCATION FACTOR TABLE CONT.							
INTERNALLY DEVELOPED							
DEVELOPMENT OF UNCOLLECTABLE FACTOR							
RESIDENTIAL REVENUE	RESREV	0	0	0	0	0	0
COMMERCIAL REVENUE	COMREV	8,957,772	256,176	0	0	0	0
INDUSTRIAL REVENUE	INDREV	0	0	90,956	385,726	0	0
TRANSPORTATION REVENUE	TRAREV	0	622,710	0	2,300,922	0	700,754
ALLOCATION OF BAD DEBTS							
RESIDENTIAL	RESREV	0	0	0	0	0	0
COMMERCIAL	COMREV	49,658	1,420	0	0	0	0
INDUSTRIAL	INDREV	0	0	35	150	0	0
TRANSPORTATION	TRAREV	0	20,710	0	76,525	0	23,306
ALLOCATED BAD DEBTS	BADDEBT	49,658	22,130	35	76,675	0	23,306

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	RESIDENTIAL		COMMERCIAL		
		RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
ALLOCATION FACTOR TABLE CONT.						
INTERNALLY DEVELOPED						
DEVELOPMENT OF UNCOLLECTABLE FACTOR						
RESIDENTIAL REVENUE	RESREV	38,765,358	1,485,290	0	0	0
COMMERCIAL REVENUE	COMREV	0	0	8,957,772	256,176	0
INDUSTRIAL REVENUE	INDREV	0	0	0	0	0
TRANSPORTATION REVENUE	TRAREV	0	0	0	0	622,710
ALLOCATION OF BAD DEBTS						
RESIDENTIAL	RESREV	224,403	8,598	0	0	0
COMMERCIAL	COMREV	0	0	49,658	1,420	0
INDUSTRIAL	INDREV	0	0	0	0	0
TRANSPORTATION	TRAREV	0	0	0	0	20,710
ALLOCATED BAD DEBTS	BADDEBT	224,403	8,598	49,658	1,420	20,710

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
		ALLOC	SM. VOL.	LG. VOL.	TRANS-PORTATION
			(19)	(20)	(21)
1	ALLOCATION FACTOR TABLE CONT.				
2					
3	INTERNALLY DEVELOPED				
4	----------				
5					
6					
7	DEVELOPMENT OF UNCOLLECTABLE FACTOR				
8	RESIDENTIAL REVENUE	RESREV	0	0	0
9	COMMERCIAL REVENUE	COMREV	0	0	0
10	INDUSTRIAL REVENUE	INDREV	90,956	385,726	0
11	TRANSPORTATION REVENUE	TRAREV	0	0	2,300,922
12					
13	ALLOCATION OF BAD DEBTS				
14	RESIDENTIAL	RESREV	0	0	0
15	COMMERCIAL	COMREV	0	0	0
16	INDUSTRIAL	INDREV	35	150	0
17	TRANSPORTATION	TRAREV	0	0	76,525
18	ALLOCATED BAD DEBTS	BADDEBT	35	150	76,525
19					
20					
21					
22					
23					
24					
25					
26					
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	PUBLIC AUTHORITY LG. VOL. (23)	PUBLIC AUTHORITY TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
ALLOCATION FACTOR TABLE CONT.						
INTERNALLY DEVELOPED						
DEVELOPMENT OF UNCOLLECTABLE FACTOR						
RESIDENTIAL REVENUE	RESREV	0	0	0	0	0
COMMERCIAL REVENUE	COMREV	0	0	0	0	12,720
INDUSTRIAL REVENUE	INDREV	0	0	0	0	0
TRANSPORTATION REVENUE	TRAREV	0	0	700,754	0	0
ALLOCATION OF BAD DEBTS						
RESIDENTIAL	RESREV	0	0	0	0	0
COMMERCIAL	COMREV	0	0	0	0	71
INDUSTRIAL	INDREV	0	0	0	0	0
TRANSPORTATION	TRAREV	0	0	23,306	0	0
ALLOCATED BAD DEBTS	BADDEBT	0	0	23,306	0	71

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
INTERNALLY DEVELOPED CONT.								
487-FORFEITED DISCOUNTS								
REVENUE BY CLASS - RANGE NAME DEFINITION								
RESIDENTIAL SERVICE	REV487A	31,176,937	31,176,937	0	0	0	0	0
RESIDENTIAL CARES	REV487C	975,486	975,486	0	0	0	0	0
COMMERCIAL SM. VOL.	REV487D	8,531,880	0	8,531,880	0	0	0	0
COMMERCIAL LG. VOL.	REV487F	211,649	0	211,649	0	0	0	0
COMMERCIAL TRANSPORTATION	REV487G	966,024	0	966,024	0	0	0	0
INDUSTRIAL SM. VOL.	REV487H	109,190	0	0	109,190	0	0	0
INDUSTRIAL LG. VOL.	REV487I	204,407	0	0	204,407	0	0	0
INDUSTRIAL TRANSPORTATION	REV487J	1,326,122	0	0	1,326,122	0	0	0
PUBLIC AUTHORITY SM. VOL.	REV487K	1,527,532	0	0	0	1,527,532	0	0
PUBLIC AUTHORITY LG. VOL.	REV487L	117,541	0	0	0	117,541	0	0
PUBLIC AUTHORITY TRANSPORT.	REV487M	445,816	0	0	0	445,816	0	0
IRRIGATION	REV487N	23,562	0	0	0	0	0	23,562
487-FORFEITED DISCOUNTS								
REVENUE BY CLASS - ALLOCATION								
RESIDENTIAL SERVICE	REV487A	202,859	202,859	0	0	0	0	0
RESIDENTIAL CARES	REV487C	4,165	4,165	0	0	0	0	0
COMMERCIAL SM. VOL.	REV487D	86,010	0	86,010	0	0	0	0
COMMERCIAL LG. VOL.	REV487F	2,316	0	2,316	0	0	0	0
COMMERCIAL TRANSPORTATION	REV487G	18,613	0	18,613	0	0	0	0
INDUSTRIAL SM. VOL.	REV487H	2,142	0	0	2,142	0	0	0
INDUSTRIAL LG. VOL.	REV487I	4,428	0	0	4,428	0	0	0
INDUSTRIAL TRANSPORTATION	REV487J	39,419	0	0	39,419	0	0	0
PUBLIC AUTHORITY SM. VOL.	REV487K	13,242	0	0	0	13,242	0	0
PUBLIC AUTHORITY LG. VOL.	REV487L	3,023	0	0	0	3,023	0	0
PUBLIC AUTHORITY TRANSPORT.	REV487M	22,382	0	0	0	22,382	0	0
IRRIGATION	REV487N	367	0	0	0	0	0	367
TOTAL FOREITED DISCOUNTS	FORFDISC	398,966	207,023	106,939	45,989	38,646	0	367

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
	ALLOC	SM. VOL. (8)	LG. VOL. (9)	SM. VOL. (10)	LG. VOL. (11)	SM. VOL. (12)	LG. VOL. (13)
1 INTERNALLY DEVELOPED CONT.							
2 ----------							
3 487-FORFEITED DISCOUNTS							
4 REVENUE BY CLASS - RANGE NAME DEFINITION							
5 RESIDENTIAL SERVICE	REV487A	0	0	0	0	0	0
6							
7 RESIDENTIAL CARES	REV487C	0	0	0	0	0	0
8 COMMERCIAL SM. VOL.	REV487D	8,531,880	0	0	0	0	0
9							
10 COMMERCIAL LG. VOL.	REV487F	0	211,649	0	0	0	0
11 COMMERCIAL TRANSPORTATION	REV487G	0	966,024	0	0	0	0
12 INDUSTRIAL SM. VOL.	REV487H	0	0	109,190	0	0	0
13 INDUSTRIAL LG. VOL.	REV487I	0	0	0	204,407	0	0
14 INDUSTRIAL TRANSPORTATION	REV487J	0	0	0	1,326,122	0	0
15 PUBLIC AUTHORITY SM. VOL.	REV487K	0	0	0	0	1,527,532	0
16 PUBLIC AUTHORITY LG. VOL.	REV487L	0	0	0	0	0	117,541
17 PUBLIC AUTHORITY TRANSPORT.	REV487M	0	0	0	0	0	445,816
18 IRRIGATION	REV487N	0	0	0	0	0	0
19							
20 487-FORFEITED DISCOUNTS							
21 REVENUE BY CLASS - ALLOCATION							
22 RESIDENTIAL SERVICE	REV487A	0	0	0	0	0	0
23							
24 RESIDENTIAL CARES	REV487C	0	0	0	0	0	0
25 COMMERCIAL SM. VOL.	REV487D	86,010	0	0	0	0	0
26							
27 COMMERCIAL LG. VOL.	REV487F	0	2,316	0	0	0	0
28 COMMERCIAL TRANSPORTATION	REV487G	0	18,613	0	0	0	0
29 INDUSTRIAL SM. VOL.	REV487H	0	0	2,142	0	0	0
30 INDUSTRIAL LG. VOL.	REV487I	0	0	0	4,428	0	0
31 INDUSTRIAL TRANSPORTATION	REV487J	0	0	0	39,419	0	0
32 PUBLIC AUTHORITY SM. VOL.	REV487K	0	0	0	0	13,242	0
33 PUBLIC AUTHORITY LG. VOL.	REV487L	0	0	0	0	0	3,023
34 PUBLIC AUTHORITY TRANSPORT.	REV487M	0	0	0	0	0	22,382
35 IRRIGATION	REV487N	0	0	0	0	0	0
36 TOTAL FOREITED DISCOUNTS	FORFDISC	86,010	20,929	2,142	43,847	13,242	25,404
37							
38							
39							
40							
41							
42							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	INTERNALLY DEVELOPED CONT.						
2	----------						
3	487-FORFEITED DISCOUNTS						
4	REVENUE BY CLASS - RANGE NAME DEFINITION						
5	RESIDENTIAL SERVICE	REV487A	31,176,937	0	0	0	0
6							
7	RESIDENTIAL CARES	REV487C	0	975,486	0	0	0
8	COMMERCIAL SM. VOL.	REV487D	0	0	8,531,880	0	0
9							
10	COMMERCIAL LG. VOL.	REV487F	0	0	0	211,649	0
11	COMMERCIAL TRANSPORTATION	REV487G	0	0	0	0	966,024
12	INDUSTRIAL SM. VOL.	REV487H	0	0	0	0	0
13	INDUSTRIAL LG. VOL.	REV487I	0	0	0	0	0
14	INDUSTRIAL TRANSPORTATION	REV487J	0	0	0	0	0
15	PUBLIC AUTHORITY SM. VOL.	REV487K	0	0	0	0	0
16	PUBLIC AUTHORITY LG. VOL.	REV487L	0	0	0	0	0
17	PUBLIC AUTHORITY TRANSPORT.	REV487M	0	0	0	0	0
18	IRRIGATION	REV487N	0	0	0	0	0
19							
20	487-FORFEITED DISCOUNTS						
21	REVENUE BY CLASS - ALLOCATION						
22	RESIDENTIAL SERVICE	REV487A	202,859	0	0	0	0
23							
24	RESIDENTIAL CARES	REV487C	0	4,165	0	0	0
25	COMMERCIAL SM. VOL.	REV487D	0	0	86,010	0	0
26							
27	COMMERCIAL LG. VOL.	REV487F	0	0	0	2,316	0
28	COMMERCIAL TRANSPORTATION	REV487G	0	0	0	0	18,613
29	INDUSTRIAL SM. VOL.	REV487H	0	0	0	0	0
30	INDUSTRIAL LG. VOL.	REV487I	0	0	0	0	0
31	INDUSTRIAL TRANSPORTATION	REV487J	0	0	0	0	0
32	PUBLIC AUTHORITY SM. VOL.	REV487K	0	0	0	0	0
33	PUBLIC AUTHORITY LG. VOL.	REV487L	0	0	0	0	0
34	PUBLIC AUTHORITY TRANSPORT.	REV487M	0	0	0	0	0
35	IRRIGATION	REV487N	0	0	0	0	0
36	TOTAL FOREITED DISCOUNTS	FORFDISC	202,859	4,165	86,010	2,316	18,613
37							
38							
39							
40							
41							
42							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
		ALLOC	SM. VOL. (19)	LG. VOL. (20)	TRANS-PORTATION (21)
1	INTERNALLY DEVELOPED CONT.				
2					
3	487-FORFEITED DISCOUNTS				
4	REVENUE BY CLASS - RANGE NAME DEFINITION				
5	RESIDENTIAL SERVICE	REV487A	0	0	0
6					
7	RESIDENTIAL CARES	REV487C	0	0	0
8	COMMERCIAL SM. VOL.	REV487D	0	0	0
9					
10	COMMERCIAL LG. VOL.	REV487F	0	0	0
11	COMMERCIAL TRANSPORTATION	REV487G	0	0	0
12	INDUSTRIAL SM. VOL.	REV487H	109,190	0	0
13	INDUSTRIAL LG. VOL.	REV487I	0	204,407	0
14	INDUSTRIAL TRANSPORTATION	REV487J	0	0	1,326,122
15	PUBLIC AUTHORITY SM. VOL.	REV487K	0	0	0
16	PUBLIC AUTHORITY LG. VOL.	REV487L	0	0	0
17	PUBLIC AUTHORITY TRANSPORT.	REV487M	0	0	0
18	IRRIGATION	REV487N	0	0	0
19					
20	487-FORFEITED DISCOUNTS				
21	REVENUE BY CLASS - ALLOCATION				
22	RESIDENTIAL SERVICE	REV487A	0	0	0
23					
24	RESIDENTIAL CARES	REV487C	0	0	0
25	COMMERCIAL SM. VOL.	REV487D	0	0	0
26					
27	COMMERCIAL LG. VOL.	REV487F	0	0	0
28	COMMERCIAL TRANSPORTATION	REV487G	0	0	0
29	INDUSTRIAL SM. VOL.	REV487H	2,142	0	0
30	INDUSTRIAL LG. VOL.	REV487I	0	4,428	0
31	INDUSTRIAL TRANSPORTATION	REV487J	0	0	39,419
32	PUBLIC AUTHORITY SM. VOL.	REV487K	0	0	0
33	PUBLIC AUTHORITY LG. VOL.	REV487L	0	0	0
34	PUBLIC AUTHORITY TRANSPORT.	REV487M	0	0	0
35	IRRIGATION	REV487N	0	0	0
36	TOTAL FOREITED DISCOUNTS	FORFDISC	2,142	4,428	39,419
37					
38					
39					
40					
41					
42					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			PUBLIC AUTHORITY				
		ALLOC	SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	INTERNALLY DEVELOPED CONT.						
2	----------						
3	487-FORFEITED DISCOUNTS						
4	REVENUE BY CLASS - RANGE NAME DEFINITION						
5	RESIDENTIAL SERVICE	REV487A	0	0	0	0	0
6							
7	RESIDENTIAL CARES	REV487C	0	0	0	0	0
8	COMMERCIAL SM. VOL.	REV487D	0	0	0	0	0
9							
10	COMMERCIAL LG. VOL.	REV487F	0	0	0	0	0
11	COMMERCIAL TRANSPORTATION	REV487G	0	0	0	0	0
12	INDUSTRIAL SM. VOL.	REV487H	0	0	0	0	0
13	INDUSTRIAL LG. VOL.	REV487I	0	0	0	0	0
14	INDUSTRIAL TRANSPORTATION	REV487J	0	0	0	0	0
15	PUBLIC AUTHORITY SM. VOL.	REV487K	1,527,532	0	0	0	0
16	PUBLIC AUTHORITY LG. VOL.	REV487L	0	117,541	0	0	0
17	PUBLIC AUTHORITY TRANSPORT.	REV487M	0	0	445,816	0	0
18	IRRIGATION	REV487N	0	0	0	0	23,562
19							
20	487-FORFEITED DISCOUNTS						
21	REVENUE BY CLASS - ALLOCATION						
22	RESIDENTIAL SERVICE	REV487A	0	0	0	0	0
23							
24	RESIDENTIAL CARES	REV487C	0	0	0	0	0
25	COMMERCIAL SM. VOL.	REV487D	0	0	0	0	0
26							
27	COMMERCIAL LG. VOL.	REV487F	0	0	0	0	0
28	COMMERCIAL TRANSPORTATION	REV487G	0	0	0	0	0
29	INDUSTRIAL SM. VOL.	REV487H	0	0	0	0	0
30	INDUSTRIAL LG. VOL.	REV487I	0	0	0	0	0
31	INDUSTRIAL TRANSPORTATION	REV487J	0	0	0	0	0
32	PUBLIC AUTHORITY SM. VOL.	REV487K	13,242	0	0	0	0
33	PUBLIC AUTHORITY LG. VOL.	REV487L	0	3,023	0	0	0
34	PUBLIC AUTHORITY TRANSPORT.	REV487M	0	0	22,382	0	0
35	IRRIGATION	REV487N	0	0	0	0	367
36	TOTAL FOREITED DISCOUNTS	FORFDISC	13,242	3,023	22,382	0	367
37							
38							
39							
40							
41							
42							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	RATIO TABLE								
2	CAPACITY RELATED								
3									
4	PRODUCTION ALLOCATORS								
5	ANNUAL FIRM THERM THROUGHPUT	DEMGAS	1.00000	0.64126	0.27069	0.02510	0.06127	0.00091	0.00078
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22	TRANSMISSION ALLOCATORS								
23									
24	PROPORTIONAL RESPONSIBILITY	TRANS	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
25									
26									
27									
28									
29									
30									
34	DISTRIBUTION ALLOCATORS								
35									
33	PROPORTIONAL RESPONSIBILITY	DISTR	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
34	DISTRIBUTION MAINS	DISTMAIN	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
35	DISTRIBUTION REGULATORS	DISTREG	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
36									
37									
38									
39									
40									
41									
42									
43	PROPORTIONAL RESPONSIBILITY		1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
44									
45									

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
		ALLOC	SM. VOL. (8)	LG. VOL. (9)	SM. VOL. (10)	LG. VOL. (11)	SM. VOL. (12)	LG. VOL. (13)
1	RATIO TABLE							
2	CAPACITY RELATED							
3								
4	PRODUCTION ALLOCATORS							
5	ANNUAL FIRM THERM THROUGHPUT	DEMGAS	0.25925	0.01143	0.00457	0.02053	0.05208	0.00919
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22	TRANSMISSION ALLOCATORS							
23								
24	PROPORTIONAL RESPONSIBILITY	TRANS	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
25								
26								
27								
28								
29								
30								
34	DISTRIBUTION ALLOCATORS							
35								
33	PROPORTIONAL RESPONSIBILITY	DISTR	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
34	DISTRIBUTION MAINS	DISTMAIN	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
35	DISTRIBUTION REGULATORS	DISTREG	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
36								
37								
38								
39								
40								
41								
42								
43	PROPORTIONAL RESPONSIBILITY		0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
44								
45								

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	RATIO TABLE						
2	CAPACITY RELATED						
3							
4	PRODUCTION ALLOCATORS						
5	ANNUAL FIRM THERM THROUGHPUT	DEMGAS	0.61612	0.02514	0.25925	0.01143	0.00000
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22	TRANSMISSION ALLOCATORS						
23							
24	PROPORTIONAL RESPONSIBILITY	TRANS	0.54982	0.02231	0.21213	0.00887	0.02169
25							
26							
27							
28							
29							
30							
34	DISTRIBUTION ALLOCATORS						
35							
33	PROPORTIONAL RESPONSIBILITY	DISTR	0.54982	0.02231	0.21213	0.00887	0.02169
34	DISTRIBUTION MAINS	DISTMAIN	0.54982	0.02231	0.21213	0.00887	0.02169
35	DISTRIBUTION REGULATORS	DISTREG	0.54982	0.02231	0.21213	0.00887	0.02169
36							
37							
38							
39							
40							
41							
42							
43	PROPORTIONAL RESPONSIBILITY		0.54982	0.02231	0.21213	0.00887	0.02169
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
		ALLOC	SM. VOL. (19)	LG. VOL. (20)	TRANS-PORTATION (21)
1	RATIO TABLE				
2	CAPACITY RELATED				
3					
4	PRODUCTION ALLOCATORS				
5	ANNUAL FIRM THERM THROUGHPUT	DEMGAS	0.00457	0.02053	0.00000
6					
7					
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18					
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20					
21					
22	TRANSMISSION ALLOCATORS				
23					
24	PROPORTIONAL RESPONSIBILITY	TRANS	0.00334	0.01440	0.08452
25					
26					
27					
28					
29					
30					
34	DISTRIBUTION ALLOCATORS				
35					
33	PROPORTIONAL RESPONSIBILITY	DISTR	0.00334	0.01440	0.08452
34	DISTRIBUTION MAINS	DISTMAIN	0.00334	0.01440	0.08452
35	DISTRIBUTION REGULATORS	DISTREG	0.00334	0.01440	0.08452
36					
37					
38					
39					
40					
41					
42					
43	PROPORTIONAL RESPONSIBILITY		0.00334	0.01440	0.08452
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			PUBLIC AUTHORITY				
		ALLOC	SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	RATIO TABLE						
2	CAPACITY RELATED						
3	----------						
4	PRODUCTION ALLOCATORS						
5	ANNUAL FIRM THERM THROUGHPUT	DEMGAS	0.05208	0.00919	0.00000	0.00091	0.00078
6							
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16							
17							
18							
19							
20							
21							
22	TRANSMISSION ALLOCATORS						
23	----------						
24	PROPORTIONAL RESPONSIBILITY	TRANS	0.04776	0.00810	0.02604	0.00060	0.00041
25							
26							
27							
28							
29							
30							
34	DISTRIBUTION ALLOCATORS						
35	----------						
33	PROPORTIONAL RESPONSIBILITY	DISTR	0.04776	0.00810	0.02604	0.00060	0.00041
34	DISTRIBUTION MAINS	DISTMAIN	0.04776	0.00810	0.02604	0.00060	0.00041
35	DISTRIBUTION REGULATORS	DISTREG	0.04776	0.00810	0.02604	0.00060	0.00041
36							
37							
38							
39							
40							
41							
42							
43	PROPORTIONAL RESPONSIBILITY		0.04776	0.00810	0.02604	0.00060	0.00041
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
RATIO TABLE CONT.								
COMMODITY RELATED								
ANNUAL FIRM THERM THROUGHPUT	GASSALES	1.00000	0.64126	0.27069	0.02510	0.06127	0.00091	0.00078
		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
ANNUAL FIRM THERM THROUGHPUT	THERMS	1.00000	0.51916	0.23707	0.16003	0.08237	0.00074	0.00063
CARES	CARES	1.00000	0.50917	0.24199	0.16336	0.08409	0.00075	0.00064
CUSTOMER RELATED								
YEAR END NUMBER OF CUSTOMERS	CUST10	1.00000	0.91294	0.07905	0.00023	0.00771	0.00002	0.00004
ACCT 380-SERVICES	CUST380	1.00000	0.90705	0.07954	0.00032	0.01305	0.00000	0.00004
ACCT 381-METERS	CUST381	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
ACCT 382-METER INSTALLATIONS	CUST382	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
ACCT 383-HOUSE REGULATORS	CUST383	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
ACCT 384-HOUSE REG. INSTALLATION	CUST384	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
ACCT 385-INDUSTRIAL REG EQUIP	CUST385	1.00000	0.00000	0.86290	0.03671	0.09979	0.00000	0.00060
CUSTOMER DEPOSITS	CUSTDEP	1.00000	0.78346	0.20861	0.00014	0.00775	0.00000	0.00004
ACCT 487-MISC. SERVICE REVENUE	CUST487B	1.00000	0.91453	0.05009	0.00000	0.03484	0.00000	0.00054
ACCT 902-METER READ EXP	CUST902	1.00000	0.91274	0.07917	0.00030	0.00775	0.00000	0.00004
ACCT 903-CUST RECORDS & COLL	CUST903	1.00000	0.91169	0.08018	0.00023	0.00782	0.00002	0.00004
ACCT 912-DEMO & SELLING	CDA912	1.00000	0.90922	0.08243	0.00024	0.00804	0.00002	0.00005
ACCT 913-ADVERTISING EXPENSES	CDA913	1.00000	0.90922	0.08243	0.00024	0.00804	0.00002	0.00005

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
		ALLOC	SM. VOL. (8)	LG. VOL. (9)	SM. VOL. (10)	LG. VOL. (11)	SM. VOL. (12)	LG. VOL. (13)
1	RATIO TABLE CONT.							
2	COMMODITY RELATED							
3								
4	ANNUAL FIRM THERM THROUGHPUT	GASSALES	0.25925	0.01143	0.00457	0.02053	0.05208	0.00919
5			0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
6			0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
7	ANNUAL FIRM THERM THROUGHPUT	THERMS	0.20989	0.02718	0.00370	0.15633	0.04216	0.04021
8	CARES	CARES	0.21425	0.02774	0.00378	0.15958	0.04304	0.04105
9								
10								
11								
12								
13								
14								
15								
16	CUSTOMER RELATED							
17								
18	YEAR END NUMBER OF CUSTOMERS	CUST10	0.07893	0.00012	0.00009	0.00014	0.00765	0.00007
19	ACCT 380-SERVICES	CUST380	0.07930	0.00024	0.00009	0.00022	0.01294	0.00011
20	ACCT 381-METERS	CUST381	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
21	ACCT 382-METER INSTALLATIONS	CUST382	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
22	ACCT 383-HOUSE REGULATORS	CUST383	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
23	ACCT 384-HOUSE REG. INSTALLATION	CUST384	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
24	ACCT 385-INDUSTRIAL REG EQUIP	CUST385	0.81651	0.04639	0.00137	0.03534	0.07549	0.02430
25	CUSTOMER DEPOSITS	CUSTDEP	0.19487	0.01374	0.00009	0.00005	0.00771	0.00004
26								
27								
28	ACCT 487-MISC. SERVICE REVENUE	CUST487B	0.05009	0.00000	0.00000	0.00000	0.03484	0.00000
29								
30	ACCT 902-METER READ EXP	CUST902	0.07899	0.00018	0.00009	0.00021	0.00765	0.00010
31	ACCT 903-CUST RECORDS & COLL	CUST903	0.08006	0.00012	0.00009	0.00014	0.00776	0.00007
32	ACCT 912-DEMO & SELLING	CDA912	0.08231	0.00013	0.00010	0.00014	0.00797	0.00007
33	ACCT 913-ADVERTISING EXPENSES	CDA913	0.08231	0.00013	0.00010	0.00014	0.00797	0.00007
34								
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL RESIDENTIAL SERVICE (14)	RESIDENTIAL CARES (15)	COMMERCIAL SM. VOL. (16)	COMMERCIAL LG. VOL. (17)	COMMERCIAL TRANS-PORTATION (18)
1	RATIO TABLE CONT.						
2	COMMODITY RELATED						
3	----------						
4	ANNUAL FIRM THERM THROUGHPUT	GASSALES	0.61612	0.02514	0.25925	0.01143	0.00000
5			0.00000	0.00000	0.00000	0.00000	0.00000
6			0.00000	0.00000	0.00000	0.00000	0.00000
7	ANNUAL FIRM THERM THROUGHPUT	THERMS	0.49880	0.02036	0.20989	0.00926	0.01792
8	CARES	CARES	0.50917	0.00000	0.21425	0.00945	0.01829
9							
10							
11							
12							
13							
14							
15							
16	CUSTOMER RELATED						
17	----------						
18	YEAR END NUMBER OF CUSTOMERS	CUST10	0.87203	0.04092	0.07893	0.00008	0.00004
19	ACCT 380-SERVICES	CUST380	0.86857	0.03848	0.07930	0.00013	0.00011
20	ACCT 381-METERS	CUST381	0.76832	0.03404	0.18272	0.00175	0.00154
21	ACCT 382-METER INSTALLATIONS	CUST382	0.76832	0.03404	0.18272	0.00175	0.00154
22	ACCT 383-HOUSE REGULATORS	CUST383	0.76832	0.03404	0.18272	0.00175	0.00154
23	ACCT 384-HOUSE REG. INSTALLATION	CUST384	0.76832	0.03404	0.18272	0.00175	0.00154
24	ACCT 385-INDUSTRIAL REG EQUIP	CUST385	0.00000	0.00000	0.81651	0.02651	0.01988
25	CUSTOMER DEPOSITS	CUSTDEP	0.77294	0.01052	0.19487	0.01374	0.00000
26							
27							
28	ACCT 487-MISC. SERVICE REVENUE	CUST487B	0.89683	0.01770	0.05009	0.00000	0.00000
29							
30	ACCT 902-METER READ EXP	CUST902	0.87402	0.03872	0.07899	0.00012	0.00007
31	ACCT 903-CUST RECORDS & COLL	CUST903	0.89790	0.01379	0.08006	0.00008	0.00004
32	ACCT 912-DEMO & SELLING	CDA912	0.89547	0.01375	0.08231	0.00008	0.00005
33	ACCT 913-ADVERTISING EXPENSES	CDA913	0.89547	0.01375	0.08231	0.00008	0.00005
34							
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	RATIO TABLE CONT.				
2	COMMODITY RELATED				
3	----------				
4	ANNUAL FIRM THERM THROUGHPUT	GASSALES	0.00457	0.02053	0.00000
5			0.00000	0.00000	0.00000
6			0.00000	0.00000	0.00000
7	ANNUAL FIRM THERM THROUGHPUT	THERMS	0.00370	0.01662	0.13971
8	CARES	CARES	0.00378	0.01696	0.14262
9					
10					
11					
12					
13					
14					
15					
16	CUSTOMER RELATED				
17	----------				
18	YEAR END NUMBER OF CUSTOMERS	CUST10	0.00009	0.00005	0.00009
19	ACCT 380-SERVICES	CUST380	0.00009	0.00009	0.00014
20	ACCT 381-METERS	CUST381	0.00009	0.00106	0.00181
21	ACCT 382-METER INSTALLATIONS	CUST382	0.00009	0.00106	0.00181
22	ACCT 383-HOUSE REGULATORS	CUST383	0.00009	0.00106	0.00181
23	ACCT 384-HOUSE REG. INSTALLATION	CUST384	0.00009	0.00106	0.00181
24	ACCT 385-INDUSTRIAL REG EQUIP	CUST385	0.00137	0.01325	0.02209
25	CUSTOMER DEPOSITS	CUSTDEP	0.00009	0.00005	0.00000
26					
27					
28	ACCT 487-MISC. SERVICE REVENUE	CUST487B	0.00000	0.00000	0.00000
29					
30	ACCT 902-METER READ EXP	CUST902	0.00009	0.00008	0.00013
31	ACCT 903-CUST RECORDS & COLL	CUST903	0.00009	0.00005	0.00009
32	ACCT 912-DEMO & SELLING	CDA912	0.00010	0.00005	0.00009
33	ACCT 913-ADVERTISING EXPENSES	CDA913	0.00010	0.00005	0.00009
34					
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			PUBLIC AUTHORITY			SPECIAL	
		ALLOC	SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	RATIO TABLE CONT.						
2	COMMODITY RELATED						
3	----------						
4	ANNUAL FIRM THERM THROUGHPUT	GASSALES	0.05208	0.00919	0.00000	0.00091	0.00078
5			0.00000	0.00000	0.00000	0.00000	0.00000
6			0.00000	0.00000	0.00000	0.00000	0.00000
7	ANNUAL FIRM THERM THROUGHPUT	THERMS	0.04216	0.00744	0.03277	0.00074	0.00063
8	CARES	CARES	0.04304	0.00759	0.03345	0.00075	0.00064
9							
10							
11							
12							
13							
14							
15							
16	CUSTOMER RELATED						
17	----------						
18	YEAR END NUMBER OF CUSTOMERS	CUST10	0.00765	0.00004	0.00003	0.00002	0.00004
19	ACCT 380-SERVICES	CUST380	0.01294	0.00007	0.00004	0.00000	0.00004
20	ACCT 381-METERS	CUST381	0.00792	0.00004	0.00060	0.00000	0.00010
21	ACCT 382-METER INSTALLATIONS	CUST382	0.00792	0.00004	0.00060	0.00000	0.00010
22	ACCT 383-HOUSE REGULATORS	CUST383	0.00792	0.00004	0.00060	0.00000	0.00010
23	ACCT 384-HOUSE REG. INSTALLATION	CUST384	0.00792	0.00004	0.00060	0.00000	0.00010
24	ACCT 385-INDUSTRIAL REG EQUIP	CUST385	0.07549	0.01104	0.01325	0.00000	0.00060
25	CUSTOMER DEPOSITS	CUSTDEP	0.00771	0.00004	0.00000	0.00000	0.00004
26							
27							
28	ACCT 487-MISC. SERVICE REVENUE	CUST487B	0.03484	0.00000	0.00000	0.00000	0.00054
29							
30	ACCT 902-METER READ EXP	CUST902	0.00765	0.00006	0.00004	0.00000	0.00004
31	ACCT 903-CUST RECORDS & COLL	CUST903	0.00776	0.00004	0.00003	0.00002	0.00004
32	ACCT 912-DEMO & SELLING	CDA912	0.00797	0.00004	0.00003	0.00002	0.00005
33	ACCT 913-ADVERTISING EXPENSES	CDA913	0.00797	0.00004	0.00003	0.00002	0.00005
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	INTERNALLY DEVELOPED RATIOS								
2	----------								
3	TOTAL GAS PLANT IN SERVICE	PLANT	1.00000	0.69407	0.19086	0.06093	0.05351	0.00036	0.00027
4	SUM OF ALLOCATED LABOR EXP	LABOR	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
5	ACCT 302-FRANCHISE & CONSENTS	PLT302	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
6	ACCT 303-MISC. INTANGIBLE PLANT	PLT303	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
7	ACCT 365-LAND & LAND RIGHTS	PLT365	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
8	ACCT 366-STRUCTURES & IMPROV.	PLT366	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
9	ACCT 367-MAINS	PLT367	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
10	ACCT 369-MEAS. & REG STATION EQ	PLT369	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
11	ACCT 371-OTHER TRANS EQUIP	PLT371	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
12	TOTAL TRANSMISSION PLANT	TRANPLT	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
13	ACCT 374-DISTR LAND & LAND RIGHTS	PLT374	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
14	ACCT 375-STRUCTURES & IMPROV	PLT375	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
15	ACCT 376-MAINS	PLT376	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
16	ACCT 378-MEAS & REG EQ - GEN	PLT378	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
17	ACCT 379-MEAS & REG EQ - CITY GATE	PLT379	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
18	ACCT 380-SERVICES	PLT380	1.00000	0.90705	0.07954	0.00032	0.01305	0.00000	0.00004
19	ACCT 381-METERS	PLT381	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
20	ACCT 382-METER INSTALLATIONS	PLT382	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
21	ACCT 383-REGULATORS	PLT383	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
22	ACCT 384-REGULATOR INSTALLATIONS	PLT384	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
23	ACCT 385-INDUSTRIAL MEAS. EQUIP	PLT385	1.00000	0.00000	0.86290	0.03671	0.09979	0.00000	0.00060
24	ACCT 387-OTHER EQUIPMENT	PLT387	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
25	ACCT 389-GEN PLT LAND	PLT389	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
26	ACCT 390-STRUCTURES & IMPROVE	PLT390	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
27	ACCT 391-OFFICE FURN & EQUIP	PLT391	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
28	ACCT 392-TRANSPORTATION EQUIP	PLT392	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
29	ACCT 393-STORES EQUIPMENT	PLT393	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
30	ACCT 394-TOOLS, SHOP & GAR EQ	PLT394	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
31	ACCT 395-LABORATORY EQUIPMENT	PLT395	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
32	ACCT 396-POWER OPER EQUIP	PLT396	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
33	ACCT 397-COMMUNICATION EQUIP	PLT397	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
34	ACCT 398-MISCELLANEOUS EQUIP	PLT398	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
35	ACCT 399-OTHER TANGIBLE PROP	PLT399	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 367 & 376 TOTAL MAINS	PLT367376	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
37	ACCT 376 MAINS + 380 SERVICES	PLT376380	1.00000	0.69112	0.18472	0.06604	0.05744	0.00039	0.00028
38	TOTAL DISTRIBUTION PLANT	DISTRPLT	1.00000	0.69582	0.18982	0.06041	0.05333	0.00035	0.00027
39									
40	ACCT 378 & 379 MEAS. & REG. EQUIP	PLT37879	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
41	ACCT 382 & 384 INSTALLATIONS	PLT38284	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
42									
43									
44									
45									

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	INTERNALLY DEVELOPED RATIOS							
2	----------							
3	TOTAL GAS PLANT IN SERVICE	PLANT	0.17220	0.01867	0.00201	0.05891	0.03315	0.02036
4	SUM OF ALLOCATED LABOR EXP	LABOR	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
5	ACCT 302-FRANCHISE & CONSENTS	PLT302	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
6	ACCT 303-MISC. INTANGIBLE PLANT	PLT303	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
7	ACCT 365-LAND & LAND RIGHTS	PLT365	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
8	ACCT 366-STRUCTURES & IMPROV.	PLT366	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
9	ACCT 367-MAINS	PLT367	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
10	ACCT 369-MEAS. & REG STATION EQ	PLT369	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
11	ACCT 371-OTHER TRANS EQUIP	PLT371	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
12	TOTAL TRANSMISSION PLANT	TRANPLT	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
13	ACCT 374-DISTR LAND & LAND RIGHTS	PLT374	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
14	ACCT 375-STRUCTURES & IMPROV	PLT375	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
15	ACCT 376-MAINS	PLT376	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
16	ACCT 378-MEAS & REG EQ - GEN	PLT378	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
17	ACCT 379-MEAS & REG EQ - CITY GATE	PLT379	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
18	ACCT 380-SERVICES	PLT380	0.07930	0.00024	0.00009	0.00022	0.01294	0.00011
19	ACCT 381-METERS	PLT381	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
20	ACCT 382-METER INSTALLATIONS	PLT382	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
21	ACCT 383-REGULATORS	PLT383	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
22	ACCT 384-REGULATOR INSTALLATIONS	PLT384	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
23	ACCT 385-INDUSTRIAL MEAS. EQUIP	PLT385	0.81651	0.04639	0.00137	0.03534	0.07549	0.02430
24	ACCT 387-OTHER EQUIPMENT	PLT387	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
25	ACCT 389-GEN PLT LAND	PLT389	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
26	ACCT 390-STRUCTURES & IMPROVE	PLT390	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
27	ACCT 391-OFFICE FURN & EQUIP	PLT391	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
28	ACCT 392-TRANSPORTATION EQUIP	PLT392	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
29	ACCT 393-STORES EQUIPMENT	PLT393	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
30	ACCT 394-TOOLS, SHOP & GAR EQ	PLT394	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
31	ACCT 395-LABORATORY EQUIPMENT	PLT395	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
32	ACCT 396-POWER OPER EQUIP	PLT396	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
33	ACCT 397-COMMUNICATION EQUIP	PLT397	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
34	ACCT 398-MISCELLANEOUS EQUIP	PLT398	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
35	ACCT 399-OTHER TANGIBLE PROP	PLT399	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 367 & 376 TOTAL MAINS	PLT367376	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
37	ACCT 376 MAINS + 380 SERVICES	PLT376380	0.16494	0.01978	0.00218	0.06386	0.03539	0.02205
38	TOTAL DISTRIBUTION PLANT	DISTRPLT	0.17130	0.01852	0.00200	0.05841	0.03313	0.02020
39								
40	ACCT 378 & 379 MEAS. & REG. EQUIP	PLT37879	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
41	ACCT 382 & 384 INSTALLATIONS	PLT38284	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
42								
43								
44								
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	INTERNALLY DEVELOPED RATIOS						
2	----------						
3	TOTAL GAS PLANT IN SERVICE	PLANT	0.66606	0.02802	0.17220	0.00558	0.01309
4	SUM OF ALLOCATED LABOR EXP	LABOR	0.76035	0.02904	0.14498	0.00289	0.00616
5	ACCT 302-FRANCHISE & CONSENTS	PLT302	0.76035	0.02904	0.14498	0.00289	0.00616
6	ACCT 303-MISC. INTANGIBLE PLANT	PLT303	0.76035	0.02904	0.14498	0.00289	0.00616
7	ACCT 365-LAND & LAND RIGHTS	PLT365	0.54982	0.02231	0.21213	0.00887	0.02169
8	ACCT 366-STRUCTURES & IMPROV.	PLT366	0.54982	0.02231	0.21213	0.00887	0.02169
9	ACCT 367-MAINS	PLT367	0.54982	0.02231	0.21213	0.00887	0.02169
10	ACCT 369-MEAS. & REG STATION EQ	PLT369	0.54982	0.02231	0.21213	0.00887	0.02169
11	ACCT 371-OTHER TRANS EQUIP	PLT371	0.54982	0.02231	0.21213	0.00887	0.02169
12	TOTAL TRANSMISSION PLANT	TRANPLT	0.54982	0.02231	0.21213	0.00887	0.02169
13	ACCT 374-DISTR LAND & LAND RIGHTS	PLT374	0.54982	0.02231	0.21213	0.00887	0.02169
14	ACCT 375-STRUCTURES & IMPROV	PLT375	0.54982	0.02231	0.21213	0.00887	0.02169
15	ACCT 376-MAINS	PLT376	0.54982	0.02231	0.21213	0.00887	0.02169
16	ACCT 378-MEAS & REG EQ - GEN	PLT378	0.54982	0.02231	0.21213	0.00887	0.02169
17	ACCT 379-MEAS & REG EQ - CITY GATE	PLT379	0.54982	0.02231	0.21213	0.00887	0.02169
18	ACCT 380-SERVICES	PLT380	0.86857	0.03848	0.07930	0.00013	0.00011
19	ACCT 381-METERS	PLT381	0.76832	0.03404	0.18272	0.00175	0.00154
20	ACCT 382-METER INSTALLATIONS	PLT382	0.76832	0.03404	0.18272	0.00175	0.00154
21	ACCT 383-REGULATORS	PLT383	0.76832	0.03404	0.18272	0.00175	0.00154
22	ACCT 384-REGULATOR INSTALLATIONS	PLT384	0.76832	0.03404	0.18272	0.00175	0.00154
23	ACCT 385-INDUSTRIAL MEAS. EQUIP	PLT385	0.00000	0.00000	0.81651	0.02651	0.01988
24	ACCT 387-OTHER EQUIPMENT	PLT387	0.54982	0.02231	0.21213	0.00887	0.02169
25	ACCT 389-GEN PLT LAND	PLT389	0.76035	0.02904	0.14498	0.00289	0.00616
26	ACCT 390-STRUCTURES & IMPROVE	PLT390	0.76035	0.02904	0.14498	0.00289	0.00616
27	ACCT 391-OFFICE FURN & EQUIP	PLT391	0.76035	0.02904	0.14498	0.00289	0.00616
28	ACCT 392-TRANSPORTATION EQUIP	PLT392	0.76035	0.02904	0.14498	0.00289	0.00616
29	ACCT 393-STORES EQUIPMENT	PLT393	0.76035	0.02904	0.14498	0.00289	0.00616
30	ACCT 394-TOOLS, SHOP & GAR EQ	PLT394	0.76035	0.02904	0.14498	0.00289	0.00616
31	ACCT 395-LABORATORY EQUIPMENT	PLT395	0.76035	0.02904	0.14498	0.00289	0.00616
32	ACCT 396-POWER OPER EQUIP	PLT396	0.76035	0.02904	0.14498	0.00289	0.00616
33	ACCT 397-COMMUNICATION EQUIP	PLT397	0.76035	0.02904	0.14498	0.00289	0.00616
34	ACCT 398-MISCELLANEOUS EQUIP	PLT398	0.76035	0.02904	0.14498	0.00289	0.00616
35	ACCT 399-OTHER TANGIBLE PROP	PLT399	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 367 & 376 TOTAL MAINS	PLT367376	0.54982	0.02231	0.21213	0.00887	0.02169
37	ACCT 376 MAINS + 380 SERVICES	PLT376380	0.66307	0.02806	0.16494	0.00576	0.01402
38	TOTAL DISTRIBUTION PLANT	DISTRPLT	0.66745	0.02837	0.17130	0.00554	0.01298
39							
40	ACCT 378 & 379 MEAS. & REG. EQUIP	PLT37879	0.54982	0.02231	0.21213	0.00887	0.02169
41	ACCT 382 & 384 INSTALLATIONS	PLT38284	0.76832	0.03404	0.18272	0.00175	0.00154
42							
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	INTERNALLY DEVELOPED RATIOS				
2	----------				
3	TOTAL GAS PLANT IN SERVICE	PLANT	0.00201	0.00870	0.05022
4	SUM OF ALLOCATED LABOR EXP	LABOR	0.00094	0.00411	0.02267
5	ACCT 302-FRANCHISE & CONSENTS	PLT302	0.00094	0.00411	0.02267
6	ACCT 303-MISC. INTANGIBLE PLANT	PLT303	0.00094	0.00411	0.02267
7	ACCT 365-LAND & LAND RIGHTS	PLT365	0.00334	0.01440	0.08452
8	ACCT 366-STRUCTURES & IMPROV.	PLT366	0.00334	0.01440	0.08452
9	ACCT 367-MAINS	PLT367	0.00334	0.01440	0.08452
10	ACCT 369-MEAS. & REG STATION EQ	PLT369	0.00334	0.01440	0.08452
11	ACCT 371-OTHER TRANS EQUIP	PLT371	0.00334	0.01440	0.08452
12	TOTAL TRANSMISSION PLANT	TRANPLT	0.00334	0.01440	0.08452
13	ACCT 374-DISTR LAND & LAND RIGHTS	PLT374	0.00334	0.01440	0.08452
14	ACCT 375-STRUCTURES & IMPROV	PLT375	0.00334	0.01440	0.08452
15	ACCT 376-MAINS	PLT376	0.00334	0.01440	0.08452
16	ACCT 378-MEAS & REG EQ - GEN	PLT378	0.00334	0.01440	0.08452
17	ACCT 379-MEAS & REG EQ - CITY GATE	PLT379	0.00334	0.01440	0.08452
18	ACCT 380-SERVICES	PLT380	0.00009	0.00009	0.00014
19	ACCT 381-METERS	PLT381	0.00009	0.00106	0.00181
20	ACCT 382-METER INSTALLATIONS	PLT382	0.00009	0.00106	0.00181
21	ACCT 383-REGULATORS	PLT383	0.00009	0.00106	0.00181
22	ACCT 384-REGULATOR INSTALLATIONS	PLT384	0.00009	0.00106	0.00181
23	ACCT 385-INDUSTRIAL MEAS. EQUIP	PLT385	0.00137	0.01325	0.02209
24	ACCT 387-OTHER EQUIPMENT	PLT387	0.00334	0.01440	0.08452
25	ACCT 389-GEN PLT LAND	PLT389	0.00094	0.00411	0.02267
26	ACCT 390-STRUCTURES & IMPROVE	PLT390	0.00094	0.00411	0.02267
27	ACCT 391-OFFICE FURN & EQUIP	PLT391	0.00094	0.00411	0.02267
28	ACCT 392-TRANSPORTATION EQUIP	PLT392	0.00094	0.00411	0.02267
29	ACCT 393-STORES EQUIPMENT	PLT393	0.00094	0.00411	0.02267
30	ACCT 394-TOOLS, SHOP & GAR EQ	PLT394	0.00094	0.00411	0.02267
31	ACCT 395-LABORATORY EQUIPMENT	PLT395	0.00094	0.00411	0.02267
32	ACCT 396-POWER OPER EQUIP	PLT396	0.00094	0.00411	0.02267
33	ACCT 397-COMMUNICATION EQUIP	PLT397	0.00094	0.00411	0.02267
34	ACCT 398-MISCELLANEOUS EQUIP	PLT398	0.00094	0.00411	0.02267
35	ACCT 399-OTHER TANGIBLE PROP	PLT399	0.00000	0.00000	0.00000
36	ACCT 367 & 376 TOTAL MAINS	PLT367376	0.00334	0.01440	0.08452
37	ACCT 376 MAINS + 380 SERVICES	PLT376380	0.00218	0.00932	0.05454
38	TOTAL DISTRIBUTION PLANT	DISTRPLT	0.00200	0.00863	0.04978
39					
40	ACCT 378 & 379 MEAS. & REG. EQUIP	PLT37879	0.00334	0.01440	0.08452
41	ACCT 382 & 384 INSTALLATIONS	PLT38284	0.00009	0.00106	0.00181
42					
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	INTERNALLY DEVELOPED RATIOS						
2	----------						
3	TOTAL GAS PLANT IN SERVICE	PLANT	0.03315	0.00486	0.01550	0.00036	0.00027
4	SUM OF ALLOCATED LABOR EXP	LABOR	0.01937	0.00216	0.00700	0.00016	0.00016
5	ACCT 302-FRANCHISE & CONSENTS	PLT302	0.01937	0.00216	0.00700	0.00016	0.00016
6	ACCT 303-MISC. INTANGIBLE PLANT	PLT303	0.01937	0.00216	0.00700	0.00016	0.00016
7	ACCT 365-LAND & LAND RIGHTS	PLT365	0.04776	0.00810	0.02604	0.00060	0.00041
8	ACCT 366-STRUCTURES & IMPROV.	PLT366	0.04776	0.00810	0.02604	0.00060	0.00041
9	ACCT 367-MAINS	PLT367	0.04776	0.00810	0.02604	0.00060	0.00041
10	ACCT 369-MEAS. & REG STATION EQ	PLT369	0.04776	0.00810	0.02604	0.00060	0.00041
11	ACCT 371-OTHER TRANS EQUIP	PLT371	0.04776	0.00810	0.02604	0.00060	0.00041
12	TOTAL TRANSMISSION PLANT	TRANPLT	0.04776	0.00810	0.02604	0.00060	0.00041
13	ACCT 374-DISTR LAND & LAND RIGHTS	PLT374	0.04776	0.00810	0.02604	0.00060	0.00041
14	ACCT 375-STRUCTURES & IMPROV	PLT375	0.04776	0.00810	0.02604	0.00060	0.00041
15	ACCT 376-MAINS	PLT376	0.04776	0.00810	0.02604	0.00060	0.00041
16	ACCT 378-MEAS & REG EQ - GEN	PLT378	0.04776	0.00810	0.02604	0.00060	0.00041
17	ACCT 379-MEAS & REG EQ - CITY GATE	PLT379	0.04776	0.00810	0.02604	0.00060	0.00041
18	ACCT 380-SERVICES	PLT380	0.01294	0.00007	0.00004	0.00000	0.00004
19	ACCT 381-METERS	PLT381	0.00792	0.00004	0.00060	0.00000	0.00010
20	ACCT 382-METER INSTALLATIONS	PLT382	0.00792	0.00004	0.00060	0.00000	0.00010
21	ACCT 383-REGULATORS	PLT383	0.00792	0.00004	0.00060	0.00000	0.00010
22	ACCT 384-REGULATOR INSTALLATIONS	PLT384	0.00792	0.00004	0.00060	0.00000	0.00010
23	ACCT 385-INDUSTRIAL MEAS. EQUIP	PLT385	0.07549	0.01104	0.01325	0.00000	0.00060
24	ACCT 387-OTHER EQUIPMENT	PLT387	0.04776	0.00810	0.02604	0.00060	0.00041
25	ACCT 389-GEN PLT LAND	PLT389	0.01937	0.00216	0.00700	0.00016	0.00016
26	ACCT 390-STRUCTURES & IMPROVE	PLT390	0.01937	0.00216	0.00700	0.00016	0.00016
27	ACCT 391-OFFICE FURN & EQUIP	PLT391	0.01937	0.00216	0.00700	0.00016	0.00016
28	ACCT 392-TRANSPORTATION EQUIP	PLT392	0.01937	0.00216	0.00700	0.00016	0.00016
29	ACCT 393-STORES EQUIPMENT	PLT393	0.01937	0.00216	0.00700	0.00016	0.00016
30	ACCT 394-TOOLS, SHOP & GAR EQ	PLT394	0.01937	0.00216	0.00700	0.00016	0.00016
31	ACCT 395-LABORATORY EQUIPMENT	PLT395	0.01937	0.00216	0.00700	0.00016	0.00016
32	ACCT 396-POWER OPER EQUIP	PLT396	0.01937	0.00216	0.00700	0.00016	0.00016
33	ACCT 397-COMMUNICATION EQUIP	PLT397	0.01937	0.00216	0.00700	0.00016	0.00016
34	ACCT 398-MISCELLANEOUS EQUIP	PLT398	0.01937	0.00216	0.00700	0.00016	0.00016
35	ACCT 399-OTHER TANGIBLE PROP	PLT399	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 367 & 376 TOTAL MAINS	PLT367376	0.04776	0.00810	0.02604	0.00060	0.00041
37	ACCT 376 MAINS + 380 SERVICES	PLT376380	0.03539	0.00525	0.01680	0.00039	0.00028
38	TOTAL DISTRIBUTION PLANT	DISTRPLT	0.03313	0.00482	0.01537	0.00035	0.00027
39							
40	ACCT 378 & 379 MEAS. & REG. EQUIP	PLT37879	0.04776	0.00810	0.02604	0.00060	0.00041
41	ACCT 382 & 384 INSTALLATIONS	PLT38284	0.00792	0.00004	0.00060	0.00000	0.00010
42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	INTERNALLY DEVELOPED RATIOS CONT.								
2									
3	TOTAL GAS COSTS	GASCOSTS	1.00000	0.64126	0.27069	0.02510	0.06127	0.00091	0.00078
4	ACCT 421-PURCHASED POWER EXPENSE	EXP421	1.00000	0.64126	0.27069	0.02510	0.06127	0.00091	0.00078
4	ACCT 805-PURCHASED GAS EXPENSE	EXP805	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
6	ACCT 807-PUR GAS DEMAND	EXP807D	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
7	ACCT 807-PUR GAS COMMODITY	EXP807C	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
8									
9									
10	ACCT 856-MAIN EXPENSE	EXP856	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
11	ACCT 857-MEAS AND REG STATION	EXP857	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
12	ACCT 864-MAINT OF STATION EQUIP	EXP864	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
13	ACCT 867-MAINT OF OTHER EQUIP	EXP867	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
14	ACCT 871-LOAD DISPATCHING	EXP871	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
15	ACCT 874-MAINS & SERVICING EXP	EXP874	1.00000	0.69112	0.18472	0.06604	0.05744	0.00039	0.00028
16	ACCT 875-MEAS AND REG STATION	EXP875	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
17	ACCT 876-MEAS AND REG STATION	EXP876	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
18	ACCT 877-MEAS AND REG STATION	EXP877	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
19	ACCT 878-METER EXPENSE	EXP878	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
20	ACCT 879-CUST INSTALL EXPENSE	EXP879	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
21	ACCT 880-OTHER DISTR EXP	EXP880	1.00000	0.73717	0.19163	0.03657	0.03422	0.00021	0.00020
22	ACCT 881-RENTS	EXP881	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
23	ACCT 886-MAINT OF STRUCTURES	EXP886	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
24	ACCT 887-MAINT OF MAINS	EXP887	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
25	ACCT 889-MAINT OF MEAS/REG	EXP889	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
26	ACCT 890-MAINT OF MEAS/REG	EXP890	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
27	ACCT 891-MAINT OF MEAS/REG	EXP891	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
28	ACCT 892-MAINT OF SERVICES	EXP892	1.00000	0.90705	0.07954	0.00032	0.01305	0.00000	0.00004
29	ACCT 893-MAINT OF METER	EXP893	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
30	ACCT 894-MAINT OF OTHER EQUIP	EXP894	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
31	ACCT 902-METER READING EXP	EXP902	1.00000	0.91274	0.07917	0.00030	0.00775	0.00000	0.00004
32	ACCT 903-CUST RECORDS & COLLEC	EXP903	1.00000	0.91169	0.08018	0.00023	0.00782	0.00002	0.00004
33	ACCT 904-UNCOLLECTIBLE ACCTS	EXP904	1.00000	0.57549	0.17731	0.18947	0.05756	0.00000	0.00017
34	ACCT 905-MISC CUST ACCT EXP	EXP905	1.00000	0.87661	0.09025	0.02005	0.01302	0.00002	0.00006
35	ACCT 906-CUST SERVICE & INFO	EXP906	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 908-CUSTOMER ASSISTANCE	EXP908	1.00000	0.91294	0.07905	0.00023	0.00771	0.00002	0.00004
37	ACCT 909-INFO & INSTRUCT ADV	EXP909	1.00000	0.91294	0.07905	0.00023	0.00771	0.00002	0.00004
38	ACCT 910-MISC SERV & INFO	EXP910	1.00000	0.91294	0.07905	0.00023	0.00771	0.00002	0.00004
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	INTERNALLY DEVELOPED RATIOS CONT.							
2								
3	TOTAL GAS COSTS	GASCOSTS	0.25925	0.01143	0.00457	0.02053	0.05208	0.00919
4	ACCT 421-PURCHASED POWER EXPENSE	EXP421	0.25925	0.01143	0.00457	0.02053	0.05208	0.00919
4	ACCT 805-PURCHASED GAS EXPENSE	EXP805	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
6	ACCT 807-PUR GAS DEMAND	EXP807D	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
7	ACCT 807-PUR GAS COMMODITY	EXP807C	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
8								
9								
10	ACCT 856-MAIN EXPENSE	EXP856	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
11	ACCT 857-MEAS AND REG STATION	EXP857	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
12	ACCT 864-MAINT OF STATION EQUIP	EXP864	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
13	ACCT 867-MAINT OF OTHER EQUIP	EXP867	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
14	ACCT 871-LOAD DISPATCHING	EXP871	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
15	ACCT 874-MAINS & SERVICING EXP	EXP874	0.16494	0.01978	0.00218	0.06386	0.03539	0.02205
16	ACCT 875-MEAS AND REG STATION	EXP875	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
17	ACCT 876-MEAS AND REG STATION	EXP876	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
18	ACCT 877-MEAS AND REG STATION	EXP877	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
19	ACCT 878-METER EXPENSE	EXP878	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
20	ACCT 879-CUST INSTALL EXPENSE	EXP879	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
21	ACCT 880-OTHER DISTR EXP	EXP880	0.17942	0.01222	0.00120	0.03537	0.02219	0.01203
22	ACCT 881-RENTS	EXP881	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
23	ACCT 886-MAINT OF STRUCTURES	EXP886	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
24	ACCT 887-MAINT OF MAINS	EXP887	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
25	ACCT 889-MAINT OF MEAS/REG	EXP889	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
26	ACCT 890-MAINT OF MEAS/REG	EXP890	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
27	ACCT 891-MAINT OF MEAS/REG	EXP891	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
28	ACCT 892-MAINT OF SERVICES	EXP892	0.07930	0.00024	0.00009	0.00022	0.01294	0.00011
29	ACCT 893-MAINT OF METER	EXP893	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
30	ACCT 894-MAINT OF OTHER EQUIP	EXP894	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
31	ACCT 902-METER READING EXP	EXP902	0.07899	0.00018	0.00009	0.00021	0.00765	0.00010
32	ACCT 903-CUST RECORDS & COLLEC	EXP903	0.08006	0.00012	0.00009	0.00014	0.00776	0.00007
33	ACCT 904-UNCOLLECTIBLE ACCTS	EXP904	0.12265	0.05466	0.00009	0.18938	0.00000	0.05756
34	ACCT 905-MISC CUST ACCT EXP	EXP905	0.08441	0.00584	0.00009	0.01995	0.00693	0.00609
35	ACCT 906-CUST SERVICE & INFO	EXP906	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 908-CUSTOMER ASSISTANCE	EXP908	0.07893	0.00012	0.00009	0.00014	0.00765	0.00007
37	ACCT 909-INFO & INSTRUCT ADV	EXP909	0.07893	0.00012	0.00009	0.00014	0.00765	0.00007
38	ACCT 910-MISC SERV & INFO	EXP910	0.07893	0.00012	0.00009	0.00014	0.00765	0.00007
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	INTERNALLY DEVELOPED RATIOS CONT.						
2							
3	TOTAL GAS COSTS	GASCOSTS	0.61612	0.02514	0.25925	0.01143	0.00000
4	ACCT 421-PURCHASED POWER EXPENSE	EXP421	0.61612	0.02514	0.25925	0.01143	0.00000
4	ACCT 805-PURCHASED GAS EXPENSE	EXP805	0.00000	0.00000	0.00000	0.00000	0.00000
6	ACCT 807-PUR GAS DEMAND	EXP807D	0.00000	0.00000	0.00000	0.00000	0.00000
7	ACCT 807-PUR GAS COMMODITY	EXP807C	0.00000	0.00000	0.00000	0.00000	0.00000
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9							
10	ACCT 856-MAIN EXPENSE	EXP856	0.54982	0.02231	0.21213	0.00887	0.02169
11	ACCT 857-MEAS AND REG STATION	EXP857	0.54982	0.02231	0.21213	0.00887	0.02169
12	ACCT 864-MAINT OF STATION EQUIP	EXP864	0.54982	0.02231	0.21213	0.00887	0.02169
13	ACCT 867-MAINT OF OTHER EQUIP	EXP867	0.54982	0.02231	0.21213	0.00887	0.02169
14	ACCT 871-LOAD DISPATCHING	EXP871	0.54982	0.02231	0.21213	0.00887	0.02169
15	ACCT 874-MAINS & SERVICING EXP	EXP874	0.66307	0.02806	0.16494	0.00576	0.01402
16	ACCT 875-MEAS AND REG STATION	EXP875	0.54982	0.02231	0.21213	0.00887	0.02169
17	ACCT 876-MEAS AND REG STATION	EXP876	0.54982	0.02231	0.21213	0.00887	0.02169
18	ACCT 877-MEAS AND REG STATION	EXP877	0.76832	0.03404	0.18272	0.00175	0.00154
19	ACCT 878-METER EXPENSE	EXP878	0.76832	0.03404	0.18272	0.00175	0.00154
20	ACCT 879-CUST INSTALL EXPENSE	EXP879	0.76832	0.03404	0.18272	0.00175	0.00154
21	ACCT 880-OTHER DISTR EXP	EXP880	0.70657	0.03060	0.17942	0.00397	0.00824
22	ACCT 881-RENTS	EXP881	0.54982	0.02231	0.21213	0.00887	0.02169
23	ACCT 886-MAINT OF STRUCTURES	EXP886	0.00000	0.00000	0.00000	0.00000	0.00000
24	ACCT 887-MAINT OF MAINS	EXP887	0.54982	0.02231	0.21213	0.00887	0.02169
25	ACCT 889-MAINT OF MEAS/REG	EXP889	0.54982	0.02231	0.21213	0.00887	0.02169
26	ACCT 890-MAINT OF MEAS/REG	EXP890	0.54982	0.02231	0.21213	0.00887	0.02169
27	ACCT 891-MAINT OF MEAS/REG	EXP891	0.76832	0.03404	0.18272	0.00175	0.00154
28	ACCT 892-MAINT OF SERVICES	EXP892	0.86857	0.03848	0.07930	0.00013	0.00011
29	ACCT 893-MAINT OF METER	EXP893	0.76832	0.03404	0.18272	0.00175	0.00154
30	ACCT 894-MAINT OF OTHER EQUIP	EXP894	0.54982	0.02231	0.21213	0.00887	0.02169
31	ACCT 902-METER READING EXP	EXP902	0.87402	0.03872	0.07899	0.00012	0.00007
32	ACCT 903-CUST RECORDS & COLLEC	EXP903	0.89790	0.01379	0.08006	0.00008	0.00004
33	ACCT 904-UNCOLLECTIBLE ACCTS	EXP904	0.55425	0.02124	0.12265	0.00351	0.05115
34	ACCT 905-MISC CUST ACCT EXP	EXP905	0.85945	0.01716	0.08441	0.00044	0.00540
35	ACCT 906-CUST SERVICE & INFO	EXP906	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 908-CUSTOMER ASSISTANCE	EXP908	0.87203	0.04092	0.07893	0.00008	0.00004
37	ACCT 909-INFO & INSTRUCT ADV	EXP909	0.87203	0.04092	0.07893	0.00008	0.00004
38	ACCT 910-MISC SERV & INFO	EXP910	0.87203	0.04092	0.07893	0.00008	0.00004
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	INTERNALLY DEVELOPED RATIOS CONT.				
2	----------				
3	TOTAL GAS COSTS	GASCOSTS	0.00457	0.02053	0.00000
4	ACCT 421-PURCHASED POWER EXPENSE	EXP421	0.00457	0.02053	0.00000
4	ACCT 805-PURCHASED GAS EXPENSE	EXP805	0.00000	0.00000	0.00000
6	ACCT 807-PUR GAS DEMAND	EXP807D	0.00000	0.00000	0.00000
7	ACCT 807-PUR GAS COMMODITY	EXP807C	0.00000	0.00000	0.00000
8					
9					
10	ACCT 856-MAIN EXPENSE	EXP856	0.00334	0.01440	0.08452
11	ACCT 857-MEAS AND REG STATION	EXP857	0.00334	0.01440	0.08452
12	ACCT 864-MAINT OF STATION EQUIP	EXP864	0.00334	0.01440	0.08452
13	ACCT 867-MAINT OF OTHER EQUIP	EXP867	0.00334	0.01440	0.08452
14	ACCT 871-LOAD DISPATCHING	EXP871	0.00334	0.01440	0.08452
15	ACCT 874-MAINS & SERVICING EXP	EXP874	0.00218	0.00932	0.05454
16	ACCT 875-MEAS AND REG STATION	EXP875	0.00334	0.01440	0.08452
17	ACCT 876-MEAS AND REG STATION	EXP876	0.00334	0.01440	0.08452
18	ACCT 877-MEAS AND REG STATION	EXP877	0.00009	0.00106	0.00181
19	ACCT 878-METER EXPENSE	EXP878	0.00009	0.00106	0.00181
20	ACCT 879-CUST INSTALL EXPENSE	EXP879	0.00009	0.00106	0.00181
21	ACCT 880-OTHER DISTR EXP	EXP880	0.00120	0.00549	0.02987
22	ACCT 881-RENTS	EXP881	0.00334	0.01440	0.08452
23	ACCT 886-MAINT OF STRUCTURES	EXP886	0.00000	0.00000	0.00000
24	ACCT 887-MAINT OF MAINS	EXP887	0.00334	0.01440	0.08452
25	ACCT 889-MAINT OF MEAS/REG	EXP889	0.00334	0.01440	0.08452
26	ACCT 890-MAINT OF MEAS/REG	EXP890	0.00334	0.01440	0.08452
27	ACCT 891-MAINT OF MEAS/REG	EXP891	0.00009	0.00106	0.00181
28	ACCT 892-MAINT OF SERVICES	EXP892	0.00009	0.00009	0.00014
29	ACCT 893-MAINT OF METER	EXP893	0.00009	0.00106	0.00181
30	ACCT 894-MAINT OF OTHER EQUIP	EXP894	0.00334	0.01440	0.08452
31	ACCT 902-METER READING EXP	EXP902	0.00009	0.00008	0.00013
32	ACCT 903-CUST RECORDS & COLLEC	EXP903	0.00009	0.00005	0.00009
33	ACCT 904-UNCOLLECTIBLE ACCTS	EXP904	0.00009	0.00037	0.18901
34	ACCT 905-MISC CUST ACCT EXP	EXP905	0.00009	0.00009	0.01987
35	ACCT 906-CUST SERVICE & INFO	EXP906	0.00000	0.00000	0.00000
36	ACCT 908-CUSTOMER ASSISTANCE	EXP908	0.00009	0.00005	0.00009
37	ACCT 909-INFO & INSTRUCT ADV	EXP909	0.00009	0.00005	0.00009
38	ACCT 910-MISC SERV & INFO	EXP910	0.00009	0.00005	0.00009
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	INTERNALLY DEVELOPED RATIOS CONT.						
2							
3	TOTAL GAS COSTS	GASCOSTS	0.05208	0.00919	0.00000	0.00091	0.00078
4	ACCT 421-PURCHASED POWER EXPENSE	EXP421	0.05208	0.00919	0.00000	0.00091	0.00078
4	ACCT 805-PURCHASED GAS EXPENSE	EXP805	0.00000	0.00000	0.00000	0.00000	0.00000
6	ACCT 807-PUR GAS DEMAND	EXP807D	0.00000	0.00000	0.00000	0.00000	0.00000
7	ACCT 807-PUR GAS COMMODITY	EXP807C	0.00000	0.00000	0.00000	0.00000	0.00000
8							
9							
10	ACCT 856-MAIN EXPENSE	EXP856	0.04776	0.00810	0.02604	0.00060	0.00041
11	ACCT 857-MEAS AND REG STATION	EXP857	0.04776	0.00810	0.02604	0.00060	0.00041
12	ACCT 864-MAINT OF STATION EQUIP	EXP864	0.04776	0.00810	0.02604	0.00060	0.00041
13	ACCT 867-MAINT OF OTHER EQUIP	EXP867	0.04776	0.00810	0.02604	0.00060	0.00041
14	ACCT 871-LOAD DISPATCHING	EXP871	0.04776	0.00810	0.02604	0.00060	0.00041
15	ACCT 874-MAINS & SERVICING EXP	EXP874	0.03539	0.00525	0.01680	0.00039	0.00028
16	ACCT 875-MEAS AND REG STATION	EXP875	0.04776	0.00810	0.02604	0.00060	0.00041
17	ACCT 876-MEAS AND REG STATION	EXP876	0.04776	0.00810	0.02604	0.00060	0.00041
18	ACCT 877-MEAS AND REG STATION	EXP877	0.00792	0.00004	0.00060	0.00000	0.00010
19	ACCT 878-METER EXPENSE	EXP878	0.00792	0.00004	0.00060	0.00000	0.00010
20	ACCT 879-CUST INSTALL EXPENSE	EXP879	0.00792	0.00004	0.00060	0.00000	0.00010
21	ACCT 880-OTHER DISTR EXP	EXP880	0.02219	0.00280	0.00923	0.00021	0.00020
22	ACCT 881-RENTS	EXP881	0.04776	0.00810	0.02604	0.00060	0.00041
23	ACCT 886-MAINT OF STRUCTURES	EXP886	0.00000	0.00000	0.00000	0.00000	0.00000
24	ACCT 887-MAINT OF MAINS	EXP887	0.04776	0.00810	0.02604	0.00060	0.00041
25	ACCT 889-MAINT OF MEAS/REG	EXP889	0.04776	0.00810	0.02604	0.00060	0.00041
26	ACCT 890-MAINT OF MEAS/REG	EXP890	0.04776	0.00810	0.02604	0.00060	0.00041
27	ACCT 891-MAINT OF MEAS/REG	EXP891	0.00792	0.00004	0.00060	0.00000	0.00010
28	ACCT 892-MAINT OF SERVICES	EXP892	0.01294	0.00007	0.00004	0.00000	0.00004
29	ACCT 893-MAINT OF METER	EXP893	0.00792	0.00004	0.00060	0.00000	0.00010
30	ACCT 894-MAINT OF OTHER EQUIP	EXP894	0.04776	0.00810	0.02604	0.00060	0.00041
31	ACCT 902-METER READING EXP	EXP902	0.00765	0.00006	0.00004	0.00000	0.00004
32	ACCT 903-CUST RECORDS & COLLEC	EXP903	0.00776	0.00004	0.00003	0.00002	0.00004
33	ACCT 904-UNCOLLECTIBLE ACCTS	EXP904	0.00000	0.00000	0.05756	0.00000	0.00017
34	ACCT 905-MISC CUST ACCT EXP	EXP905	0.00693	0.00004	0.00605	0.00002	0.00006
35	ACCT 906-CUST SERVICE & INFO	EXP906	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 908-CUSTOMER ASSISTANCE	EXP908	0.00765	0.00004	0.00003	0.00002	0.00004
37	ACCT 909-INFO & INSTRUCT ADV	EXP909	0.00765	0.00004	0.00003	0.00002	0.00004
38	ACCT 910-MISC SERV & INFO	EXP910	0.00765	0.00004	0.00003	0.00002	0.00004
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	INTERNALLY DEVELOPED RATIOS CONT.								
2	----------								
3	ACCT 912-DEMO & SELLING	EXP912	1.00000	0.90922	0.08243	0.00024	0.00804	0.00002	0.00005
4	ACCT 913-ADVERTISING EXP	EXP913	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
5	ACCT 920-ADMIN & GENERAL SALARY	EXP920	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
6	ACCT 921-OFFICE SUPPIES & EXP	EXP921	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
7	ACCT 923-OUTSIDE SERVICES	EXP923	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
8	ACCT 924-PROPERTY INSURANCE	EXP924	1.00000	0.69407	0.19086	0.06093	0.05351	0.00036	0.00027
9	ACCT 925-INJURIES & DAMAGES	EXP925	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
10	ACCT 926-EMPLOYEE PENSION & BENF	EXP926	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
11	ACCT 928-REG COMMISSION EXP	EXP928	1.00000	0.70827	0.20877	0.03530	0.04560	0.00155	0.00051
12	ACCT 930-MISC GEN EXP	EXP930	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
13	ACCT 931-RENTS	EXP931	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
14	ACCT 932-MAINT OF GENERAL PLT	EXP932	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
15									
16									
17	LABOR ACCT 820-867	LABTM	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
18	LABOR ACCT 871-881	LABDO	1.00000	0.74409	0.19077	0.03314	0.03162	0.00018	0.00019
19	LABOR ACCT 874-881 & 886-894	LABDM	1.00000	0.70760	0.18015	0.05921	0.05243	0.00035	0.00026
20	LAROR ACCT 902-906	LABCA	1.00000	0.91199	0.07988	0.00026	0.00780	0.00002	0.00004
21	LABOR ACCT 908-910	LABCS	1.00000	0.91294	0.07905	0.00023	0.00771	0.00002	0.00004
22									
23									
24									
25	ACCTS 902-904	EXP9024	1.00000	0.87661	0.09025	0.02005	0.01302	0.00002	0.00006
26	ACCTS 874 - 879	EXP87479	1.00000	0.73717	0.19163	0.03657	0.03422	0.00021	0.00020
27	ACCTS 908 & 909	EXP9089	1.00000	0.91294	0.07905	0.00023	0.00771	0.00002	0.00004
28	REV CLAIMED ROR LESS GAS COSTS	REVCLAIM	1.00000	0.72794	0.17716	0.05036	0.04398	0.00034	0.00023
29	TOTAL GENERAL PLANT	GENPLT	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
30	WORKING CASH 1/8 OF O&M	WCOM	1.00000	0.77136	0.15925	0.03575	0.03310	0.00032	0.00021
31	PRESENT REVENUE	TOTREV	1.00000	0.70827	0.20877	0.03530	0.04560	0.00155	0.00051
32	PAYROLL EXCLUDING A&G	PAYXAG	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
33	COMMON PLANT	PLTCOMN	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
34	CHANGE IN REVENUE @ EQUALIZED	REVCHGC	1.00000	0.83946	0.01318	0.11795	0.03616	-0.00563	-0.00112
35	CHANGE IN REVENUE @ PROPOSED	REVCHGP	1.00000	0.70371	0.14776	0.09132	0.05512	0.00158	0.00052
36	NET PLANT - RESIDENTIAL ONLY	RESNTPT	1.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
37	CAPITALIZED LABOR EXCL ACCT 371	CAPLABX	1.00000	0.79595	0.14764	0.02673	0.02937	0.00015	0.00015
38	WORKING CASH - GAS COSTS	WCGC	1.00000	0.64126	0.27069	0.02510	0.06127	0.00091	0.00078
39	WORKING CASH - OTHER	WCOTH	1.00000	0.77326	0.15763	0.03591	0.03269	0.00031	0.00020
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	INTERNALLY DEVELOPED RATIOS CONT.							
2								
3	ACCT 912-DEMO & SELLING	EXP912	0.08231	0.00013	0.00010	0.00014	0.00797	0.00007
4	ACCT 913-ADVERTISING EXP	EXP913	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
5	ACCT 920-ADMIN & GENERAL SALARY	EXP920	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
6	ACCT 921-OFFICE SUPPIES & EXP	EXP921	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
7	ACCT 923-OUTSIDE SERVICES	EXP923	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
8	ACCT 924-PROPERTY INSURANCE	EXP924	0.17220	0.01867	0.00201	0.05891	0.03315	0.02036
9	ACCT 925-INJURIES & DAMAGES	EXP925	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
10	ACCT 926-EMPLOYEE PENSION & BENF	EXP926	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
11	ACCT 928-REG COMMISSION EXP	EXP928	0.18363	0.02513	0.00234	0.03296	0.03348	0.01212
12	ACCT 930-MISC GEN EXP	EXP930	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
13	ACCT 931-RENTS	EXP931	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
14	ACCT 932-MAINT OF GENERAL PLT	EXP932	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
15								
16								
17	LABOR ACCT 820-867	LABTM	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
18	LABOR ACCT 871-881	LABDO	0.17948	0.01130	0.00109	0.03205	0.02075	0.01087
19	LABOR ACCT 874-881 & 886-894	LABDM	0.16226	0.01789	0.00196	0.05725	0.03269	0.01975
20	LAROR ACCT 902-906	LABCA	0.07974	0.00014	0.00009	0.00017	0.00772	0.00008
21	LABOR ACCT 908-910	LABCS	0.07893	0.00012	0.00009	0.00014	0.00765	0.00007
22								
23								
24								
25	ACCTS 902-904	EXP9024	0.08441	0.00584	0.00009	0.01995	0.00693	0.00609
26	ACCTS 874 - 879	EXP87479	0.17942	0.01222	0.00120	0.03537	0.02219	0.01203
27	ACCTS 908 & 909	EXP9089	0.07893	0.00012	0.00009	0.00014	0.00765	0.00007
28	REV CLAIMED ROR LESS GAS COSTS	REVCLAIM	0.16125	0.01591	0.00162	0.04873	0.02744	0.01654
29	TOTAL GENERAL PLANT	GENPLT	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
30	WORKING CASH 1/8 OF O&M	WCOM	0.14663	0.01262	0.00119	0.03456	0.02135	0.01175
31	PRESENT REVENUE	TOTREV	0.18363	0.02513	0.00234	0.03296	0.03348	0.01212
32	PAYROLL EXCLUDING A&G	PAYXAG	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
33	COMMON PLANT	PLTCOMN	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
34	CHANGE IN REVENUE @ EQUALIZED	REVCHGC	0.04415	-0.03097	-0.00189	0.11984	-0.00003	0.03619
35	CHANGE IN REVENUE @ PROPOSED	REVCHGP	0.18673	-0.03898	0.00239	0.08893	0.03343	0.02169
36	NET PLANT - RESIDENTIAL ONLY	RESNTPT	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
37	CAPITALIZED LABOR EXCL ACCT 371	CAPLABX	0.13894	0.00870	0.00091	0.02582	0.02051	0.00887
38	WORKING CASH - GAS COSTS	WCGC	0.25925	0.01143	0.00457	0.02053	0.05208	0.00919
39	WORKING CASH - OTHER	WCOTH	0.14499	0.01264	0.00114	0.03476	0.02090	0.01179
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL		COMMERCIAL		
			RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	INTERNALLY DEVELOPED RATIOS CONT.						
2							
3	ACCT 912-DEMO & SELLING	EXP912	0.89547	0.01375	0.08231	0.00008	0.00005
4	ACCT 913-ADVERTISING EXP	EXP913	0.00000	0.00000	0.00000	0.00000	0.00000
5	ACCT 920-ADMIN & GENERAL SALARY	EXP920	0.75946	0.02785	0.14690	0.00293	0.00624
6	ACCT 921-OFFICE SUPPIES & EXP	EXP921	0.75946	0.02785	0.14690	0.00293	0.00624
7	ACCT 923-OUTSIDE SERVICES	EXP923	0.75946	0.02785	0.14690	0.00293	0.00624
8	ACCT 924-PROPERTY INSURANCE	EXP924	0.66606	0.02802	0.17220	0.00558	0.01309
9	ACCT 925-INJURIES & DAMAGES	EXP925	0.75946	0.02785	0.14690	0.00293	0.00624
10	ACCT 926-EMPLOYEE PENSION & BENF	EXP926	0.75946	0.02785	0.14690	0.00293	0.00624
11	ACCT 928-REG COMMISSION EXP	EXP928	0.68694	0.02133	0.18363	0.00454	0.02059
12	ACCT 930-MISC GEN EXP	EXP930	0.75946	0.02785	0.14690	0.00293	0.00624
13	ACCT 931-RENTS	EXP931	0.75946	0.02785	0.14690	0.00293	0.00624
14	ACCT 932-MAINT OF GENERAL PLT	EXP932	0.76035	0.02904	0.14498	0.00289	0.00616
15							
16							
17	LABOR ACCT 820-867	LABTM	0.54982	0.02231	0.21213	0.00887	0.02169
18	LABOR ACCT 871-881	LABDO	0.71313	0.03096	0.17948	0.00374	0.00756
19	LABOR ACCT 874-881 & 886-894	LABDM	0.67871	0.02889	0.16226	0.00526	0.01263
20	LAROR ACCT 902-906	LABCA	0.89068	0.02131	0.07974	0.00009	0.00005
21	LABOR ACCT 908-910	LABCS	0.87203	0.04092	0.07893	0.00008	0.00004
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25	ACCTS 902-904	EXP9024	0.85945	0.01716	0.08441	0.00044	0.00540
26	ACCTS 874 - 879	EXP87479	0.70657	0.03060	0.17942	0.00397	0.00824
27	ACCTS 908 & 909	EXP9089	0.87203	0.04092	0.07893	0.00008	0.00004
28	REV CLAIMED ROR LESS GAS COSTS	REVCLAIM	0.70109	0.02685	0.16125	0.00459	0.01133
29	TOTAL GENERAL PLANT	GENPLT	0.76035	0.02904	0.14498	0.00289	0.00616
30	WORKING CASH 1/8 OF O&M	WCOM	0.74668	0.02468	0.14663	0.00332	0.00930
31	PRESENT REVENUE	TOTREV	0.68694	0.02133	0.18363	0.00454	0.02059
32	PAYROLL EXCLUDING A&G	PAYXAG	0.75946	0.02785	0.14690	0.00293	0.00624
33	COMMON PLANT	PLTCOMN	0.00000	0.00000	0.00000	0.00000	0.00000
34	CHANGE IN REVENUE @ EQUALIZED	REVCHGC	0.78662	0.05285	0.04415	0.00462	(0.03559)
35	CHANGE IN REVENUE @ PROPOSED	REVCHGP	0.68236	0.02135	0.18673	0.00463	(0.04361)
36	NET PLANT - RESIDENTIAL ONLY	RESNTPT	0.95969	0.04031	0.00000	0.00000	0.00000
37	CAPITALIZED LABOR EXCL ACCT 371	CAPLABX	0.76315	0.03280	0.13894	0.00277	0.00593
38	WORKING CASH - GAS COSTS	WCGC	0.61612	0.02514	0.25925	0.01143	0.00000
39	WORKING CASH - OTHER	WCOTH	0.74858	0.02468	0.14499	0.00320	0.00944
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	INTERNALLY DEVELOPED RATIOS CONT.				
2					
3	ACCT 912-DEMO & SELLING	EXP912	0.00010	0.00005	0.00009
4	ACCT 913-ADVERTISING EXP	EXP913	0.00000	0.00000	0.00000
5	ACCT 920-ADMIN & GENERAL SALARY	EXP920	0.00095	0.00416	0.02293
6	ACCT 921-OFFICE SUPPIES & EXP	EXP921	0.00095	0.00416	0.02293
7	ACCT 923-OUTSIDE SERVICES	EXP923	0.00095	0.00416	0.02293
8	ACCT 924-PROPERTY INSURANCE	EXP924	0.00201	0.00870	0.05022
9	ACCT 925-INJURIES & DAMAGES	EXP925	0.00095	0.00416	0.02293
10	ACCT 926-EMPLOYEE PENSION & BENF	EXP926	0.00095	0.00416	0.02293
11	ACCT 928-REG COMMISSION EXP	EXP928	0.00234	0.00442	0.02854
12	ACCT 930-MISC GEN EXP	EXP930	0.00095	0.00416	0.02293
13	ACCT 931-RENTS	EXP931	0.00095	0.00416	0.02293
14	ACCT 932-MAINT OF GENERAL PLT	EXP932	0.00094	0.00411	0.02267
15					
16					
17	LABOR ACCT 820-867	LABTM	0.00334	0.01440	0.08452
18	LABOR ACCT 871-881	LABDO	0.00109	0.00504	0.02701
19	LABOR ACCT 874-881 & 886-894	LABDM	0.00196	0.00839	0.04885
20	LAROR ACCT 902-906	LABCA	0.00009	0.00006	0.00011
21	LABOR ACCT 908-910	LABCS	0.00009	0.00005	0.00009
22					
23					
24					
25	ACCTS 902-904	EXP9024	0.00009	0.00009	0.01987
26	ACCTS 874 - 879	EXP87479	0.00120	0.00549	0.02987
27	ACCTS 908 & 909	EXP9089	0.00009	0.00005	0.00009
28	REV CLAIMED ROR LESS GAS COSTS	REVCLAIM	0.00162	0.00688	0.04185
29	TOTAL GENERAL PLANT	GENPLT	0.00094	0.00411	0.02267
30	WORKING CASH 1/8 OF O&M	WCOM	0.00119	0.00459	0.02997
31	PRESENT REVENUE	TOTREV	0.00234	0.00442	0.02854
32	PAYROLL EXCLUDING A&G	PAYXAG	0.00095	0.00416	0.02293
33	COMMON PLANT	PLTCOMN	0.00000	0.00000	0.00000
34	CHANGE IN REVENUE @ EQUALIZED	REVCHGC	(0.00189)	0.01880	0.10105
35	CHANGE IN REVENUE @ PROPOSED	REVCHGP	0.00239	0.00451	0.08442
36	NET PLANT - RESIDENTIAL ONLY	RESNTPT	0.00000	0.00000	0.00000
37	CAPITALIZED LABOR EXCL ACCT 371	CAPLABX	0.00091	0.00395	0.02187
38	WORKING CASH - GAS COSTS	WCGC	0.00457	0.02053	0.00000
39	WORKING CASH - OTHER	WCOTH	0.00114	0.00436	0.03041
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	INTERNALLY DEVELOPED RATIOS CONT.						
2	----------						
3	ACCT 912-DEMO & SELLING	EXP912	0.00797	0.00004	0.00003	0.00002	0.00005
4	ACCT 913-ADVERTISING EXP	EXP913	0.00000	0.00000	0.00000	0.00000	0.00000
5	ACCT 920-ADMIN & GENERAL SALARY	EXP920	0.01901	0.00217	0.00708	0.00016	0.00016
6	ACCT 921-OFFICE SUPPIES & EXP	EXP921	0.01901	0.00217	0.00708	0.00016	0.00016
7	ACCT 923-OUTSIDE SERVICES	EXP923	0.01901	0.00217	0.00708	0.00016	0.00016
8	ACCT 924-PROPERTY INSURANCE	EXP924	0.03315	0.00486	0.01550	0.00036	0.00027
9	ACCT 925-INJURIES & DAMAGES	EXP925	0.01901	0.00217	0.00708	0.00016	0.00016
10	ACCT 926-EMPLOYEE PENSION & BENF	EXP926	0.01901	0.00217	0.00708	0.00016	0.00016
11	ACCT 928-REG COMMISSION EXP	EXP928	0.03348	0.00254	0.00958	0.00155	0.00051
12	ACCT 930-MISC GEN EXP	EXP930	0.01901	0.00217	0.00708	0.00016	0.00016
13	ACCT 931-RENTS	EXP931	0.01901	0.00217	0.00708	0.00016	0.00016
14	ACCT 932-MAINT OF GENERAL PLT	EXP932	0.01937	0.00216	0.00700	0.00016	0.00016
15							
16							
17	LABOR ACCT 820-867	LABTM	0.04776	0.00810	0.02604	0.00060	0.00041
18	LABOR ACCT 871-881	LABDO	0.02075	0.00252	0.00835	0.00018	0.00019
19	LABOR ACCT 874-881 & 886-894	LABDM	0.03269	0.00469	0.01505	0.00035	0.00026
20	LAROR ACCT 902-906	LABCA	0.00772	0.00004	0.00004	0.00002	0.00004
21	LABOR ACCT 908-910	LABCS	0.00765	0.00004	0.00003	0.00002	0.00004
22							
23							
24							
25	ACCTS 902-904	EXP9024	0.00693	0.00004	0.00605	0.00002	0.00006
26	ACCTS 874 - 879	EXP87479	0.02219	0.00280	0.00923	0.00021	0.00020
27	ACCTS 908 & 909	EXP9089	0.00765	0.00004	0.00003	0.00002	0.00004
28	REV CLAIMED ROR LESS GAS COSTS	REVCLAIM	0.02744	0.00379	0.01275	0.00034	0.00023
29	TOTAL GENERAL PLANT	GENPLT	0.01937	0.00216	0.00700	0.00016	0.00016
30	WORKING CASH 1/8 OF O&M	WCOM	0.02135	0.00245	0.00930	0.00032	0.00021
31	PRESENT REVENUE	TOTREV	0.03348	0.00254	0.00958	0.00155	0.00051
32	PAYROLL EXCLUDING A&G	PAYXAG	0.01901	0.00217	0.00708	0.00016	0.00016
33	COMMON PLANT	PLTCOMN	0.00000	0.00000	0.00000	0.00000	0.00000
34	CHANGE IN REVENUE @ EQUALIZED	REVCHGC	(0.00003)	0.00976	0.02643	(0.00563)	(0.00112)
35	CHANGE IN REVENUE @ PROPOSED	REVCHGP	0.03343	0.00257	0.01912	0.00158	0.00052
36	NET PLANT - RESIDENTIAL ONLY	RESNTPT	0.00000	0.00000	0.00000	0.00000	0.00000
37	CAPITALIZED LABOR EXCL ACCT 371	CAPLABX	0.02051	0.00211	0.00676	0.00015	0.00015
38	WORKING CASH - GAS COSTS	WCGC	0.05208	0.00919	0.00000	0.00091	0.00078
39	WORKING CASH - OTHER	WCOTH	0.02090	0.00235	0.00944	0.00031	0.00020
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
INTERNALLY DEVELOPED CONT.								
REVENUES FROM GAS SALES								
BASE REVENUES		1.00000	0.70372	0.21251	0.03589	0.04576	0.00160	0.00052

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	INTERNALLY DEVELOPED CONT.							
2	----------							
3	REVENUES FROM GAS SALES							
4	BASE REVENUES		0.18674	0.02578	0.00239	0.03350	0.03343	0.01233
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL		COMMERCIAL		
			RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	INTERNALLY DEVELOPED CONT.						
2	----------						
3	REVENUES FROM GAS SALES						
4	BASE REVENUES		0.68237	0.02135	0.18674	0.00463	0.02114
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	INTERNALLY DEVELOPED CONT.				
2	----------				
3	REVENUES FROM GAS SALES				
4	BASE REVENUES		0.00239	0.00447	0.02902
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6					
7					
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		PUBLIC AUTHORITY				
	ALLOC	SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
INTERNALLY DEVELOPED CONT.						
REVENUES FROM GAS SALES						
BASE REVENUES		0.03343	0.00257	0.00976	0.00160	0.00052

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

RATIO TABLE CONT.

INTERNALLY DEVELOPED

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
DEVELOPMENT OF UNCOLLECTABLE FACTOR								
RESIDENTIAL REVENUE	RESREV	1.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
COMMERCIAL REVENUE	COMREV	1.00000	0.00000	0.99862	0.00000	0.00000	0.00000	0.00138
INDUSTRIAL REVENUE	INDREV	1.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
TRANSPORTATION REVENUE	TRAREV	1.00000	0.00000	0.17181	0.63484	0.19334	0.00000	0.00000
ALLOCATION OF BAD DEBTS								
RESIDENTIAL	RESREV							
COMMERCIAL	COMREV							
INDUSTRIAL	INDREV							
TRANSPORTATION	TRAREV							
ALLOCATED BAD DEBTS	BADDEBT	1.00000	0.57549	0.17731	0.18947	0.05756	0.00000	0.00017

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
RATIO TABLE CONT.							
INTERNALLY DEVELOPED							
DEVELOPMENT OF UNCOLLECTABLE FACTOR							
RESIDENTIAL REVENUE	RESREV	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
COMMERCIAL REVENUE	COMREV	0.97086	0.02776	0.00000	0.00000	0.00000	0.00000
INDUSTRIAL REVENUE	INDREV	0.00000	0.00000	0.19081	0.80919	0.00000	0.00000
TRANSPORTATION REVENUE	TRAREV	0.00000	0.17181	0.00000	0.63484	0.00000	0.19334
ALLOCATION OF BAD DEBTS							
RESIDENTIAL	RESREV						
COMMERCIAL	COMREV						
INDUSTRIAL	INDREV						
TRANSPORTATION	TRAREV						
ALLOCATED BAD DEBTS	BADDEBT	0.12265	0.05466	0.00009	0.18938	0.00000	0.05756

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	RATIO TABLE CONT.						
2							
3	INTERNALLY DEVELOPED						
4	----------						
5							
6							
7	DEVELOPMENT OF UNCOLLECTABLE FACTOR						
8	RESIDENTIAL REVENUE	RESREV	0.96310	0.03690	0.00000	0.00000	0.00000
9	COMMERCIAL REVENUE	COMREV	0.00000	0.00000	0.97086	0.02776	0.00000
10	INDUSTRIAL REVENUE	INDREV	0.00000	0.00000	0.00000	0.00000	0.00000
11	TRANSPORTATION REVENUE	TRAREV	0.00000	0.00000	0.00000	0.00000	0.17181
12							
13	ALLOCATION OF BAD DEBTS						
14	RESIDENTIAL	RESREV					
15	COMMERCIAL	COMREV					
16	INDUSTRIAL	INDREV					
17	TRANSPORTATION	TRAREV					
18	ALLOCATED BAD DEBTS	BADDEBT	0.55425	0.02124	0.12265	0.00351	0.05115
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							
38							
39							
40							
41							
42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
		ALLOC	SM. VOL.	LG. VOL.	TRANS-PORTATION
			(19)	(20)	(21)
1	RATIO TABLE CONT.				
2					
3	INTERNALLY DEVELOPED				
4	----------				
5					
6					
7	DEVELOPMENT OF UNCOLLECTABLE FACTOR				
8	RESIDENTIAL REVENUE	RESREV	0.00000	0.00000	0.00000
9	COMMERCIAL REVENUE	COMREV	0.00000	0.00000	0.00000
10	INDUSTRIAL REVENUE	INDREV	0.19081	0.80919	0.00000
11	TRANSPORTATION REVENUE	TRAREV	0.00000	0.00000	0.63484
12					
13	ALLOCATION OF BAD DEBTS				
14	RESIDENTIAL	RESREV			
15	COMMERCIAL	COMREV			
16	INDUSTRIAL	INDREV			
17	TRANSPORTATION	TRAREV			
18	ALLOCATED BAD DEBTS	BADDEBT	0.00009	0.00037	0.18901
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
RATIO TABLE CONT.						
INTERNALLY DEVELOPED						
DEVELOPMENT OF UNCOLLECTABLE FACTOR						
RESIDENTIAL REVENUE	RESREV	0.00000	0.00000	0.00000	0.00000	0.00000
COMMERCIAL REVENUE	COMREV	0.00000	0.00000	0.00000	0.00000	0.00138
INDUSTRIAL REVENUE	INDREV	0.00000	0.00000	0.00000	0.00000	0.00000
TRANSPORTATION REVENUE	TRAREV	0.00000	0.00000	0.19334	0.00000	0.00000
ALLOCATION OF BAD DEBTS						
RESIDENTIAL	RESREV					
COMMERCIAL	COMREV					
INDUSTRIAL	INDREV					
TRANSPORTATION	TRAREV					
ALLOCATED BAD DEBTS	BADDEBT	0.00000	0.00000	0.05756	0.00000	0.00017

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
INTERNALLY DEVELOPED CONT.								
487-FORFEITED DISCOUNTS								
REVENUE BY CLASS - RANGE NAME DEFINITION								
RESIDENTIAL SERVICE	REV487A	1.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
RESIDENTIAL CARES	REV487C	1.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
COMMERCIAL SM. VOL.	REV487D	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
COMMERCIAL LG. VOL.	REV487F	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
COMMERCIAL TRANSPORTATION	REV487G	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
INDUSTRIAL SM. VOL.	REV487H	1.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
INDUSTRIAL LG. VOL.	REV487I	1.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
INDUSTRIAL TRANSPORTATION	REV487J	1.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
PUBLIC AUTHORITY SM. VOL.	REV487K	1.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
PUBLIC AUTHORITY LG. VOL.	REV487L	1.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
PUBLIC AUTHORITY TRANSPORT.	REV487M	1.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
IRRIGATION	REV487N	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000
487-FORFEITED DISCOUNTS								
REVENUE BY CLASS - ALLOCATION								
RESIDENTIAL SERVICE	REV487A							
RESIDENTIAL CARES	REV487C							
COMMERCIAL SM. VOL.	REV487D							
COMMERCIAL LG. VOL.	REV487F							
COMMERCIAL TRANSPORTATION	REV487G							
INDUSTRIAL SM. VOL.	REV487H							
INDUSTRIAL LG. VOL.	REV487I							
INDUSTRIAL TRANSPORTATION	REV487J							
PUBLIC AUTHORITY SM. VOL.	REV487K							
PUBLIC AUTHORITY LG. VOL.	REV487L							
PUBLIC AUTHORITY TRANSPORT.	REV487M							
IRRIGATION	REV487N							
TOTAL FOREITED DISCOUNTS	FORFDISC	1.00000	0.51890	0.26804	0.11527	0.09687	0.00000	0.00092

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
		ALLOC	SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.
			(8)	(9)	(10)	(11)	(12)	(13)
1	INTERNALLY DEVELOPED CONT.							
2	----------							
3	487-FORFEITED DISCOUNTS							
4	REVENUE BY CLASS - RANGE NAME DEFINITION							
5	RESIDENTIAL SERVICE	REV487A	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
6								
7	RESIDENTIAL CARES	REV487C	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
8	COMMERCIAL SM. VOL.	REV487D	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
9								
10	COMMERCIAL LG. VOL.	REV487F	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
11	COMMERCIAL TRANSPORTATION	REV487G	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
12	INDUSTRIAL SM. VOL.	REV487H	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
13	INDUSTRIAL LG. VOL.	REV487I	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
14	INDUSTRIAL TRANSPORTATION	REV487J	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
15	PUBLIC AUTHORITY SM. VOL.	REV487K	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000
16	PUBLIC AUTHORITY LG. VOL.	REV487L	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000
17	PUBLIC AUTHORITY TRANSPORT.	REV487M	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000
18	IRRIGATION	REV487N	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
19								
20	487-FORFEITED DISCOUNTS							
21	REVENUE BY CLASS - ALLOCATION							
22	RESIDENTIAL SERVICE	REV487A						
23								
24	RESIDENTIAL CARES	REV487C						
25	COMMERCIAL SM. VOL.	REV487D						
26								
27	COMMERCIAL LG. VOL.	REV487F						
28	COMMERCIAL TRANSPORTATION	REV487G						
29	INDUSTRIAL SM. VOL.	REV487H						
30	INDUSTRIAL LG. VOL.	REV487I						
31	INDUSTRIAL TRANSPORTATION	REV487J						
32	PUBLIC AUTHORITY SM. VOL.	REV487K						
33	PUBLIC AUTHORITY LG. VOL.	REV487L						
34	PUBLIC AUTHORITY TRANSPORT.	REV487M						
35	IRRIGATION	REV487N						
36	TOTAL FOREITED DISCOUNTS	FORFDISC	0.21558	0.05246	0.00537	0.10990	0.03319	0.06367
37								
38								
39								
40								
41								
42								

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	INTERNALLY DEVELOPED CONT.						
2	----------						
3	487-FORFEITED DISCOUNTS						
4	REVENUE BY CLASS - RANGE NAME DEFINITION						
5	RESIDENTIAL SERVICE	REV487A	1.00000	0.00000	0.00000	0.00000	0.00000
6							
7	RESIDENTIAL CARES	REV487C	0.00000	1.00000	0.00000	0.00000	0.00000
8	COMMERCIAL SM. VOL.	REV487D	0.00000	0.00000	1.00000	0.00000	0.00000
9							
10	COMMERCIAL LG. VOL.	REV487F	0.00000	0.00000	0.00000	1.00000	0.00000
11	COMMERCIAL TRANSPORTATION	REV487G	0.00000	0.00000	0.00000	0.00000	1.00000
12	INDUSTRIAL SM. VOL.	REV487H	0.00000	0.00000	0.00000	0.00000	0.00000
13	INDUSTRIAL LG. VOL.	REV487I	0.00000	0.00000	0.00000	0.00000	0.00000
14	INDUSTRIAL TRANSPORTATION	REV487J	0.00000	0.00000	0.00000	0.00000	0.00000
15	PUBLIC AUTHORITY SM. VOL.	REV487K	0.00000	0.00000	0.00000	0.00000	0.00000
16	PUBLIC AUTHORITY LG. VOL.	REV487L	0.00000	0.00000	0.00000	0.00000	0.00000
17	PUBLIC AUTHORITY TRANSPORT.	REV487M	0.00000	0.00000	0.00000	0.00000	0.00000
18	IRRIGATION	REV487N	0.00000	0.00000	0.00000	0.00000	0.00000
19							
20	487-FORFEITED DISCOUNTS						
21	REVENUE BY CLASS - ALLOCATION						
22	RESIDENTIAL SERVICE	REV487A					
23							
24	RESIDENTIAL CARES	REV487C					
25	COMMERCIAL SM. VOL.	REV487D					
26							
27	COMMERCIAL LG. VOL.	REV487F					
28	COMMERCIAL TRANSPORTATION	REV487G					
29	INDUSTRIAL SM. VOL.	REV487H					
30	INDUSTRIAL LG. VOL.	REV487I					
31	INDUSTRIAL TRANSPORTATION	REV487J					
32	PUBLIC AUTHORITY SM. VOL.	REV487K					
33	PUBLIC AUTHORITY LG. VOL.	REV487L					
34	PUBLIC AUTHORITY TRANSPORT.	REV487M					
35	IRRIGATION	REV487N					
36	TOTAL FOREITED DISCOUNTS	FORFDISC	0.50846	0.01044	0.21558	0.00581	0.04665
37							
38							
39							
40							
41							
42							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
		ALLOC	SM. VOL.	LG. VOL.	TRANS-PORTATION
			(19)	(20)	(21)
1	INTERNALLY DEVELOPED CONT.				
2	----------				
3	487-FORFEITED DISCOUNTS				
4	REVENUE BY CLASS - RANGE NAME DEFINITION				
5	RESIDENTIAL SERVICE	REV487A	0.00000	0.00000	0.00000
6					
7	RESIDENTIAL CARES	REV487C	0.00000	0.00000	0.00000
8	COMMERCIAL SM. VOL.	REV487D	0.00000	0.00000	0.00000
9					
10	COMMERCIAL LG. VOL.	REV487F	0.00000	0.00000	0.00000
11	COMMERCIAL TRANSPORTATION	REV487G	0.00000	0.00000	0.00000
12	INDUSTRIAL SM. VOL.	REV487H	1.00000	0.00000	0.00000
13	INDUSTRIAL LG. VOL.	REV487I	0.00000	1.00000	0.00000
14	INDUSTRIAL TRANSPORTATION	REV487J	0.00000	0.00000	1.00000
15	PUBLIC AUTHORITY SM. VOL.	REV487K	0.00000	0.00000	0.00000
16	PUBLIC AUTHORITY LG. VOL.	REV487L	0.00000	0.00000	0.00000
17	PUBLIC AUTHORITY TRANSPORT.	REV487M	0.00000	0.00000	0.00000
18	IRRIGATION	REV487N	0.00000	0.00000	0.00000
19					
20	487-FORFEITED DISCOUNTS				
21	REVENUE BY CLASS - ALLOCATION				
22	RESIDENTIAL SERVICE	REV487A			
23					
24	RESIDENTIAL CARES	REV487C			
25	COMMERCIAL SM. VOL.	REV487D			
26					
27	COMMERCIAL LG. VOL.	REV487F			
28	COMMERCIAL TRANSPORTATION	REV487G			
29	INDUSTRIAL SM. VOL.	REV487H			
30	INDUSTRIAL LG. VOL.	REV487I			
31	INDUSTRIAL TRANSPORTATION	REV487J			
32	PUBLIC AUTHORITY SM. VOL.	REV487K			
33	PUBLIC AUTHORITY LG. VOL.	REV487L			
34	PUBLIC AUTHORITY TRANSPORT.	REV487M			
35	IRRIGATION	REV487N			
36	TOTAL FOREITED DISCOUNTS	FORFDISC	0.00537	0.01110	0.09880
37					
38					
39					
40					
41					
42					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	PUBLIC AUTHORITY LG. VOL. (23)	PUBLIC AUTHORITY TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	INTERNALLY DEVELOPED CONT.						
2							
3	487-FORFEITED DISCOUNTS						
4	REVENUE BY CLASS - RANGE NAME DEFINITION						
5	RESIDENTIAL SERVICE	REV487A	0.00000	0.00000	0.00000	0.00000	0.00000
6							
7	RESIDENTIAL CARES	REV487C	0.00000	0.00000	0.00000	0.00000	0.00000
8	COMMERCIAL SM. VOL.	REV487D	0.00000	0.00000	0.00000	0.00000	0.00000
9							
10	COMMERCIAL LG. VOL.	REV487F	0.00000	0.00000	0.00000	0.00000	0.00000
11	COMMERCIAL TRANSPORTATION	REV487G	0.00000	0.00000	0.00000	0.00000	0.00000
12	INDUSTRIAL SM. VOL.	REV487H	0.00000	0.00000	0.00000	0.00000	0.00000
13	INDUSTRIAL LG. VOL.	REV487I	0.00000	0.00000	0.00000	0.00000	0.00000
14	INDUSTRIAL TRANSPORTATION	REV487J	0.00000	0.00000	0.00000	0.00000	0.00000
15	PUBLIC AUTHORITY SM. VOL.	REV487K	1.00000	0.00000	0.00000	0.00000	0.00000
16	PUBLIC AUTHORITY LG. VOL.	REV487L	0.00000	1.00000	0.00000	0.00000	0.00000
17	PUBLIC AUTHORITY TRANSPORT.	REV487M	0.00000	0.00000	1.00000	0.00000	0.00000
18	IRRIGATION	REV487N	0.00000	0.00000	0.00000	0.00000	1.00000
19							
20	487-FORFEITED DISCOUNTS						
21	REVENUE BY CLASS - ALLOCATION						
22	RESIDENTIAL SERVICE	REV487A					
23							
24	RESIDENTIAL CARES	REV487C					
25	COMMERCIAL SM. VOL.	REV487D					
26							
27	COMMERCIAL LG. VOL.	REV487F					
28	COMMERCIAL TRANSPORTATION	REV487G					
29	INDUSTRIAL SM. VOL.	REV487H					
30	INDUSTRIAL LG. VOL.	REV487I					
31	INDUSTRIAL TRANSPORTATION	REV487J					
32	PUBLIC AUTHORITY SM. VOL.	REV487K					
33	PUBLIC AUTHORITY LG. VOL.	REV487L					
34	PUBLIC AUTHORITY TRANSPORT.	REV487M					
35	IRRIGATION	REV487N					
36	TOTAL FOREITED DISCOUNTS	FORFDISC	0.03319	0.00758	0.05610	0.00000	0.00092
37							
38							
39							
40							
41							
42							

UNS Gas, Inc.
Summary of Revenues by Customer Classifications
Adjusted Present Rates And Proposed Rates
Test Year Ended December 31, 2005
(Thousands of Dollars)

Line No.	Class of Service	Adjusted Present Net Revenue	Proposed Net Revenue	Proposed Net Increase	Proposed Percent Increase (a)	Line No.
1	Residential Service	$32,152,423	$38,941,042	$6,788,619	21.11%	1
2	Commercial Gas Service	8,743,529	10,589,626	1,846,097	21.11%	2
3	Industrial Gas Service	313,597	380,160	66,562	21.23%	3
4	Public Authority Gas Service	1,645,073	1,992,411	347,338	21.11%	4
5	Special Gas Light Service	73,078	88,298	15,220	20.83%	5
6	Irrigation Service	23,562	28,537	4,975	21.11%	6
7	Transportation Customers	2,737,961	3,316,051	578,089	21.11%	7
8	Subtotal	45,689,224	55,336,125	9,646,901	21.11%	8
9	Other Operating Revenue	1,480,303	1,480,303	0	0.00%	9
10	Total	$47,169,527	$56,816,428	$9,646,901	20.45%	10

Supporting Schedules	Recap Schedules
(a) H-2 (P2)	A-1

UNS Gas, Inc.
Comparisons of Revenues by Rate Schedules
Present And Proposed Rates
Test Year Ended December 31, 2005

Line No.	Class of Service	Rate Schedule Present	Proposed	Actual Therm Sales	Actual Average Number of Customers	Actual Average Therm per Customer	Test Year End Adjustments	Adjusted Therm Sales	Adjusted Average Number of Customers	Adjusted Average Therm per Customer	Line No.
1	Residential Service (R10)	10	10	66,430,297	118,822	559	2,521,379	68,951,676	120,636	572	1
2	Residential Service Cares (R12)	12	12	2,526,433	5,264	480	287,411	2,813,844	5,660	497	2
3	Small Volume Commercial Service (C20)	20	20	28,407,189	10,849	2,618	606,878	29,014,067	10,919	2,657	3
4	Large Volume Commercial Service (C22)	22	22	1,209,282	11	109,935	70,348	1,279,629	11	119,091	4
5	Commercial Transportation			6,181,423	9	686,825	(3,704,317)	2,477,106	6	412,851	5
6	Small Volume Industrial Service (I-30)	30	30	511,826	13	40,407	0	511,826	13	40,407	6
7	Large Volume Industrial Service (I-32)	32	32	2,297,027	7	328,147	0	2,297,027	7	328,147	7
8	Industrial Transportation			16,082,897	10	1,608,290	3,230,222	19,313,119	12	1,609,427	8
9	Small Volume Public Authority (PA-40)	40	40	5,585,336	1,046	5,341	242,850	5,828,186	1,058	5,510	9
10	Large Volume Public Authority (PA-42)	42	42	1,144,332	5	228,866	(115,937)	1,028,395	5	193,275	10
11	Public Authority Transportation			4,056,235	3	1,352,078	474,095	4,530,330	4	1,132,583	11
12	Special Gas Light Service (PA-44)	44	44	101,855	3	33,952	0	101,855	3	33,952	12
13	Irrigation Service (IR-60)	60	60	86,652	6	14,442	152	86,803	6	14,467	13
14	Total Gas Service			134,620,784	136,048	990	3,613,080	138,233,864	138,340	999	14

UNS Gas, Inc.
Comparisons of Revenues by Rate Schedules
Present And Proposed Rates
Test Year Ended December 31, 2005

Line No.	Class of Service	Actual Net Revenue	Test Year End Adjustments	Adjusted Net Revenue	Proposed Increase $	Proposed Increase %	Proposed Net Revenue	Line No.
1	Residential Service (R10)	$30,267,169	$909,769	$31,176,937	$6,582,656	21.11%	$37,759,594	1
2	Residential Service Cares (R12)	855,865	119,621	975,486	205,963	21.11%	1,181,449	2
3	Small Volume Commercial Service (C20)	8,375,800	156,080	8,531,880	1,801,410	21.11%	10,333,290	3
4	Large Volume Commercial Service (C22)	200,233	11,416	211,649	44,687	21.11%	256,336	4
5	Commercial Transportation	966,024	515,766	450,258	95,067	21.11%	545,325	5
6	Small Volume Industrial Service (I-30)	109,190	0	109,190	23,054	21.11%	132,244	6
7	Large Volume Industrial Service (I-32)	204,407	0	204,407	43,508	21.29%	247,916	7
8	Industrial Transportation	1,326,122	441,213	1,767,335	373,153	21.11%	2,140,488	8
9	Small Volume Public Authority (PA-40)	1,468,769	58,763	1,527,532	322,521	21.11%	1,850,053	9
10	Large Volume Public Authority (PA-42)	130,631	(13,090)	117,541	24,817	21.11%	142,359	10
11	Public Authority Transportation	445,816	74,552	520,368	109,870	21.11%	630,238	11
12	Special Gas Light Service (PA-44)	73,078	0	73,078	15,220	20.83%	88,298	12
13	Irrigation Service (IR-60)	23,519	44	23,562	4,975	21.11%	28,537	13
14	Total Gas Service	$44,446,621	$2,274,134	$45,689,224	$9,646,901	21.11%	$55,336,125	14

UNS Gas, Inc.
Comparison of Present And Proposed Rates
Test Year Ended December 31, 2005

	Present Rate	Proposed Rate	Increase $	Increase %
Residential Service (R10)				
Customer Charge (Sum: Apr - Nov)	$7.00	$20.00	$13.00	185.71%
Customer Charge (Win: Dec-Mar)	$7.00	$11.00	$4.00	57.14%
Distribution Margin Therms	$0.3004	$0.1862	-$0.1142	-38.00%
Residential Service Cares (R12)				
Customer Charge (Sum: Apr - Nov)	$7.00	$20.00	$13.00	185.71%
Customer Charge (Win: Present: Nov - Apr, Proposed: Dec-Mar)	$7.00	$11.00	$4.00	57.14%
Distribution Margin Therms	$0.3004	$0.1862	-$0.1142	-38.00%
Small Commercial Service (C20)				
Customer Charge	$11.00	$20.00	$9.00	81.82%
Distribution Margin Therms	$0.2420	$0.2637	$0.0217	8.95%
Large Commercial Service (C22)				
Customer Charge	$85.00	$120.00	$35.00	41.18%
Distribution Margin Therms	$0.1551	$0.1944	$0.0393	25.32%
Small Volume Industrial Service (I-30):				
Customer Charge	$11.00	$20.00	$9.00	81.82%
Distribution Margin Therms	$0.2122	$0.2556	$0.0434	20.43%
Large Volume Industrial Service (I-32):				
Customer Charge	$85.00	$120.00	$35.00	41.18%
Distribution Margin Therms	$0.0864	$0.1085	$0.0221	25.63%
Small Volume PA (PA-40)				
Customer Charge	$11.00	$20.00	$9.00	81.82%
Distribution Margin Therms	$0.2354	$0.2712	$0.0358	15.21%
Large Volume PA (PA-42)				
Customer Charge	$85.00	$120.00	$35.00	41.18%
Distribution Margin Therms	$0.1084	$0.1361	$0.0277	25.53%
Special Gas Light Service (PA-44):				
Customer Charge Lighting Group A	$13.57	$16.47	$2.90	21.36%
Customer Charge Lighting Group B	$16.28	$19.70	$3.42	21.02%
Irrigation Service (IR-60)				
Customer Charge	$11.00	$20.00	$9.00	81.82%
Distribution Margin Therms	$0.2876	$0.3435	$0.0559	19.44%

UNS Gas, Inc.
Typical Bill Comparison - Present And Proposed Rates
Test Year Ended December 31, 2005

Residential Service (R10)

Customer Charge (Sum: Apr - Nov)	$7.00	$20.00
Distribution Margin Therms	0.3004	0.1862

Average Therms per Month	Total Bill Present Rate	Total Bill Proposed Rate	Proposed Increase $	Proposed Increase %
5	$8.50	$20.93	$12.43	146.19%
10	$10.00	$21.86	$11.86	118.54%
20	$13.01	$23.72	$10.72	82.39%
35	$17.51	$26.52	$9.00	51.41%
50	$22.02	$29.31	$7.29	33.12%
75	$29.53	$33.97	$4.44	15.03%
100	$37.04	$38.62	$1.58	4.28%
250	$82.10	$66.56	($15.54)	-18.93%
500	$157.20	$113.12	($44.08)	-28.04%

Residential Service (R10)

Customer Charge (Win: Dec-Mar)	$7.00	$11.00
Distribution Margin Therms	0.3004	0.1862

Average Therms per Month	Total Bill Present Rate	Total Bill Proposed Rate	Proposed Increase $	Proposed Increase %
5	$8.50	$11.93	$3.43	40.33%
10	$10.00	$12.86	$2.86	28.57%
20	$13.01	$14.72	$1.72	13.20%
35	$17.51	$17.52	$0.00	0.03%
50	$22.02	$20.31	($1.71)	-7.75%
75	$29.53	$24.97	($4.56)	-15.45%
100	$37.04	$29.62	($7.42)	-20.02%
250	$82.10	$57.56	($24.54)	-29.89%
500	$157.20	$104.12	($53.08)	-33.76%

UNS Gas, Inc.
Typical Bill Comparison - Present And Proposed Rates
Test Year Ended December 31, 2005

Residential Service Cares (R12)		
Customer Charge (Summer)	$7.00	$20.00
Distribution Margin Therms	0.3004	0.1862
Customer Charge Monthly Discount		6.50

Average Therms per Month	Total Bill Present Rate	Total Bill Proposed Rate	Proposed Increase $	Proposed Increase %
5	$8.50	$14.43	$5.93	69.74%
10	$10.00	$15.36	$5.36	53.56%
20	$13.01	$17.22	$4.22	32.42%
35	$17.51	$20.02	$2.50	14.30%
50	$22.02	$22.81	$0.79	3.60%
75	$29.53	$27.47	($2.06)	-6.98%
100	$37.04	$32.12	($4.92)	-13.27%
250	$82.10	$60.06	($22.04)	-26.84%
500	$157.20	$106.62	($50.58)	-32.17%

Residential Service Cares (R12)		
Customer Charge (Winter)	$7.00	$11.00
Distribution Margin Therms	0.3004	0.1862
- (Discount Nov - Apr up to 100 therms)	0.1500	
- (Monthly Discount		6.50

Average Therms per Month	Total Bill Present Rate	Total Bill Proposed Rate	Proposed Increase $	Proposed Increase %
5	$7.75	$5.43	($2.32)	-29.92%
10	$8.50	$6.36	($2.14)	-25.15%
20	$10.00	$8.22	($1.78)	-17.75%
35	$12.25	$11.02	($1.23)	-10.05%
50	$14.50	$13.81	($0.69)	-4.74%
75	$18.25	$18.47	$0.22	1.20%
100	$22.00	$23.12	$1.12	5.11%
250	$67.06	$51.06	($16.00)	-23.86%
500	$142.16	$97.62	($44.54)	-31.33%

UNS Gas, Inc.
Typical Bill Comparison - Present And Proposed Rates
Test Year Ended December 31, 2005

Small Commercial Service (C20)		
Customer Charge	$11.00	$20.00
Distribution Margin Therms	$0.2420	$0.2637

Average Therms per Month	Total Bill Present Rate	Total Bill Proposed Rate	Proposed Increase $	Proposed Increase %
50	$23.10	$33.18	$10.08	43.65%
100	$35.20	$46.37	$11.17	31.72%
500	$132.00	$151.83	$19.83	15.03%
1,000	$253.00	$283.67	$30.67	12.12%
1,500	$374.00	$415.50	$41.50	11.10%
2,500	$616.00	$679.17	$63.17	10.25%
5,000	$1,221.00	$1,338.33	$117.33	9.61%
7,500	$1,826.00	$1,997.50	$171.50	9.39%
10,000	$2,431.00	$2,656.66	$225.66	9.28%

Large Commercial Service (C22)		
Customer Charge	$85.00	$120.00
Distribution Margin Therms	$0.1551	$0.1944

Average Therms per Month	Total Bill Present Rate	Total Bill Proposed Rate	Proposed Increase $	Proposed Increase %
10,001	$1,636	$2,064	$428	26.15%
12,500	$2,024	$2,550	$526	25.99%
15,000	$2,412	$3,036	$624	25.88%
17,500	$2,799	$3,522	$722	25.80%
20,000	$3,187	$4,008	$821	25.75%
25,000	$3,963	$4,979	$1,017	25.66%
30,000	$4,738	$5,951	$1,213	25.61%
45,000	$7,065	$8,867	$1,802	25.51%
75,000	$11,718	$14,698	$2,981	25.44%

UNS Gas, Inc.
Typical Bill Comparison - Present And Proposed Rates
Test Year Ended December 31, 2005

Small Volume Industrial Service (I-30):

Customer Charge	$11.00	$20.00
Distribution Margin Therms	$0.2122	$0.2556

Average Therms per Month	Total Bill Present Rate	Total Bill Proposed Rate	Proposed Increase $	Proposed Increase %
50	$21.61	$32.78	$11.17	51.68%
100	$32.22	$45.56	$13.34	41.39%
500	$117.10	$147.78	$30.68	26.20%
1,000	$223.20	$275.56	$52.36	23.46%
1,500	$329.30	$403.34	$74.04	22.48%
2,500	$541.50	$658.89	$117.39	21.68%
5,000	$1,072.00	$1,297.78	$225.78	21.06%
7,500	$1,602.50	$1,936.68	$334.18	20.85%
10,000	$2,133.00	$2,575.57	$442.57	20.75%

Large Volume Industrial Service (I-32):

Customer Charge	$85.00	$120.00
Distribution Margin Therms	$0.0864	$0.1085

Average Therms per Month	Total Bill Present Rate	Total Bill Proposed Rate	Proposed Increase $	Proposed Increase %
10,001	$949.09	$1,205.58	$256.49	27.03%
15,000	$1,381.00	$1,748.21	$367.21	26.59%
20,000	$1,813.00	$2,290.94	$477.94	26.36%
30,000	$2,677.00	$3,376.41	$699.41	26.13%
50,000	$4,405.00	$5,547.36	$1,142.36	25.93%
75,000	$6,565.00	$8,261.03	$1,696.03	25.83%
100,000	$8,725.00	$10,974.71	$2,249.71	25.78%
125,000	$10,885.00	$13,688.39	$2,803.39	25.75%
150,000	$13,045.00	$16,402.07	$3,357.07	25.73%

UNS Gas, Inc.
Typical Bill Comparison - Present And Proposed Rates
Test Year Ended December 31, 2005

Small Volume Public Authority (PA-40)		
Customer Charge	$11.00	$20.00
Distribution Margin Therms	$0.2354	$0.2712

Average Therms per Month	Total Bill Present Rate	Total Bill Proposed Rate	Proposed Increase $	Proposed Increase %
50	$22.77	$33.56	$10.79	47.39%
100	$34.54	$47.12	$12.58	36.42%
500	$128.70	$155.60	$26.90	20.90%
1,000	$246.40	$291.20	$44.80	18.18%
1,500	$364.10	$426.81	$62.71	17.22%
2,500	$599.50	$698.01	$98.51	16.43%
5,000	$1,188.00	$1,376.02	$188.02	15.83%
7,500	$1,776.50	$2,054.04	$277.54	15.62%
10,000	$2,365.00	$2,732.05	$367.05	15.52%

Large Volume Public Authority (PA-42)		
Customer Charge	$85.00	$120.00
Distribution Margin Therms	$0.1084	$0.1361

Average Therms per Month	Total Bill Present Rate	Total Bill Proposed Rate	Proposed Increase $	Proposed Increase %
10,001	$1,169.11	$1,480.90	$311.79	26.67%
15,000	$1,711.00	$2,161.14	$450.14	26.31%
20,000	$2,253.00	$2,841.52	$588.52	26.12%
30,000	$3,337.00	$4,202.28	$865.28	25.93%
50,000	$5,505.00	$6,923.80	$1,418.80	25.77%
75,000	$8,215.00	$10,325.71	$2,110.71	25.69%
100,000	$10,925.00	$13,727.61	$2,802.61	25.65%
125,000	$13,635.00	$17,129.51	$3,494.51	25.63%
150,000	$16,345.00	$20,531.41	$4,186.41	25.61%

UNS Gas, Inc.
Typical Bill Comparison - Present And Proposed Rates
Test Year Ended December 31, 2005

Special Gas Light Service (PA-44):		
Customer Charge Lighting Group A	$13.57	$16.47
Customer Charge Lighting Group B	$16.28	$19.70

Average Montly Customers	Annual Bill Present	Annual Bill Proposed	Proposed Increase $	Proposed Increase %
Customer Charge Lighting Group A	$162.84	$197.63	$34.79	21.36%
Customer Charge Lighting Group B	$195.36	$236.43	$41.07	21.02%

Irrigation Service (IR-60)		
Customer Charge	$11.00	$20.00
Distribution Margin Therms	$0.2876	$0.3435

Average Therms per Month	Total Bill Present Rate	Total Bill Proposed Rate	Proposed Increase $	Proposed Increase %
50	$25.38	$37.18	$11.80	46.48%
100	$39.76	$54.35	$14.59	36.70%
500	$154.80	$191.76	$36.96	23.88%
1,000	$298.60	$363.52	$64.92	21.74%
1,500	$442.40	$535.28	$92.88	21.00%
2,500	$730.00	$878.81	$148.81	20.38%
5,000	$1,449.00	$1,737.62	$288.62	19.92%
7,500	$2,168.00	$2,596.42	$428.42	19.76%
10,000	$2,887.00	$3,455.23	$568.23	19.68%

UNS Gas, Inc.
Residential (Rate 10) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	47,175		47,175	3.3%	0	0.0%
1	10	264,500	1,596,392	311,676	21.9%	1,596,392	2.4%
11	20	275,247	4,130,246	586,923	41.2%	5,726,638	8.5%
21	30	169,778	4,206,120	756,701	53.1%	9,932,758	14.8%
31	40	107,438	3,738,395	864,139	60.6%	13,671,153	20.3%
41	50	83,267	3,729,303	947,405	66.4%	17,400,456	25.9%
51	60	71,003	3,886,312	1,018,409	71.4%	21,286,767	31.7%
61	70	63,383	4,093,322	1,081,791	75.9%	25,380,089	37.7%
71	80	56,863	4,233,157	1,138,654	79.9%	29,613,246	44.0%
81	90	50,166	4,227,549	1,188,820	83.4%	33,840,795	50.3%
91	100	42,408	3,993,105	1,231,228	86.4%	37,833,900	56.3%
101	110	35,666	3,707,733	1,266,894	88.9%	41,541,634	61.8%
111	120	29,851	3,397,155	1,296,745	90.9%	44,938,788	66.8%
121	130	24,552	3,037,354	1,321,297	92.7%	47,976,142	71.3%
131	140	19,552	2,612,748	1,340,848	94.0%	50,588,890	75.2%
141	150	16,074	2,305,058	1,356,922	95.2%	52,893,948	78.7%
151	160	12,830	1,966,744	1,369,752	96.1%	54,860,693	81.6%
161	170	10,362	1,691,132	1,380,114	96.8%	56,551,824	84.1%
171	180	8,043	1,391,494	1,388,156	97.4%	57,943,319	86.2%
181	190	6,524	1,193,122	1,394,681	97.8%	59,136,441	87.9%
191	200	5,270	1,016,219	1,399,951	98.2%	60,152,660	89.5%
201	300	20,430	4,746,321	1,420,380	99.6%	64,898,981	96.5%
301	400	3,414	1,141,452	1,423,794	99.9%	66,040,434	98.2%
401	500	878	381,317	1,424,673	99.9%	66,421,751	98.8%
501	and up	1,180	825,147	1,425,853	100.0%	67,246,898	100.0%

UNS Gas, Inc.
CARES (Rate 12) Residential Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	1,204	0	1,204	1.9%	0	0.0%
1	10	12,426	79,640	13,630	21.6%	79,640	3.1%
11	20	13,963	212,869	27,593	43.7%	292,509	11.5%
21	30	7,866	197,658	35,459	56.1%	490,167	19.3%
31	40	5,045	178,560	40,504	64.1%	668,727	26.4%
41	50	4,000	182,307	44,503	70.5%	851,034	33.6%
51	60	3,583	199,363	48,086	76.1%	1,050,397	41.4%
61	70	3,230	211,943	51,316	81.2%	1,262,341	49.8%
71	80	2,626	198,330	53,943	85.4%	1,460,671	57.6%
81	90	2,184	186,910	56,127	88.9%	1,647,581	65.0%
91	100	1,751	167,512	57,877	91.6%	1,815,093	71.6%
101	110	1,296	136,793	59,173	93.7%	1,951,886	77.0%
111	120	1,014	117,106	60,187	95.3%	2,068,992	81.6%
121	130	771	96,816	60,958	96.5%	2,165,808	85.4%
131	140	524	71,073	61,482	97.3%	2,236,881	88.2%
141	150	435	63,477	61,917	98.0%	2,300,359	90.7%
151	160	349	54,338	62,267	98.6%	2,354,697	92.9%
161	170	218	36,148	62,484	98.9%	2,390,844	94.3%
171	180	169	29,615	62,653	99.2%	2,420,460	95.5%
181	190	116	21,502	62,769	99.4%	2,441,961	96.3%
191	200	88	17,191	62,857	99.5%	2,459,153	97.0%
201	300	282	64,893	63,139	100.0%	2,524,046	99.6%
301	400	27	9,033	63,166	100.0%	2,533,079	99.9%
401	500	3	1,366	63,169	100.0%	2,534,445	100.0%
501	and up	1	758	63,170	100.0%	2,535,203	100.0%

UNS Gas, Inc.
Small Volume Commercial (Rate 20) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	21,887	0	21,887	16.8%	0	0.0%
1	10	20,236	103,814	42,123	32.4%	103,814	0.4%
11	20	10,554	158,678	52,678	40.5%	262,492	0.9%
21	30	6,879	172,369	59,557	45.7%	434,861	1.5%
31	40	5,212	182,707	64,769	49.7%	617,568	2.2%
41	50	4,431	199,435	69,200	53.2%	817,002	2.9%
51	60	3,650	200,647	72,850	56.0%	1,017,650	3.6%
61	70	3,237	209,856	76,087	58.4%	1,227,506	4.3%
71	80	3,005	225,003	79,092	60.8%	1,452,509	5.1%
81	90	2,635	223,527	81,727	62.8%	1,676,036	5.9%
91	100	2,429	229,862	84,156	64.6%	1,905,899	6.7%
101	110	2,169	226,770	86,325	66.3%	2,132,668	7.5%
111	120	1,955	223,656	88,281	67.8%	2,356,324	8.2%
121	130	1,806	224,465	90,087	69.2%	2,580,789	9.0%
131	140	1,650	221,706	91,737	70.5%	2,802,495	9.8%
141	150	1,580	227,690	93,317	71.7%	3,030,185	10.6%
151	160	1,364	210,344	94,681	72.7%	3,240,529	11.3%
161	170	1,233	202,262	95,915	73.7%	3,442,790	12.0%
171	180	1,259	218,877	97,174	74.6%	3,661,667	12.8%
181	190	1,082	198,816	98,256	75.5%	3,860,484	13.5%
191	200	1,101	213,351	99,357	76.3%	4,073,834	14.2%
201	300	7,506	1,833,493	106,863	82.1%	5,907,328	20.7%
301	400	4,906	1,688,157	111,769	85.9%	7,595,484	26.6%
401	500	3,632	1,614,618	115,402	88.6%	9,210,103	32.2%
501	and up	14,787	19,384,510	130,189	100.0%	28,594,613	100.0%

UNS Gas, Inc.
Large Volume Commercial (Rate 22) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	0	0	0	0.0%	0	0.0%
1	10	0	0	0	0.0%	0	0.0%
11	20	2	35	2	1.6%	35	0.0%
21	30	0	0	2	1.6%	35	0.0%
31	40	2	61	4	3.2%	96	0.0%
41	50	1	40	5	4.0%	135	0.0%
51	60	0	0	5	4.0%	135	0.0%
61	70	1	66	6	4.8%	201	0.0%
71	80	2	144	8	6.5%	345	0.0%
81	90	1	83	9	7.3%	428	0.0%
91	100	1	89	10	8.1%	517	0.0%
101	110	0	0	10	8.1%	517	0.0%
111	120	1	109	11	8.9%	626	0.1%
121	130	2	241	13	10.5%	867	0.1%
131	140	1	129	14	11.3%	996	0.1%
141	150	2	279	16	12.9%	1,275	0.1%
151	160	0	0	16	12.9%	1,275	0.1%
161	170	1	163	17	13.7%	1,439	0.1%
171	180	0	0	17	13.7%	1,439	0.1%
181	190	0	0	17	13.7%	1,439	0.1%
191	200	0	0	17	13.7%	1,439	0.1%
201	300	2	459	19	15.3%	1,898	0.2%
301	400	3	1,114	22	17.7%	3,012	0.2%
401	500	6	2,568	28	22.6%	5,580	0.5%
501	and up	95	1,214,368	123	100.0%	1,219,948	100.0%

UNS Gas, Inc.
Small Volume Industrial (Rate 30) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	11	0	11	7.2%	0	0.0%
1	10	10	59	21	13.9%	59	0.0%
11	20	2	32	23	15.1%	92	0.0%
21	30	2	43	25	16.3%	134	0.0%
31	40	5	156	29	19.3%	291	0.1%
41	50	2	87	31	20.5%	378	0.1%
51	60	3	153	34	22.3%	530	0.1%
61	70	2	125	36	23.5%	655	0.1%
71	80	1	74	37	24.1%	729	0.1%
81	90	0	0	37	24.1%	729	0.1%
91	100	1	87	38	24.7%	816	0.2%
101	110	1	97	38	25.3%	913	0.2%
111	120	0	0	38	25.3%	913	0.2%
121	130	0	0	38	25.3%	913	0.2%
131	140	1	127	39	25.9%	1,040	0.2%
141	150	1	142	40	26.5%	1,182	0.2%
151	160	0	0	40	26.5%	1,182	0.2%
161	170	0	0	40	26.5%	1,182	0.2%
171	180	0	0	40	26.5%	1,182	0.2%
181	190	0	0	40	26.5%	1,182	0.2%
191	200	0	0	40	26.5%	1,182	0.2%
201	300	9	2,250	49	32.5%	3,432	0.7%
301	400	2	661	51	33.7%	4,093	0.8%
401	500	5	2,516	57	37.3%	6,609	1.3%
501	and up	95	498,623	152	100.0%	505,232	100.0%

UNS Gas, Inc.
Large Volume Industrial (Rate 32) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	2	0	2	2.3%	0	0.0%
1	10	0	0	2	2.3%	0	0.0%
11	20	0	0	2	2.3%	0	0.0%
21	30	0	0	2	2.3%	0	0.0%
31	40	0	0	2	2.3%	0	0.0%
41	50	0	0	2	2.3%	0	0.0%
51	60	0	0	2	2.3%	0	0.0%
61	70	0	0	2	2.3%	0	0.0%
71	80	0	0	2	2.3%	0	0.0%
81	90	0	0	2	2.3%	0	0.0%
91	100	0	0	2	2.3%	0	0.0%
101	110	0	0	2	2.3%	0	0.0%
111	120	0	0	2	2.3%	0	0.0%
121	130	0	0	2	2.3%	0	0.0%
131	140	0	0	2	2.3%	0	0.0%
141	150	0	0	2	2.3%	0	0.0%
151	160	0	0	2	2.3%	0	0.0%
161	170	0	0	2	2.3%	0	0.0%
171	180	0	0	2	2.3%	0	0.0%
181	190	7	208,120	9	10.5%	208,120	9.1%
191	200	0	0	9	10.5%	208,120	9.1%
201	300	1	206	10	11.6%	208,326	9.2%
301	400	0	0	10	11.6%	208,326	9.2%
401	500	1	418	11	12.8%	208,744	9.2%
501	and up	73	2,067,783	84	100.0%	2,276,527	100.0%

UNS Gas, Inc.
Small Volume Public Authority (Rate 40) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	1,601	0	1,601	12.8%	0	0.0%
1	10	1,696	7,224	3,297	26.4%	7,224	0.1%
11	20	935	11,907	4,231	33.9%	19,131	0.3%
21	30	593	12,561	4,824	38.6%	31,691	0.6%
31	40	476	14,049	5,300	42.4%	45,740	0.8%
41	50	438	16,632	5,738	45.9%	62,373	1.1%
51	60	309	14,316	6,047	48.4%	76,689	1.4%
61	70	288	15,759	6,335	50.7%	92,448	1.6%
71	80	250	15,758	6,585	52.7%	108,206	1.9%
81	90	215	15,336	6,800	54.4%	123,542	2.2%
91	100	222	17,655	7,022	56.2%	141,197	2.5%
101	110	159	13,989	7,181	57.5%	155,186	2.8%
111	120	193	18,606	7,373	59.0%	173,793	3.1%
121	130	176	18,513	7,550	60.4%	192,305	3.4%
131	140	146	16,607	7,696	61.6%	208,912	3.7%
141	150	128	15,568	7,823	62.6%	224,480	4.0%
151	160	121	15,786	7,944	63.6%	240,267	4.3%
161	170	121	16,842	8,066	64.5%	257,108	4.6%
171	180	124	18,249	8,190	65.5%	275,357	4.9%
181	190	103	15,951	8,293	66.3%	291,309	5.2%
191	200	95	15,637	8,388	67.1%	306,945	5.4%
201	300	784	162,518	9,172	73.4%	469,463	8.3%
301	400	559	162,650	9,731	77.9%	632,114	11.2%
401	500	397	149,413	10,128	81.0%	781,527	13.9%
501	and up	2,371	4,856,298	12,499	100.0%	5,637,825	100.0%

UNS Gas, Inc.
Large Volume Public Authority (Rate 42) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	5	0	5	7.0%	0	0.0%
1	10	1	4	6	8.5%	4	0.0%
11	20	0	0	6	8.5%	4	0.0%
21	30	0	0	6	8.5%	4	0.0%
31	40	0	0	6	8.5%	4	0.0%
41	50	0	0	6	8.5%	4	0.0%
51	60	0	0	6	8.5%	4	0.0%
61	70	0	0	6	8.5%	4	0.0%
71	80	0	0	6	8.5%	4	0.0%
81	90	1	83	7	9.9%	87	0.0%
91	100	1	92	8	11.3%	178	0.0%
101	110	1	108	9	12.7%	286	0.0%
111	120	0	0	9	12.7%	286	0.0%
121	130	1	125	10	14.1%	411	0.0%
131	140	0	0	10	14.1%	411	0.0%
141	150	0	0	10	14.1%	411	0.0%
151	160	1	157	11	15.5%	567	0.0%
161	170	0	0	11	15.5%	567	0.0%
171	180	0	0	11	15.5%	567	0.0%
181	190	0	0	11	15.5%	567	0.0%
191	200	0	0	11	15.5%	567	0.0%
201	300	0	0	11	15.5%	567	0.0%
301	400	0	0	11	15.5%	567	0.0%
401	500	0	0	11	15.5%	567	0.0%
501	and up	59	1,146,237	70	100.0%	1,146,804	100.0%

UNS Gas, Inc.
Irrigation Service (Rate 60) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	48	0	48	66.7%	0	0.0%
1	10	2	4	50	69.4%	4	0.0%
11	20	2	29	52	72.2%	33	0.0%
21	30	0	0	52	72.2%	33	0.0%
31	40	0	0	52	72.2%	33	0.0%
41	50	1	44	53	73.6%	77	0.1%
51	60	0	0	53	73.6%	77	0.1%
61	70	2	131	55	76.4%	208	0.3%
71	80	1	79	56	77.8%	287	0.4%
81	90	1	85	57	79.2%	372	0.5%
91	100	0	0	57	79.2%	372	0.5%
101	110	0	0	57	79.2%	372	0.5%
111	120	0	0	57	79.2%	372	0.5%
121	130	0	0	57	79.2%	372	0.5%
131	140	0	0	57	79.2%	372	0.5%
141	150	0	0	57	79.2%	372	0.5%
151	160	0	0	57	79.2%	372	0.5%
161	170	0	0	57	79.2%	372	0.5%
171	180	0	0	57	79.2%	372	0.5%
181	190	0	0	57	79.2%	372	0.5%
191	200	0	0	57	79.2%	372	0.5%
201	300	0	0	57	79.2%	372	0.5%
301	400	0	0	57	79.2%	372	0.5%
401	500	0	0	57	79.2%	372	0.5%
501	and up	15	78,420	72	100.0%	78,792	100.0%

UNS Gas, Inc.
Schedule H-5 Notes
Test Year Ended December 31, 2005

The Gas Lighting Class has 36 customers and 101,640 therms for the test year.

EXHIBIT

UNSG-10
admitted

SCHEDULE

"A"

REVISED PAGES

Revised 8/11/06

UNS Gas, Inc.
Computation of Increase in Gross Revenue Requirements
Test Year Ended December 31, 2005

Line No.	Description	ACC Jurisdiction Original Cost		RCND		Fair Value		Line No.
1	Adjusted Rate Base	$161,661,362	(a)	$220,694,068	(a)	$191,177,715		1
2	Adjusted Operating Income	$8,428,981	(b)	$8,428,981	(b)	$8,428,981		2
3	Current Rate of Return (2/1)	5.21%		3.82%		4.41%		3
4	Required Operating Income	$14,223,179		$14,223,179		$14,223,179		4
5	Required Rate of Return (4/1)	8.80%	(c)	6.44%		7.44%		5
6	Operating Income Deficiency	$5,794,198		$5,794,198		$5,794,198		6
7	Gross Revenue Conversion Factor	1.6649	(d)	1.6649	(d)	1.6649	(d)	7
8	Increase in Gross Revenue Requirement	$9,646,901		$9,646,901		$9,646,901		8

	Customer Classification	Projected Revenue Increase (e)	% Dollar Increase (e)	
9	Residential Service	$6,788,619	21.11%	9
10	Commercial Gas Service	1,846,097	21.11%	10
11	Industrial Gas Service	66,562	21.23%	11
12	Public Authority Gas Service	347,338	21.11%	12
13	Special Gas Light Service	15,220	20.83%	13
14	Irrigation Service	4,975	21.11%	14
15	Transportation Customers	578,089	21.11%	15
16	Total	$9,646,901	21.11%	16

Supporting Schedules
(a) B-1
(b) C-1
(c) D-1
(d) C-3
(e) H-1

Revised 8/11/06

UNS Gas, Inc.
Summary Results of Operations
Prior Years Ended December 31, 2003 and 2004, Test Year Ended December 31, 2005,
and Projected Year Ended December 31, 2006
(Thousands of Dollars)

Line No.	Description	Prior Years Ended December 31, 2003 (a)	Prior Years Ended December 31, 2004 (a)	Test Year Ended December 31, 2005 Actuals (b)	Test Year Ended December 31, 2005 Adjusted (b)	Projected Year Ended December 31, 2006 Present Rates (c)	Projected Year Ended December 31, 2006 Proposed Rates (c)	Line No.
1	Operating Revenues	$47,297	$128,956	$138,279	$47,170	$168,647	$178,393	1
2	Operating Expenses (includes income taxes)	43,855	117,090	127,689 (3)	38,741	159,124	163,026	2
3	Operating Income	3,443	11,866	10,590	8,429	9,523	15,367	3
4	Other Income and Deductions	71	132	791	791	619	716	4
5	Income Before Interest Expense	3,513	11,998	11,381	9,220	10,142	16,083	5
6	Interest Expense	2,449	6,294	6,336	6,521 (d)	6,446	6,440	6
7	Net Income	$1,064	$5,703	$5,046	$2,699	$3,696	$9,643	7
8	Earnings Per Average Common Share	N/A (2)	N/A	N/A	N/A	N/A	N/A	8
9	Dividends Per Common Share	N/A (2)	N/A	N/A	N/A	N/A	N/A	9
10	Payout Ratio	0%	0%	0%	0%	0%	0%	10
11	Return on Year-End Invested Capital	N/A (1)	10.02%	8.11%	6.35%	6.79%	11.89%	11
12	Return on Average Invested Capital	N/A (1)	10.21%	8.61%	6.71%	6.91%	12.21%	12
13	Return on Year-End Common Equity	N/A (1)	9.71%	6.32%	3.48%	4.43%	10.78%	13
14	Return on Average Common Equity	N/A (1)	10.20%	7.28%	3.96%	4.53%	11.39%	14
15	Times Total Interest Earned - Before Income Taxes	N/A (1)	2.51	2.29	1.72	1.95	3.48	15
16	Times Total Interest Earned - After Income Taxes	N/A (1)	1.91	1.80	1.41	1.57	2.50	16

(1) The data for the year ended December 31, 2003 begins with August 11, 2003, the date that the Citizens acquisition closed; thus, such information is not meaningful.
(2) UNS Gas, Inc. is a subsidiary of UniSource Energy Corporation and has no publicly traded stock; thus, such information is not meaningful.
(3) Includes reclasification of $153,952 for Customer Deposit Interest Expense From Other Interest Expense to Other O&M Expense.

Supporting Schedules
(a) E-2
(b) C-1
(c) F-1
(d) D-2

Revised 8/11/06

UNS Gas, Inc.
Construction Expenditures and Gross Utility Plant in Service
Prior Years Ended December 31, 2003 and 2004, Test Year Ended December 31, 2005,
and Projected Years Ended December 31, 2006, 2007 and 2008
(Thousands of Dollars)

Line No.	Year			Construction Expenditures	Net Plant Placed in Service	Net Plant In Service	Gross Utility Plant in Service	Line No.
1	Prior Year Ended December 31, 2003	(1)	(a)	$8,595	$0	$143,563	$207,296	1
2	Prior Year Ended December 31, 2004		(a)	$19,137	$20,018	$159,461	$229,318	2
3	Test Year Ended December 31, 2005		(a)	$23,578	$22,956	$174,730	$248,744	3
4	Projected Year Ended December 31, 2006		(b)	$30,287	$30,621	$196,097	$277,191	4
5	Projected Year Ended December 31, 2007		(b)	$26,423	$27,211	$213,261	$302,732	5
6	Projected Year Ended December 31, 2008		(b)	$21,725	$20,682	$224,625	$323,556	6

(1) The data for the year ended December 31, 2003 begins with August 11, 2003, the date that the Citizens acquisition closed.

Supporting Schedules
(a) E-1 & E-3
(b) F-3

EXHIBIT

"B"

SCHEDULE

"B"

REVISED PAGES

Revised 8/11/06

UNS Gas, Inc.
Summary of Original Cost and RCND Rate Base
Test Year Ended December 31, 2005

Line No.	Description	Total		ACC Jurisdiction		Line No.
		Adjusted Original Cost Rate Base (a)	Adjusted RCND Rate Base (b)	Adjusted Original Cost Rate Base (a)	Adjusted RCND Rate Base (b)	
1	Gross Utility Plant in Service	$279,169,694	$374,243,421	$279,169,694	$374,243,421	1
2	Less: Accumulated Depreciation	72,006,708	97,114,865	72,006,708	97,114,865	2
3	Net Utility Plant in Service	207,162,986	277,128,556	207,162,986	277,128,556	3
4	Southern Union Acquisition Premium	0	0	0	0	
5	Less: Accum. Amort. - So. Union Acq. Premium	0	0	0	0	
6	Net Southern Union Acquisition Premium	0	0	0	0	
7	Citizens Acquisition Discount	(30,709,738)	(41,822,562)	(30,709,738)	(41,822,562)	7
8	Less: Accum. Amort. - Citizens Acq. Discount	(1,876,981)	(2,560,308)	(1,876,981)	(2,560,308)	8
9	Net Citizens Acquisition Discount	(28,832,757)	(39,262,254)	(28,832,757)	(39,262,254)	9
10	Total Net Utility Plant	178,330,229	237,866,302	178,330,229	237,866,302	10
11	Customer Advances for Construction	(7,283,595)	(7,786,962)	(7,283,595)	(7,786,962)	11
12	Customer Deposits	(3,040,484)	(3,040,484)	(3,040,484)	(3,040,484)	12
13	Accumulated Deferred Income Taxes	(6,484,809)	(6,484,809)	(6,484,809)	(6,484,809)	13
14	Total Deductions	(16,808,888)	(17,312,255)	(16,808,888)	(17,312,255)	14
15	Allowance for Working Capital	(1,045,146)	(1,045,146)	(1,045,146)	(1,045,146)	15
16	Regulatory Assets	1,204,887	1,204,887	1,204,887	1,204,887	16
17	Regulatory Liabilities	(19,721)	(19,721)	(19,721)	(19,721)	17
18	Total Rate Base	$161,661,362	$220,694,068	$161,661,362	$220,694,068	18

Supporting Schedules	Recap Schedules
(a) B-2	A-1
(b) B-3	

Revised 8/11/06

UNS Gas, Inc.
Pro Forma Adjustments to Original Cost Rate Base
As of December 31, 2005

Line No.	Description	Pro Forma Adjustments: Accumulated Deferred Income Taxes	Working Capital (a)				Total Page Adjustments	Total Original Cost Adjustments	Line No.
1	Gross Utility Plant in Service	$0	$0	$0	$0	$0	$0	($11,836,260)	1
2	Less: Accumulated Depreciation	0	0	0	0	0	0	(5,070,833)	2
3	Net Utility Plant in Service	0	0	0	0	0	0	(6,765,427)	3
4	Southern Union Acquisition Premium	0	0	0	0	0	0	(18,271,348)	4
5	Less: Accum. Amort. - So. Union Acq. Premium	0	0	0	0	0	0	(1,217,595)	5
6	Net Southern Union Acquisition Premium	0	0	0	0	0	0	(17,053,753)	6
7	Citizens Acquisition Discount	0	0	0	0	0	0	37,681,555	7
8	Less: Accum. Amort. - Citizens Acq. Discount	0	0	0	0	0	0	2,403,966	8
9	Net Citizens Acquisition Discount	0	0	0	0	0	0	35,277,589	9
10	Total Net Utility Plant	0	0	0	0	0	0	11,458,409	10
11	Customer Advances for Construction	0	0	0	0	0	0	0	11
12	Customer Deposits	0	0	0	0	0	0	0	12
13	Accumulated Deferred Income Taxes	2,807,892	0	0	0	0	2,807,892	2,807,892	13
14	Total Deductions	2,807,892	0	0	0	0	2,807,892	2,807,892	14
15	Allowance for Working Capital	0	(3,291,503)	0	0	0	(3,291,503)	(3,291,503)	15
16	Regulatory Assets	0	0	0	0	0	0	895,406	16
17	Regulatory Liabilities	0	0	0	0	0	0	0	17
18	Total Original Cost Rate Base	$2,807,892	($3,291,503)	$0	$0	$0	($483,611)	$11,870,204	18

Supporting Schedules
(a) B-5

Recap Schedules
B-1

UNS Gas, Inc.
Pro Forma Adjustments to RCND Rate Base
Test Year Ended December 31, 2005

Line No.	Description	Actual at End of Test Period (a), (b)	Total Adjustments (c)	Adjusted at End of Test Period	ACC Jurisdiction	Line No.
1	Gross Utility Plant in Service	$392,483,942	($18,240,521)	$374,243,421	$374,243,421	1
2	Less: Accumulated Depreciation	104,022,814	(6,907,949)	97,114,865	97,114,865	2
3	Net Utility Plant in Service	288,461,128	(11,332,572)	277,128,556	277,128,556	3
4	Southern Union Acquisition Premium	25,628,403	(25,628,403)	0	0	4
5	Less: Accum. Amort. - So. Union Acq. Premium	1,707,867	(1,707,867)	0	0	5
6	Net Southern Union Acquisition Premium	23,920,536	(23,920,536)	0	0	6
7	Citizens Acquisition Discount	(93,139,889)	51,317,327	(41,822,562)	(41,822,562)	7
8	Less: Accum. Amort. - Citizens Acq. Discount	(5,834,197)	3,273,889	(2,560,308)	(2,560,308)	8
9	Net Citizens Acquisition Discount	(87,305,692)	48,043,438	(39,262,254)	(39,262,254)	9
10	Total Net Utility Plant	225,075,972	12,790,330	237,866,302	237,866,302	10
11	Customer Advances for Construction	(7,786,962)	0	(7,786,962)	(7,786,962)	11
12	Customer Deposits	(3,040,484)	0	(3,040,484)	(3,040,484)	12
13	Accumulated Deferred Income Taxes	(9,292,701)	2,807,892	(6,484,809)	(6,484,809)	13
14	Total Deductions	(20,120,147)	2,807,892	(17,312,255)	(17,312,255)	14
15	Allowance for Working Capital	2,246,357	(3,291,503)	(1,045,146)	(1,045,146)	15
16	Regulatory Assets	309,481	895,406	1,204,887	1,204,887	16
17	Regulatory Liabilities	(19,721)	0	(19,721)	(19,721)	17
18	Total RCND Rate Base	$207,491,943	$13,202,125	$220,694,068	$220,694,068	18

Supporting Schedules	Recap Schedules
(a) B-4	B-1
(b) B-2	
(c) B-3 (P2-3)	

EXHIBIT

"C"

SCHEDULE

"C"

REVISED PAGES

UNS Gas, Inc.
Income Statement Pro Forma Adjustments
Test Year Ended December 31, 2005

Line No.	Description	Customer Service Cost Allocations	Depr. and Amort. Expense Annualization	Property Tax	Income Taxes	Total Page Adjustments	Total Adjustments	Line No.
	Operating Revenues							
1	Gas Retail Revenues	$0	$0	$0	$0	$0	($91,109,288)	1
2	Other Operating Revenue	0	0	0	0	0	0	2
3	Total Operating Revenues	0	0	0	0	0	(91,109,288)	3
	Operating Expenses							
4	Purchased Gas	0	0	0	0	0	(90,815,174)	4
5	Other Operations and Maintenance Expense	303,901	0	0	0	303,901	740,908	5
6	Depreciation and Amortization	10,191	3,280	0	0	13,471	447,075	6
7	Taxes Other than Income Taxes	11,330	0	1,591,370	0	1,602,700	1,805,894	7
8	Income Taxes	0	0	0	(1,126,817)	(1,126,817)	(1,126,817)	8
9	Total Operating Expenses	325,422	3,280	1,591,370	(1,126,817)	793,255	(88,948,114)	9
10	Operating Income	($325,422)	($3,280)	($1,591,370)	$1,126,817	($793,255)	($2,161,174)	10

Supporting Schedules	Recap Schedules
N/A	C-1

UNS Gas, Inc.
Computation of Gross Revenue Conversion Factor
Test Year Ended December 31, 2005

Line No.	Description	Percentage of Incremental Gross Revenues		Line No.
1	Gross Revenue	100.00%		1
2	Less: Uncollectible Revenue	0.51%		2
3	Taxable Income as a Percent	99.49%		3
4	Less: Federal (32.508%) and State Income Taxes (7.121%) (Combined Effective Tax Rate = 39.629%)	39.43%		4
5	Change in Net Operating Income	60.06%		5
6	Gross Revenue Conversion Factor	1.6649	(a)	6

(a) Line No. 1 divided by line No. 5.

Supporting Schedules	Recap Schedules
N/A	A-1

EXHIBIT

"D"

SCHEDULE

"D"

REVISED PAGES

UNS Gas, Inc.
Summary Cost of Capital
Test Year Ended December 31, 2005
(Thousands of Dollars)

Line No.	Capital Source		Capitalization Amount		Capitalization Percent	Cost Rate	Weighted Cost of Capital (c)	Line No.
	Actual - End of Test Period							
1	Short-Term Debt		N/A		N/A	N/A	N/A	1
2	Long-Term Debt - Net	(a)	$98,859	(1)	55.33%	6.60%	3.65%	2
3	Common Stock Equity	(b)	79,804		44.67%	11.00%	4.91%	3
4	Total Capital		$178,663		100.00%		8.56%	4
	Proposed - End of Test Period							
5	Short-Term Debt		N/A		N/A	N/A	N/A	5
6	Long-Term Debt - Net	(a)	$98,859		50.00%	6.60%	3.30%	6
7	Common Stock Equity		98,859		50.00%	11.00%	5.50%	7
8	Total Capital		$197,718		100.00%		8.80%	8

(1) The balance of Long-Term Debt is stated net of the unamortized balance of debt discount and issuance expense. Page 1 of Schedule D-2 provides a reconciliation between the Long-Term Debt balance of $100 million shown on Schedule E-1 and the $98.9 million balance shown above.

Supporting Schedules	Recap Schedules
(a) D-2	(c) A-3
(b) E-1	

EXHIBIT

"E"

SCHEDULE

"H"

REVISED PAGES

UNS Gas, Inc.
Residential (Rate 10) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	47,175		47,175	3.3%	0	0.0%
1	10	264,500	1,596,392	311,676	21.9%	1,596,392	2.4%
11	20	275,247	4,130,246	586,923	41.2%	5,726,638	8.5%
21	30	169,778	4,206,120	756,701	53.1%	9,932,758	14.8%
31	40	107,438	3,738,395	864,139	60.6%	13,671,153	20.3%
41	50	83,267	3,729,303	947,405	66.4%	17,400,456	25.9%
51	60	71,003	3,886,312	1,018,409	71.4%	21,286,767	31.7%
61	70	63,383	4,093,322	1,081,791	75.9%	25,380,089	37.7%
71	80	56,863	4,233,157	1,138,654	79.9%	29,613,246	44.0%
81	90	50,166	4,227,549	1,188,820	83.4%	33,840,795	50.3%
91	100	42,408	3,993,105	1,231,228	86.4%	37,833,900	56.3%
101	110	35,666	3,707,733	1,266,894	88.9%	41,541,634	61.8%
111	120	29,851	3,397,155	1,296,745	90.9%	44,938,788	66.8%
121	130	24,552	3,037,354	1,321,297	92.7%	47,976,142	71.3%
131	140	19,552	2,612,748	1,340,848	94.0%	50,588,890	75.2%
141	150	16,074	2,305,058	1,356,922	95.2%	52,893,948	78.7%
151	160	12,830	1,966,744	1,369,752	96.1%	54,860,693	81.6%
161	170	10,362	1,691,132	1,380,114	96.8%	56,551,824	84.1%
171	180	8,043	1,391,494	1,388,156	97.4%	57,943,319	86.2%
181	190	6,524	1,193,122	1,394,681	97.8%	59,136,441	87.9%
191	200	5,270	1,016,219	1,399,951	98.2%	60,152,660	89.5%
201	300	20,430	4,746,321	1,420,380	99.6%	64,898,981	96.5%
301	400	3,414	1,141,452	1,423,794	99.9%	66,040,434	98.2%
401	500	878	381,317	1,424,673	99.9%	66,421,751	98.8%
501	1,000	1,097	701,622	1,425,770	100.0%	67,123,373	99.8%
1,001	2,500	76	99,100	1,425,846	100.0%	67,222,473	100.0%
2,501	and up	7	24,425	1,425,853	100.0%	67,246,898	100.0%

UNS Gas, Inc.
CARES (Rate 12) Residential Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	1,204	0	1,204	1.9%	0	0.0%
1	10	12,426	79,640	13,630	21.6%	79,640	3.1%
11	20	13,963	212,869	27,593	43.7%	292,509	11.5%
21	30	7,866	197,658	35,459	56.1%	490,167	19.3%
31	40	5,045	178,560	40,504	64.1%	668,727	26.4%
41	50	4,000	182,307	44,503	70.5%	851,034	33.6%
51	60	3,583	199,363	48,086	76.1%	1,050,397	41.4%
61	70	3,230	211,943	51,316	81.2%	1,262,341	49.8%
71	80	2,626	198,330	53,943	85.4%	1,460,671	57.6%
81	90	2,184	186,910	56,127	88.9%	1,647,581	65.0%
91	100	1,751	167,512	57,877	91.6%	1,815,093	71.6%
101	110	1,296	136,793	59,173	93.7%	1,951,886	77.0%
111	120	1,014	117,106	60,187	95.3%	2,068,992	81.6%
121	130	771	96,816	60,958	96.5%	2,165,808	85.4%
131	140	524	71,073	61,482	97.3%	2,236,881	88.2%
141	150	435	63,477	61,917	98.0%	2,300,359	90.7%
151	160	349	54,338	62,267	98.6%	2,354,697	92.9%
161	170	218	36,148	62,484	98.9%	2,390,844	94.3%
171	180	169	29,615	62,653	99.2%	2,420,460	95.5%
181	190	116	21,502	62,769	99.4%	2,441,961	96.3%
191	200	88	17,191	62,857	99.5%	2,459,153	97.0%
201	300	282	64,893	63,139	100.0%	2,524,046	99.6%
301	400	27	9,033	63,166	100.0%	2,533,079	99.9%
401	500	3	1,366	63,169	100.0%	2,534,445	100.0%
501	and up	1	758	63,170	100.0%	2,535,203	100.0%

UNS Gas, Inc.
Small Volume Commercial (Rate 20) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills		Therms	Percent of Total
0	0	21,887	0	21,887	34.6%	0	0.0%
1	10	20,236	103,814	42,123	66.7%	103,814	0.4%
11	20	10,554	158,678	52,678	83.4%	262,492	0.9%
21	30	6,879	172,369	59,557	94.3%	434,861	1.5%
31	40	5,212	182,707	64,769	102.5%	617,568	2.2%
41	50	4,431	199,435	69,200	53.2%	817,002	2.9%
51	60	3,650	200,647	72,850	56.0%	1,017,650	3.6%
61	70	3,237	209,856	76,087	58.4%	1,227,506	4.3%
71	80	3,005	225,003	79,092	60.8%	1,452,509	5.1%
81	90	2,635	223,527	81,727	62.8%	1,676,036	5.9%
91	100	2,429	229,862	84,156	64.6%	1,905,899	6.7%
101	110	2,169	226,770	86,325	66.3%	2,132,668	7.5%
111	120	1,955	223,656	88,281	67.8%	2,356,324	8.2%
121	130	1,806	224,465	90,087	69.2%	2,580,789	9.0%
131	140	1,650	221,706	91,737	70.5%	2,802,495	9.8%
141	150	1,580	227,690	93,317	71.7%	3,030,185	10.6%
151	160	1,364	210,344	94,681	72.7%	3,240,529	11.3%
161	170	1,233	202,262	95,915	73.7%	3,442,790	12.0%
171	180	1,259	218,877	97,174	74.6%	3,661,667	12.8%
181	190	1,082	198,816	98,256	75.5%	3,860,484	13.5%
191	200	1,101	213,351	99,357	76.3%	4,073,834	14.2%
201	300	7,506	1,833,493	106,863	82.1%	5,907,328	20.7%
301	400	4,906	1,688,157	111,769	85.9%	7,595,484	26.6%
401	500	3,632	1,614,618	115,402	88.6%	9,210,103	32.2%
501	1,000	8,610	5,903,468	124,012	95.3%	15,113,571	52.9%
1,001	2,500	4,839	7,316,452	128,851	99.0%	22,430,023	78.4%
2,501	5,000	950	3,135,213	129,801	99.7%	25,565,236	89.4%
5,001	10,000	329	2,261,838	130,130	100.0%	27,827,074	97.3%
10,001	25,000	59	767,539	130,189	100.0%	28,594,613	100.0%

UNS Gas, Inc.
Large Volume Commercial (Rate 22) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	0	0	0	0.0%	0	0.0%
1	10	0	0	0	0.0%	0	0.0%
11	20	2	35	2	1.6%	35	0.0%
21	30	0	0	2	1.6%	35	0.0%
31	40	2	61	4	3.2%	96	0.0%
41	50	1	40	5	4.0%	135	0.0%
51	60	0	0	5	4.0%	135	0.0%
61	70	1	66	6	4.8%	201	0.0%
71	80	2	144	8	6.5%	345	0.0%
81	90	1	83	9	7.3%	428	0.0%
91	100	1	89	10	8.1%	517	0.0%
101	110	0	0	10	8.1%	517	0.0%
111	120	1	109	11	8.9%	626	0.1%
121	130	2	241	13	10.5%	867	0.1%
131	140	1	129	14	11.3%	996	0.1%
141	150	2	279	16	12.9%	1,275	0.1%
151	160	0	0	16	12.9%	1,275	0.1%
161	170	1	163	17	13.7%	1,439	0.1%
171	180	0	0	17	13.7%	1,439	0.1%
181	190	0	0	17	13.7%	1,439	0.1%
191	200	0	0	17	13.7%	1,439	0.1%
201	300	2	459	19	15.4%	1,898	0.2%
301	400	3	1,114	22	17.8%	3,012	0.2%
401	500	6	2,568	28	22.6%	5,580	0.5%
501	1,000	4	3,233	32	25.9%	8,813	0.7%
1,001	2,500	3	6,304	35	28.3%	15,117	1.2%
2,501	5,000	28	115,337	63	51.1%	130,454	10.7%
5,001	10,000	17	153,290	80	65.0%	283,744	23.3%
10,001	25,000	41	849,083	121	98.4%	1,132,827	92.9%
25,001	50,000	2	87,121	123	100.0%	1,219,948	100.0%

UNS Gas, Inc.
Small Volume Industrial (Rate 30) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	11	0	11	7.2%	0	0.0%
1	10	10	59	21	13.9%	59	0.0%
11	20	2	32	23	15.1%	92	0.0%
21	30	2	43	25	16.3%	134	0.0%
31	40	5	156	29	19.3%	291	0.1%
41	50	2	87	31	20.5%	378	0.1%
51	60	3	153	34	22.3%	530	0.1%
61	70	2	125	36	23.5%	655	0.1%
71	80	1	74	37	24.1%	729	0.1%
81	90	0	0	37	24.1%	729	0.1%
91	100	1	87	38	24.7%	816	0.2%
101	110	1	97	38	25.3%	913	0.2%
111	120	0	0	38	25.3%	913	0.2%
121	130	0	0	38	25.3%	913	0.2%
131	140	1	127	39	25.9%	1,040	0.2%
141	150	1	142	40	26.5%	1,182	0.2%
151	160	0	0	40	26.5%	1,182	0.2%
161	170	0	0	40	26.5%	1,182	0.2%
171	180	0	0	40	26.5%	1,182	0.2%
181	190	0	0	40	26.5%	1,182	0.2%
191	200	0	0	40	26.5%	1,182	0.2%
201	300	9	2,250	49	32.6%	3,432	0.7%
301	400	2	661	51	33.8%	4,093	0.8%
401	500	5	2,516	57	37.4%	6,609	1.3%
501	1,000	9	6,175	66	43.3%	12,784	2.5%
1,001	2,500	15	23,596	81	53.2%	36,380	7.2%
2,501	5,000	31	118,959	112	73.6%	155,339	30.7%
5,001	10,000	27	201,938	139	91.4%	357,277	70.7%
10,001	25,000	13	147,955	152	100.0%	505,232	100.0%

UNS Gas, Inc.
Large Volume Industrial (Rate 32) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	2	0	2	2.3%	0	0.0%
1	10	0	0	2	2.3%	0	0.0%
11	20	0	0	2	2.3%	0	0.0%
21	30	0	0	2	2.3%	0	0.0%
31	40	0	0	2	2.3%	0	0.0%
41	50	0	0	2	2.3%	0	0.0%
51	60	0	0	2	2.3%	0	0.0%
61	70	0	0	2	2.3%	0	0.0%
71	80	0	0	2	2.3%	0	0.0%
81	90	0	0	2	2.3%	0	0.0%
91	100	0	0	2	2.3%	0	0.0%
101	110	0	0	2	2.3%	0	0.0%
111	120	0	0	2	2.3%	0	0.0%
121	130	0	0	2	2.3%	0	0.0%
131	140	0	0	2	2.3%	0	0.0%
141	150	0	0	2	2.3%	0	0.0%
151	160	0	0	2	2.3%	0	0.0%
161	170	0	0	2	2.3%	0	0.0%
171	180	0	0	2	2.3%	0	0.0%
181	190	7	1,272	9	10.5%	1,272	0.1%
191	200	0	0	9	10.5%	1,272	0.1%
201	300	1	206	10	11.7%	1,478	0.1%
301	400	0	0	10	11.7%	1,478	0.1%
401	500	1	418	11	12.8%	1,896	0.1%
501	1,000	3	2,626	14	16.4%	4,522	0.2%
1,001	2,500	4	7,695	18	21.2%	12,217	0.5%
2,501	5,000	4	12,162	22	26.0%	24,379	1.1%
5,001	10,000	15	121,401	37	43.9%	145,780	6.4%
10,001	25,000	20	436,867	57	67.8%	582,647	25.6%
25,001	50,000	16	647,997	73	86.9%	1,230,644	54.1%
50,001	100,000	11	1,045,883	84	100.0%	2,276,527	100.0%

UNS Gas, Inc.
Small Volume Public Authority (Rate 40) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	1,601	0	1,601	12.8%	0	0.0%
1	10	1,696	7,224	3,297	26.4%	7,224	0.1%
11	20	935	11,907	4,231	33.9%	19,131	0.3%
21	30	593	12,561	4,824	38.6%	31,691	0.6%
31	40	476	15,057	5,300	42.4%	46,748	0.8%
41	50	438	18,182	5,738	45.9%	64,931	1.2%
51	60	309	16,276	6,047	48.4%	81,207	1.4%
61	70	288	17,609	6,335	50.7%	98,816	1.8%
71	80	250	17,968	6,585	52.7%	116,784	2.1%
81	90	215	17,459	6,800	54.4%	134,243	2.4%
91	100	222	20,264	7,022	56.2%	154,507	2.7%
101	110	159	16,077	7,181	57.5%	170,584	3.0%
111	120	193	21,614	7,373	59.0%	192,199	3.4%
121	130	176	21,625	7,550	60.4%	213,823	3.8%
131	140	146	19,340	7,696	61.6%	233,163	4.1%
141	150	128	18,176	7,823	62.6%	251,339	4.5%
151	160	121	18,505	7,944	63.6%	269,845	4.8%
161	170	121	19,752	8,066	64.5%	289,596	5.1%
171	180	124	21,371	8,190	65.5%	310,967	5.5%
181	190	103	18,659	8,293	66.3%	329,627	5.8%
191	200	95	18,770	8,388	67.1%	348,396	6.2%
201	300	784	162,518	9,172	73.4%	510,914	9.1%
301	400	559	168,560	9,731	77.9%	679,475	12.1%
401	500	397	159,725	10,128	81.0%	839,200	14.9%
501	1,000	951	630,346	11,079	88.6%	1,469,546	26.1%
1,001	2,500	893	1,388,981	11,972	95.8%	2,858,527	50.7%
2,501	5,000	342	1,174,399	12,314	98.5%	4,032,926	71.5%
5,001	10,000	151	1,102,031	12,465	99.7%	5,134,957	91.1%
10,001	25,000	34	502,868	12,499	100.0%	5,637,825	100.0%

UNS Gas, Inc.
Large Volume Public Authority (Rate 42) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	5	0	5	7.1%	0	0.0%
1	10	1	4	6	8.5%	4	0.0%
11	20	0	0	6	8.5%	4	0.0%
21	30	0	0	6	8.5%	4	0.0%
31	40	0	0	6	8.5%	4	0.0%
41	50	0	0	6	8.5%	4	0.0%
51	60	0	0	6	8.5%	4	0.0%
61	70	0	0	6	8.5%	4	0.0%
71	80	0	0	6	8.5%	4	0.0%
81	90	1	83	7	9.9%	87	0.0%
91	100	1	92	8	11.3%	178	0.0%
101	110	1	108	9	12.7%	286	0.0%
111	120	0	0	9	12.7%	286	0.0%
121	130	1	125	10	14.1%	411	0.0%
131	140	0	0	10	14.1%	411	0.0%
141	150	0	0	10	14.1%	411	0.0%
151	160	1	157	11	15.5%	567	0.0%
161	170	0	0	11	15.5%	567	0.0%
171	180	0	0	11	15.5%	567	0.0%
181	190	0	0	11	15.5%	567	0.0%
191	200	0	0	11	15.5%	567	0.0%
201	300	0	0	11	15.5%	567	0.0%
301	400	0	0	11	15.5%	567	0.0%
401	500	0	0	11	15.5%	567	0.0%
501	1,000	0	0	11	15.5%	567	0.0%
1,001	2,500	6	8,664	17	24.1%	9,231	0.8%
2,501	5,000	4	14,305	21	29.8%	23,536	2.1%
5,001	10,000	9	74,334	30	42.7%	97,870	8.5%
10,001	25,000	20	338,904	50	71.4%	436,774	38.1%
25,001	50,000	15	443,712	65	92.8%	880,486	76.8%
50,001	100,000	5	266,318	70	100.0%	1,146,804	100.0%

UNS Gas, Inc.
Irrigation Service (Rate 60) Bill Count
Test Year Ended December 31, 2005

Usage Range - Therms				Cumulative Bills		Cumulative Therms	
Lower	Upper	Number of Bills	Therms	Bills	Percent of Total	Therms	Percent of Total
0	0	48	0	48	66.7%	0	0.0%
1	10	2	4	50	69.4%	4	0.0%
11	20	2	29	52	72.2%	33	0.0%
21	30	0	0	52	72.2%	33	0.0%
31	40	0	0	52	72.2%	33	0.0%
41	50	1	44	53	73.6%	77	0.1%
51	60	0	0	53	73.6%	77	0.1%
61	70	2	131	55	76.4%	208	0.3%
71	80	1	79	56	77.8%	287	0.4%
81	90	1	85	57	79.2%	372	0.5%
91	100	0	0	57	79.2%	372	0.5%
101	110	0	0	57	79.2%	372	0.5%
111	120	0	0	57	79.2%	372	0.5%
121	130	0	0	57	79.2%	372	0.5%
131	140	0	0	57	79.2%	372	0.5%
141	150	0	0	57	79.2%	372	0.5%
151	160	0	0	57	79.2%	372	0.5%
161	170	0	0	57	79.2%	372	0.5%
171	180	0	0	57	79.2%	372	0.5%
181	190	0	0	57	79.2%	372	0.5%
191	200	0	0	57	79.2%	372	0.5%
201	300	0	0	57	79.2%	372	0.5%
301	400	0	0	57	79.2%	372	0.5%
401	500	0	0	57	79.2%	372	0.5%
501	1,000	1	972	58	80.6%	1,344	1.7%
1,001	2,500	4	6,510	62	86.1%	7,854	10.0%
2,501	5,000	7	22,021	69	95.8%	29,875	37.9%
5,001	10,000	1	9,731	70	97.2%	39,606	50.3%
10,001	25,000	1	11,768	71	98.6%	51,374	65.2%
25,001	50,000	1	27,418	72	100.0%	78,792	100.0%

UNS Gas, Inc.
Schedule H-5 Notes
Test Year Ended December 31, 2005

The Gas Lighting Class has 36 bills and 101,640 therms for the test year. The average therms per bill per month is 2,823.

Bill of Lading

User Name: *Mary Ippolito*
Company: *ROSHKA DEWULF & PATTEN*

AZ Best **(602) 248-9700**

Control Number: 262503 **eTrac Number: 42470849**

Submitter Information		Shipping Information	
Account:	26031	**Service Type:**	COURTRUN-SAME DAY
Name:	ROSHKA DEWULF & PATTEN	**Return Service:**	None
Requested By:	Mary Ippolito	**Pieces:**	1
Reference:	UNSGAS.2006RATECASE	**Weight:**	1.0 Lbs.
BOL No.:		**Charges:**	0.00
Entered:	11-AUG-2006 13:56	**Quote:**	0.00
Last Updated:	11-AUG-2006 16:59 (EST)		

Pick Up From	Deliver To
* ROSHKA DEWULF & PATTEN 400 E VAN BUREN ST STE 800 PHOENIX, AZ 85004 **Phone:** 602-256-6100	ACC Docket Control 1200 W. Washington Ave Phoenix, AZ 85007

Pickup Details	Delivery Details
Requested Date: 11-AUG-2006	**Requested Date:** 11-AUG-2006
Ready Time: NOW	**Deliver By:** 14:56
Case Information: file orig + 13; deliver envelopes;return	**Special Instructions:** conformed copy
Actual Date:	**Actual Date:**
Arrival Time:	**Arrival Time:**
Departure Time:	**Departure Time:**
Driver:	**Received by:** X
Date:	
Time:	**Print Name:**

RECEIVED

AUG 11 2006

LEGAL DIV.
ARIZ. CORPORATION COMMISSION

eTrac Order Entry
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	SUMMARY AT PRESENT RATES								
2									
3	DEVELOPMENT OF RATE BASE								
4	GAS PLANT IN SERVICE		$248,459,957	$172,449,400	$47,421,599	$15,137,982	$13,295,438	$88,252	$67,287
5	DEPREC & AMORT RESERVE		70,129,727	50,218,524	12,810,979	3,694,460	3,367,260	21,423	17,082
6	NET PLANT IN SERVICE		178,330,230	122,230,876	34,610,620	11,443,522	9,928,178	66,828	50,206
7									
8	ADDITIONS & DEDUCTIONS								
9	CASH WORKING CAPITAL		(3,280,886)	(2,277,175)	(626,197)	(199,895)	(175,565)	(1,165)	(889)
10	MATERIALS & SUPPIES		2,039,798	1,415,769	389,320	124,279	109,152	725	552
11	PREPAYMENTS		195,942	135,998	37,398	11,938	10,485	70	53
12	CUSTOMER ADVANCES FOR CONSTRUCTION		(7,283,595)	(5,055,348)	(1,390,163)	(443,769)	(389,755)	(2,587)	(1,973)
13	CUSTOMER DEPOSITS		(3,040,483)	(2,110,318)	(580,313)	(185,248)	(162,700)	(1,080)	(823)
14	OTHER		1,185,166	900,081	196,749	47,967	39,868	258	242
15	ACCUM DEFERRED INCOME TAXES		(6,484,809)	(4,500,932)	(1,237,705)	(395,102)	(347,011)	(2,303)	(1,756)
16	TOTAL ADDITIONS & DEDUCTIONS		(16,668,867)	(11,491,925)	(3,210,910)	(1,039,830)	(915,526)	(6,083)	(4,593)
17									
18	TOTAL RATE BASE		$161,661,362	$110,738,951	$31,399,710	$10,403,692	$9,012,652	$60,745	$45,613
19									
20	DEVELOPMENT OF RETURN								
21	OPERATING REVENUES								
22	SALES OF GAS TO ULTIMATE CUST		45,689,224	32,152,423	9,193,787	2,080,932	2,165,441	73,078	23,562
23	OTHER OPERATING REVENUES		1,480,303	1,256,411	137,913	25,172	59,937	173	697
24	TOTAL GAS OPERATING REVENUES		47,169,527	33,408,834	9,331,700	2,106,105	2,225,378	73,251	24,260
25									
26	OPERATING EXPENSES								
27	OPER & MAINT EXPENSE		24,814,565	19,141,078	3,923,420	911,320	825,548	8,026	5,173
28	AMORTIZATION & DEPRECIATION EXP		7,220,392	5,228,678	1,282,981	368,964	335,914	2,147	1,707
29	TAXES OTHER THAN INCOME		4,730,094	3,321,941	887,839	274,619	242,859	1,601	1,235
30	TAX EXPENSE		1,975,498	797,315	863,362	80,461	205,155	23,439	5,766
31	TOTAL OPERATING EXPENSES		38,740,548	28,489,013	6,957,602	1,635,364	1,609,476	35,213	13,880
32									
33	OPERATING INCOME		$8,428,979	$4,919,822	$2,374,097	$470,741	$615,902	$38,038	$10,380
34									
35	RATE OF RETURN		5.21%	4.44%	7.56%	4.52%	6.83%	62.62%	22.76%
36	INDEX RATE OF RETURN		1.000	0.852	1.450	0.868	1.311	12.010	4.365
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EXHIBIT
UNSG-11
Admitted

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	SUMMARY AT PRESENT RATES							
2								
3	DEVELOPMENT OF RATE BASE							
4	GAS PLANT IN SERVICE		$42,783,998	$4,637,601	$499,982	$14,638,000	$8,237,129	$5,058,308
5	DEPREC & AMORT RESERVE		11,660,933	1,150,046	122,640	3,571,820	2,129,789	1,237,471
6	NET PLANT IN SERVICE		31,123,066	3,487,555	377,342	11,066,180	6,107,340	3,820,837
7								
8	ADDITIONS & DEDUCTIONS							
9	CASH WORKING CAPITAL		(564,958)	(61,239)	(6,602)	(193,293)	(108,770)	(66,794)
10	MATERIALS & SUPPIES		351,247	38,074	4,105	120,175	67,625	41,528
11	PREPAYMENTS		33,741	3,657	394	11,544	6,496	3,989
12	CUSTOMER ADVANCES FOR CONSTRUCTION		(1,254,211)	(135,951)	(14,657)	(429,112)	(241,471)	(148,284)
13	CUSTOMER DEPOSITS		(523,561)	(56,752)	(6,118)	(179,130)	(100,800)	(61,900)
14	OTHER		183,767	12,982	1,440	46,528	25,395	14,473
15	ACCUM DEFERRED INCOME TAXES		(1,116,663)	(121,041)	(13,050)	(382,052)	(214,989)	(132,022)
16	TOTAL ADDITIONS & DEDUCTIONS		(2,890,639)	(320,271)	(34,489)	(1,005,341)	(566,515)	(349,011)
17								
18	TOTAL RATE BASE		$28,232,426	$3,167,284	$342,854	$10,060,838	$5,540,825	$3,471,827
19								
20	DEVELOPMENT OF RETURN							
21	OPERATING REVENUES							
22	SALES OF GAS TO ULTIMATE CUST		8,531,880	661,907	109,190	1,971,743	1,527,532	637,909
23	OTHER OPERATING REVENUES		130,072	7,841	960	24,212	51,498	8,439
24	TOTAL GAS OPERATING REVENUES		8,661,952	669,748	110,150	1,995,955	1,579,030	646,348
25								
26	OPERATING EXPENSES							
27	OPER & MAINT EXPENSE		3,638,470	284,950	29,620	881,701	529,805	295,743
28	AMORTIZATION & DEPRECIATION EXP		1,168,936	114,045	12,258	356,706	212,676	123,238
29	TAXES OTHER THAN INCOME		803,480	84,360	9,080	265,539	151,142	91,717
30	TAX EXPENSE		831,539	31,823	18,827	61,633	197,344	7,810
31	TOTAL OPERATING EXPENSES		6,442,424	515,178	69,785	1,565,579	1,090,967	518,509
32								
33	OPERATING INCOME		$2,219,528	$154,570	$40,365	$430,376	$488,063	$127,839
34								
35	RATE OF RETURN		7.86%	4.88%	11.77%	4.28%	8.81%	3.68%
36	INDEX RATE OF RETURN		1.508	0.936	2.258	0.820	1.689	0.706
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	SUMMARY AT PRESENT RATES						
2							
3	DEVELOPMENT OF RATE BASE						
4	GAS PLANT IN SERVICE		$165,488,636	$6,960,764	$42,783,998	$1,386,015	$3,251,586
5	DEPREC & AMORT RESERVE		48,185,355	2,033,169	11,660,933	350,087	799,960
6	NET PLANT IN SERVICE		117,303,281	4,927,595	31,123,066	1,035,928	2,451,627
7							
8	ADDITIONS & DEDUCTIONS						
9	CASH WORKING CAPITAL		(2,185,259)	(91,916)	(564,958)	(18,302)	(42,937)
10	MATERIALS & SUPPIES		1,358,623	57,146	351,247	11,379	26,695
11	PREPAYMENTS		130,509	5,489	33,741	1,093	2,564
12	CUSTOMER ADVANCES FOR CONSTRUCTION		(4,851,294)	(204,055)	(1,254,211)	(40,631)	(95,320)
13	CUSTOMER DEPOSITS		(2,025,137)	(85,181)	(523,561)	(16,961)	(39,791)
14	OTHER		868,125	31,956	183,767	4,212	8,769
15	ACCUM DEFERRED INCOME TAXES		(4,319,256)	(181,676)	(1,116,663)	(36,175)	(84,866)
16	TOTAL ADDITIONS & DEDUCTIONS		(11,023,689)	(468,236)	(2,890,639)	(95,385)	(224,886)
17							
18	TOTAL RATE BASE		$106,279,592	$4,459,359	$28,232,426	$940,543	$2,226,741
19							
20	DEVELOPMENT OF RETURN						
21	OPERATING REVENUES						
22	SALES OF GAS TO ULTIMATE CUST		31,176,937	975,486	8,531,880	211,649	450,258
23	OTHER OPERATING REVENUES		1,225,837	30,573	130,072	2,619	5,221
24	TOTAL GAS OPERATING REVENUES		32,402,775	1,006,059	8,661,952	214,268	455,479
25							
26	OPERATING EXPENSES						
27	OPER & MAINT EXPENSE		18,528,597	612,481	3,638,470	82,407	202,543
28	AMORTIZATION & DEPRECIATION EXP		5,020,179	208,499	1,168,936	34,430	79,615
29	TAXES OTHER THAN INCOME		3,189,076	132,865	803,480	25,288	59,072
30	TAX EXPENSE		835,392	(38,076)	831,539	16,071	15,752
31	TOTAL OPERATING EXPENSES		27,573,244	915,769	6,442,424	158,196	356,982
32							
33	OPERATING INCOME		$4,829,531	$90,290	$2,219,528	$56,073	$98,497
34							
35	RATE OF RETURN		4.54%	2.02%	7.86%	5.96%	4.42%
36	INDEX RATE OF RETURN		0.87	0.39	1.51	1.14	0.85
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	SUMMARY AT PRESENT RATES				
2					
3	DEVELOPMENT OF RATE BASE				
4	GAS PLANT IN SERVICE		$499,982	$2,161,146	$12,476,854
5	DEPREC & AMORT RESERVE		122,640	531,882	3,039,938
6	NET PLANT IN SERVICE		377,342	1,629,264	9,436,916
7					
8	ADDITIONS & DEDUCTIONS				
9	CASH WORKING CAPITAL		(6,602)	(28,538)	(164,755)
10	MATERIALS & SUPPIES		4,105	17,743	102,432
11	PREPAYMENTS		394	1,704	9,840
12	CUSTOMER ADVANCES FOR CONSTRUCTION		(14,657)	(63,354)	(365,759)
13	CUSTOMER DEPOSITS		(6,118)	(26,447)	(152,683)
14	OTHER		1,440	6,352	40,176
15	ACCUM DEFERRED INCOME TAXES		(13,050)	(56,406)	(325,646)
16	TOTAL ADDITIONS & DEDUCTIONS		(34,489)	(148,946)	(856,396)
17					
18	TOTAL RATE BASE		$342,854	$1,480,318	$8,580,520
19					
20	DEVELOPMENT OF RETURN				
21	OPERATING REVENUES				
22	SALES OF GAS TO ULTIMATE CUST		109,190	204,407	1,767,335
23	OTHER OPERATING REVENUES		960	4,177	20,035
24	TOTAL GAS OPERATING REVENUES		110,150	208,585	1,787,370
25					
26	OPERATING EXPENSES				
27	OPER & MAINT EXPENSE		29,620	113,848	767,853
28	AMORTIZATION & DEPRECIATION EXP		12,258	52,941	303,765
29	TAXES OTHER THAN INCOME		9,080	39,268	226,271
30	TAX EXPENSE		18,827	(18,477)	80,110
31	TOTAL OPERATING EXPENSES		69,785	187,580	1,377,999
32					
33	OPERATING INCOME		$40,365	$21,005	$409,371
34					
35	RATE OF RETURN		11.77%	1.42%	4.77%
36	INDEX RATE OF RETURN		2.26	0.27	0.92
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	SUMMARY AT PRESENT RATES						
2							
3	DEVELOPMENT OF RATE BASE						
4	GAS PLANT IN SERVICE		$8,237,129	$1,206,328	$3,851,981	$88,252	$67,287
5	DEPREC & AMORT RESERVE		2,129,789	296,812	940,659	21,423	17,082
6	NET PLANT IN SERVICE		6,107,340	909,515	2,911,322	66,828	50,206
7							
8	ADDITIONS & DEDUCTIONS						
9	CASH WORKING CAPITAL		(108,770)	(15,929)	(50,865)	(1,165)	(889)
10	MATERIALS & SUPPIES		67,625	9,904	31,624	725	552
11	PREPAYMENTS		6,496	951	3,038	70	53
12	CUSTOMER ADVANCES FOR CONSTRUCTION		(241,471)	(35,363)	(112,921)	(2,587)	(1,973)
13	CUSTOMER DEPOSITS		(100,800)	(14,762)	(47,138)	(1,080)	(823)
14	OTHER		25,395	3,184	11,289	258	242
15	ACCUM DEFERRED INCOME TAXES		(214,989)	(31,485)	(100,537)	(2,303)	(1,756)
16	TOTAL ADDITIONS & DEDUCTIONS		(566,515)	(83,502)	(265,509)	(6,083)	(4,593)
17							
18	TOTAL RATE BASE		$5,540,825	$826,014	$2,645,813	$60,745	$45,613
19							
20	DEVELOPMENT OF RETURN						
21	OPERATING REVENUES						
22	SALES OF GAS TO ULTIMATE CUST		1,527,532	117,541	520,368	73,078	23,562
23	OTHER OPERATING REVENUES		51,498	2,254	6,185	173	697
24	TOTAL GAS OPERATING REVENUES		1,579,030	119,795	526,553	73,251	24,260
25							
26	OPERATING EXPENSES						
27	OPER & MAINT EXPENSE		529,805	60,797	234,946	8,026	5,173
28	AMORTIZATION & DEPRECIATION EXP		212,676	29,414	93,824	2,147	1,707
29	TAXES OTHER THAN INCOME		151,142	21,861	69,856	1,601	1,235
30	TAX EXPENSE		197,344	(7,822)	15,632	23,439	5,766
31	TOTAL OPERATING EXPENSES		1,090,967	104,251	414,258	35,213	13,880
32							
33	OPERATING INCOME		$488,063	$15,544	$112,295	$38,038	$10,380
34							
35	RATE OF RETURN		8.81%	1.88%	4.24%	62.62%	22.76%
36	INDEX RATE OF RETURN		1.69	0.36	0.81	12.01	4.36
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	EQUALIZED RETURN AT PROPOSED ROR								
2									
3	UNADJUSTED RATE BASE		$161,661,362	$110,738,951	$31,399,710	$10,403,692	$9,012,652	$60,745	$45,613
4	CHANGE IN WC - PLANT	PLANT	0	0	0	0	0	0	0
5	CHANGE IN WC - COMMODITY	WCGC	0	0	0	0	0	0	0
6	CHANGE IN WC - O&M	WCOTH	0	0	0	0	0	0	0
7	ADJUSTED RATE BASE		161,661,362	110,738,951	31,399,710	10,403,692	9,012,652	60,745	45,613
8	RATE OF RETURN ON RATE BASE		8.80%	8.80%	8.80%	8.80%	8.80%	8.80%	8.80%
9	RETURN		14,223,180	9,742,959	2,762,588	915,331	792,945	5,344	4,013
10									
11	OPERATING EXPENSES								
12	PRESENT OPER & MAINT EXPENSE		24,814,565	19,141,078	3,923,420	911,320	825,548	8,026	5,173
13	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0	0	0
14	INCREASE IN UNCOLLECTIBLES	REVCHGC	0	0	0	0	0	0	0
15	TOTAL O&M AT PROPOSED		24,814,565	19,141,078	3,923,420	911,320	825,548	8,026	5,173
16	AMORTIZATION & DEPRECIATION EXP		7,220,392	5,228,678	1,282,981	368,964	335,914	2,147	1,707
17	TAXES OTHER THAN INCOME		4,730,094	3,321,941	887,839	274,619	242,859	1,601	1,235
18	TAX EXPENSE		5,828,200	4,004,334	1,121,679	376,079	322,875	1,701	1,532
19	TOTAL OPERATING EXPENSES		42,593,250	31,696,032	7,215,919	1,930,983	1,727,196	13,474	9,646
20									
21	COST OF SERVICE		$56,816,430	$41,438,991	$9,978,507	$2,846,313	$2,520,141	$18,819	$13,659
22									
23	PROPOSED REVENUE @ EQUALIZED ROR								
24	FIRM SALES OF GAS		55,336,126	40,250,648	9,812,552	2,798,225	2,443,174	18,807	12,720
25	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0	0	0
26	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0	0	0
27	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0	0	0
28	SALES FOR RESALE	DEMGAS	0	0	0	0	0	0	0
29	TOTAL SALES OF GAS		55,336,126	40,250,648	9,812,552	2,798,225	2,443,174	18,807	12,720
30									
31	OTHER OPERATING REVENUES								
32	FORFEITED DISCOUNTS	FORFDISC	398,966	207,023	106,939	45,989	38,646	0	367
33	MISCELLANEOUS SERVICE REV	CUST487B	1,046,891	957,410	52,441	0	36,477	0	563
34	OTHER REVENUE	PLANT	34,447	23,908	6,575	2,099	1,843	12	9
35	OTHER REVENUE	PLANT	0	0	0	0	0	0	0
36	OTHER REVENUE	PLANT	0	0	0	0	0	0	0
37	TOTAL OTHER OPERATING REV		1,480,303	1,188,342	165,955	48,088	76,967	12	939
38									
39	TOTAL PROPOSED REVENUE @ EQUALIZED ROR		$56,816,430	$41,438,991	$9,978,507	$2,846,313	$2,520,141	$18,819	$13,659
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	EQUALIZED RETURN AT PROPOSED ROR							
2								
3	UNADJUSTED RATE BASE		$28,232,426	$3,167,284	$342,854	$10,060,838	$5,540,825	$3,471,827
4	CHANGE IN WC - PLANT	PLANT	0	0	0	0	0	0
5	CHANGE IN WC - COMMODITY	WCGC	0	0	0	0	0	0
6	CHANGE IN WC - O&M	WCOTH	0	0	0	0	0	0
7	ADJUSTED RATE BASE		28,232,426	3,167,284	342,854	10,060,838	5,540,825	3,471,827
8	RATE OF RETURN ON RATE BASE		8.80%	8.80%	8.80%	8.80%	8.80%	8.80%
9	RETURN		2,483,926	278,662	30,165	885,166	487,489	305,456
10								
11	OPERATING EXPENSES							
12	PRESENT OPER & MAINT EXPENSE		3,638,470	284,950	29,620	881,701	529,805	295,743
13	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0	0
14	INCREASE IN UNCOLLECTIBLES	REVCHGC	0	0	0	0	0	0
15	TOTAL O&M AT PROPOSED		3,638,470	284,950	29,620	881,701	529,805	295,743
16	AMORTIZATION & DEPRECIATION EXP		1,168,936	114,045	12,258	356,706	212,676	123,238
17	TAXES OTHER THAN INCOME		803,480	84,360	9,080	265,539	151,142	91,717
18	TAX EXPENSE		1,007,344	114,335	12,045	364,034	196,963	125,912
19	TOTAL OPERATING EXPENSES		6,618,229	597,690	63,003	1,867,980	1,090,585	636,611
20								
21	COST OF SERVICE		$9,102,155	$876,352	$93,168	$2,753,146	$1,578,074	$942,067
22								
23	PROPOSED REVENUE @ EQUALIZED ROR							
24	FIRM SALES OF GAS		8,957,772	854,780	90,956	2,707,269	1,527,213	915,961
25	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0	0
26	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0	0
27	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0	0
28	SALES FOR RESALE	DEMGAS	0	0	0	0	0	0
29	TOTAL SALES OF GAS		8,957,772	854,780	90,956	2,707,269	1,527,213	915,961
30								
31	OTHER OPERATING REVENUES							
32	FORFEITED DISCOUNTS	FORFDISC	86,010	20,929	2,142	43,847	13,242	25,404
33	MISCELLANEOUS SERVICE REV	CUST487B	52,441	0	0	0	36,477	0
34	OTHER REVENUE	PLANT	5,932	643	69	2,029	1,142	701
35	OTHER REVENUE	PLANT	0	0	0	0	0	0
36	OTHER REVENUE	PLANT	0	0	0	0	0	0
37	TOTAL OTHER OPERATING REV		144,383	21,572	2,212	45,877	50,861	26,105
38								
39	TOTAL PROPOSED REVENUE @ EQUALIZED ROR		$9,102,155	$876,352	$93,168	$2,753,146	$1,578,074	$942,067
40								
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL RESIDENTIAL SERVICE (14)	RESIDENTIAL CARES (15)	COMMERCIAL SM. VOL. (16)	COMMERCIAL LG. VOL. (17)	COMMERCIAL TRANS-PORTATION (18)
1	EQUALIZED RETURN AT PROPOSED ROR						
2							
3	UNADJUSTED RATE BASE		$106,279,592	$4,459,359	$28,232,426	$940,543	$2,226,741
4	CHANGE IN WC - PLANT	PLANT	0	0	0	0	0
5	CHANGE IN WC - COMMODITY	WCGC	0	0	0	0	0
6	CHANGE IN WC - O&M	WCOTH	0	0	0	0	0
7	ADJUSTED RATE BASE		106,279,592	4,459,359	28,232,426	940,543	2,226,741
8	RATE OF RETURN ON RATE BASE		0.0880	0.0880	0.0880	0.0880	0.0880
9	RETURN		9,350,618	392,340	2,483,926	82,750	195,912
10							
11	OPERATING EXPENSES						
12	PRESENT OPER & MAINT EXPENSE		18,528,597	612,481	3,638,470	82,407	202,543
13	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0
14	INCREASE IN UNCOLLECTIBLES	REVCHGC	0	0	0	0	0
15	TOTAL O&M AT PROPOSED		18,528,597	612,481	3,638,470	82,407	202,543
16	AMORTIZATION & DEPRECIATION EXP		5,020,179	208,499	1,168,936	34,430	79,615
17	TAXES OTHER THAN INCOME		3,189,076	132,865	803,480	25,288	59,072
18	TAX EXPENSE		3,841,570	162,764	1,007,344	33,810	80,525
19	TOTAL OPERATING EXPENSES		30,579,422	1,116,609	6,618,229	175,934	421,756
20							
21	COST OF SERVICE		$39,930,041	$1,508,950	$9,102,155	$258,684	$617,667
22							
23	PROPOSED REVENUE @ EQUALIZED ROR						
24	FIRM SALES OF GAS		38,765,358	1,485,290	8,957,772	256,176	598,604
25	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0
26	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0
27	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0
28	SALES FOR RESALE	DEMGAS	0	0	0	0	0
29	TOTAL SALES OF GAS		38,765,358	1,485,290	8,957,772	256,176	598,604
30							
31	OTHER OPERATING REVENUES						
32	FORFEITED DISCOUNTS	FORFDISC	202,859	4,165	86,010	2,316	18,613
33	MISCELLANEOUS SERVICE REV	CUST487B	938,880	18,530	52,441	0	0
34	OTHER REVENUE	PLANT	22,943	965	5,932	192	451
35	OTHER REVENUE	PLANT	0	0	0	0	0
36	OTHER REVENUE	PLANT	0	0	0	0	0
37	TOTAL OTHER OPERATING REV		1,164,682	23,660	144,383	2,508	19,063
38							
39	TOTAL PROPOSED REVENUE @ EQUALIZED ROR		$39,930,041	$1,508,950	$9,102,155	$258,684	$617,667
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	EQUALIZED RETURN AT PROPOSED ROR				
2					
3	UNADJUSTED RATE BASE		$342,854	$1,480,318	$8,580,520
4	CHANGE IN WC - PLANT	PLANT	0	0	0
5	CHANGE IN WC - COMMODITY	WCGC	0	0	0
6	CHANGE IN WC - O&M	WCOTH	0	0	0
7	ADJUSTED RATE BASE		342,854	1,480,318	8,580,520
8	RATE OF RETURN ON RATE BASE		0.0880	0.0880	0.0880
9	RETURN		30,165	130,240	754,925
10					
11	OPERATING EXPENSES				
12	PRESENT OPER & MAINT EXPENSE		29,620	113,848	767,853
13	CHANGE IN GAS COSTS	GASSALES	0	0	0
14	INCREASE IN UNCOLLECTIBLES	REVCHGC	0	0	0
15	TOTAL O&M AT PROPOSED		29,620	113,848	767,853
16	AMORTIZATION & DEPRECIATION EXP		12,258	52,941	303,765
17	TAXES OTHER THAN INCOME		9,080	39,268	226,271
18	TAX EXPENSE		12,045	54,157	309,878
19	TOTAL OPERATING EXPENSES		63,003	260,213	1,607,767
20					
21	COST OF SERVICE		$93,168	$390,453	$2,362,692
22					
23	PROPOSED REVENUE @ EQUALIZED ROR				
24	FIRM SALES OF GAS		90,956	385,726	2,321,543
25	INTERR SALES GAS COST REV	GASSALES	0	0	0
26	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0
27	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0
28	SALES FOR RESALE	DEMGAS	0	0	0
29	TOTAL SALES OF GAS		90,956	385,726	2,321,543
30					
31	OTHER OPERATING REVENUES				
32	FORFEITED DISCOUNTS	FORFDISC	2,142	4,428	39,419
33	MISCELLANEOUS SERVICE REV	CUST487B	0	0	0
34	OTHER REVENUE	PLANT	69	300	1,730
35	OTHER REVENUE	PLANT	0	0	0
36	OTHER REVENUE	PLANT	0	0	0
37	TOTAL OTHER OPERATING REV		2,212	4,728	41,149
38					
39	TOTAL PROPOSED REVENUE @ EQUALIZED ROR		$93,168	$390,453	$2,362,692
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	EQUALIZED RETURN AT PROPOSED ROR						
2							
3	UNADJUSTED RATE BASE		$5,540,825	$826,014	$2,645,813	$60,745	$45,613
4	CHANGE IN WC - PLANT	PLANT	0	0	0	0	0
5	CHANGE IN WC - COMMODITY	WCGC	0	0	0	0	0
6	CHANGE IN WC - O&M	WCOTH	0	0	0	0	0
7	ADJUSTED RATE BASE		5,540,825	826,014	2,645,813	60,745	45,613
8	RATE OF RETURN ON RATE BASE		0.0880	0.0880	0.0880	0.0880	0.0880
9	RETURN		487,489	72,674	232,782	5,344	4,013
10							
11	OPERATING EXPENSES						
12	PRESENT OPER & MAINT EXPENSE		529,805	60,797	234,946	8,026	5,173
13	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0
14	INCREASE IN UNCOLLECTIBLES	REVCHGC	0	0	0	0	0
15	TOTAL O&M AT PROPOSED		529,805	60,797	234,946	8,026	5,173
16	AMORTIZATION & DEPRECIATION EXP		212,676	29,414	93,824	2,147	1,707
17	TAXES OTHER THAN INCOME		151,142	21,861	69,856	1,601	1,235
18	TAX EXPENSE		196,963	30,166	95,747	1,701	1,532
19	TOTAL OPERATING EXPENSES		1,090,585	142,238	494,372	13,474	9,646
20							
21	COST OF SERVICE		$1,578,074	$214,912	$727,155	$18,819	$13,659
22							
23	PROPOSED REVENUE @ EQUALIZED ROR						
24	FIRM SALES OF GAS		1,527,213	211,722	704,239	18,807	12,720
25	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0
26	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0
27	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0
28	SALES FOR RESALE	DEMGAS	0	0	0	0	0
29	TOTAL SALES OF GAS		1,527,213	211,722	704,239	18,807	12,720
30							
31	OTHER OPERATING REVENUES						
32	FORFEITED DISCOUNTS	FORFDISC	13,242	3,023	22,382	0	367
33	MISCELLANEOUS SERVICE REV	CUST487B	36,477	0	0	0	563
34	OTHER REVENUE	PLANT	1,142	167	534	12	9
35	OTHER REVENUE	PLANT	0	0	0	0	0
36	OTHER REVENUE	PLANT	0	0	0	0	0
37	TOTAL OTHER OPERATING REV		50,861	3,190	22,916	12	939
38							
39	TOTAL PROPOSED REVENUE @ EQUALIZED ROR		$1,578,074	$214,912	$727,155	$18,819	$13,659
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	RETURN AT PROPOSED RATES								
2									
3	SALES REVENUE								
4	FIRM SALES OF GAS		55,336,125	38,941,042	11,134,951	2,520,648	2,622,649	88,298	28,537
5	INTERR SALES GAS COST REV		0	0	0	0	0	0	0
6	INTERR SALES PROFIT MARGINS		0	0	0	0	0	0	0
7	INTERRUPTIBLE TRANSPORTATION		0	0	0	0	0	0	0
8	SALES FOR RESALE		0	0	0	0	0	0	0
9	TOTAL SALES OF GAS		55,336,125	38,941,042	11,134,951	2,520,648	2,622,649	88,298	28,537
10									
11	OTHER OPERATING REVENUES								
12	FORFEITED DISCOUNTS		398,966	207,023	106,939	45,989	38,646	0	367
13	MISCELLANEOUS SERVICE REV		1,046,891	957,410	52,441	0	36,477	0	563
14	OTHER REVENUE		34,447	23,908	6,575	2,099	1,843	12	9
15	OTHER REVENUE		0	0	0	0	0	0	0
16	OTHER REVENUE		0	0	0	0	0	0	0
17	TOTAL OTHER OPERATING REV		1,480,303	1,188,342	165,955	48,088	76,967	12	939
18									
19	TOTAL GAS OPERATING REVENUE		$56,816,429	$40,129,384	$11,300,905	$2,568,736	$2,699,616	$88,311	$29,477
20									
21	OPERATING EXPENSES								
22	OPERATION & MAINT EXPENSE		$24,814,565	$19,141,078	$3,923,420	$911,320	$825,548	$8,026	$5,173
23	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0	0	0
24	INCREASE IN UNCOLLECTIBLES	REVCHGP	0	0	0	0	0	0	0
25	TOTAL O&M AT PROPOSED		24,814,565	19,141,078	3,923,420	911,320	825,548	8,026	5,173
26	AMORTIZATION & DEPRECIATION EXP		7,220,392	5,228,678	1,282,981	368,964	335,914	2,147	1,707
27	TAXES OTHER THAN INCOME		4,730,094	3,321,941	887,839	274,619	242,859	1,601	1,235
28	TAX EXPENSE		5,828,200	4,004,334	1,121,679	376,079	322,875	1,701	1,532
29	TOTAL OPERATING EXPENSES		$42,593,250	$31,696,032	$7,215,919	$1,930,983	$1,727,196	$13,474	$9,646
30									
31	RETURN AT PROPOSED RATES		$14,223,179	$8,433,353	$4,084,986	$637,753	$972,420	$74,836	$19,830
32									
33	RATE OF RETURN		8.80%	7.62%	13.01%	6.13%	10.79%	123.20%	43.48%
34	INDEX RATE OF RETURN		1.000	0.866	1.479	0.697	1.226	14.003	4.941
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	RETURN AT PROPOSED RATES							
2								
3	SALES REVENUE							
4	FIRM SALES OF GAS		10,333,290	801,661	132,244	2,388,404	1,850,053	772,596
5	INTERR SALES GAS COST REV		0	0	0	0	0	0
6	INTERR SALES PROFIT MARGINS		0	0	0	0	0	0
7	INTERRUPTIBLE TRANSPORTATION		0	0	0	0	0	0
8	SALES FOR RESALE		0	0	0	0	0	0
9	TOTAL SALES OF GAS		10,333,290	801,661	132,244	2,388,404	1,850,053	772,596
10								
11	OTHER OPERATING REVENUES							
12	FORFEITED DISCOUNTS		86,010	20,929	2,142	43,847	13,242	25,404
13	MISCELLANEOUS SERVICE REV		52,441	0	0	0	36,477	0
14	OTHER REVENUE		5,932	643	69	2,029	1,142	701
15	OTHER REVENUE		0	0	0	0	0	0
16	OTHER REVENUE		0	0	0	0	0	0
17	TOTAL OTHER OPERATING REV		144,383	21,572	2,212	45,877	50,861	26,105
18								
19	TOTAL GAS OPERATING REVENUE		$10,477,673	$823,233	$134,455	$2,434,280	$1,900,914	$798,702
20								
21	OPERATING EXPENSES							
22	OPERATION & MAINT EXPENSE		$3,638,470	$284,950	$29,620	$881,701	$529,805	$295,743
23	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0	0
24	INCREASE IN UNCOLLECTIBLES	REVCHGP	0	0	0	0	0	0
25	TOTAL O&M AT PROPOSED		3,638,470	284,950	29,620	881,701	529,805	295,743
26	AMORTIZATION & DEPRECIATION EXP		1,168,936	114,045	12,258	356,706	212,676	123,238
27	TAXES OTHER THAN INCOME		803,480	84,360	9,080	265,539	151,142	91,717
28	TAX EXPENSE		1,007,344	114,335	12,045	364,034	196,963	125,912
29	TOTAL OPERATING EXPENSES		$6,618,229	$597,690	$63,003	$1,867,980	$1,090,585	$636,611
30								
31	RETURN AT PROPOSED RATES		$3,859,444	$225,543	$71,452	$566,301	$810,329	$162,091
32								
33	RATE OF RETURN		13.67%	7.12%	20.84%	5.63%	14.62%	4.67%
34	INDEX RATE OF RETURN		1.554	0.809	2.369	0.640	1.662	0.531
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	RETURN AT PROPOSED RATES						
2							
3	SALES REVENUE						
4	FIRM SALES OF GAS		37,759,594	1,181,449	10,333,290	256,336	545,325
5	INTERR SALES GAS COST REV		0	0	0	0	0
6	INTERR SALES PROFIT MARGINS		0	0	0	0	0
7	INTERRUPTIBLE TRANSPORTATION		0	0	0	0	0
8	SALES FOR RESALE		0	0	0	0	0
9	TOTAL SALES OF GAS		37,759,594	1,181,449	10,333,290	256,336	545,325
10							
11	OTHER OPERATING REVENUES						
12	FORFEITED DISCOUNTS		202,859	4,165	86,010	2,316	18,613
13	MISCELLANEOUS SERVICE REV		938,880	18,530	52,441	0	0
14	OTHER REVENUE		22,943	965	5,932	192	451
15	OTHER REVENUE		0	0	0	0	0
16	OTHER REVENUE		0	0	0	0	0
17	TOTAL OTHER OPERATING REV		1,164,682	23,660	144,383	2,508	19,063
18							
19	TOTAL GAS OPERATING REVENUE		$38,924,276	$1,205,108	$10,477,673	$258,844	$564,388
20							
21	OPERATING EXPENSES						
22	OPERATION & MAINT EXPENSE		$18,528,597	$612,481	$3,638,470	$82,407	$202,543
23	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0
24	INCREASE IN UNCOLLECTIBLES	REVCHGP	0	0	0	0	0
25	TOTAL O&M AT PROPOSED		18,528,597	612,481	3,638,470	82,407	202,543
26	AMORTIZATION & DEPRECIATION EXP		5,020,179	208,499	1,168,936	34,430	79,615
27	TAXES OTHER THAN INCOME		3,189,076	132,865	803,480	25,288	59,072
28	TAX EXPENSE		3,841,570	162,764	1,007,344	33,810	80,525
29	TOTAL OPERATING EXPENSES		$30,579,422	$1,116,609	$6,618,229	$175,934	$421,756
30							
31	RETURN AT PROPOSED RATES		8,344,854	88,499	3,859,444	82,910	142,632
32							
33	RATE OF RETURN		7.85%	1.98%	13.67%	8.82%	6.41%
34	INDEX RATE OF RETURN		89.24%	22.56%	155.38%	100.19%	72.80%
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	RETURN AT PROPOSED RATES				
2					
3	SALES REVENUE				
4	FIRM SALES OF GAS		132,244	247,916	2,140,488
5	INTERR SALES GAS COST REV		0	0	0
6	INTERR SALES PROFIT MARGINS		0	0	0
7	INTERRUPTIBLE TRANSPORTATION		0	0	0
8	SALES FOR RESALE		0	0	0
9	TOTAL SALES OF GAS		132,244	247,916	2,140,488
10					
11	OTHER OPERATING REVENUES				
12	FORFEITED DISCOUNTS		2,142	4,428	39,419
13	MISCELLANEOUS SERVICE REV		0	0	0
14	OTHER REVENUE		69	300	1,730
15	OTHER REVENUE		0	0	0
16	OTHER REVENUE		0	0	0
17	TOTAL OTHER OPERATING REV		2,212	4,728	41,149
18					
19	TOTAL GAS OPERATING REVENUE		$134,455	$252,643	$2,181,637
20					
21	OPERATING EXPENSES				
22	OPERATION & MAINT EXPENSE		$29,620	$113,848	$767,853
23	CHANGE IN GAS COSTS	GASSALES	0	0	0
24	INCREASE IN UNCOLLECTIBLES	REVCHGP	0	0	0
25	TOTAL O&M AT PROPOSED		29,620	113,848	767,853
26	AMORTIZATION & DEPRECIATION EXP		12,258	52,941	303,765
27	TAXES OTHER THAN INCOME		9,080	39,268	226,271
28	TAX EXPENSE		12,045	54,157	309,878
29	TOTAL OPERATING EXPENSES		$63,003	$260,213	$1,607,767
30					
31	RETURN AT PROPOSED RATES		71,452	(7,569)	573,870
32					
33	RATE OF RETURN		20.84%	-0.51%	6.69%
34	INDEX RATE OF RETURN		236.87%	-5.81%	76.02%
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	RETURN AT PROPOSED RATES						
2							
3	SALES REVENUE						
4	FIRM SALES OF GAS		1,850,053	142,359	630,238	88,298	28,537
5	INTERR SALES GAS COST REV		0	0	0	0	0
6	INTERR SALES PROFIT MARGINS		0	0	0	0	0
7	INTERRUPTIBLE TRANSPORTATION		0	0	0	0	0
8	SALES FOR RESALE		0	0	0	0	0
9	TOTAL SALES OF GAS		1,850,053	142,359	630,238	88,298	28,537
10							
11	OTHER OPERATING REVENUES						
12	FORFEITED DISCOUNTS		13,242	3,023	22,382	0	367
13	MISCELLANEOUS SERVICE REV		36,477	0	0	0	563
14	OTHER REVENUE		1,142	167	534	12	9
15	OTHER REVENUE		0	0	0	0	0
16	OTHER REVENUE		0	0	0	0	0
17	TOTAL OTHER OPERATING REV		50,861	3,190	22,916	12	939
18							
19	TOTAL GAS OPERATING REVENUE		$1,900,914	$145,548	$653,154	$88,311	$29,477
20							
21	OPERATING EXPENSES						
22	OPERATION & MAINT EXPENSE		$529,805	$60,797	$234,946	$8,026	$5,173
23	CHANGE IN GAS COSTS	GASSALES	0	0	0	0	0
24	INCREASE IN UNCOLLECTIBLES	REVCHGP	0	0	0	0	0
25	TOTAL O&M AT PROPOSED		529,805	60,797	234,946	8,026	5,173
26	AMORTIZATION & DEPRECIATION EXP		212,676	29,414	93,824	2,147	1,707
27	TAXES OTHER THAN INCOME		151,142	21,861	69,856	1,601	1,235
28	TAX EXPENSE		196,963	30,166	95,747	1,701	1,532
29	TOTAL OPERATING EXPENSES		$1,090,585	$142,238	$494,372	$13,474	$9,646
30							
31	RETURN AT PROPOSED RATES		810,329	3,310	158,781	74,836	19,830
32							
33	RATE OF RETURN		14.62%	0.40%	6.00%	123.20%	43.48%
34	INDEX RATE OF RETURN		166.23%	4.55%	68.21%	1400.26%	494.15%
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	DEVELOPMENT OF RATE BASE								
2									
3	**GAS PLANT IN SERVICE**								
4									
5	INTANGIBLE PLANT								
6	302-FRANCHISES & CONSENTS	LABOR	$392,682	$309,982	$60,486	$10,886	$11,203	$63	$62
7	302-FRANCHISES & CONSENTS - ACQ ADJ	LABOR	(36,464)	(28,785)	(5,617)	(1,011)	(1,040)	(6)	(6)
8	303-MISC. INTANGIBLE PLANT	LABOR	922,947	728,571	142,164	25,586	26,332	148	145
9	303-MISC. INTANGIBLE PLANT - ACQ ADJ	LABOR	(36,142)	(28,530)	(5,567)	(1,002)	(1,031)	(6)	(6)
10	TOTAL INTANGIBLE PLANT		1,243,023	981,238	191,466	34,459	35,464	200	196
11									
12	TRANSMISSION PLANT								
13	365-LAND & LAND RIGHTS	TRANS	87,625	50,133	21,265	8,960	7,177	53	36
14	365-LAND & LAND RIGHTS - ACQ ADJ	TRANS	(15,425)	(8,825)	(3,743)	(1,577)	(1,263)	(9)	(6)
15	366-STRUCTURES & IMPROVEMENTS	TRANS	16,047	9,181	3,894	1,641	1,314	10	7
16	366-STRUCTURES & IMPROVE - ACQ ADJ	TRANS	(2,352)	(1,346)	(571)	(241)	(193)	(1)	(1)
17	367-MAINS	TRANS	17,678,612	10,114,575	4,290,372	1,807,800	1,447,918	10,633	7,314
18	367-MAINS - ACQ ADJ	TRANS	(1,604,647)	(918,077)	(389,427)	(164,090)	(131,424)	(965)	(664)
19	369-MEASURING & REG STATION EQUIP.	TRANS	846,096	484,082	205,337	86,521	69,297	509	350
20	369-MEAS & REG STA EQUIP - ACQ ADJ	TRANS	(424,444)	(242,840)	(103,007)	(43,403)	(34,763)	(255)	(176)
21	371-OTHER EQUIPMENT	TRANS	(8,778)	(5,022)	(2,130)	(898)	(719)	(5)	(4)
22	371-OTHER EQUIPMENT - ACQ ADJ	TRANS	(24,187)	(13,838)	(5,870)	(2,473)	(1,981)	(15)	(10)
23	TOTAL TRANSMISSION PLANT		16,548,546	9,468,024	4,016,119	1,692,241	1,355,363	9,953	6,846
24									
25	DISTRIBUTION PLANT								
26	374-LAND & LAND RIGHTS	DISTR	245,654	140,548	59,617	25,120	20,120	148	102
27	374-LAND & LAND RIGHTS - ACQ ADJ	DISTR	(38,784)	(22,190)	(9,412)	(3,966)	(3,177)	(23)	(16)
28	375-STRUCTURES & IMPROV	DISTR	10,423	5,964	2,530	1,066	854	6	4
29	375-STRUCTURES & IMPROV - ACQ ADJ	DISTR	(247)	(141)	(60)	(25)	(20)	(0)	(0)
30	376-MAINS	DISTMAIN	137,954,659	78,928,864	33,479,822	14,107,130	11,298,797	82,973	57,072
31	376-MAINS - ACQ ADJ	DISTMAIN	(17,621,606)	(10,081,960)	(4,276,537)	(1,801,971)	(1,443,249)	(10,599)	(7,290)
32	378-MEAS. & REG. EQUIP-GEN	DISTREG	1,916,236	1,096,348	465,046	195,953	156,944	1,153	793
33	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	DISTREG	(188,503)	(107,849)	(45,747)	(19,276)	(15,439)	(113)	(78)
34	379-MEAS. & REG. EQUIP-CITY GATE	DISTREG	2,222,861	1,271,779	539,460	227,308	182,057	1,337	920
35	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	DISTREG	(239,569)	(137,066)	(58,140)	(24,498)	(19,621)	(144)	(99)
36	380-SERVICES	CUST380	72,951,925	66,170,791	5,802,812	23,007	952,116	0	3,200
37	380-SERVICES - ACQ ADJ	CUST380	(6,640,414)	(6,023,165)	(528,198)	(2,094)	(86,666)	0	(291)
38	381-METERS	CUST381	13,255,870	10,635,950	2,465,772	39,257	113,552	0	1,340
39	381-METERS - ACQ ADJ	CUST381	(1,160,990)	(931,529)	(215,960)	(3,438)	(9,945)	0	(117)
40	382-METER INSTALLATIONS	CUST382	6,788,598	5,446,884	1,262,772	20,104	58,152	0	686
41	382-METER INSTALLATIONS - ACQ ADJ	CUST382	(744,797)	(597,593)	(138,542)	(2,206)	(6,380)	0	(75)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	DEVELOPMENT OF RATE BASE							
2								
3	**GAS PLANT IN SERVICE**							
4								
5	INTANGIBLE PLANT							
6	302-FRANCHISES & CONSENTS	LABOR	$56,930	$3,556	$369	$10,517	$7,607	$3,596
7	302-FRANCHISES & CONSENTS - ACQ ADJ	LABOR	(5,287)	(330)	(34)	(977)	(706)	(334)
8	303-MISC. INTANGIBLE PLANT	LABOR	133,807	8,357	868	24,718	17,880	8,452
9	303-MISC. INTANGIBLE PLANT - ACQ ADJ	LABOR	(5,240)	(327)	(34)	(968)	(700)	(331)
10	TOTAL INTANGIBLE PLANT		180,211	11,256	1,169	33,290	24,080	11,384
11								
12	TRANSMISSION PLANT							
13	365-LAND & LAND RIGHTS	TRANS	18,588	2,677	292	8,668	4,185	2,991
14	365-LAND & LAND RIGHTS - ACQ ADJ	TRANS	(3,272)	(471)	(51)	(1,526)	(737)	(527)
15	366-STRUCTURES & IMPROVEMENTS	TRANS	3,404	490	54	1,587	766	548
16	366-STRUCTURES & IMPROVE - ACQ ADJ	TRANS	(499)	(72)	(8)	(233)	(112)	(80)
17	367-MAINS	TRANS	3,750,250	540,122	58,963	1,748,837	844,403	603,515
18	367-MAINS - ACQ ADJ	TRANS	(340,402)	(49,026)	(5,352)	(158,738)	(76,644)	(54,780)
19	369-MEASURING & REG STATION EQUIP.	TRANS	179,486	25,850	2,822	83,699	40,413	28,884
20	369-MEAS & REG STA EQUIP - ACQ ADJ	TRANS	(90,039)	(12,968)	(1,416)	(41,988)	(20,273)	(14,490)
21	371-OTHER EQUIPMENT	TRANS	(1,862)	(268)	(29)	(868)	(419)	(300)
22	371-OTHER EQUIPMENT - ACQ ADJ	TRANS	(5,131)	(739)	(81)	(2,393)	(1,155)	(826)
23	TOTAL TRANSMISSION PLANT		3,510,523	505,596	55,194	1,637,047	790,426	564,937
24								
25	DISTRIBUTION PLANT							
26	374-LAND & LAND RIGHTS	DISTR	52,112	7,505	819	24,301	11,733	8,386
27	374-LAND & LAND RIGHTS - ACQ ADJ	DISTR	(8,228)	(1,185)	(129)	(3,837)	(1,853)	(1,324)
28	375-STRUCTURES & IMPROV	DISTR	2,211	318	35	1,031	498	356
29	375-STRUCTURES & IMPROV - ACQ ADJ	DISTR	(52)	(8)	(1)	(24)	(12)	(8)
30	376-MAINS	DISTMAIN	29,264,990	4,214,832	460,115	13,647,015	6,589,278	4,709,520
31	376-MAINS - ACQ ADJ	DISTMAIN	(3,738,157)	(538,381)	(58,773)	(1,743,198)	(841,680)	(601,569)
32	378-MEAS. & REG. EQUIP-GEN	DISTREG	406,500	58,545	6,391	189,562	91,527	65,417
33	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	DISTREG	(39,988)	(5,759)	(629)	(18,647)	(9,004)	(6,435)
34	379-MEAS. & REG. EQUIP-CITY GATE	DISTREG	471,546	67,914	7,414	219,894	106,173	75,884
35	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	DISTREG	(50,821)	(7,319)	(799)	(23,699)	(11,443)	(8,178)
36	380-SERVICES	CUST380	5,785,431	17,381	6,755	16,252	944,140	7,976
37	380-SERVICES - ACQ ADJ	CUST380	(526,616)	(1,582)	(615)	(1,479)	(85,940)	(726)
38	381-METERS	CUST381	2,422,162	43,611	1,258	37,999	105,023	8,528
39	381-METERS - ACQ ADJ	CUST381	(212,140)	(3,820)	(110)	(3,328)	(9,198)	(747)
40	382-METER INSTALLATIONS	CUST382	1,240,438	22,334	644	19,460	53,785	4,367
41	382-METER INSTALLATIONS - ACQ ADJ	CUST382	(136,092)	(2,450)	(71)	(2,135)	(5,901)	(479)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	DEVELOPMENT OF RATE BASE						
2							
3	**GAS PLANT IN SERVICE**						
4							
5	INTANGIBLE PLANT						
6	302-FRANCHISES & CONSENTS	LABOR	$298,577	$11,405	$56,930	$1,136	$2,420
7	302-FRANCHISES & CONSENTS - ACQ ADJ	LABOR	(27,726)	(1,059)	(5,287)	(105)	(225)
8	303-MISC. INTANGIBLE PLANT	LABOR	701,765	26,806	133,807	2,670	5,688
9	303-MISC. INTANGIBLE PLANT - ACQ ADJ	LABOR	(27,481)	(1,050)	(5,240)	(105)	(223)
10	TOTAL INTANGIBLE PLANT		945,136	36,102	180,211	3,596	7,660
11							
12	TRANSMISSION PLANT						
13	365-LAND & LAND RIGHTS	TRANS	48,178	1,955	18,588	777	1,900
14	365-LAND & LAND RIGHTS - ACQ ADJ	TRANS	(8,481)	(344)	(3,272)	(137)	(335)
15	366-STRUCTURES & IMPROVEMENTS	TRANS	8,823	358	3,404	142	348
16	366-STRUCTURES & IMPROVE - ACQ ADJ	TRANS	(1,293)	(52)	(499)	(21)	(51)
17	367-MAINS	TRANS	9,720,130	394,446	3,750,250	156,726	383,396
18	367-MAINS - ACQ ADJ	TRANS	(882,274)	(35,803)	(340,402)	(14,226)	(34,800)
19	369-MEASURING & REG STATION EQUIP.	TRANS	465,204	18,878	179,486	7,501	18,349
20	369-MEAS & REG STA EQUIP - ACQ ADJ	TRANS	(233,369)	(9,470)	(90,039)	(3,763)	(9,205)
21	371-OTHER EQUIPMENT	TRANS	(4,826)	(196)	(1,862)	(78)	(190)
22	371-OTHER EQUIPMENT - ACQ ADJ	TRANS	(13,299)	(540)	(5,131)	(214)	(525)
23	TOTAL TRANSMISSION PLANT		9,098,792	369,232	3,510,523	146,708	358,888
24							
25	DISTRIBUTION PLANT						
26	374-LAND & LAND RIGHTS	DISTR	135,067	5,481	52,112	2,178	5,327
27	374-LAND & LAND RIGHTS - ACQ ADJ	DISTR	(21,325)	(865)	(8,228)	(344)	(841)
28	375-STRUCTURES & IMPROV	DISTR	5,731	233	2,211	92	226
29	375-STRUCTURES & IMPROV - ACQ ADJ	DISTR	(136)	(6)	(52)	(2)	(5)
30	376-MAINS	DISTMAIN	75,850,817	3,078,047	29,264,990	1,223,010	2,991,822
31	376-MAINS - ACQ ADJ	DISTMAIN	(9,688,786)	(393,174)	(3,738,157)	(156,221)	(382,160)
32	378-MEAS. & REG. EQUIP-GEN	DISTREG	1,053,593	42,755	406,500	16,988	41,557
33	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	DISTREG	(103,643)	(4,206)	(39,988)	(1,671)	(4,088)
34	379-MEAS. & REG. EQUIP-CITY GATE	DISTREG	1,222,183	49,597	471,546	19,706	48,207
35	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	DISTREG	(131,721)	(5,345)	(50,821)	(2,124)	(5,196)
36	380-SERVICES	CUST380	63,363,598	2,807,193	5,785,431	9,255	8,126
37	380-SERVICES - ACQ ADJ	CUST380	(5,767,641)	(255,523)	(526,616)	(842)	(740)
38	381-METERS	CUST381	10,184,736	451,214	2,422,162	23,221	20,389
39	381-METERS - ACQ ADJ	CUST381	(892,010)	(39,519)	(212,140)	(2,034)	(1,786)
40	382-METER INSTALLATIONS	CUST382	5,215,808	231,076	1,240,438	11,892	10,442
41	382-METER INSTALLATIONS - ACQ ADJ	CUST382	(572,241)	(25,352)	(136,092)	(1,305)	(1,146)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
		ALLOC	SM. VOL.	LG. VOL.	TRANS-PORTATION
			(19)	(20)	(21)
1	DEVELOPMENT OF RATE BASE				
2					
3	**GAS PLANT IN SERVICE**				
4					
5	INTANGIBLE PLANT				
6	302-FRANCHISES & CONSENTS	LABOR	$369	$1,614	$8,902
7	302-FRANCHISES & CONSENTS - ACQ ADJ	LABOR	(34)	(150)	(827)
8	303-MISC. INTANGIBLE PLANT	LABOR	868	3,794	20,924
9	303-MISC. INTANGIBLE PLANT - ACQ ADJ	LABOR	(34)	(149)	(819)
10	TOTAL INTANGIBLE PLANT		1,169	5,110	28,180
11					
12	TRANSMISSION PLANT				
13	365-LAND & LAND RIGHTS	TRANS	292	1,262	7,406
14	365-LAND & LAND RIGHTS - ACQ ADJ	TRANS	(51)	(222)	(1,304)
15	366-STRUCTURES & IMPROVEMENTS	TRANS	54	231	1,356
16	366-STRUCTURES & IMPROVE - ACQ ADJ	TRANS	(8)	(34)	(199)
17	367-MAINS	TRANS	58,963	254,589	1,494,248
18	367-MAINS - ACQ ADJ	TRANS	(5,352)	(23,108)	(135,629)
19	369-MEASURING & REG STATION EQUIP.	TRANS	2,822	12,185	71,514
20	369-MEAS & REG STA EQUIP - ACQ ADJ	TRANS	(1,416)	(6,112)	(35,875)
21	371-OTHER EQUIPMENT	TRANS	(29)	(126)	(742)
22	371-OTHER EQUIPMENT - ACQ ADJ	TRANS	(81)	(348)	(2,044)
23	TOTAL TRANSMISSION PLANT		55,194	238,315	1,398,732
24					
25	DISTRIBUTION PLANT				
26	374-LAND & LAND RIGHTS	DISTR	819	3,538	20,763
27	374-LAND & LAND RIGHTS - ACQ ADJ	DISTR	(129)	(559)	(3,278)
28	375-STRUCTURES & IMPROV	DISTR	35	150	881
29	375-STRUCTURES & IMPROV - ACQ ADJ	DISTR	(1)	(4)	(21)
30	376-MAINS	DISTMAIN	460,115	1,986,683	11,660,332
31	376-MAINS - ACQ ADJ	DISTMAIN	(58,773)	(253,768)	(1,489,430)
32	378-MEAS. & REG. EQUIP-GEN	DISTREG	6,391	27,596	161,966
33	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	DISTREG	(629)	(2,715)	(15,933)
34	379-MEAS. & REG. EQUIP-CITY GATE	DISTREG	7,414	32,011	187,883
35	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	DISTREG	(799)	(3,450)	(20,249)
36	380-SERVICES	CUST380	6,755	6,320	9,932
37	380-SERVICES - ACQ ADJ	CUST380	(615)	(575)	(904)
38	381-METERS	CUST381	1,258	14,000	24,000
39	381-METERS - ACQ ADJ	CUST381	(110)	(1,226)	(2,102)
40	382-METER INSTALLATIONS	CUST382	644	7,170	12,291
41	382-METER INSTALLATIONS - ACQ ADJ	CUST382	(71)	(787)	(1,348)
42					
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEVELOPMENT OF RATE BASE						
2							
3	**GAS PLANT IN SERVICE**						
4							
5	INTANGIBLE PLANT						
6	302-FRANCHISES & CONSENTS	LABOR	$7,607	$847	$2,749	$63	$62
7	302-FRANCHISES & CONSENTS - ACQ ADJ	LABOR	(706)	(79)	(255)	(6)	(6)
8	303-MISC. INTANGIBLE PLANT	LABOR	17,880	1,991	6,461	148	145
9	303-MISC. INTANGIBLE PLANT - ACQ ADJ	LABOR	(700)	(78)	(253)	(6)	(6)
10	TOTAL INTANGIBLE PLANT		24,080	2,682	8,702	200	196
11							
12	TRANSMISSION PLANT						
13	365-LAND & LAND RIGHTS	TRANS	4,185	710	2,282	53	36
14	365-LAND & LAND RIGHTS - ACQ ADJ	TRANS	(737)	(125)	(402)	(9)	(6)
15	366-STRUCTURES & IMPROVEMENTS	TRANS	766	130	418	10	7
16	366-STRUCTURES & IMPROVE - ACQ ADJ	TRANS	(112)	(19)	(61)	(1)	(1)
17	367-MAINS	TRANS	844,403	143,178	460,338	10,633	7,314
18	367-MAINS - ACQ ADJ	TRANS	(76,644)	(12,996)	(41,784)	(965)	(664)
19	369-MEASURING & REG STATION EQUIP.	TRANS	40,413	6,852	22,032	509	350
20	369-MEAS & REG STA EQUIP - ACQ ADJ	TRANS	(20,273)	(3,438)	(11,052)	(255)	(176)
21	371-OTHER EQUIPMENT	TRANS	(419)	(71)	(229)	(5)	(4)
22	371-OTHER EQUIPMENT - ACQ ADJ	TRANS	(1,155)	(196)	(630)	(15)	(10)
23	TOTAL TRANSMISSION PLANT		790,426	134,025	430,912	9,953	6,846
24							
25	DISTRIBUTION PLANT						
26	374-LAND & LAND RIGHTS	DISTR	11,733	1,990	6,397	148	102
27	374-LAND & LAND RIGHTS - ACQ ADJ	DISTR	(1,853)	(314)	(1,010)	(23)	(16)
28	375-STRUCTURES & IMPROV	DISTR	498	84	271	6	4
29	375-STRUCTURES & IMPROV - ACQ ADJ	DISTR	(12)	(2)	(6)	(0)	(0)
30	376-MAINS	DISTMAIN	6,589,278	1,117,284	3,592,236	82,973	57,072
31	376-MAINS - ACQ ADJ	DISTMAIN	(841,680)	(142,716)	(458,853)	(10,599)	(7,290)
32	378-MEAS. & REG. EQUIP-GEN	DISTREG	91,527	15,519	49,897	1,153	793
33	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	DISTREG	(9,004)	(1,527)	(4,908)	(113)	(78)
34	379-MEAS. & REG. EQUIP-CITY GATE	DISTREG	106,173	18,003	57,882	1,337	920
35	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	DISTREG	(11,443)	(1,940)	(6,238)	(144)	(99)
36	380-SERVICES	CUST380	944,140	5,267	2,709	0	3,200
37	380-SERVICES - ACQ ADJ	CUST380	(85,940)	(479)	(247)	0	(291)
38	381-METERS	CUST381	105,023	528	8,000	0	1,340
39	381-METERS - ACQ ADJ	CUST381	(9,198)	(46)	(701)	0	(117)
40	382-METER INSTALLATIONS	CUST382	53,785	271	4,097	0	686
41	382-METER INSTALLATIONS - ACQ ADJ	CUST382	(5,901)	(30)	(449)	0	(75)
42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	DEVELOPMENT OF RATE BASE								
2									
3	**GAS PLANT IN SERVICE CONTINUED**								
4									
5	DISTRIBUTION PLANT CONTINUED								
6	383-REGULATORS	CUST383	2,628,662	2,109,127	488,967	7,785	22,517	0	266
7	383-REGULATORS - ACQ ADJ	CUST383	(178,700)	(143,382)	(33,241)	(529)	(1,531)	0	(18)
8	384-REGULATOR INSTALLATIONS	CUST384	1,163,556	933,588	216,437	3,446	9,967	0	118
9	384-REGULATOR INSTALLATIONS - ACQ ADJ	CUST384	(82,263)	(66,004)	(15,302)	(244)	(705)	0	(8)
10	385-INDUSTRIAL MEAS. EQUIP	CUST385	1,230,284	0	1,061,608	45,169	122,769	0	739
11	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	CUST385	(106,448)	0	(91,854)	(3,908)	(10,622)	0	(64)
12	387-OTHER EQUIPMENT	DISTMAIN	1,466,810	839,215	355,976	149,995	120,135	882	607
13	387-OTHER EQUIPMENT - ACQ ADJ	DISTMAIN	(146,048)	(83,559)	(35,444)	(14,935)	(11,962)	(88)	(60)
14	TOTAL DISTRIBUTION PLANT		214,687,170	149,384,620	40,752,380	12,968,249	11,448,664	75,531	57,727
15									
16	GENERAL PLANT								
17	389-LAND & LAND RIGHTS	LABOR	198,829	156,955	30,626	5,512	5,673	32	31
18	389-LAND & LAND RIGHTS - ACQ ADJ	LABOR	(49,200)	(38,839)	(7,578)	(1,364)	(1,404)	(8)	(8)
19	390-STRUCTURES & IMPROVE	LABOR	1,302,181	1,027,937	200,579	36,099	37,151	209	205
20	390-STRUCTURES & IMPROVE - ACQ ADJ	LABOR	(123,018)	(97,110)	(18,949)	(3,410)	(3,510)	(20)	(19)
21	391-OFFICE FURN & EQUIPMENT	LABOR	6,545,194	5,166,754	1,008,175	181,446	186,736	1,052	1,031
22	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	LABOR	(643,851)	(508,254)	(99,174)	(17,849)	(18,369)	(103)	(101)
23	392-TRANSPORTATION EQUIP	LABOR	5,144,377	4,060,954	792,403	142,613	146,770	826	811
24	392-TRANSPORTATION EQUIP - ACQ ADJ	LABOR	(85,465)	(67,466)	(13,164)	(2,369)	(2,438)	(14)	(13)
25	393-STORES EQUIPMENT	LABOR	114,038	90,022	17,566	3,161	3,254	18	18
26	393-STORES EQUIPMENT - ACQ ADJ	LABOR	(17,774)	(14,031)	(2,738)	(493)	(507)	(3)	(3)
27	394-TOOLS, SHOP & GARAGE EQUIP	LABOR	1,668,491	1,317,101	257,002	46,254	47,602	268	263
28	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	LABOR	(230,699)	(182,113)	(35,535)	(6,395)	(6,582)	(37)	(36)
29	395-LABORATORY EQUIPMENT	LABOR	748,718	591,036	115,327	20,756	21,361	120	118
30	395-LABORATORY EQUIPMENT - ACQ ADJ	LABOR	(78,875)	(62,264)	(12,149)	(2,187)	(2,250)	(13)	(12)
31	396-POWER OPERATED EQUIP	LABOR	399,442	315,318	61,527	11,073	11,396	64	63
32	396-POWER OPERATED EQUIP - ACQ ADJ	LABOR	(5,510)	(4,350)	(849)	(153)	(157)	(1)	(1)
33	397-COMMUNICATION EQUIP	LABOR	1,009,674	797,033	155,523	27,990	28,806	162	159
34	397-COMMUNICATION EQUIP - ACQ ADJ	LABOR	(153,703)	(121,333)	(23,675)	(4,261)	(4,385)	(25)	(24)
35	398-MISCELLANEOUS EQUIP	LABOR	267,981	211,543	41,278	7,429	7,646	43	42
36	398-MISCELLANEOUS EQUIP - ACQ ADJ	LABOR	(29,611)	(23,375)	(4,561)	(821)	(845)	(5)	(5)
37	399-OTHER TANGIBLE PROPERTY	LABOR	0	0	0	0	0	0	0
38	TOTAL GENERAL PLANT		15,981,218	12,615,519	2,461,633	443,033	455,947	2,567	2,518
39									
40	COMMON PLANT	LABOR	0	0	0	0	0	0	0
41									
42	TOTAL GAS PLANT IN SERVICE		248,459,957	172,449,400	47,421,599	15,137,982	13,295,438	88,252	67,287
43									
44	TOTAL GAS PLANT IN SERVICE ACQ ADJ		(30,709,737)	(20,555,812)	(6,180,614)	(2,130,189)	(1,821,460)	(12,452)	(9,210)
45									

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	DEVELOPMENT OF RATE BASE							
2								
3	**GAS PLANT IN SERVICE CONTINUED**							
4								
5	DISTRIBUTION PLANT CONTINUED							
6	383-REGULATORS	CUST383	480,319	8,648	249	7,535	20,826	1,691
7	383-REGULATORS - ACQ ADJ	CUST383	(32,653)	(588)	(17)	(512)	(1,416)	(115)
8	384-REGULATOR INSTALLATIONS	CUST384	212,609	3,828	110	3,335	9,219	749
9	384-REGULATOR INSTALLATIONS - ACQ ADJ	CUST384	(15,031)	(271)	(8)	(236)	(652)	(53)
10	385-INDUSTRIAL MEAS. EQUIP	CUST385	1,004,540	57,068	1,689	43,480	92,876	29,893
11	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	CUST385	(86,916)	(4,938)	(146)	(3,762)	(8,036)	(2,586)
12	387-OTHER EQUIPMENT	DISTMAIN	311,161	44,814	4,892	145,103	70,061	50,074
13	387-OTHER EQUIPMENT - ACQ ADJ	DISTMAIN	(30,982)	(4,462)	(487)	(14,448)	(6,976)	(4,986)
14	TOTAL DISTRIBUTION PLANT		36,776,343	3,976,037	428,587	12,539,662	7,113,030	4,335,633
15								
16	GENERAL PLANT							
17	389-LAND & LAND RIGHTS	LABOR	28,826	1,800	187	5,325	3,852	1,821
18	389-LAND & LAND RIGHTS - ACQ ADJ	LABOR	(7,133)	(446)	(46)	(1,318)	(953)	(451)
19	390-STRUCTURES & IMPROVE	LABOR	188,787	11,791	1,225	34,874	25,226	11,925
20	390-STRUCTURES & IMPROVE - ACQ ADJ	LABOR	(17,835)	(1,114)	(116)	(3,295)	(2,383)	(1,127)
21	391-OFFICE FURN & EQUIPMENT	LABOR	948,907	59,268	6,157	175,290	126,795	59,940
22	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	LABOR	(93,344)	(5,830)	(606)	(17,243)	(12,473)	(5,896)
23	392-TRANSPORTATION EQUIP	LABOR	745,820	46,583	4,839	137,774	99,658	47,112
24	392-TRANSPORTATION EQUIP - ACQ ADJ	LABOR	(12,391)	(774)	(80)	(2,289)	(1,656)	(783)
25	393-STORES EQUIPMENT	LABOR	16,533	1,033	107	3,054	2,209	1,044
26	393-STORES EQUIPMENT - ACQ ADJ	LABOR	(2,577)	(161)	(17)	(476)	(344)	(163)
27	394-TOOLS, SHOP & GARAGE EQUIP	LABOR	241,894	15,108	1,569	44,685	32,322	15,280
28	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	LABOR	(33,446)	(2,089)	(217)	(6,178)	(4,469)	(2,113)
29	395-LABORATORY EQUIPMENT	LABOR	108,547	6,780	704	20,052	14,504	6,857
30	395-LABORATORY EQUIPMENT - ACQ ADJ	LABOR	(11,435)	(714)	(74)	(2,112)	(1,528)	(722)
31	396-POWER OPERATED EQUIP	LABOR	57,910	3,617	376	10,698	7,738	3,658
32	396-POWER OPERATED EQUIP - ACQ ADJ	LABOR	(799)	(50)	(5)	(148)	(107)	(50)
33	397-COMMUNICATION EQUIP	LABOR	146,380	9,143	950	27,041	19,560	9,247
34	397-COMMUNICATION EQUIP - ACQ ADJ	LABOR	(22,283)	(1,392)	(145)	(4,116)	(2,978)	(1,408)
35	398-MISCELLANEOUS EQUIP	LABOR	38,851	2,427	252	7,177	5,191	2,454
36	398-MISCELLANEOUS EQUIP - ACQ ADJ	LABOR	(4,293)	(268)	(28)	(793)	(574)	(271)
37	399-OTHER TANGIBLE PROPERTY	LABOR	0	0	0	0	0	0
38	TOTAL GENERAL PLANT		2,316,921	144,712	15,032	428,001	309,593	146,355
39								
40	COMMON PLANT	LABOR	0	0	0	0	0	0
41								
42	TOTAL GAS PLANT IN SERVICE		42,783,998	4,637,601	499,982	14,638,000	8,237,129	5,058,308
43								
44	TOTAL GAS PLANT IN SERVICE ACQ ADJ		(5,533,081)	(647,532)	(70,094)	(2,060,096)	(1,109,902)	(711,558)
45								

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL RESIDENTIAL SERVICE (14)	RESIDENTIAL CARES (15)	COMMERCIAL SM. VOL. (16)	COMMERCIAL LG. VOL. (17)	COMMERCIAL TRANS-PORTATION (18)
1	DEVELOPMENT OF RATE BASE						
2							
3	**GAS PLANT IN SERVICE CONTINUED**						
4							
5	DISTRIBUTION PLANT CONTINUED						
6	383-REGULATORS	CUST383	2,019,651	89,476	480,319	4,605	4,043
7	383-REGULATORS - ACQ ADJ	CUST383	(137,299)	(6,083)	(32,653)	(313)	(275)
8	384-REGULATOR INSTALLATIONS	CUST384	893,982	39,606	212,609	2,038	1,790
9	384-REGULATOR INSTALLATIONS - ACQ ADJ	CUST384	(63,204)	(2,800)	(15,031)	(144)	(127)
10	385-INDUSTRIAL MEAS. EQUIP	CUST385	0	0	1,004,540	32,610	24,458
11	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	CUST385	0	0	(86,916)	(2,822)	(2,116)
12	387-OTHER EQUIPMENT	DISTMAIN	806,488	32,727	311,161	13,004	31,811
13	387-OTHER EQUIPMENT - ACQ ADJ	DISTMAIN	(80,301)	(3,259)	(30,982)	(1,295)	(3,167)
14	TOTAL DISTRIBUTION PLANT		143,293,346	6,091,274	36,776,343	1,189,484	2,786,553
15							
16	GENERAL PLANT						
17	389-LAND & LAND RIGHTS	LABOR	151,180	5,775	28,826	575	1,225
18	389-LAND & LAND RIGHTS - ACQ ADJ	LABOR	(37,410)	(1,429)	(7,133)	(142)	(303)
19	390-STRUCTURES & IMPROVE	LABOR	990,117	37,820	188,787	3,767	8,025
20	390-STRUCTURES & IMPROVE - ACQ ADJ	LABOR	(93,537)	(3,573)	(17,835)	(356)	(758)
21	391-OFFICE FURN & EQUIPMENT	LABOR	4,976,656	190,098	948,907	18,933	40,335
22	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	LABOR	(489,554)	(18,700)	(93,344)	(1,862)	(3,968)
23	392-TRANSPORTATION EQUIP	LABOR	3,911,541	149,413	745,820	14,881	31,702
24	392-TRANSPORTATION EQUIP - ACQ ADJ	LABOR	(64,984)	(2,482)	(12,391)	(247)	(527)
25	393-STORES EQUIPMENT	LABOR	86,709	3,312	16,533	330	703
26	393-STORES EQUIPMENT - ACQ ADJ	LABOR	(13,515)	(516)	(2,577)	(51)	(110)
27	394-TOOLS, SHOP & GARAGE EQUIP	LABOR	1,268,641	48,459	241,894	4,826	10,282
28	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	LABOR	(175,413)	(6,700)	(33,446)	(667)	(1,422)
29	395-LABORATORY EQUIPMENT	LABOR	569,290	21,746	108,547	2,166	4,614
30	395-LABORATORY EQUIPMENT - ACQ ADJ	LABOR	(59,973)	(2,291)	(11,435)	(228)	(486)
31	396-POWER OPERATED EQUIP	LABOR	303,717	11,601	57,910	1,155	2,462
32	396-POWER OPERATED EQUIP - ACQ ADJ	LABOR	(4,190)	(160)	(799)	(16)	(34)
33	397-COMMUNICATION EQUIP	LABOR	767,708	29,325	146,380	2,921	6,222
34	397-COMMUNICATION EQUIP - ACQ ADJ	LABOR	(116,868)	(4,464)	(22,283)	(445)	(947)
35	398-MISCELLANEOUS EQUIP	LABOR	203,760	7,783	38,851	775	1,651
36	398-MISCELLANEOUS EQUIP - ACQ ADJ	LABOR	(22,515)	(860)	(4,293)	(86)	(182)
37	399-OTHER TANGIBLE PROPERTY	LABOR	0	0	0	0	0
38	TOTAL GENERAL PLANT		12,151,362	464,157	2,316,921	46,228	98,485
39							
40	COMMON PLANT	LABOR	0	0	0	0	0
41							
42	TOTAL GAS PLANT IN SERVICE		165,488,636	6,960,764	42,783,998	1,386,015	3,251,586
43							
44	TOTAL GAS PLANT IN SERVICE ACQ ADJ		(19,730,187)	(825,625)	(5,533,081)	(191,788)	(455,745)
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	DEVELOPMENT OF RATE BASE				
2					
3	**GAS PLANT IN SERVICE CONTINUED**				
4					
5	DISTRIBUTION PLANT CONTINUED				
6	383-REGULATORS	CUST383	249	2,776	4,759
7	383-REGULATORS - ACQ ADJ	CUST383	(17)	(189)	(324)
8	384-REGULATOR INSTALLATIONS	CUST384	110	1,229	2,107
9	384-REGULATOR INSTALLATIONS - ACQ ADJ	CUST384	(8)	(87)	(149)
10	385-INDUSTRIAL MEAS. EQUIP	CUST385	1,689	16,305	27,175
11	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	CUST385	(146)	(1,411)	(2,351)
12	387-OTHER EQUIPMENT	DISTMAIN	4,892	21,124	123,979
13	387-OTHER EQUIPMENT - ACQ ADJ	DISTMAIN	(487)	(2,103)	(12,344)
14	TOTAL DISTRIBUTION PLANT		428,587	1,852,028	10,687,634
15					
16	GENERAL PLANT				
17	389-LAND & LAND RIGHTS	LABOR	187	817	4,508
18	389-LAND & LAND RIGHTS - ACQ ADJ	LABOR	(46)	(202)	(1,115)
19	390-STRUCTURES & IMPROVE	LABOR	1,225	5,353	29,522
20	390-STRUCTURES & IMPROVE - ACQ ADJ	LABOR	(116)	(506)	(2,789)
21	391-OFFICE FURN & EQUIPMENT	LABOR	6,157	26,905	148,385
22	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	LABOR	(606)	(2,647)	(14,597)
23	392-TRANSPORTATION EQUIP	LABOR	4,839	21,147	116,627
24	392-TRANSPORTATION EQUIP - ACQ ADJ	LABOR	(80)	(351)	(1,938)
25	393-STORES EQUIPMENT	LABOR	107	469	2,585
26	393-STORES EQUIPMENT - ACQ ADJ	LABOR	(17)	(73)	(403)
27	394-TOOLS, SHOP & GARAGE EQUIP	LABOR	1,569	6,859	37,826
28	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	LABOR	(217)	(948)	(5,230)
29	395-LABORATORY EQUIPMENT	LABOR	704	3,078	16,974
30	395-LABORATORY EQUIPMENT - ACQ ADJ	LABOR	(74)	(324)	(1,788)
31	396-POWER OPERATED EQUIP	LABOR	376	1,642	9,056
32	396-POWER OPERATED EQUIP - ACQ ADJ	LABOR	(5)	(23)	(125)
33	397-COMMUNICATION EQUIP	LABOR	950	4,150	22,890
34	397-COMMUNICATION EQUIP - ACQ ADJ	LABOR	(145)	(632)	(3,485)
35	398-MISCELLANEOUS EQUIP	LABOR	252	1,102	6,075
36	398-MISCELLANEOUS EQUIP - ACQ ADJ	LABOR	(28)	(122)	(671)
37	399-OTHER TANGIBLE PROPERTY	LABOR	0	0	0
38	TOTAL GENERAL PLANT		15,032	65,693	362,308
39					
40	COMMON PLANT	LABOR	0	0	0
41					
42	TOTAL GAS PLANT IN SERVICE		499,982	2,161,146	12,476,854
43					
44	TOTAL GAS PLANT IN SERVICE ACQ ADJ		(70,094)	(302,824)	(1,757,272)
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEVELOPMENT OF RATE BASE						
2							
3	**GAS PLANT IN SERVICE CONTINUED**						
4							
5	DISTRIBUTION PLANT CONTINUED						
6	383-REGULATORS	CUST383	20,826	105	1,586	0	266
7	383-REGULATORS - ACQ ADJ	CUST383	(1,416)	(7)	(108)	0	(18)
8	384-REGULATOR INSTALLATIONS	CUST384	9,219	46	702	0	118
9	384-REGULATOR INSTALLATIONS - ACQ ADJ	CUST384	(652)	(3)	(50)	0	(8)
10	385-INDUSTRIAL MEAS. EQUIP	CUST385	92,876	13,588	16,305	0	739
11	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	CUST385	(8,036)	(1,176)	(1,411)	0	(64)
12	387-OTHER EQUIPMENT	DISTMAIN	70,061	11,880	38,195	882	607
13	387-OTHER EQUIPMENT - ACQ ADJ	DISTMAIN	(6,976)	(1,183)	(3,803)	(88)	(60)
14	TOTAL DISTRIBUTION PLANT		7,113,030	1,035,141	3,300,492	75,531	57,727
15							
16	GENERAL PLANT						
17	389-LAND & LAND RIGHTS	LABOR	3,852	429	1,392	32	31
18	389-LAND & LAND RIGHTS - ACQ ADJ	LABOR	(953)	(106)	(344)	(8)	(8)
19	390-STRUCTURES & IMPROVE	LABOR	25,226	2,809	9,116	209	205
20	390-STRUCTURES & IMPROVE - ACQ ADJ	LABOR	(2,383)	(265)	(861)	(20)	(19)
21	391-OFFICE FURN & EQUIPMENT	LABOR	126,795	14,121	45,819	1,052	1,031
22	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	LABOR	(12,473)	(1,389)	(4,507)	(103)	(101)
23	392-TRANSPORTATION EQUIP	LABOR	99,658	11,099	36,013	826	811
24	392-TRANSPORTATION EQUIP - ACQ ADJ	LABOR	(1,656)	(184)	(598)	(14)	(13)
25	393-STORES EQUIPMENT	LABOR	2,209	246	798	18	18
26	393-STORES EQUIPMENT - ACQ ADJ	LABOR	(344)	(38)	(124)	(3)	(3)
27	394-TOOLS, SHOP & GARAGE EQUIP	LABOR	32,322	3,600	11,680	268	263
28	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	LABOR	(4,469)	(498)	(1,615)	(37)	(36)
29	395-LABORATORY EQUIPMENT	LABOR	14,504	1,615	5,241	120	118
30	395-LABORATORY EQUIPMENT - ACQ ADJ	LABOR	(1,528)	(170)	(552)	(13)	(12)
31	396-POWER OPERATED EQUIP	LABOR	7,738	862	2,796	64	63
32	396-POWER OPERATED EQUIP - ACQ ADJ	LABOR	(107)	(12)	(39)	(1)	(1)
33	397-COMMUNICATION EQUIP	LABOR	19,560	2,178	7,068	162	159
34	397-COMMUNICATION EQUIP - ACQ ADJ	LABOR	(2,978)	(332)	(1,076)	(25)	(24)
35	398-MISCELLANEOUS EQUIP	LABOR	5,191	578	1,876	43	42
36	398-MISCELLANEOUS EQUIP - ACQ ADJ	LABOR	(574)	(64)	(207)	(5)	(5)
37	399-OTHER TANGIBLE PROPERTY	LABOR	0	0	0	0	0
38	TOTAL GENERAL PLANT		309,593	34,479	111,875	2,567	2,518
39							
40	COMMON PLANT	LABOR	0	0	0	0	0
41							
42	TOTAL GAS PLANT IN SERVICE		8,237,129	1,206,328	3,851,981	88,252	67,287
43							
44	TOTAL GAS PLANT IN SERVICE ACQ ADJ		(1,109,902)	(169,412)	(542,146)	(12,452)	(9,210)
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	DEVELOPMENT OF RATE BASE CONT.								
2									
3	**DEPRECIATION RESERVE CONTINUED**								
4									
5	**DEPRECIATION RESERVE**								
6	INTANGIBLE RESERVE								
7	302-FRANCHISES & CONSENTS	PLT302	197,465	155,878	30,416	5,474	5,634	32	31
8	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(3,352)	(2,646)	(516)	(93)	(96)	(1)	(1)
9	303-MISC. INTANGIBLE PLANT	PLT303	340,154	268,517	52,395	9,430	9,705	55	54
10	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(3,245)	(2,561)	(500)	(90)	(93)	(1)	(1)
11	TOTAL INTANGIBLE PLANT		531,023	419,188	81,795	14,721	15,150	85	84
12									
13	TRANSMISSION RESERVE								
14	365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0	0	0
15	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0	0	0
16	366-STRUCTURES & IMPROVEMENTS	PLT366	3,705	2,120	899	379	303	2	2
17	366-STRUCTURES & IMPROV - ADQ ADJ	PLT366	(400)	(229)	(97)	(41)	(33)	(0)	(0)
18	367-MAINS	PLT367	3,082,012	1,763,331	747,965	315,164	252,424	1,854	1,275
19	367-MAINS - ACQ ADJ	PLT367	(59,513)	(34,049)	(14,443)	(6,086)	(4,874)	(36)	(25)
20	369-MEASURING & REG STATION EQUIP.	PLT369	234,313	134,059	56,865	23,961	19,191	141	97
21	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(15,972)	(9,138)	(3,876)	(1,633)	(1,308)	(10)	(7)
22	371-OTHER EQUIPMENT	PLT371	(4,641)	(2,655)	(1,126)	(475)	(380)	(3)	(2)
23	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(2,828)	(1,618)	(686)	(289)	(232)	(2)	(1)
24	TOTAL TRANSMISSION PLANT		3,236,677	1,851,821	785,500	330,980	265,091	1,947	1,339
25									
26	DISTRIBUTION RESERVE								
27	374.1-LAND	PLT374	0	0	0	0	0	0	0
28	374.1-LAND - ACQ ADJ	PLT374	0	0	0	0	0	0	0
29	375-STRUCTURES & IMPROV	PLT375	8,751	5,007	2,124	895	717	5	4
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(19)	(11)	(5)	(2)	(2)	(0)	(0)
31	376-MAINS	PLT376	29,504,348	16,880,508	7,160,326	3,017,090	2,416,473	17,745	12,206
32	376-MAINS - ACQ ADJ	PLT376	(879,393)	(503,133)	(213,417)	(89,926)	(72,024)	(529)	(364)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	846,473	484,298	205,428	86,560	69,328	509	350
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(13,445)	(7,692)	(3,263)	(1,375)	(1,101)	(8)	(6)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	735,949	421,063	178,605	75,257	60,276	443	304
36	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	PLT379	(13,417)	(7,676)	(3,256)	(1,372)	(1,099)	(8)	(6)
37	380-SERVICES	PLT380	22,263,336	20,193,882	1,770,892	7,021	290,565	0	976
38	380-SERVICES - ACQ ADJ	PLT380	(449,039)	(407,299)	(35,718)	(142)	(5,861)	0	(20)
39	381-METERS	PLT381	4,875,854	3,912,179	906,975	14,440	41,767	0	493
40	381-METERS - ACQ ADJ	PLT381	(55,706)	(44,696)	(10,362)	(165)	(477)	0	(6)
41	382-METER INSTALLATIONS	PLT382	1,053,528	845,306	195,971	3,120	9,025	0	106
42	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(42,231)	(33,884)	(7,855)	(125)	(362)	0	(4)
43									
44									
45									

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	DEVELOPMENT OF RATE BASE CONT.							
2								
3	**DEPRECIATION RESERVE CONTINUED**							
4								
5	**DEPRECIATION RESERVE**							
6	INTANGIBLE RESERVE							
7	302-FRANCHISES & CONSENTS	PLT302	28,628	1,788	186	5,288	3,825	1,808
8	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(486)	(30)	(3)	(90)	(65)	(31)
9	303-MISC. INTANGIBLE PLANT	PLT303	49,315	3,080	320	9,110	6,590	3,115
10	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(470)	(29)	(3)	(87)	(63)	(30)
11	TOTAL INTANGIBLE PLANT		76,986	4,808	499	14,222	10,287	4,863
12								
13	TRANSMISSION RESERVE							
14	365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0	0
15	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0	0
16	366-STRUCTURES & IMPROVEMENTS	PLT366	786	113	12	367	177	126
17	366-STRUCTURES & IMPROV - ADQ ADJ	PLT366	(85)	(12)	(1)	(40)	(19)	(14)
18	367-MAINS	PLT367	653,802	94,163	10,279	304,885	147,209	105,214
19	367-MAINS - ACQ ADJ	PLT367	(12,625)	(1,818)	(198)	(5,887)	(2,843)	(2,032)
20	369-MEASURING & REG STATION EQUIP.	PLT369	49,706	7,159	781	23,179	11,192	7,999
21	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(3,388)	(488)	(53)	(1,580)	(763)	(545)
22	371-OTHER EQUIPMENT	PLT371	(985)	(142)	(15)	(459)	(222)	(158)
23	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(600)	(86)	(9)	(280)	(135)	(97)
24	TOTAL TRANSMISSION PLANT		686,612	98,888	10,795	320,185	154,597	110,494
25								
26	DISTRIBUTION RESERVE							
27	374.1-LAND	PLT374	0	0	0	0	0	0
28	374.1-LAND - ACQ ADJ	PLT374	0	0	0	0	0	0
29	375-STRUCTURES & IMPROV	PLT375	1,856	267	29	866	418	299
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(4)	(1)	(0)	(2)	(1)	(1)
31	376-MAINS	PLT376	6,258,900	901,426	98,405	2,918,686	1,409,248	1,007,224
32	376-MAINS - ACQ ADJ	PLT376	(186,550)	(26,867)	(2,933)	(86,993)	(42,003)	(30,021)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	179,566	25,862	2,823	83,736	40,431	28,897
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(2,852)	(411)	(45)	(1,330)	(642)	(459)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	156,120	22,485	2,455	72,803	35,152	25,124
36	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	PLT379	(2,846)	(410)	(45)	(1,327)	(641)	(458)
37	380-SERVICES	PLT380	1,765,587	5,304	2,061	4,960	288,131	2,434
38	380-SERVICES - ACQ ADJ	PLT380	(35,611)	(107)	(42)	(100)	(5,811)	(49)
39	381-METERS	PLT381	890,934	16,041	463	13,977	38,630	3,137
40	381-METERS - ACQ ADJ	PLT381	(10,179)	(183)	(5)	(160)	(441)	(36)
41	382-METER INSTALLATIONS	PLT382	192,505	3,466	100	3,020	8,347	678
42	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(7,717)	(139)	(4)	(121)	(335)	(27)
43								
44								
45								

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	DEVELOPMENT OF RATE BASE CONT.						
2							
3	**DEPRECIATION RESERVE CONTINUED**						
4							
5	**DEPRECIATION RESERVE**						
6	INTANGIBLE RESERVE						
7	302-FRANCHISES & CONSENTS	PLT302	150,143	5,735	28,628	571	1,217
8	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(2,549)	(97)	(486)	(10)	(21)
9	303-MISC. INTANGIBLE PLANT	PLT303	258,637	9,879	49,315	984	2,096
10	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(2,467)	(94)	(470)	(9)	(20)
11	TOTAL INTANGIBLE PLANT		403,765	15,423	76,986	1,536	3,272
12							
13	TRANSMISSION RESERVE						
14	365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0
15	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0
16	366-STRUCTURES & IMPROVEMENTS	PLT366	2,037	83	786	33	80
17	366-STRUCTURES & IMPROV - ADQ ADJ	PLT366	(220)	(9)	(85)	(4)	(9)
18	367-MAINS	PLT367	1,694,565	68,766	653,802	27,323	66,840
19	367-MAINS - ACQ ADJ	PLT367	(32,722)	(1,328)	(12,625)	(528)	(1,291)
20	369-MEASURING & REG STATION EQUIP.	PLT369	128,831	5,228	49,706	2,077	5,082
21	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(8,782)	(356)	(3,388)	(142)	(346)
22	371-OTHER EQUIPMENT	PLT371	(2,552)	(104)	(985)	(41)	(101)
23	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(1,555)	(63)	(600)	(25)	(61)
24	TOTAL TRANSMISSION PLANT		1,779,604	72,217	686,612	28,694	70,194
25							
26	DISTRIBUTION RESERVE						
27	374.1-LAND	PLT374	0	0	0	0	0
28	374.1-LAND - ACQ ADJ	PLT374	0	0	0	0	0
29	375-STRUCTURES & IMPROV	PLT375	4,811	195	1,856	78	190
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(11)	(0)	(4)	(0)	(0)
31	376-MAINS	PLT376	16,222,206	658,302	6,258,900	261,565	639,861
32	376-MAINS - ACQ ADJ	PLT376	(483,512)	(19,621)	(186,550)	(7,796)	(19,071)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	465,411	18,887	179,566	7,504	18,357
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(7,392)	(300)	(2,852)	(119)	(292)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	404,642	16,421	156,120	6,524	15,961
36	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	PLT379	(7,377)	(299)	(2,846)	(119)	(291)
37	380-SERVICES	PLT380	19,337,188	856,694	1,765,587	2,824	2,480
38	380-SERVICES - ACQ ADJ	PLT380	(390,020)	(17,279)	(35,611)	(57)	(50)
39	381-METERS	PLT381	3,746,211	165,968	890,934	8,541	7,500
40	381-METERS - ACQ ADJ	PLT381	(42,800)	(1,896)	(10,179)	(98)	(86)
41	382-METER INSTALLATIONS	PLT382	809,446	35,861	192,505	1,846	1,620
42	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(32,447)	(1,437)	(7,717)	(74)	(65)
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	DEVELOPMENT OF RATE BASE CONT.				
2					
3	**DEPRECIATION RESERVE CONTINUED**				
4					
5	**DEPRECIATION RESERVE**				
6	INTANGIBLE RESERVE				
7	302-FRANCHISES & CONSENTS	PLT302	186	812	4,477
8	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(3)	(14)	(76)
9	303-MISC. INTANGIBLE PLANT	PLT303	320	1,398	7,712
10	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(3)	(13)	(74)
11	TOTAL INTANGIBLE PLANT		499	2,183	12,039
12					
13	TRANSMISSION RESERVE				
14	365-LAND & LAND RIGHTS	PLT365	0	0	0
15	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0
16	366-STRUCTURES & IMPROVEMENTS	PLT366	12	53	313
17	366-STRUCTURES & IMPROV - ADQ ADJ	PLT366	(1)	(6)	(34)
18	367-MAINS	PLT367	10,279	44,384	260,501
19	367-MAINS - ACQ ADJ	PLT367	(198)	(857)	(5,030)
20	369-MEASURING & REG STATION EQUIP.	PLT369	781	3,374	19,805
21	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(53)	(230)	(1,350)
22	371-OTHER EQUIPMENT	PLT371	(15)	(67)	(392)
23	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(9)	(41)	(239)
24	TOTAL TRANSMISSION PLANT		10,795	46,611	273,573
25					
26	DISTRIBUTION RESERVE				
27	374.1-LAND	PLT374	0	0	0
28	374.1-LAND - ACQ ADJ	PLT374	0	0	0
29	375-STRUCTURES & IMPROV	PLT375	29	126	740
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(0)	(0)	(2)
31	376-MAINS	PLT376	98,405	424,892	2,493,794
32	376-MAINS - ACQ ADJ	PLT376	(2,933)	(12,664)	(74,329)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	2,823	12,190	71,546
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(45)	(194)	(1,136)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	2,455	10,598	62,205
36	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	PLT379	(45)	(193)	(1,134)
37	380-SERVICES	PLT380	2,061	1,929	3,031
38	380-SERVICES - ACQ ADJ	PLT380	(42)	(39)	(61)
39	381-METERS	PLT381	463	5,149	8,828
40	381-METERS - ACQ ADJ	PLT381	(5)	(59)	(101)
41	382-METER INSTALLATIONS	PLT382	100	1,113	1,907
42	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(4)	(45)	(76)
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEVELOPMENT OF RATE BASE CONT.						
2							
3	**DEPRECIATION RESERVE CONTINUED**						
4							
5	**DEPRECIATION RESERVE**						
6	INTANGIBLE RESERVE						
7	302-FRANCHISES & CONSENTS	PLT302	3,825	426	1,382	32	31
8	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(65)	(7)	(23)	(1)	(1)
9	303-MISC. INTANGIBLE PLANT	PLT303	6,590	734	2,381	55	54
10	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(63)	(7)	(23)	(1)	(1)
11	TOTAL INTANGIBLE PLANT		10,287	1,146	3,717	85	84
12							
13	TRANSMISSION RESERVE						
14	365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0
15	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0
16	366-STRUCTURES & IMPROVEMENTS	PLT366	177	30	96	2	2
17	366-STRUCTURES & IMPROV - ADQ ADJ	PLT366	(19)	(3)	(10)	(0)	(0)
18	367-MAINS	PLT367	147,209	24,961	80,253	1,854	1,275
19	367-MAINS - ACQ ADJ	PLT367	(2,843)	(482)	(1,550)	(36)	(25)
20	369-MEASURING & REG STATION EQUIP.	PLT369	11,192	1,898	6,101	141	97
21	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(763)	(129)	(416)	(10)	(7)
22	371-OTHER EQUIPMENT	PLT371	(222)	(38)	(121)	(3)	(2)
23	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(135)	(23)	(74)	(2)	(1)
24	TOTAL TRANSMISSION PLANT		154,597	26,214	84,281	1,947	1,339
25							
26	DISTRIBUTION RESERVE						
27	374.1-LAND	PLT374	0	0	0	0	0
28	374.1-LAND - ACQ ADJ	PLT374	0	0	0	0	0
29	375-STRUCTURES & IMPROV	PLT375	418	71	228	5	4
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(1)	(0)	(1)	(0)	(0)
31	376-MAINS	PLT376	1,409,248	238,953	768,271	17,745	12,206
32	376-MAINS - ACQ ADJ	PLT376	(42,003)	(7,122)	(22,899)	(529)	(364)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	40,431	6,856	22,042	509	350
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(642)	(109)	(350)	(8)	(6)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	35,152	5,960	19,164	443	304
36	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	PLT379	(641)	(109)	(349)	(8)	(6)
37	380-SERVICES	PLT380	288,131	1,607	827	0	976
38	380-SERVICES - ACQ ADJ	PLT380	(5,811)	(32)	(17)	0	(20)
39	381-METERS	PLT381	38,630	194	2,943	0	493
40	381-METERS - ACQ ADJ	PLT381	(441)	(2)	(34)	0	(6)
41	382-METER INSTALLATIONS	PLT382	8,347	42	636	0	106
42	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(335)	(2)	(25)	0	(4)
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	DEVELOPMENT OF RATE BASE CONT.								
2									
3	**DEPRECIATION RESERVE CONTINUED**								
4	DISTRIBUTION RESERVE CONTINUED								
5	383-REGULATORS	PLT383	1,063,986	853,697	197,916	3,151	9,114	0	108
6	383-REGULATORS - ACQ ADJ	PLT383	(10,992)	(8,819)	(2,045)	(33)	(94)	0	(1)
7	384-REGULATOR INSTALLATIONS	PLT384	94,352	75,704	17,551	279	808	0	10
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(5,443)	(4,367)	(1,012)	(16)	(47)	0	(1)
9	385-INDUSTRIAL MEAS. EQUIP	PLT385	597,058	0	515,199	21,920	59,580	0	359
10	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	PLT385	(6,447)	0	(5,564)	(237)	(643)	0	(4)
11	387-OTHER EQUIPMENT	PLT387	333,544	190,833	80,947	34,108	27,318	201	138
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(10,778)	(6,166)	(2,616)	(1,102)	(883)	(6)	(4)
13	TOTAL DISTRIBUTION RESERVE		59,890,270	42,838,733	10,946,820	3,169,348	2,902,378	18,351	14,639
14									
15	GENERAL PLANT RESERVE								
16	389-LAND AND LAND RIGHTS	PLT389	0	0	0	0	0	0	0
17	389-LAND AND LAND RIGHTS - ACQ ADJ	PLT389	0	0	0	0	0	0	0
18	390-STRUCTURES & IMPROVE	PLT390	521,758	411,874	80,368	14,464	14,886	84	82
19	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(10,840)	(8,557)	(1,670)	(301)	(309)	(2)	(2)
20	391-OFFICE FURN & EQUIPMENT	PLT391	3,247,867	2,563,855	500,278	90,038	92,662	522	512
21	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(178,962)	(141,272)	(27,566)	(4,961)	(5,106)	(29)	(28)
22	392-TRANSPORTATION EQUIP	PLT392	1,760,750	1,389,930	271,213	48,812	50,235	283	277
23	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	(49,951)	(39,431)	(7,694)	(1,385)	(1,425)	(8)	(8)
24	393-STORES EQUIPMENT	PLT393	25,675	20,268	3,955	712	733	4	4
25	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(1,267)	(1,000)	(195)	(35)	(36)	(0)	(0)
26	394-TOOLS, SHOP & GARAGE EQUIPMENT	PLT394	523,919	413,580	80,701	14,524	14,948	84	83
27	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(21,139)	(16,687)	(3,256)	(586)	(603)	(3)	(3)
28	395-LABORATORY EQUIPMENT	PLT395	288,256	227,549	44,401	7,991	8,224	46	45
29	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(17,255)	(13,621)	(2,658)	(478)	(492)	(3)	(3)
30	396-POWER OPERATED EQUIPMENT	PLT396	289,124	228,234	44,535	8,015	8,249	46	46
31	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(678)	(535)	(104)	(19)	(19)	(0)	(0)
32	397-COMMUNICATION EQUIP	PLT397	30,282	23,905	4,664	839	864	5	5
33	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(21,895)	(17,284)	(3,373)	(607)	(625)	(4)	(3)
34	398-MISCELLANEOUS EQUIP	PLT398	88,888	70,168	13,692	2,464	2,536	14	14
35	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(2,775)	(2,191)	(427)	(77)	(79)	(0)	(0)
36	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0	0	0
37	TOTAL GENERAL PLANT RESERVE		6,471,757	5,108,783	996,863	179,411	184,641	1,040	1,020
38									
39	COMMON PLANT	PLTCOMN	0	0	0	0	0	0	0
40									
41	TOTAL DEPRECIATION RESERVE		70,129,727	50,218,524	12,810,979	3,694,460	3,367,260	21,423	17,082
42									
43	TOTAL DEPRECIATION RESERVE ACQ ADJ		(1,876,981)	(1,314,564)	(352,175)	(111,175)	(97,922)	(649)	(496)
44									
45	NET PLANT IN SERVICE		$178,330,230	$122,230,876	$34,610,620	$11,443,522	$9,928,178	$66,828	$50,206
46									

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	DEVELOPMENT OF RATE BASE CONT.							
2								
3	**DEPRECIATION RESERVE CONTINUED**							
4	DISTRIBUTION RESERVE CONTINUED							
5	383-REGULATORS	PLT383	194,415	3,500	101	3,050	8,430	685
6	383-REGULATORS - ACQ ADJ	PLT383	(2,008)	(36)	(1)	(32)	(87)	(7)
7	384-REGULATOR INSTALLATIONS	PLT384	17,240	310	9	270	748	61
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(995)	(18)	(1)	(16)	(43)	(4)
9	385-INDUSTRIAL MEAS. EQUIP	PLT385	487,504	27,695	820	21,101	45,073	14,507
10	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	PLT385	(5,264)	(299)	(9)	(228)	(487)	(157)
11	387-OTHER EQUIPMENT	PLT387	70,756	10,191	1,112	32,996	15,931	11,387
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(2,286)	(329)	(36)	(1,066)	(515)	(368)
13	TOTAL DISTRIBUTION RESERVE		9,959,073	987,747	105,258	3,064,091	1,839,532	1,062,846
14								
15	GENERAL PLANT RESERVE							
16	389-LAND AND LAND RIGHTS	PLT389	0	0	0	0	0	0
17	389-LAND AND LAND RIGHTS - ACQ ADJ	PLT389	0	0	0	0	0	0
18	390-STRUCTURES & IMPROVE	PLT390	75,643	4,725	491	13,973	10,108	4,778
19	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(1,572)	(98)	(10)	(290)	(210)	(99)
20	391-OFFICE FURN & EQUIPMENT	PLT391	470,868	29,410	3,055	86,983	62,919	29,744
21	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(25,946)	(1,621)	(168)	(4,793)	(3,467)	(1,639)
22	392-TRANSPORTATION EQUIP	PLT392	255,270	15,944	1,656	47,155	34,110	16,125
23	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	(7,242)	(452)	(47)	(1,338)	(968)	(457)
24	393-STORES EQUIPMENT	PLT393	3,722	232	24	688	497	235
25	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(184)	(11)	(1)	(34)	(25)	(12)
26	394-TOOLS, SHOP & GARAGE EQUIPMENT	PLT394	75,957	4,744	493	14,031	10,150	4,798
27	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(3,065)	(191)	(20)	(566)	(410)	(194)
28	395-LABORATORY EQUIPMENT	PLT395	41,791	2,610	271	7,720	5,584	2,640
29	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(2,502)	(156)	(16)	(462)	(334)	(158)
30	396-POWER OPERATED EQUIPMENT	PLT396	41,917	2,618	272	7,743	5,601	2,648
31	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(98)	(6)	(1)	(18)	(13)	(6)
32	397-COMMUNICATION EQUIP	PLT397	4,390	274	28	811	587	277
33	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(3,174)	(198)	(21)	(586)	(424)	(201)
34	398-MISCELLANEOUS EQUIP	PLT398	12,887	805	84	2,381	1,722	814
35	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(402)	(25)	(3)	(74)	(54)	(25)
36	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0	0
37	TOTAL GENERAL PLANT RESERVE		938,261	58,603	6,087	173,323	125,373	59,268
38								
39	COMMON PLANT	PLTCOMN	0	0	0	0	0	0
40								
41	TOTAL DEPRECIATION RESERVE		11,660,933	1,150,046	122,640	3,571,820	2,129,789	1,237,471
42								
43	TOTAL DEPRECIATION RESERVE ACQ ADJ		(318,150)	(34,025)	(3,675)	(107,499)	(60,798)	(37,124)
44								
45	NET PLANT IN SERVICE		$31,123,066	$3,487,555	$377,342	$11,066,180	$6,107,340	$3,820,837
46								

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	DEVELOPMENT OF RATE BASE CONT.						
2							
3	**DEPRECIATION RESERVE CONTINUED**						
4	DISTRIBUTION RESERVE CONTINUED						
5	383-REGULATORS	PLT383	817,480	36,217	194,415	1,864	1,637
6	383-REGULATORS - ACQ ADJ	PLT383	(8,445)	(374)	(2,008)	(19)	(17)
7	384-REGULATOR INSTALLATIONS	PLT384	72,492	3,212	17,240	165	145
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(4,182)	(185)	(995)	(10)	(8)
9	385-INDUSTRIAL MEAS. EQUIP	PLT385	0	0	487,504	15,826	11,869
10	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	PLT385	0	0	(5,264)	(171)	(128)
11	387-OTHER EQUIPMENT	PLT387	183,391	7,442	70,756	2,957	7,234
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(5,926)	(240)	(2,286)	(96)	(234)
13	TOTAL DISTRIBUTION RESERVE		41,081,169	1,757,564	9,959,073	301,136	686,611
14							
15	GENERAL PLANT RESERVE						
16	389-LAND AND LAND RIGHTS	PLT389	0	0	0	0	0
17	389-LAND AND LAND RIGHTS - ACQ ADJ	PLT389	0	0	0	0	0
18	390-STRUCTURES & IMPROVE	PLT390	396,720	15,154	75,643	1,509	3,215
19	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(8,243)	(315)	(1,572)	(31)	(67)
20	391-OFFICE FURN & EQUIPMENT	PLT391	2,469,524	94,331	470,868	9,395	20,015
21	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(136,074)	(5,198)	(25,946)	(518)	(1,103)
22	392-TRANSPORTATION EQUIP	PLT392	1,338,791	51,139	255,270	5,093	10,851
23	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	(37,980)	(1,451)	(7,242)	(144)	(308)
24	393-STORES EQUIPMENT	PLT393	19,522	746	3,722	74	158
25	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(963)	(37)	(184)	(4)	(8)
26	394-TOOLS, SHOP & GARAGE EQUIPMENT	PLT394	398,363	15,217	75,957	1,515	3,229
27	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(16,073)	(614)	(3,065)	(61)	(130)
28	395-LABORATORY EQUIPMENT	PLT395	219,176	8,372	41,791	834	1,776
29	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(13,120)	(501)	(2,502)	(50)	(106)
30	396-POWER OPERATED EQUIPMENT	PLT396	219,836	8,397	41,917	836	1,782
31	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(516)	(20)	(98)	(2)	(4)
32	397-COMMUNICATION EQUIP	PLT397	23,025	880	4,390	88	187
33	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(16,648)	(636)	(3,174)	(63)	(135)
34	398-MISCELLANEOUS EQUIP	PLT398	67,587	2,582	12,887	257	548
35	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(2,110)	(81)	(402)	(8)	(17)
36	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0
37	TOTAL GENERAL PLANT RESERVE		4,920,818	187,965	938,261	18,720	39,882
38							
39	COMMON PLANT	PLTCOMN	0	0	0	0	0
40							
41	TOTAL DEPRECIATION RESERVE		48,185,355	2,033,169	11,660,933	350,087	799,960
42							
43	TOTAL DEPRECIATION RESERVE ACQ ADJ		(1,262,132)	(52,433)	(318,150)	(10,157)	(23,868)
44							
45	NET PLANT IN SERVICE		$117,303,281	$4,927,595	$31,123,066	$1,035,928	$2,451,627
46							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	DEVELOPMENT OF RATE BASE CONT.				
2					
3	**DEPRECIATION RESERVE CONTINUED**				
4	DISTRIBUTION RESERVE CONTINUED				
5	383-REGULATORS	PLT383	101	1,124	1,926
6	383-REGULATORS - ACQ ADJ	PLT383	(1)	(12)	(20)
7	384-REGULATOR INSTALLATIONS	PLT384	9	100	171
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(1)	(6)	(10)
9	385-INDUSTRIAL MEAS. EQUIP	PLT385	820	7,913	13,188
10	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	PLT385	(9)	(85)	(142)
11	387-OTHER EQUIPMENT	PLT387	1,112	4,803	28,192
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(36)	(155)	(911)
13	TOTAL DISTRIBUTION RESERVE		105,258	456,485	2,607,606
14					
15	GENERAL PLANT RESERVE				
16	389-LAND AND LAND RIGHTS	PLT389	0	0	0
17	389-LAND AND LAND RIGHTS - ACQ ADJ	PLT389	0	0	0
18	390-STRUCTURES & IMPROVE	PLT390	491	2,145	11,829
19	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(10)	(45)	(246)
20	391-OFFICE FURN & EQUIPMENT	PLT391	3,055	13,351	73,632
21	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(168)	(736)	(4,057)
22	392-TRANSPORTATION EQUIP	PLT392	1,656	7,238	39,918
23	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	(47)	(205)	(1,132)
24	393-STORES EQUIPMENT	PLT393	24	106	582
25	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(1)	(5)	(29)
26	394-TOOLS, SHOP & GARAGE EQUIPMENT	PLT394	493	2,154	11,878
27	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(20)	(87)	(479)
28	395-LABORATORY EQUIPMENT	PLT395	271	1,185	6,535
29	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(16)	(71)	(391)
30	396-POWER OPERATED EQUIPMENT	PLT396	272	1,188	6,555
31	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(1)	(3)	(15)
32	397-COMMUNICATION EQUIP	PLT397	28	124	687
33	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(21)	(90)	(496)
34	398-MISCELLANEOUS EQUIP	PLT398	84	365	2,015
35	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(3)	(11)	(63)
36	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0
37	TOTAL GENERAL PLANT RESERVE		6,087	26,603	146,720
38					
39	COMMON PLANT	PLTCOMN	0	0	0
40					
41	TOTAL DEPRECIATION RESERVE		122,640	531,882	3,039,938
42					
43	TOTAL DEPRECIATION RESERVE ACQ ADJ		(3,675)	(15,865)	(91,634)
44					
45	NET PLANT IN SERVICE		$377,342	$1,629,264	$9,436,916
46					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEVELOPMENT OF RATE BASE CONT.						
2							
3	**DEPRECIATION RESERVE CONTINUED**						
4	DISTRIBUTION RESERVE CONTINUED						
5	383-REGULATORS	PLT383	8,430	42	642	0	108
6	383-REGULATORS - ACQ ADJ	PLT383	(87)	(0)	(7)	0	(1)
7	384-REGULATOR INSTALLATIONS	PLT384	748	4	57	0	10
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(43)	(0)	(3)	0	(1)
9	385-INDUSTRIAL MEAS. EQUIP	PLT385	45,073	6,594	7,913	0	359
10	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	PLT385	(487)	(71)	(85)	0	(4)
11	387-OTHER EQUIPMENT	PLT387	15,931	2,701	8,685	201	138
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(515)	(87)	(281)	(6)	(4)
13	TOTAL DISTRIBUTION RESERVE		1,839,532	255,490	807,356	18,351	14,639
14							
15	GENERAL PLANT RESERVE						
16	389-LAND AND LAND RIGHTS	PLT389	0	0	0	0	0
17	389-LAND AND LAND RIGHTS - ACQ ADJ	PLT389	0	0	0	0	0
18	390-STRUCTURES & IMPROVE	PLT390	10,108	1,126	3,653	84	82
19	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(210)	(23)	(76)	(2)	(2)
20	391-OFFICE FURN & EQUIPMENT	PLT391	62,919	7,007	22,736	522	512
21	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(3,467)	(386)	(1,253)	(29)	(28)
22	392-TRANSPORTATION EQUIP	PLT392	34,110	3,799	12,326	283	277
23	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	(968)	(108)	(350)	(8)	(8)
24	393-STORES EQUIPMENT	PLT393	497	55	180	4	4
25	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(25)	(3)	(9)	(0)	(0)
26	394-TOOLS, SHOP & GARAGE EQUIPMENT	PLT394	10,150	1,130	3,668	84	83
27	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(410)	(46)	(148)	(3)	(3)
28	395-LABORATORY EQUIPMENT	PLT395	5,584	622	2,018	46	45
29	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(334)	(37)	(121)	(3)	(3)
30	396-POWER OPERATED EQUIPMENT	PLT396	5,601	624	2,024	46	46
31	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(13)	(1)	(5)	(0)	(0)
32	397-COMMUNICATION EQUIP	PLT397	587	65	212	5	5
33	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(424)	(47)	(153)	(4)	(3)
34	398-MISCELLANEOUS EQUIP	PLT398	1,722	192	622	14	14
35	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(54)	(6)	(19)	(0)	(0)
36	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0
37	TOTAL GENERAL PLANT RESERVE		125,373	13,963	45,305	1,040	1,020
38							
39	COMMON PLANT	PLTCOMN	0	0	0	0	0
40							
41	TOTAL DEPRECIATION RESERVE		2,129,789	296,812	940,659	21,423	17,082
42							
43	TOTAL DEPRECIATION RESERVE ACQ ADJ		(60,798)	(8,845)	(28,280)	(649)	(496)
44							
45	NET PLANT IN SERVICE		$6,107,340	$909,515	$2,911,322	$66,828	$50,206
46							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1 DEVELOPMENT OF RATE BASE CONT.								
2								
3 **OTHER RATE BASE ITEMS**								
4								
5 WORKING CAPITAL								
6 CASH WORKING CAPITAL								
7 PLANT	PLANT	($3,280,886)	($2,277,175)	($626,197)	($199,895)	($175,565)	($1,165)	($889)
8 COMMODITY	WCGC	0	0	0	0	0	0	0
9 OPERATIONS & MAINTENANCE	WCOTH	0	0	0	0	0	0	0
10 OTHER	WCOTH	0	0	0	0	0	0	0
11 TOTAL CASH WORKING CAPITAL		(3,280,886)	(2,277,175)	(626,197)	(199,895)	(175,565)	(1,165)	(889)
12 MATERIALS & SUPPLIES	PLANT	2,039,798	1,415,769	389,320	124,279	109,152	725	552
13 PREPAYMENTS	PLANT	195,942	135,998	37,398	11,938	10,485	70	53
14 TOTAL WORKING CAPITAL		(1,045,146)	(725,408)	(199,479)	(63,678)	(55,927)	(371)	(283)
15								
16 LESS: CUSTOMER CONTRIBUTIONS								
17 CUST ADVANCES FOR CONSTRUCTION	PLANT	(7,283,595)	(5,055,348)	(1,390,163)	(443,769)	(389,755)	(2,587)	(1,973)
18 CUSTOMER DEPOSITS	PLANT	(3,040,484)	(2,110,318)	(580,313)	(185,248)	(162,700)	(1,080)	(823)
19								
20 OTHER RATE BASE								
21 CWIP	DISTRPLT	0	0	0	0	0	0	0
22 Y2K COSTS & GIC DEF	PAYXAG	1,097,410	864,004	171,269	30,768	31,015	179	175
23 C.A.R.E.S.	THERMS	107,477	55,798	25,479	17,200	8,853	79	67
24 OTHER - WARM SPIRIT	RESNTPT	(19,721)	(19,721)	0	0	0	0	0
25 TOTAL OTHER		1,185,166	900,081	196,749	47,967	39,868	258	242
26								
27 LESS								
28 ACCUMULATED DEFERRED INC. TAXES	PLANT	(6,484,809)	(4,500,932)	(1,237,705)	(395,102)	(347,011)	(2,303)	(1,756)
29								
30								
31 TOTAL RATE BASE		$161,661,362	$110,738,951	$31,399,710	$10,403,692	$9,012,652	$60,745	$45,613
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
	ALLOC	SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.
		(8)	(9)	(10)	(11)	(12)	(13)
1 DEVELOPMENT OF RATE BASE CONT.							
2							
3 **OTHER RATE BASE ITEMS**							
4							
5 WORKING CAPITAL							
6 CASH WORKING CAPITAL							
7 PLANT	PLANT	($564,958)	($61,239)	($6,602)	($193,293)	($108,770)	($66,794)
8 COMMODITY	WCGC	0	0	0	0	0	0
9 OPERATIONS & MAINTENANCE	WCOTH	0	0	0	0	0	0
10 OTHER	WCOTH	0	0	0	0	0	0
11 TOTAL CASH WORKING CAPITAL		(564,958)	(61,239)	(6,602)	(193,293)	(108,770)	(66,794)
12 MATERIALS & SUPPLIES	PLANT	351,247	38,074	4,105	120,175	67,625	41,528
13 PREPAYMENTS	PLANT	33,741	3,657	394	11,544	6,496	3,989
14 TOTAL WORKING CAPITAL		(179,971)	(19,508)	(2,103)	(61,575)	(34,649)	(21,278)
15							
16 LESS: CUSTOMER CONTRIBUTIONS							
17 CUST ADVANCES FOR CONSTRUCTION	PLANT	(1,254,211)	(135,951)	(14,657)	(429,112)	(241,471)	(148,284)
18 CUSTOMER DEPOSITS	PLANT	(523,561)	(56,752)	(6,118)	(179,130)	(100,800)	(61,900)
19							
20 OTHER RATE BASE							
21 CWIP	DISTRPLT	0	0	0	0	0	0
22 Y2K COSTS & GIC DEF	PAYXAG	161,209	10,061	1,042	29,726	20,863	10,151
23 C.A.R.E.S.	THERMS	22,558	2,921	398	16,802	4,531	4,322
24 OTHER - WARM SPIRIT	RESNTPT	0	0	0	0	0	0
25 TOTAL OTHER		183,767	12,982	1,440	46,528	25,395	14,473
26							
27 LESS							
28 ACCUMULATED DEFERRED INC. TAXES	PLANT	(1,116,663)	(121,041)	(13,050)	(382,052)	(214,989)	(132,022)
29							
30							
31 TOTAL RATE BASE		$28,232,426	$3,167,284	$342,854	$10,060,838	$5,540,825	$3,471,827
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		RESIDENTIAL		COMMERCIAL		
	ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1 DEVELOPMENT OF RATE BASE CONT.						
2						
3 **OTHER RATE BASE ITEMS**						
4						
5 WORKING CAPITAL						
6 CASH WORKING CAPITAL						
7 PLANT	PLANT	($2,185,259)	($91,916)	($564,958)	($18,302)	($42,937)
8 COMMODITY	WCGC	0	0	0	0	0
9 OPERATIONS & MAINTENANCE	WCOTH	0	0	0	0	0
10 OTHER	WCOTH	0	0	0	0	0
11 TOTAL CASH WORKING CAPITAL		(2,185,259)	(91,916)	(564,958)	(18,302)	(42,937)
12 MATERIALS & SUPPLIES	PLANT	1,358,623	57,146	351,247	11,379	26,695
13 PREPAYMENTS	PLANT	130,509	5,489	33,741	1,093	2,564
14 TOTAL WORKING CAPITAL		(696,127)	(29,280)	(179,971)	(5,830)	(13,678)
15						
16 LESS: CUSTOMER CONTRIBUTIONS						
17 CUST ADVANCES FOR CONSTRUCTION	PLANT	(4,851,294)	(204,055)	(1,254,211)	(40,631)	(95,320)
18 CUSTOMER DEPOSITS	PLANT	(2,025,137)	(85,181)	(523,561)	(16,961)	(39,791)
19						
20 OTHER RATE BASE						
21 CWIP	DISTRPLT	0	0	0	0	0
22 Y2K COSTS & GIC DEF	PAYXAG	833,441	30,563	161,209	3,217	6,843
23 C.A.R.E.S.	THERMS	53,610	2,188	22,558	995	1,926
24 OTHER - WARM SPIRIT	RESNTPT	(18,926)	(795)	0	0	0
25 TOTAL OTHER		868,125	31,956	183,767	4,212	8,769
26						
27 LESS						
28 ACCUMULATED DEFERRED INC. TAXES	PLANT	(4,319,256)	(181,676)	(1,116,663)	(36,175)	(84,866)
29						
30						
31 TOTAL RATE BASE		$106,279,592	$4,459,359	$28,232,426	$940,543	$2,226,741
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
		ALLOC	SM. VOL.	LG. VOL.	TRANS-PORTATION
			(19)	(20)	(21)
1	DEVELOPMENT OF RATE BASE CONT.				
2					
3	**OTHER RATE BASE ITEMS**				
4					
5	WORKING CAPITAL				
6	CASH WORKING CAPITAL				
7	PLANT	PLANT	($6,602)	($28,538)	($164,755)
8	COMMODITY	WCGC	0	0	0
9	OPERATIONS & MAINTENANCE	WCOTH	0	0	0
10	OTHER	WCOTH	0	0	0
11	TOTAL CASH WORKING CAPITAL		(6,602)	(28,538)	(164,755)
12	MATERIALS & SUPPLIES	PLANT	4,105	17,743	102,432
13	PREPAYMENTS	PLANT	394	1,704	9,840
14	TOTAL WORKING CAPITAL		(2,103)	(9,091)	(52,484)
15					
16	LESS: CUSTOMER CONTRIBUTIONS				
17	CUST ADVANCES FOR CONSTRUCTION	PLANT	(14,657)	(63,354)	(365,759)
18	CUSTOMER DEPOSITS	PLANT	(6,118)	(26,447)	(152,683)
19					
20	OTHER RATE BASE				
21	CWIP	DISTRPLT	0	0	0
22	Y2K COSTS & GIC DEF	PAYXAG	1,042	4,566	25,160
23	C.A.R.E.S.	THERMS	398	1,786	15,016
24	OTHER - WARM SPIRIT	RESNTPT	0	0	0
25	TOTAL OTHER		1,440	6,352	40,176
26					
27	LESS				
28	ACCUMULATED DEFERRED INC. TAXES	PLANT	(13,050)	(56,406)	(325,646)
29					
30					
31	TOTAL RATE BASE		$342,854	$1,480,318	$8,580,520
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		PUBLIC AUTHORITY			SPECIAL	
	ALLOC	SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	GAS LIGHT SERVICE (25)	IRRIGATION (26)
1 DEVELOPMENT OF RATE BASE CONT.						
2						
3 **OTHER RATE BASE ITEMS**						
4						
5 WORKING CAPITAL						
6 CASH WORKING CAPITAL						
7 PLANT	PLANT	($108,770)	($15,929)	($50,865)	($1,165)	($889)
8 COMMODITY	WCGC	0	0	0	0	0
9 OPERATIONS & MAINTENANCE	WCOTH	0	0	0	0	0
10 OTHER	WCOTH	0	0	0	0	0
11 TOTAL CASH WORKING CAPITAL		(108,770)	(15,929)	(50,865)	(1,165)	(889)
12 MATERIALS & SUPPLIES	PLANT	67,625	9,904	31,624	725	552
13 PREPAYMENTS	PLANT	6,496	951	3,038	70	53
14 TOTAL WORKING CAPITAL		(34,649)	(5,074)	(16,203)	(371)	(283)
15						
16 LESS: CUSTOMER CONTRIBUTIONS						
17 CUST ADVANCES FOR CONSTRUCTION	PLANT	(241,471)	(35,363)	(112,921)	(2,587)	(1,973)
18 CUSTOMER DEPOSITS	PLANT	(100,800)	(14,762)	(47,138)	(1,080)	(823)
19						
20 OTHER RATE BASE						
21 CWIP	DISTRPLT	0	0	0	0	0
22 Y2K COSTS & GIC DEF	PAYXAG	20,863	2,384	7,767	179	175
23 C.A.R.E.S.	THERMS	4,531	800	3,522	79	67
24 OTHER - WARM SPIRIT	RESNTPT	0	0	0	0	0
25 TOTAL OTHER		25,395	3,184	11,289	258	242
26						
27 LESS						
28 ACCUMULATED DEFERRED INC. TAXES	PLANT	(214,989)	(31,485)	(100,537)	(2,303)	(1,756)
29						
30						
31 TOTAL RATE BASE		$5,540,825	$826,014	$2,645,813	$60,745	$45,613
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	OPERATING REVENUES								
2									
3	**REVENUES**								
4									
5	GAS OPERATING REVENUES								
6									
7	SALES REVENUES								
8	FIRM SALES OF GAS		$45,689,224	$32,152,423	$9,193,787	$2,080,932	$2,165,441	$73,078	$23,562
9	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0	0	0
10	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0	0	0
11	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0	0	0
12	SALES FOR RESALE	DEMGAS	0	0	0	0	0	0	0
13	TOTAL SALES OF GAS		45,689,224	32,152,423	9,193,787	2,080,932	2,165,441	73,078	23,562
14									
15	OTHER OPERATING REVENUES								
16	FORFEITED DISCOUNTS	PLANT	398,966	276,911	76,147	24,308	21,349	142	108
17	MISCELLANEOUS SERVICE REV	CUST487B	1,046,891	957,410	52,441	0	36,477	0	563
18	OTHER REVENUE	DEMGAS	34,447	22,089	9,324	865	2,110	31	27
19	OTHER REVENUE	PLANT	0	0	0	0	0	0	0
20	OTHER REVENUE	PLANT	0	0	0	0	0	0	0
21	TOTAL OTHER OPERATING REV		1,480,303	1,256,411	137,913	25,172	59,937	173	697
22									
23	TOTAL GAS OPERATING REVENUE		$47,169,527	$33,408,834	$9,331,700	$2,106,105	$2,225,378	$73,251	$24,260
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
		ALLOC	SM. VOL. (8)	LG. VOL. (9)	SM. VOL. (10)	LG. VOL. (11)	SM. VOL. (12)	LG. VOL. (13)
1	OPERATING REVENUES							
2								
3	**REVENUES**							
4								
5	GAS OPERATING REVENUES							
6								
7	SALES REVENUES							
8	FIRM SALES OF GAS		$8,531,880	$661,907	$109,190	$1,971,743	$1,527,532	$637,909
9	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0	0
10	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0	0
11	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0	0
12	SALES FOR RESALE	DEMGAS	0	0	0	0	0	0
13	TOTAL SALES OF GAS		8,531,880	661,907	109,190	1,971,743	1,527,532	637,909
14								
15	OTHER OPERATING REVENUES							
16	FORFEITED DISCOUNTS	PLANT	68,701	7,447	803	23,505	13,227	8,122
17	MISCELLANEOUS SERVICE REV	CUST487B	52,441	0	0	0	36,477	0
18	OTHER REVENUE	DEMGAS	8,930	394	158	707	1,794	317
19	OTHER REVENUE	PLANT	0	0	0	0	0	0
20	OTHER REVENUE	PLANT	0	0	0	0	0	0
21	TOTAL OTHER OPERATING REV		130,072	7,841	960	24,212	51,498	8,439
22								
23	TOTAL GAS OPERATING REVENUE		$8,661,952	$669,748	$110,150	$1,995,955	$1,579,030	$646,348

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL RESIDENTIAL SERVICE (14)	RESIDENTIAL CARES (15)	COMMERCIAL SM. VOL. (16)	COMMERCIAL LG. VOL. (17)	COMMERCIAL TRANS-PORTATION (18)
1	OPERATING REVENUES						
2							
3	**REVENUES**						
4							
5	GAS OPERATING REVENUES						
6							
7	SALES REVENUES						
8	FIRM SALES OF GAS		$31,176,937	$975,486	$8,531,880	$211,649	$450,258
9	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0
10	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0
11	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0
12	SALES FOR RESALE	DEMGAS	0	0	0	0	0
13	TOTAL SALES OF GAS		31,176,937	975,486	8,531,880	211,649	450,258
14							
15	OTHER OPERATING REVENUES						
16	FORFEITED DISCOUNTS	PLANT	265,734	11,177	68,701	2,226	5,221
17	MISCELLANEOUS SERVICE REV	CUST487B	938,880	18,530	52,441	0	0
18	OTHER REVENUE	DEMGAS	21,223	866	8,930	394	0
19	OTHER REVENUE	PLANT	0	0	0	0	0
20	OTHER REVENUE	PLANT	0	0	0	0	0
21	TOTAL OTHER OPERATING REV		1,225,837	30,573	130,072	2,619	5,221
22							
23	TOTAL GAS OPERATING REVENUE		$32,402,775	$1,006,059	$8,661,952	$214,268	$455,479
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
		ALLOC	SM. VOL. (19)	LG. VOL. (20)	TRANS-PORTATION (21)
1	OPERATING REVENUES				
2					
3	**REVENUES**				
4					
5	GAS OPERATING REVENUES				
6					
7	SALES REVENUES				
8	FIRM SALES OF GAS		$109,190	$204,407	$1,767,335
9	INTERR SALES GAS COST REV	GASSALES	0	0	0
10	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0
11	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0
12	SALES FOR RESALE	DEMGAS	0	0	0
13	TOTAL SALES OF GAS		109,190	204,407	1,767,335
14					
15	OTHER OPERATING REVENUES				
16	FORFEITED DISCOUNTS	PLANT	803	3,470	20,035
17	MISCELLANEOUS SERVICE REV	CUST487B	0	0	0
18	OTHER REVENUE	DEMGAS	158	707	0
19	OTHER REVENUE	PLANT	0	0	0
20	OTHER REVENUE	PLANT	0	0	0
21	TOTAL OTHER OPERATING REV		960	4,177	20,035
22					
23	TOTAL GAS OPERATING REVENUE		$110,150	$208,585	$1,787,370

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			PUBLIC AUTHORITY			SPECIAL	
		ALLOC	SM. VOL.	LG. VOL.	TRANS-PORTATION	GAS LIGHT SERVICE	IRRIGATION
			(22)	(23)	(24)	(25)	(26)
1	OPERATING REVENUES						
2							
3	**REVENUES**						
4							
5	GAS OPERATING REVENUES						
6							
7	SALES REVENUES						
8	FIRM SALES OF GAS		$1,527,532	$117,541	$520,368	$73,078	$23,562
9	INTERR SALES GAS COST REV	GASSALES	0	0	0	0	0
10	INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0	0
11	INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0	0
12	SALES FOR RESALE	DEMGAS	0	0	0	0	0
13	TOTAL SALES OF GAS		1,527,532	117,541	520,368	73,078	23,562
14							
15	OTHER OPERATING REVENUES						
16	FORFEITED DISCOUNTS	PLANT	13,227	1,937	6,185	142	108
17	MISCELLANEOUS SERVICE REV	CUST487B	36,477	0	0	0	563
18	OTHER REVENUE	DEMGAS	1,794	317	0	31	27
19	OTHER REVENUE	PLANT	0	0	0	0	0
20	OTHER REVENUE	PLANT	0	0	0	0	0
21	TOTAL OTHER OPERATING REV		51,498	2,254	6,185	173	697
22							
23	TOTAL GAS OPERATING REVENUE		$1,579,030	$119,795	$526,553	$73,251	$24,260

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	OPERATION & MAINTENANCE EXPENSE								
2									
3	**OPERATION & MAINTENANCE EXPENSE**								
4	PRODUCTION EXPENSE								
5	421-PURCHASED POWER	DEMGAS	0	0	0	0	0	0	0
6	805-PURCHASED GAS EXPENSES	DEMGAS	0	0	0	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES								
8	NON-RECONCILABLE	DEMGAS	355,528	227,986	96,238	8,923	21,782	324	276
9	CAPACITY RELATED	DEMGAS	0	0	0	0	0	0	0
10	COMMODITY RELATED	GASSALES	0	0	0	0	0	0	0
11	TOTAL ACCOUNT 807		355,528	227,986	96,238	8,923	21,782	324	276
12	TOTAL PURCHASED GAS SUPPLY		355,529	227,986	96,238	8,923	21,782	324	276
13									
14	TRANSMISSION EXPENSE								
15	856-MAINS EXPENSE	TRANS	11,280	6,454	2,737	1,153	924	7	5
16	857-MEASURING & REG. STATION	TRANS	(52,221)	(29,877)	(12,673)	(5,340)	(4,277)	(31)	(22)
17	864-MAINTENANCE OF COMPRESSOR STATION EC	TRANS	19	11	5	2	2	0	0
18	870-OPERATION SUPERVISION AND ENGINEERING	TRANS	315,983	180,785	76,685	32,312	25,880	190	131
19	TOTAL TRANSMISSION		275,061	157,372	66,754	28,127	22,528	165	114
20									
21	DISTRIBUTION EXPENSE								
22	431-INTEREST ON CUSTOMER DEPOSITS	LABDO	170,459	126,837	32,519	5,649	5,390	31	32
23	871-LOAD DISPATCHING	DISTR	162	93	39	17	13	0	0
24	874-MAINS & SERVICING EXPENSE	PLT376380	1,337,349	924,274	247,042	88,319	76,818	519	378
25	875-MEAS./REG. STATION EXPENSE	PLT378	244,463	139,866	59,328	24,999	20,022	147	101
26	876-MEAS./REG. STATION EXPENSE	PLT379	150,536	86,127	36,533	15,394	12,329	91	62
27	877-MEAS./REG. STATION EXPENSE	PLT383	56,529	45,356	10,515	167	484	0	6
28	878-METER EXPENSE	PLT381	1,349,114	1,082,472	250,954	3,995	11,557	0	136
29	879-CUSTOMER INSTALL EXP	PLT38284	539,082	432,536	100,277	1,596	4,618	0	54
30	880-OTHER EXPENSES	EXP87479	1,090,666	804,007	209,007	39,886	37,322	224	219
31	881-RENTS	DISTR	44,510	25,466	10,802	4,552	3,645	27	18
32	885-MAINT. SUPERV. & ENG.	LABDM	243,170	172,068	43,807	14,397	12,751	84	63
33	886-MAINT. OF STRUCTURES	PLT375	0	0	0	0	0	0	0
34	887-MAINT. OF MAINS	PLT376	1,084,194	620,307	263,120	110,869	88,798	652	449
35	889-MAINT. MEAS./REG	PLT378	25,623	14,660	6,218	2,620	2,099	15	11
36	890-MAINT. MEAS./REG	PLT379	2,072	1,186	503	212	170	1	1
37	891-MAINT. MEAS./REG	PLT383	850	682	158	3	7	0	0
38	892-MAINT. OF SERVICES	PLT380	465,066	421,837	36,993	147	6,070	0	20
39	893-MAINT. OF METER	PLT381	167,015	134,006	31,067	495	1,431	0	17
40	894-MAINT. OF OTHER EQUIP.	PLT387	96,826	55,398	23,498	9,901	7,930	58	40
41	TOTAL DISTRIBUTION EXP		7,067,687	5,087,177	1,362,381	323,217	291,454	1,850	1,608
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	OPERATION & MAINTENANCE EXPENSE							
2								
3	**OPERATION & MAINTENANCE EXPENSE**							
4	PRODUCTION EXPENSE							
5	421-PURCHASED POWER	DEMGAS	0	0	0	0	0	0
6	805-PURCHASED GAS EXPENSES	DEMGAS	0	0	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES							
8	NON-RECONCILABLE	DEMGAS	92,172	4,065	1,626	7,297	18,515	3,267
9	CAPACITY RELATED	DEMGAS	0	0	0	0	0	0
10	COMMODITY RELATED	GASSALES	0	0	0	0	0	0
11	TOTAL ACCOUNT 807		92,172	4,065	1,626	7,297	18,515	3,267
12	TOTAL PURCHASED GAS SUPPLY		92,173	4,065	1,626	7,297	18,515	3,267
13								
14	TRANSMISSION EXPENSE							
15	856-MAINS EXPENSE	TRANS	2,393	345	38	1,116	539	385
16	857-MEASURING & REG. STATION	TRANS	(11,078)	(1,595)	(174)	(5,166)	(2,494)	(1,783)
17	864-MAINTENANCE OF COMPRESSOR STATION EC	TRANS	4	1	0	2	1	1
18	870-OPERATION SUPERVISION AND ENGINEERING	TRANS	67,031	9,654	1,054	31,258	15,093	10,787
19	TOTAL TRANSMISSION		58,350	8,404	917	27,210	13,138	9,390
20								
21	DISTRIBUTION EXPENSE							
22	431-INTEREST ON CUSTOMER DEPOSITS	LABDO	30,593	1,926	186	5,463	3,538	1,852
23	871-LOAD DISPATCHING	DISTR	34	5	1	16	8	6
24	874-MAINS & SERVICING EXPENSE	PLT376380	220,586	26,456	2,920	85,399	47,332	29,486
25	875-MEAS./REG. STATION EXPENSE	PLT378	51,859	7,469	815	24,183	11,677	8,346
26	876-MEAS./REG. STATION EXPENSE	PLT379	31,934	4,599	502	14,892	7,190	5,139
27	877-MEAS./REG. STATION EXPENSE	PLT383	10,329	186	5	162	448	36
28	878-METER EXPENSE	PLT381	246,515	4,438	128	3,867	10,689	868
29	879-CUSTOMER INSTALL EXP	PLT38284	98,503	1,774	51	1,545	4,271	347
30	880-OTHER EXPENSES	EXP87479	195,683	13,324	1,312	38,574	24,205	13,117
31	881-RENTS	DISTR	9,442	1,360	148	4,403	2,126	1,519
32	885-MAINT. SUPERV. & ENG.	LABDM	39,456	4,351	477	13,920	7,949	4,801
33	886-MAINT. OF STRUCTURES	PLT375	0	0	0	0	0	0
34	887-MAINT. OF MAINS	PLT376	229,995	33,125	3,616	107,253	51,786	37,012
35	889-MAINT. MEAS./REG	PLT378	5,436	783	85	2,535	1,224	875
36	890-MAINT. MEAS./REG	PLT379	440	63	7	205	99	71
37	891-MAINT. MEAS./REG	PLT383	155	3	0	2	7	1
38	892-MAINT. OF SERVICES	PLT380	36,882	111	43	104	6,019	51
39	893-MAINT. OF METER	PLT381	30,518	549	16	479	1,323	107
40	894-MAINT. OF OTHER EQUIP.	PLT387	20,540	2,958	323	9,578	4,625	3,305
41	TOTAL DISTRIBUTION EXP		1,258,901	103,480	10,635	312,582	184,514	106,940
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL RESIDENTIAL SERVICE (14)	RESIDENTIAL CARES (15)	COMMERCIAL SM. VOL. (16)	COMMERCIAL LG. VOL. (17)	COMMERCIAL TRANS-PORTATION (18)
1	OPERATION & MAINTENANCE EXPENSE						
2							
3	**OPERATION & MAINTENANCE EXPENSE**						
4	PRODUCTION EXPENSE						
5	421-PURCHASED POWER	DEMGAS	0	0	0	0	0
6	805-PURCHASED GAS EXPENSES	DEMGAS	0	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES						
8	NON-RECONCILABLE	DEMGAS	219,047	8,939	92,172	4,065	0
9	CAPACITY RELATED	DEMGAS	0	0	0	0	0
10	COMMODITY RELATED	GASSALES	0	0	0	0	0
11	TOTAL ACCOUNT 807		219,047	8,939	92,172	4,065	0
12	TOTAL PURCHASED GAS SUPPLY		219,047	8,939	92,173	4,065	0
13							
14	TRANSMISSION EXPENSE						
15	856-MAINS EXPENSE	TRANS	6,202	252	2,393	100	245
16	857-MEASURING & REG. STATION	TRANS	(28,712)	(1,165)	(11,078)	(463)	(1,133)
17	864-MAINTENANCE OF COMPRESSOR STATION EC	TRANS	10	0	4	0	0
18	870-OPERATION SUPERVISION AND ENGINEERING	TRANS	173,735	7,050	67,031	2,801	6,853
19	TOTAL TRANSMISSION		151,235	6,137	58,350	2,438	5,965
20							
21	DISTRIBUTION EXPENSE						
22	431-INTEREST ON CUSTOMER DEPOSITS	LABDO	121,559	5,278	30,593	638	1,288
23	871-LOAD DISPATCHING	DISTR	89	4	34	1	4
24	874-MAINS & SERVICING EXPENSE	PLT376380	886,753	37,521	220,586	7,704	18,752
25	875-MEAS./REG. STATION EXPENSE	PLT378	134,412	5,454	51,859	2,167	5,302
26	876-MEAS./REG. STATION EXPENSE	PLT379	82,768	3,359	31,934	1,335	3,265
27	877-MEAS./REG. STATION EXPENSE	PLT383	43,432	1,924	10,329	99	87
28	878-METER EXPENSE	PLT381	1,036,550	45,922	246,515	2,363	2,075
29	879-CUSTOMER INSTALL EXP	PLT38284	414,187	18,350	98,503	944	829
30	880-OTHER EXPENSES	EXP87479	770,629	33,378	195,683	4,334	8,990
31	881-RENTS	DISTR	24,473	993	9,442	395	965
32	885-MAINT. SUPERV. & ENG.	LABDM	165,042	7,025	39,456	1,280	3,071
33	886-MAINT. OF STRUCTURES	PLT375	0	0	0	0	0
34	887-MAINT. OF MAINS	PLT376	596,116	24,191	229,995	9,612	23,513
35	889-MAINT. MEAS./REG	PLT378	14,088	572	5,436	227	556
36	890-MAINT. MEAS./REG	PLT379	1,140	46	440	18	45
37	891-MAINT. MEAS./REG	PLT383	653	29	155	1	1
38	892-MAINT. OF SERVICES	PLT380	403,941	17,896	36,882	59	52
39	893-MAINT. OF METER	PLT381	128,321	5,685	30,518	293	257
40	894-MAINT. OF OTHER EQUIP.	PLT387	53,237	2,160	20,540	858	2,100
41	TOTAL DISTRIBUTION EXP		4,877,391	209,787	1,258,901	32,329	71,151
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	OPERATION & MAINTENANCE EXPENSE				
2					
3	**OPERATION & MAINTENANCE EXPENSE**				
4	PRODUCTION EXPENSE				
5	421-PURCHASED POWER	DEMGAS	0	0	0
6	805-PURCHASED GAS EXPENSES	DEMGAS	0	0	0
7	807-PURCHASED GAS COST EXPENSES				
8	NON-RECONCILABLE	DEMGAS	1,626	7,297	0
9	CAPACITY RELATED	DEMGAS	0	0	0
10	COMMODITY RELATED	GASSALES	0	0	0
11	TOTAL ACCOUNT 807		1,626	7,297	0
12	TOTAL PURCHASED GAS SUPPLY		1,626	7,297	0
13					
14	TRANSMISSION EXPENSE				
15	856-MAINS EXPENSE	TRANS	38	162	953
16	857-MEASURING & REG. STATION	TRANS	(174)	(752)	(4,414)
17	864-MAINTENANCE OF COMPRESSOR STATION EC	TRANS	0	0	2
18	870-OPERATION SUPERVISION AND ENGINEERING	TRANS	1,054	4,550	26,708
19	TOTAL TRANSMISSION		917	3,961	23,249
20					
21	DISTRIBUTION EXPENSE				
22	431-INTEREST ON CUSTOMER DEPOSITS	LABDO	186	859	4,604
23	871-LOAD DISPATCHING	DISTR	1	2	14
24	874-MAINS & SERVICING EXPENSE	PLT376380	2,920	12,458	72,941
25	875-MEAS./REG. STATION EXPENSE	PLT378	815	3,521	20,663
26	876-MEAS./REG. STATION EXPENSE	PLT379	502	2,168	12,724
27	877-MEAS./REG. STATION EXPENSE	PLT383	5	60	102
28	878-METER EXPENSE	PLT381	128	1,425	2,443
29	879-CUSTOMER INSTALL EXP	PLT38284	51	569	976
30	880-OTHER EXPENSES	EXP87479	1,312	5,992	32,583
31	881-RENTS	DISTR	148	641	3,762
32	885-MAINT. SUPERV. & ENG.	LABDM	477	2,041	11,879
33	886-MAINT. OF STRUCTURES	PLT375	0	0	0
34	887-MAINT. OF MAINS	PLT376	3,616	15,613	91,639
35	889-MAINT. MEAS./REG	PLT378	85	369	2,166
36	890-MAINT. MEAS./REG	PLT379	7	30	175
37	891-MAINT. MEAS./REG	PLT383	0	1	2
38	892-MAINT. OF SERVICES	PLT380	43	40	63
39	893-MAINT. OF METER	PLT381	16	176	302
40	894-MAINT. OF OTHER EQUIP.	PLT387	323	1,394	8,184
41	TOTAL DISTRIBUTION EXP		10,635	47,359	265,222
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	OPERATION & MAINTENANCE EXPENSE						
2							
3	**OPERATION & MAINTENANCE EXPENSE**						
4	PRODUCTION EXPENSE						
5	421-PURCHASED POWER	DEMGAS	0	0	0	0	0
6	805-PURCHASED GAS EXPENSES	DEMGAS	0	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES						
8	NON-RECONCILABLE	DEMGAS	18,515	3,267	0	324	276
9	CAPACITY RELATED	DEMGAS	0	0	0	0	0
10	COMMODITY RELATED	GASSALES	0	0	0	0	0
11	TOTAL ACCOUNT 807		18,515	3,267	0	324	276
12	TOTAL PURCHASED GAS SUPPLY		18,515	3,267	0	324	276
13							
14	TRANSMISSION EXPENSE						
15	856-MAINS EXPENSE	TRANS	539	91	294	7	5
16	857-MEASURING & REG. STATION	TRANS	(2,494)	(423)	(1,360)	(31)	(22)
17	864-MAINTENANCE OF COMPRESSOR STATION EC	TRANS	1	0	0	0	0
18	870-OPERATION SUPERVISION AND ENGINEERING	TRANS	15,093	2,559	8,228	190	131
19	TOTAL TRANSMISSION		13,138	2,228	7,162	165	114
20							
21	DISTRIBUTION EXPENSE						
22	431-INTEREST ON CUSTOMER DEPOSITS	LABDO	3,538	429	1,423	31	32
23	871-LOAD DISPATCHING	DISTR	8	1	4	0	0
24	874-MAINS & SERVICING EXPENSE	PLT376380	47,332	7,017	22,469	519	378
25	875-MEAS./REG. STATION EXPENSE	PLT378	11,677	1,980	6,366	147	101
26	876-MEAS./REG. STATION EXPENSE	PLT379	7,190	1,219	3,920	91	62
27	877-MEAS./REG. STATION EXPENSE	PLT383	448	2	34	0	6
28	878-METER EXPENSE	PLT381	10,689	54	814	0	136
29	879-CUSTOMER INSTALL EXP	PLT38284	4,271	21	325	0	54
30	880-OTHER EXPENSES	EXP87479	24,205	3,053	10,064	224	219
31	881-RENTS	DISTR	2,126	360	1,159	27	18
32	885-MAINT. SUPERV. & ENG.	LABDM	7,949	1,141	3,660	84	63
33	886-MAINT. OF STRUCTURES	PLT375	0	0	0	0	0
34	887-MAINT. OF MAINS	PLT376	51,786	8,781	28,232	652	449
35	889-MAINT. MEAS./REG	PLT378	1,224	208	667	15	11
36	890-MAINT. MEAS./REG	PLT379	99	17	54	1	1
37	891-MAINT. MEAS./REG	PLT383	7	0	1	0	0
38	892-MAINT. OF SERVICES	PLT380	6,019	34	17	0	20
39	893-MAINT. OF METER	PLT381	1,323	7	101	0	17
40	894-MAINT. OF OTHER EQUIP.	PLT387	4,625	784	2,521	58	40
41	TOTAL DISTRIBUTION EXP		184,514	25,109	81,830	1,850	1,608
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	OPERATION & MAINT EXP CONT.								
2									
3	**OPERATION & MAINTENANCE EXPENSE CONTINUED**								
4	CUSTOMER ACCOUNT								
5	901-SUPERVISION	LABCA	74,309	67,770	5,936	19	580	1	3
6	902-METER READING EXPENSE	CUST902	719,037	656,293	56,925	214	5,575	0	31
7	903-CUST RECORDS & COLLECT	CUST903	5,462,173	4,979,822	437,984	1,268	42,738	120	240
8	904-UNCOLLECTIBLE ACCOUNTS	BADDEBT	722,634	415,866	126,698	138,139	41,804	0	126
9	905-MISC CUST ACCTS EXP	EXP9024	34,381	30,139	3,096	695	449	1	2
10	906-CUSTOMER SERVICE & INFO	CUST10	0	0	0	0	0	0	0
11	907-SUPERV. CUSTOMER SERV.	LABCS	14,743	13,459	1,165	3	114	0	1
12	908-CUSTOMER ASSISTANCE	CUST10	(34,228)	(31,248)	(2,706)	(8)	(264)	(1)	(1)
13	909-INFO & INSTRUCTIONAL ADVERT.	CUST10	65,794	60,066	5,201	15	507	1	3
14	910-MISC. CUST. SERV. & INFO.	EXP9089	22,602	20,634	1,787	5	174	0	1
15	CARES DISCOUNTS	THERMS	0	0	0	0	0	0	0
16	CARES EXPENSES	THERMS	0	0	0	0	0	0	0
17	TOTAL CUSTOMER ACCTS EXP		7,081,444	6,212,801	636,086	140,352	91,676	123	406
18									
19	SALES EXPENSE								
20	912-DEMONSTRATING & SELLING	CDA912	558	507	46	0	4	0	0
21	913-ADVERTISING EXPENSES	CDA913	0	0	0	0	0	0	0
22	TOTAL SALES EXPENSE		558	507	46	0	4	0	0
23									
24	ADMINISTRATIVE & GENERAL EXPENSE								
25	920-ADMIN & GENERAL SALARY	PAYXAG	1,529,696	1,204,348	238,735	42,887	43,232	250	244
26	921-OFFICE SUPPLIES & EXP	PAYXAG	1,365,974	1,075,448	213,183	38,297	38,605	223	218
27	923-OUTSIDE SERV EMPLOYED	PAYXAG	(152,817)	(120,315)	(23,850)	(4,284)	(4,319)	(25)	(24)
28	924-PROPERTY INSURANCE	PLANT	2,696,531	1,871,590	514,666	164,292	144,295	958	730
29	925-INJURIES & DAMAGES	PAYXAG	7,415	5,838	1,157	208	210	1	1
30	926-EMPLOYED PENSION & BENF	PAYXAG	574,128	452,018	89,602	16,097	16,226	94	92
31	928-REGULATORY COMM EXPENSE	TOTREV	2,452,071	1,736,732	485,101	109,484	115,685	3,808	1,261
32	930-MISCELLANEOUS GEN EXP	PAYXAG	1,282,411	1,009,658	200,142	35,954	36,243	209	204
33	931-RENTS	PAYXAG	109,053	85,858	17,020	3,057	3,082	18	17
34	932-MAINT OF GENERAL PLT	GENPLT	169,826	134,060	26,159	4,708	4,845	27	27
35	TOTAL ADMIN & GEN EXPENSE		10,034,287	7,455,235	1,761,915	410,701	398,103	5,563	2,770
36									
37	TOTAL GAS O & M EXPENSE		$24,814,565	$19,141,078	$3,923,420	$911,320	$825,548	$8,026	$5,173
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	OPERATION & MAINT EXP CONT.							
2								
3	**OPERATION & MAINTENANCE EXPENSE CONTINUED**							
4	CUSTOMER ACCOUNT							
5	901-SUPERVISION	LABCA	5,925	11	7	12	574	6
6	902-METER READING EXPENSE	CUST902	56,794	131	66	148	5,502	73
7	903-CUST RECORDS & COLLECT	CUST903	437,313	671	507	761	42,364	373
8	904-UNCOLLECTIBLE ACCOUNTS	BADDEBT	88,630	38,068	63	138,076	0	41,804
9	905-MISC CUST ACCTS EXP	EXP9024	2,902	194	3	692	238	210
10	906-CUSTOMER SERVICE & INFO	CUST10	0	0	0	0	0	0
11	907-SUPERV. CUSTOMER SERV.	LABCS	1,164	2	1	2	113	1
12	908-CUSTOMER ASSISTANCE	CUST10	(2,702)	(4)	(3)	(5)	(262)	(2)
13	909-INFO & INSTRUCTIONAL ADVERT.	CUST10	5,193	8	6	9	503	4
14	910-MISC. CUST. SERV. & INFO.	EXP9089	1,784	3	2	3	173	2
15	CARES DISCOUNTS	THERMS	0	0	0	0	0	0
16	CARES EXPENSES	THERMS	0	0	0	0	0	0
17	TOTAL CUSTOMER ACCTS EXP		597,004	39,082	653	139,699	49,205	42,471
18								
19	SALES EXPENSE							
20	912-DEMONSTRATING & SELLING	CDA912	46	0	0	0	4	0
21	913-ADVERTISING EXPENSES	CDA913	0	0	0	0	0	0
22	TOTAL SALES EXPENSE		46	0	0	0	4	0
23								
24	ADMINISTRATIVE & GENERAL EXPENSE							
25	920-ADMIN & GENERAL SALARY	PAYXAG	224,711	14,024	1,452	41,435	29,082	14,150
26	921-OFFICE SUPPLIES & EXP	PAYXAG	200,661	12,523	1,297	37,001	25,969	12,635
27	923-OUTSIDE SERV EMPLOYED	PAYXAG	(22,449)	(1,401)	(145)	(4,139)	(2,905)	(1,414)
28	924-PROPERTY INSURANCE	PLANT	464,334	50,332	5,426	158,866	89,397	54,898
29	925-INJURIES & DAMAGES	PAYXAG	1,089	68	7	201	141	69
30	926-EMPLOYED PENSION & BENF	PAYXAG	84,339	5,263	545	15,552	10,915	5,311
31	928-REGULATORY COMM EXPENSE	TOTREV	450,285	34,816	5,726	103,758	82,085	33,600
32	930-MISCELLANEOUS GEN EXP	PAYXAG	188,385	11,757	1,217	34,737	24,381	11,863
33	931-RENTS	PAYXAG	16,020	1,000	104	2,954	2,073	1,009
34	932-MAINT OF GENERAL PLT	GENPLT	24,621	1,538	160	4,548	3,290	1,555
35	TOTAL ADMIN & GEN EXPENSE		1,631,996	129,919	15,788	394,912	264,427	133,675
36								
37	TOTAL GAS O & M EXPENSE		$3,638,470	$284,950	$29,620	$881,701	$529,805	$295,743
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	OPERATION & MAINT EXP CONT.						
2							
3	**OPERATION & MAINTENANCE EXPENSE CONTINUED**						
4	CUSTOMER ACCOUNT						
5	901-SUPERVISION	LABCA	66,186	1,584	5,925	7	4
6	902-METER READING EXPENSE	CUST902	628,450	27,842	56,794	84	47
7	903-CUST RECORDS & COLLECT	CUST903	4,904,509	75,313	437,313	430	240
8	904-UNCOLLECTIBLE ACCOUNTS	BADDEBT	400,520	15,346	88,630	2,535	35,533
9	905-MISC CUST ACCTS EXP	EXP9024	29,549	590	2,902	15	178
10	906-CUSTOMER SERVICE & INFO	CUST10	0	0	0	0	0
11	907-SUPERV. CUSTOMER SERV.	LABCS	12,856	603	1,164	1	1
12	908-CUSTOMER ASSISTANCE	CUST10	(29,848)	(1,400)	(2,702)	(3)	(1)
13	909-INFO & INSTRUCTIONAL ADVERT.	CUST10	57,374	2,692	5,193	5	3
14	910-MISC. CUST. SERV. & INFO.	EXP9089	19,709	925	1,784	2	1
15	CARES DISCOUNTS	THERMS	0	0	0	0	0
16	CARES EXPENSES	THERMS	0	0	0	0	0
17	TOTAL CUSTOMER ACCTS EXP		6,089,306	123,495	597,004	3,076	36,006
18							
19	SALES EXPENSE						
20	912-DEMONSTRATING & SELLING	CDA912	499	8	46	0	0
21	913-ADVERTISING EXPENSES	CDA913	0	0	0	0	0
22	TOTAL SALES EXPENSE		499	8	46	0	0
23							
24	ADMINISTRATIVE & GENERAL EXPENSE						
25	920-ADMIN & GENERAL SALARY	PAYXAG	1,161,745	42,603	224,711	4,485	9,539
26	921-OFFICE SUPPLIES & EXP	PAYXAG	1,037,405	38,043	200,661	4,005	8,518
27	923-OUTSIDE SERV EMPLOYED	PAYXAG	(116,059)	(4,256)	(22,449)	(448)	(953)
28	924-PROPERTY INSURANCE	PLANT	1,796,045	75,545	464,334	15,042	35,289
29	925-INJURIES & DAMAGES	PAYXAG	5,631	207	1,089	22	46
30	926-EMPLOYED PENSION & BENF	PAYXAG	436,028	15,990	84,339	1,683	3,580
31	928-REGULATORY COMM EXPENSE	TOTREV	1,684,433	52,299	450,285	11,139	23,678
32	930-MISCELLANEOUS GEN EXP	PAYXAG	973,942	35,716	188,385	3,760	7,997
33	931-RENTS	PAYXAG	82,821	3,037	16,020	320	680
34	932-MAINT OF GENERAL PLT	GENPLT	129,127	4,932	24,621	491	1,047
35	TOTAL ADMIN & GEN EXPENSE		7,191,119	264,116	1,631,996	40,498	89,422
36							
37	TOTAL GAS O & M EXPENSE		$18,528,597	$612,481	$3,638,470	$82,407	$202,543
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
		ALLOC	SM. VOL. (19)	LG. VOL. (20)	TRANS-PORTATION (21)
1	OPERATION & MAINT EXP CONT.				
2					
3	**OPERATION & MAINTENANCE EXPENSE CONTINUED**				
4	CUSTOMER ACCOUNT				
5	901-SUPERVISION	LABCA	7	4	8
6	902-METER READING EXPENSE	CUST902	66	55	94
7	903-CUST RECORDS & COLLECT	CUST903	507	280	481
8	904-UNCOLLECTIBLE ACCOUNTS	BADDEBT	63	268	137,808
9	905-MISC CUST ACCTS EXP	EXP9024	3	3	689
10	906-CUSTOMER SERVICE & INFO	CUST10	0	0	0
11	907-SUPERV. CUSTOMER SERV.	LABCS	1	1	1
12	908-CUSTOMER ASSISTANCE	CUST10	(3)	(2)	(3)
13	909-INFO & INSTRUCTIONAL ADVERT.	CUST10	6	3	6
14	910-MISC. CUST. SERV. & INFO.	EXP9089	2	1	2
15	CARES DISCOUNTS	THERMS	0	0	0
16	CARES EXPENSES	THERMS	0	0	0
17	TOTAL CUSTOMER ACCTS EXP		653	614	139,085
18					
19	SALES EXPENSE				
20	912-DEMONSTRATING & SELLING	CDA912	0	0	0
21	913-ADVERTISING EXPENSES	CDA913	0	0	0
22	TOTAL SALES EXPENSE		0	0	0
23					
24	ADMINISTRATIVE & GENERAL EXPENSE				
25	920-ADMIN & GENERAL SALARY	PAYXAG	1,452	6,364	35,071
26	921-OFFICE SUPPLIES & EXP	PAYXAG	1,297	5,683	31,318
27	923-OUTSIDE SERV EMPLOYED	PAYXAG	(145)	(636)	(3,504)
28	924-PROPERTY INSURANCE	PLANT	5,426	23,455	135,411
29	925-INJURIES & DAMAGES	PAYXAG	7	31	170
30	926-EMPLOYED PENSION & BENF	PAYXAG	545	2,389	13,163
31	928-REGULATORY COMM EXPENSE	TOTREV	5,726	10,843	92,915
32	930-MISCELLANEOUS GEN EXP	PAYXAG	1,217	5,335	29,402
33	931-RENTS	PAYXAG	104	454	2,500
34	932-MAINT OF GENERAL PLT	GENPLT	160	698	3,850
35	TOTAL ADMIN & GEN EXPENSE		15,788	54,616	340,296
36					
37	TOTAL GAS O & M EXPENSE		$29,620	$113,848	$767,853
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	OPERATION & MAINT EXP CONT.						
2							
3	**OPERATION & MAINTENANCE EXPENSE CONTINUED**						
4	CUSTOMER ACCOUNT						
5	901-SUPERVISION	LABCA	574	3	3	1	3
6	902-METER READING EXPENSE	CUST902	5,502	42	31	0	31
7	903-CUST RECORDS & COLLECT	CUST903	42,364	213	160	120	240
8	904-UNCOLLECTIBLE ACCOUNTS	BADDEBT	0	0	41,804	0	126
9	905-MISC CUST ACCTS EXP	EXP9024	238	1	209	1	2
10	906-CUSTOMER SERVICE & INFO	CUST10	0	0	0	0	0
11	907-SUPERV. CUSTOMER SERV.	LABCS	113	1	0	0	1
12	908-CUSTOMER ASSISTANCE	CUST10	(262)	(1)	(1)	(1)	(1)
13	909-INFO & INSTRUCTIONAL ADVERT.	CUST10	503	3	2	1	3
14	910-MISC. CUST. SERV. & INFO.	EXP9089	173	1	1	0	1
15	CARES DISCOUNTS	THERMS	0	0	0	0	0
16	CARES EXPENSES	THERMS	0	0	0	0	0
17	TOTAL CUSTOMER ACCTS EXP		49,205	262	42,209	123	406
18							
19	SALES EXPENSE						
20	912-DEMONSTRATING & SELLING	CDA912	4	0	0	0	0
21	913-ADVERTISING EXPENSES	CDA913	0	0	0	0	0
22	TOTAL SALES EXPENSE		4	0	0	0	0
23							
24	ADMINISTRATIVE & GENERAL EXPENSE						
25	920-ADMIN & GENERAL SALARY	PAYXAG	29,082	3,323	10,827	250	244
26	921-OFFICE SUPPLIES & EXP	PAYXAG	25,969	2,968	9,668	223	218
27	923-OUTSIDE SERV EMPLOYED	PAYXAG	(2,905)	(332)	(1,082)	(25)	(24)
28	924-PROPERTY INSURANCE	PLANT	89,397	13,092	41,805	958	730
29	925-INJURIES & DAMAGES	PAYXAG	141	16	52	1	1
30	926-EMPLOYED PENSION & BENF	PAYXAG	10,915	1,247	4,063	94	92
31	928-REGULATORY COMM EXPENSE	TOTREV	82,085	6,227	27,372	3,808	1,261
32	930-MISCELLANEOUS GEN EXP	PAYXAG	24,381	2,786	9,076	209	204
33	931-RENTS	PAYXAG	2,073	237	772	18	17
34	932-MAINT OF GENERAL PLT	GENPLT	3,290	366	1,189	27	27
35	TOTAL ADMIN & GEN EXPENSE		264,427	29,931	103,744	5,563	2,770
36							
37	TOTAL GAS O & M EXPENSE		$529,805	$60,797	$234,946	$8,026	$5,173
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	DEPRECIATION & AMORT EXPENSE								
2									
3	**DEPRECIATION AND AMORITIZATION EXPENSE**								
4									
5	407-AMOR Y2K EXP; GPS & PRESC GAIN	PAYXAG	363,339	286,061	56,705	10,187	10,269	59	58
6	407-AMORTIZATION OF C.A.R.E.S.	PLANT	477,337	331,307	91,106	29,083	25,543	170	129
7									
8	INTANGIBLE PLT DEPRECIATION EXPENSE								
9	302-FRANCHISES & CONSENTS	PLT302	13,489	10,648	2,078	374	385	2	2
10	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(1,284)	(1,014)	(198)	(36)	(37)	(0)	(0)
11	303-MISC. INTANGIBLE PLANT	PLT303	75,439	59,551	11,620	2,091	2,152	12	12
12	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(1,934)	(1,527)	(298)	(54)	(55)	(0)	(0)
13	TOTAL INTANGIBLE PLT DEPR EXP		85,709	67,658	13,202	2,376	2,445	14	14
14									
15	TRANSMISSION PLT DEPR EXP								
16	365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0	0	0
17	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0	0	0
18	366-STRUCTURES & IMPROVEMENTS	PLT366	1,416	810	344	145	116	1	1
19	366-STRUCTURES & IMPROVE - ACQ ADJ	PLT366	(249)	(142)	(60)	(25)	(20)	(0)	(0)
20	367-MAINS	PLT367	272,433	155,869	66,116	27,859	22,313	164	113
21	367-MAINS - ACQ ADJ	PLT367	(24,551)	(14,046)	(5,958)	(2,511)	(2,011)	(15)	(10)
22	369-MEASURING & REG STATION EQ.	PLT369	11,670	6,677	2,832	1,193	956	7	5
23	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(6,536)	(3,740)	(1,586)	(668)	(535)	(4)	(3)
24	371-OTHER EQUIPMENT	PLT371	(332)	(190)	(81)	(34)	(27)	(0)	(0)
25	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(602)	(345)	(146)	(62)	(49)	(0)	(0)
26	TOTAL TRANS PLT DEPR EXP		253,249	144,893	61,460	25,897	20,742	152	105
27									
28	DISTRIBUTION PLT DEPR EXP								
29	375-STRUCTURES & IMPROV	PLT375	2,126	1,216	516	217	174	1	1
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(318)	(182)	(77)	(33)	(26)	(0)	(0)
31	376-MAINS	PLT376	2,867,976	1,640,873	696,021	293,277	234,894	1,725	1,186
32	376-MAINS - ACQ ADJ	PLT376	(364,767)	(208,696)	(88,524)	(37,301)	(29,875)	(219)	(151)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	55,436	31,717	13,454	5,669	4,540	33	23
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(5,598)	(3,203)	(1,359)	(572)	(459)	(3)	(2)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	51,099	29,235	12,401	5,225	4,185	31	21
36	379-MEAS. & REG. EQ-CITY GATE - ACQ ADJ	PLT379	(5,653)	(3,235)	(1,372)	(578)	(463)	(3)	(2)
37	380-SERVICES	PLT380	2,063,965	1,872,112	164,174	651	26,937	0	91
38	380-SERVICES - ACQ ADJ	PLT380	(187,260)	(169,854)	(14,895)	(59)	(2,444)	0	(8)
39	381-METERS	PLT381	261,313	209,666	48,608	774	2,238	0	26
40	381-METERS - ACQ ADJ	PLT381	(23,452)	(18,817)	(4,362)	(69)	(201)	0	(2)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	DEPRECIATION & AMORT EXPENSE							
2								
3	**DEPRECIATION AND AMORITIZATION EXPENSE**							
4								
5	407-AMOR Y2K EXP; GPS & PRESC GAIN	PAYXAG	53,374	3,331	345	9,842	6,908	3,361
6	407-AMORTIZATION OF C.A.R.E.S.	PLANT	82,196	8,910	961	28,122	15,825	9,718
7								
8	INTANGIBLE PLT DEPRECIATION EXPENSE							
9	302-FRANCHISES & CONSENTS	PLT302	1,956	122	13	361	261	124
10	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(186)	(12)	(1)	(34)	(25)	(12)
11	303-MISC. INTANGIBLE PLANT	PLT303	10,937	683	71	2,020	1,461	691
12	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(280)	(18)	(2)	(52)	(37)	(18)
13	TOTAL INTANGIBLE PLT DEPR EXP		12,426	776	81	2,295	1,660	785
14								
15	TRANSMISSION PLT DEPR EXP							
16	365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0	0
17	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0	0
18	366-STRUCTURES & IMPROVEMENTS	PLT366	300	43	5	140	68	48
19	366-STRUCTURES & IMPROVE - ACQ ADJ	PLT366	(53)	(8)	(1)	(25)	(12)	(8)
20	367-MAINS	PLT367	57,792	8,323	909	26,950	13,013	9,300
21	367-MAINS - ACQ ADJ	PLT367	(5,208)	(750)	(82)	(2,429)	(1,173)	(838)
22	369-MEASURING & REG STATION EQ.	PLT369	2,476	357	39	1,154	557	398
23	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(1,387)	(200)	(22)	(647)	(312)	(223)
24	371-OTHER EQUIPMENT	PLT371	(70)	(10)	(1)	(33)	(16)	(11)
25	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(128)	(18)	(2)	(60)	(29)	(21)
26	TOTAL TRANS PLT DEPR EXP		53,723	7,737	845	25,052	12,096	8,645
27								
28	DISTRIBUTION PLT DEPR EXP							
29	375-STRUCTURES & IMPROV	PLT375	451	65	7	210	102	73
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(68)	(10)	(1)	(32)	(15)	(11)
31	376-MAINS	PLT376	608,398	87,623	9,565	283,711	136,986	97,907
32	376-MAINS - ACQ ADJ	PLT376	(77,380)	(11,144)	(1,217)	(36,084)	(17,423)	(12,452)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	11,760	1,694	185	5,484	2,648	1,892
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(1,188)	(171)	(19)	(554)	(267)	(191)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	10,840	1,561	170	5,055	2,441	1,744
36	379-MEAS. & REG. EQ-CITY GATE - ACQ ADJ	PLT379	(1,199)	(173)	(19)	(559)	(270)	(193)
37	380-SERVICES	PLT380	163,682	492	191	460	26,712	226
38	380-SERVICES - ACQ ADJ	PLT380	(14,851)	(45)	(17)	(42)	(2,424)	(20)
39	381-METERS	PLT381	47,748	860	25	749	2,070	168
40	381-METERS - ACQ ADJ	PLT381	(4,285)	(77)	(2)	(67)	(186)	(15)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL		COMMERCIAL		
			RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	DEPRECIATION & AMORT EXPENSE						
2							
3	**DEPRECIATION AND AMORITIZATION EXPENSE**						
4							
5	407-AMOR Y2K EXP; GPS & PRESC GAIN	PAYXAG	275,942	10,119	53,374	1,065	2,266
6	407-AMORTIZATION OF C.A.R.E.S.	PLANT	317,934	13,373	82,196	2,663	6,247
7							
8	INTANGIBLE PLT DEPRECIATION EXPENSE						
9	302-FRANCHISES & CONSENTS	PLT302	10,256	392	1,956	39	83
10	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(977)	(37)	(186)	(4)	(8)
11	303-MISC. INTANGIBLE PLANT	PLT303	57,360	2,191	10,937	218	465
12	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(1,471)	(56)	(280)	(6)	(12)
13	TOTAL INTANGIBLE PLT DEPR EXP		65,169	2,489	12,426	248	528
14							
15	TRANSMISSION PLT DEPR EXP						
16	365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0
17	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0
18	366-STRUCTURES & IMPROVEMENTS	PLT366	779	32	300	13	31
19	366-STRUCTURES & IMPROVE - ACQ ADJ	PLT366	(137)	(6)	(53)	(2)	(5)
20	367-MAINS	PLT367	149,790	6,079	57,792	2,415	5,908
21	367-MAINS - ACQ ADJ	PLT367	(13,499)	(548)	(5,208)	(218)	(532)
22	369-MEASURING & REG STATION EQ.	PLT369	6,416	260	2,476	103	253
23	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(3,594)	(146)	(1,387)	(58)	(142)
24	371-OTHER EQUIPMENT	PLT371	(183)	(7)	(70)	(3)	(7)
25	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(331)	(13)	(128)	(5)	(13)
26	TOTAL TRANS PLT DEPR EXP		139,242	5,650	53,723	2,245	5,492
27							
28	DISTRIBUTION PLT DEPR EXP						
29	375-STRUCTURES & IMPROV	PLT375	1,169	47	451	19	46
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(175)	(7)	(68)	(3)	(7)
31	376-MAINS	PLT376	1,576,883	63,990	608,398	25,425	62,198
32	376-MAINS - ACQ ADJ	PLT376	(200,558)	(8,139)	(77,380)	(3,234)	(7,911)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	30,480	1,237	11,760	491	1,202
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(3,078)	(125)	(1,188)	(50)	(121)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	28,095	1,140	10,840	453	1,108
36	379-MEAS. & REG. EQ-CITY GATE - ACQ ADJ	PLT379	(3,108)	(126)	(1,199)	(50)	(123)
37	380-SERVICES	PLT380	1,792,691	79,421	163,682	262	230
38	380-SERVICES - ACQ ADJ	PLT380	(162,648)	(7,206)	(14,851)	(24)	(21)
39	381-METERS	PLT381	200,772	8,895	47,748	458	402
40	381-METERS - ACQ ADJ	PLT381	(18,019)	(798)	(4,285)	(41)	(36)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	DEPRECIATION & AMORT EXPENSE				
2					
3	**DEPRECIATION AND AMORITIZATION EXPENSE**				
4					
5	407-AMOR Y2K EXP; GPS & PRESC GAIN	PAYXAG	345	1,512	8,330
6	407-AMORTIZATION OF C.A.R.E.S.	PLANT	961	4,152	23,970
7					
8	INTANGIBLE PLT DEPRECIATION EXPENSE				
9	302-FRANCHISES & CONSENTS	PLT302	13	55	306
10	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(1)	(5)	(29)
11	303-MISC. INTANGIBLE PLANT	PLT303	71	310	1,710
12	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(2)	(8)	(44)
13	TOTAL INTANGIBLE PLT DEPR EXP		81	352	1,943
14					
15	TRANSMISSION PLT DEPR EXP				
16	365-LAND & LAND RIGHTS	PLT365	0	0	0
17	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0
18	366-STRUCTURES & IMPROVEMENTS	PLT366	5	20	120
19	366-STRUCTURES & IMPROVE - ACQ ADJ	PLT366	(1)	(4)	(21)
20	367-MAINS	PLT367	909	3,923	23,027
21	367-MAINS - ACQ ADJ	PLT367	(82)	(354)	(2,075)
22	369-MEASURING & REG STATION EQ.	PLT369	39	168	986
23	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(22)	(94)	(552)
24	371-OTHER EQUIPMENT	PLT371	(1)	(5)	(28)
25	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(2)	(9)	(51)
26	TOTAL TRANS PLT DEPR EXP		845	3,647	21,405
27					
28	DISTRIBUTION PLT DEPR EXP				
29	375-STRUCTURES & IMPROV	PLT375	7	31	180
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(1)	(5)	(27)
31	376-MAINS	PLT376	9,565	41,302	242,410
32	376-MAINS - ACQ ADJ	PLT376	(1,217)	(5,253)	(30,831)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	185	798	4,686
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(19)	(81)	(473)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	170	736	4,319
36	379-MEAS. & REG. EQ-CITY GATE - ACQ ADJ	PLT379	(19)	(81)	(478)
37	380-SERVICES	PLT380	191	179	281
38	380-SERVICES - ACQ ADJ	PLT380	(17)	(16)	(25)
39	381-METERS	PLT381	25	276	473
40	381-METERS - ACQ ADJ	PLT381	(2)	(25)	(42)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEPRECIATION & AMORT EXPENSE						
2							
3	**DEPRECIATION AND AMORITIZATION EXPENSE**						
4							
5	407-AMOR Y2K EXP; GPS & PRESC GAIN	PAYXAG	6,908	789	2,572	59	58
6	407-AMORTIZATION OF C.A.R.E.S.	PLANT	15,825	2,318	7,400	170	129
7							
8	INTANGIBLE PLT DEPRECIATION EXPENSE						
9	302-FRANCHISES & CONSENTS	PLT302	261	29	94	2	2
10	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(25)	(3)	(9)	(0)	(0)
11	303-MISC. INTANGIBLE PLANT	PLT303	1,461	163	528	12	12
12	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(37)	(4)	(14)	(0)	(0)
13	TOTAL INTANGIBLE PLT DEPR EXP		1,660	185	600	14	14
14							
15	TRANSMISSION PLT DEPR EXP						
16	365-LAND & LAND RIGHTS	PLT365	0	0	0	0	0
17	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0	0
18	366-STRUCTURES & IMPROVEMENTS	PLT366	68	11	37	1	1
19	366-STRUCTURES & IMPROVE - ACQ ADJ	PLT366	(12)	(2)	(6)	(0)	(0)
20	367-MAINS	PLT367	13,013	2,206	7,094	164	113
21	367-MAINS - ACQ ADJ	PLT367	(1,173)	(199)	(639)	(15)	(10)
22	369-MEASURING & REG STATION EQ.	PLT369	557	95	304	7	5
23	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(312)	(53)	(170)	(4)	(3)
24	371-OTHER EQUIPMENT	PLT371	(16)	(3)	(9)	(0)	(0)
25	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(29)	(5)	(16)	(0)	(0)
26	TOTAL TRANS PLT DEPR EXP		12,096	2,051	6,594	152	105
27							
28	DISTRIBUTION PLT DEPR EXP						
29	375-STRUCTURES & IMPROV	PLT375	102	17	55	1	1
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(15)	(3)	(8)	(0)	(0)
31	376-MAINS	PLT376	136,986	23,228	74,680	1,725	1,186
32	376-MAINS - ACQ ADJ	PLT376	(17,423)	(2,954)	(9,498)	(219)	(151)
33	378-MEAS. & REG. EQUIP-GEN	PLT378	2,648	449	1,444	33	23
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(267)	(45)	(146)	(3)	(2)
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	2,441	414	1,331	31	21
36	379-MEAS. & REG. EQ-CITY GATE - ACQ ADJ	PLT379	(270)	(46)	(147)	(3)	(2)
37	380-SERVICES	PLT380	26,712	149	77	0	91
38	380-SERVICES - ACQ ADJ	PLT380	(2,424)	(14)	(7)	0	(8)
39	381-METERS	PLT381	2,070	10	158	0	26
40	381-METERS - ACQ ADJ	PLT381	(186)	(1)	(14)	0	(2)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	DEPREC & AMORT EXP CONT.								
2	DISTRIBUTION PLT DEPR EXP CONTINUED								
3	382-METER INSTALLATIONS	PLT382	156,349	125,448	29,083	463	1,339	0	16
4	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(17,577)	(14,103)	(3,270)	(52)	(151)	0	(2)
5	383-REGULATORS	PLT383	65,671	52,692	12,216	194	563	0	7
6	383-REGULATORS - ACQ ADJ	PLT383	(4,574)	(3,670)	(851)	(14)	(39)	0	(0)
7	384-REGULATOR INSTALLATIONS	PLT384	31,794	25,511	5,914	94	272	0	3
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(2,303)	(1,848)	(428)	(7)	(20)	0	(0)
9	385-INDUSTRIAL MEAS. EQUIP.	PLT385	32,408	0	27,965	1,190	3,234	0	19
10	385-INDUSTRIAL MEAS. EQUIP. - ACQ ADJ	PLT385	(2,874)	0	(2,480)	(106)	(287)	0	(2)
11	387-OTHER EQUIPMENT	PLT387	43,005	24,605	10,437	4,398	3,522	26	18
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(4,396)	(2,515)	(1,067)	(450)	(360)	(3)	(2)
13	TOTAL DISTRIBUTION PLT DEPR EXP		5,012,368	3,586,952	902,102	272,912	247,575	1,587	1,239
14									
15	GENERAL PLANT DEPR EXP								
16	390-STRUCTURES & IMPROVE	PLT390	70,345	55,530	10,835	1,950	2,007	11	11
17	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(8,730)	(6,891)	(1,345)	(242)	(249)	(1)	(1)
18	391-OFFICE FURN & EQUIPMENT	PLT391	638,907	504,351	98,413	17,712	18,228	103	101
19	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(61,588)	(48,617)	(9,487)	(1,707)	(1,757)	(10)	(10)
20	392-TRANSPORTATION EQUIP	PLT392	146,461	115,616	22,560	4,060	4,179	24	23
21	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	22,952	18,118	3,535	636	655	4	4
22	393-STORES EQUIPMENT	PLT393	2,916	2,302	449	81	83	0	0
23	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(466)	(368)	(72)	(13)	(13)	(0)	(0)
24	394-TOOLS, SHOP & GARAGE EQ	PLT394	63,503	50,129	9,781	1,760	1,812	10	10
25	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(8,997)	(7,102)	(1,386)	(249)	(257)	(1)	(1)
26	395-LABORATORY EQUIPMENT	PLT395	65,249	51,507	10,050	1,809	1,862	10	10
27	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(7,044)	(5,560)	(1,085)	(195)	(201)	(1)	(1)
28	396-POWER OPERATED EQUIPMENT	PLT396	40,891	32,279	6,299	1,134	1,167	7	6
29	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(579)	(457)	(89)	(16)	(17)	(0)	(0)
30	397-COMMUNICATION EQUIP	PLT397	65,623	51,802	10,108	1,819	1,872	11	10
31	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(10,237)	(8,081)	(1,577)	(284)	(292)	(2)	(2)
32	398-MISCELLANEOUS EQUIP	PLT398	10,357	8,175	1,595	287	295	2	2
33	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(1,173)	(926)	(181)	(33)	(33)	(0)	(0)
34	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0	0	0
35	TOTAL GENERAL PLT DEPR EXP		1,028,390	811,808	158,406	28,509	29,340	165	162
36									
37	TOTAL DEPRECIATION & AMORTIZATION EXPENSE		$7,220,392	$5,228,678	$1,282,981	$368,964	$335,914	$2,147	$1,707
38									
39	TOTAL ACQUISITION ADJUSTMENT DEPR EXPENSE		(729,791)	(506,821)	(138,617)	(44,698)	(39,196)	(261)	(198)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	DEPREC & AMORT EXP CONT.							
2	DISTRIBUTION PLT DEPR EXP CONTINUED							
3	382-METER INSTALLATIONS	PLT382	28,569	514	15	448	1,239	101
4	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(3,212)	(58)	(2)	(50)	(139)	(11)
5	383-REGULATORS	PLT383	12,000	216	6	188	520	42
6	383-REGULATORS - ACQ ADJ	PLT383	(836)	(15)	(0)	(13)	(36)	(3)
7	384-REGULATOR INSTALLATIONS	PLT384	5,810	105	3	91	252	20
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(421)	(8)	(0)	(7)	(18)	(1)
9	385-INDUSTRIAL MEAS. EQUIP.	PLT385	26,462	1,503	44	1,145	2,447	787
10	385-INDUSTRIAL MEAS. EQUIP. - ACQ ADJ	PLT385	(2,347)	(133)	(4)	(102)	(217)	(70)
11	387-OTHER EQUIPMENT	PLT387	9,123	1,314	143	4,254	2,054	1,468
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(933)	(134)	(15)	(435)	(210)	(150)
13	TOTAL DISTRIBUTION PLT DEPR EXP		818,123	83,979	9,060	263,852	156,265	91,311
14								
15	GENERAL PLANT DEPR EXP							
16	390-STRUCTURES & IMPROVE	PLT390	10,198	637	66	1,884	1,363	644
17	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(1,266)	(79)	(8)	(234)	(169)	(80)
18	391-OFFICE FURN & EQUIPMENT	PLT391	92,627	5,785	601	17,111	12,377	5,851
19	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(8,929)	(558)	(58)	(1,649)	(1,193)	(564)
20	392-TRANSPORTATION EQUIP	PLT392	21,234	1,326	138	3,922	2,837	1,341
21	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	3,328	208	22	615	445	210
22	393-STORES EQUIPMENT	PLT393	423	26	3	78	56	27
23	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(68)	(4)	(0)	(12)	(9)	(4)
24	394-TOOLS, SHOP & GARAGE EQ	PLT394	9,206	575	60	1,701	1,230	582
25	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(1,304)	(81)	(8)	(241)	(174)	(82)
26	395-LABORATORY EQUIPMENT	PLT395	9,460	591	61	1,747	1,264	598
27	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(1,021)	(64)	(7)	(189)	(136)	(65)
28	396-POWER OPERATED EQUIPMENT	PLT396	5,928	370	38	1,095	792	374
29	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(84)	(5)	(1)	(16)	(11)	(5)
30	397-COMMUNICATION EQUIP	PLT397	9,514	594	62	1,757	1,271	601
31	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(1,484)	(93)	(10)	(274)	(198)	(94)
32	398-MISCELLANEOUS EQUIP	PLT398	1,501	94	10	277	201	95
33	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(170)	(11)	(1)	(31)	(23)	(11)
34	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0	0
35	TOTAL GENERAL PLT DEPR EXP		149,094	9,312	967	27,542	19,922	9,418
36								
37	TOTAL DEPRECIATION & AMORTIZATION EXPENSE		$1,168,936	$114,045	$12,258	$356,706	$212,676	$123,238
38								
39	TOTAL ACQUISITION ADJUSTMENT DEPR EXPENSE		(124,958)	(13,660)	(1,477)	(43,222)	(24,263)	(14,933)
40								
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL RESIDENTIAL SERVICE (14)	RESIDENTIAL CARES (15)	COMMERCIAL SM. VOL. (16)	COMMERCIAL LG. VOL. (17)	COMMERCIAL TRANS-PORTATION (18)
1	DEPREC & AMORT EXP CONT.						
2	DISTRIBUTION PLT DEPR EXP CONTINUED						
3	382-METER INSTALLATIONS	PLT382	120,126	5,322	28,569	274	240
4	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(13,505)	(598)	(3,212)	(31)	(27)
5	383-REGULATORS	PLT383	50,457	2,235	12,000	115	101
6	383-REGULATORS - ACQ ADJ	PLT383	(3,514)	(156)	(836)	(8)	(7)
7	384-REGULATOR INSTALLATIONS	PLT384	24,428	1,082	5,810	56	49
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(1,769)	(78)	(421)	(4)	(4)
9	385-INDUSTRIAL MEAS. EQUIP.	PLT385	0	0	26,462	859	644
10	385-INDUSTRIAL MEAS. EQUIP. - ACQ ADJ	PLT385	0	0	(2,347)	(76)	(57)
11	387-OTHER EQUIPMENT	PLT387	23,645	960	9,123	381	933
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(2,417)	(98)	(933)	(39)	(95)
13	TOTAL DISTRIBUTION PLT DEPR EXP		3,439,953	146,999	818,123	25,234	58,745
14							
15	GENERAL PLANT DEPR EXP						
16	390-STRUCTURES & IMPROVE	PLT390	53,487	2,043	10,198	203	434
17	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(6,638)	(254)	(1,266)	(25)	(54)
18	391-OFFICE FURN & EQUIPMENT	PLT391	485,794	18,556	92,627	1,848	3,937
19	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(46,828)	(1,789)	(8,929)	(178)	(380)
20	392-TRANSPORTATION EQUIP	PLT392	111,362	4,254	21,234	424	903
21	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	17,452	667	3,328	66	141
22	393-STORES EQUIPMENT	PLT393	2,217	85	423	8	18
23	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(354)	(14)	(68)	(1)	(3)
24	394-TOOLS, SHOP & GARAGE EQ	PLT394	48,284	1,844	9,206	184	391
25	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(6,841)	(261)	(1,304)	(26)	(55)
26	395-LABORATORY EQUIPMENT	PLT395	49,612	1,895	9,460	189	402
27	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(5,356)	(205)	(1,021)	(20)	(43)
28	396-POWER OPERATED EQUIPMENT	PLT396	31,091	1,188	5,928	118	252
29	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(440)	(17)	(84)	(2)	(4)
30	397-COMMUNICATION EQUIP	PLT397	49,896	1,906	9,514	190	404
31	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(7,784)	(297)	(1,484)	(30)	(63)
32	398-MISCELLANEOUS EQUIP	PLT398	7,875	301	1,501	30	64
33	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(892)	(34)	(170)	(3)	(7)
34	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0
35	TOTAL GENERAL PLT DEPR EXP		781,939	29,868	149,094	2,975	6,337
36							
37	TOTAL DEPRECIATION & AMORTIZATION EXPENSE		$5,020,179	$208,499	$1,168,936	$34,430	$79,615
38							
39	TOTAL ACQUISITION ADJUSTMENT DEPR EXPENSE		(486,480)	(20,341)	(124,958)	(4,071)	(9,589)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	DEPREC & AMORT EXP CONT.				
2	DISTRIBUTION PLT DEPR EXP CONTINUED				
3	382-METER INSTALLATIONS	PLT382	15	165	283
4	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(2)	(19)	(32)
5	383-REGULATORS	PLT383	6	69	119
6	383-REGULATORS - ACQ ADJ	PLT383	(0)	(5)	(8)
7	384-REGULATOR INSTALLATIONS	PLT384	3	34	58
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(0)	(2)	(4)
9	385-INDUSTRIAL MEAS. EQUIP.	PLT385	44	430	716
10	385-INDUSTRIAL MEAS. EQUIP. - ACQ ADJ	PLT385	(4)	(38)	(63)
11	387-OTHER EQUIPMENT	PLT387	143	619	3,635
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(15)	(63)	(372)
13	TOTAL DISTRIBUTION PLT DEPR EXP		9,060	39,050	224,802
14					
15	GENERAL PLANT DEPR EXP				
16	390-STRUCTURES & IMPROVE	PLT390	66	289	1,595
17	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(8)	(36)	(198)
18	391-OFFICE FURN & EQUIPMENT	PLT391	601	2,626	14,485
19	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(58)	(253)	(1,396)
20	392-TRANSPORTATION EQUIP	PLT392	138	602	3,320
21	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	22	94	520
22	393-STORES EQUIPMENT	PLT393	3	12	66
23	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(0)	(2)	(11)
24	394-TOOLS, SHOP & GARAGE EQ	PLT394	60	261	1,440
25	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(8)	(37)	(204)
26	395-LABORATORY EQUIPMENT	PLT395	61	268	1,479
27	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(7)	(29)	(160)
28	396-POWER OPERATED EQUIPMENT	PLT396	38	168	927
29	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(1)	(2)	(13)
30	397-COMMUNICATION EQUIP	PLT397	62	270	1,488
31	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(10)	(42)	(232)
32	398-MISCELLANEOUS EQUIP	PLT398	10	43	235
33	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(1)	(5)	(27)
34	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0
35	TOTAL GENERAL PLT DEPR EXP		967	4,227	23,314
36					
37	TOTAL DEPRECIATION & AMORTIZATION EXPENSE		$12,258	$52,941	$303,765
38					
39	TOTAL ACQUISITION ADJUSTMENT DEPR EXPENSE		(1,477)	(6,373)	(36,849)
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEPREC & AMORT EXP CONT.						
2	DISTRIBUTION PLT DEPR EXP CONTINUED						
3	382-METER INSTALLATIONS	PLT382	1,239	6	94	0	16
4	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(139)	(1)	(11)	0	(2)
5	383-REGULATORS	PLT383	520	3	40	0	7
6	383-REGULATORS - ACQ ADJ	PLT383	(36)	(0)	(3)	0	(0)
7	384-REGULATOR INSTALLATIONS	PLT384	252	1	19	0	3
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(18)	(0)	(1)	0	(0)
9	385-INDUSTRIAL MEAS. EQUIP.	PLT385	2,447	358	430	0	19
10	385-INDUSTRIAL MEAS. EQUIP. - ACQ ADJ	PLT385	(217)	(32)	(38)	0	(2)
11	387-OTHER EQUIPMENT	PLT387	2,054	348	1,120	26	18
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(210)	(36)	(114)	(3)	(2)
13	TOTAL DISTRIBUTION PLT DEPR EXP		156,265	21,853	69,458	1,587	1,239
14							
15	GENERAL PLANT DEPR EXP						
16	390-STRUCTURES & IMPROVE	PLT390	1,363	152	492	11	11
17	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(169)	(19)	(61)	(1)	(1)
18	391-OFFICE FURN & EQUIPMENT	PLT391	12,377	1,378	4,473	103	101
19	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(1,193)	(133)	(431)	(10)	(10)
20	392-TRANSPORTATION EQUIP	PLT392	2,837	316	1,025	24	23
21	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	445	50	161	4	4
22	393-STORES EQUIPMENT	PLT393	56	6	20	0	0
23	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(9)	(1)	(3)	(0)	(0)
24	394-TOOLS, SHOP & GARAGE EQ	PLT394	1,230	137	445	10	10
25	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(174)	(19)	(63)	(1)	(1)
26	395-LABORATORY EQUIPMENT	PLT395	1,264	141	457	10	10
27	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(136)	(15)	(49)	(1)	(1)
28	396-POWER OPERATED EQUIPMENT	PLT396	792	88	286	7	6
29	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(11)	(1)	(4)	(0)	(0)
30	397-COMMUNICATION EQUIP	PLT397	1,271	142	459	11	10
31	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(198)	(22)	(72)	(2)	(2)
32	398-MISCELLANEOUS EQUIP	PLT398	201	22	73	2	2
33	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(23)	(3)	(8)	(0)	(0)
34	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0	0
35	TOTAL GENERAL PLT DEPR EXP		19,922	2,219	7,199	165	162
36							
37	TOTAL DEPRECIATION & AMORTIZATION EXPENSE		$212,676	$29,414	$93,824	$2,147	$1,707
38							
39	TOTAL ACQUISITION ADJUSTMENT DEPR EXPENSE		(24,263)	(3,560)	(11,373)	(261)	(198)
40							
41							
42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	STATE & FED TAXES & OTHER EXPENSE								
2									
3	**TAXES OTHER THAN INCOME**								
4	PROPERTY TAXES - TRANSMISSION	TRANPLT	$295,707	$169,185	$71,764	$30,239	$24,219	$178	$122
5	PROPERTY TAXES - DISTRIBUTION	DISTRPLT	3,625,714	2,522,861	688,241	219,012	193,349	1,276	975
6	PROPERTY TAXES - GENERAL	GENPLT	181,954	143,634	28,027	5,044	5,191	29	29
7	PAYROLL TAXES	LABOR	537,877	424,598	82,851	14,911	15,346	86	85
8	OTHER TAXES	PLANT	88,841	61,662	16,956	5,413	4,754	32	24
9	TOTAL TAX OTHER THAN INCOME		4,730,094	3,321,941	887,839	274,619	242,859	1,601	1,235
10									
11	TOTAL OPERATING EXPENSE BEFORE INCOME TAX		$36,765,050	$27,691,697	$6,094,240	$1,554,904	$1,404,321	$11,774	$8,114
12	**FEDERAL & STATE TAX CALCULATION**								
13									
14	OPERATING REVENUES		$47,169,527	$33,408,834	$9,331,700	$2,106,105	$2,225,378	$73,251	$24,260
15	OPERATING EXPENSES								
16	OPERATION & MAINTENANCE EXP		24,814,565	19,141,078	3,923,420	911,320	825,548	8,026	5,173
17	DEPRECIATION		7,220,392	5,228,678	1,282,981	368,964	335,914	2,147	1,707
18	TAXES OTHER THAN INCOME		4,730,094	3,321,941	887,839	274,619	242,859	1,601	1,235
19	OPERATING INCOME BEFORE INCOME TAXES		10,404,477	5,717,137	3,237,460	551,201	821,057	61,477	16,146
20									
21	INTEREST EXPENSE		(5,393,917)	(3,694,864)	(1,047,668)	(347,125)	(300,712)	(2,027)	(1,522)
22									
23	BOOK TAXABLE INCOME		5,010,560	2,022,273	2,189,792	204,076	520,345	59,450	14,624
24									
25	STATE TAX @ 0.00%		0	0	0	0	0	0	0
26									
27	STATE AND FEDERAL TAXABLE BASIS		5,010,560	2,022,273	2,189,792	204,076	520,345	59,450	14,624
28									
29	STATE AND FEDERAL INCOME TAX @ 39.43%		1,975,498	797,315	863,362	80,461	205,155	23,439	5,766
30	AMORTIZATION OF ITC	PLANT	0	0	0	0	0	0	0
31	BLANK.	PLANT	0	0	0	0	0	0	0
32	TOTAL STATE AND FEDERAL TAXES		1,975,498	797,315	863,362	80,461	205,155	23,439	5,766
33									
34	TOTAL STATE & FEDERAL INCOME TAX		1,975,498	797,315	863,362	80,461	205,155	23,439	5,766
35									
36	NET INCOME AFTER TAX		$8,428,979	$4,919,822	$2,374,097	$470,741	$615,902	$38,038	$10,380
37									

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	STATE & FED TAXES & OTHER EXPENSE							
2								
3	**TAXES OTHER THAN INCOME**							
4	PROPERTY TAXES - TRANSMISSION	TRANPLT	$62,730	$9,035	$986	$29,253	$14,124	$10,095
5	PROPERTY TAXES - DISTRIBUTION	DISTRPLT	621,092	67,149	7,238	211,774	120,127	73,222
6	PROPERTY TAXES - GENERAL	GENPLT	26,379	1,648	171	4,873	3,525	1,666
7	PAYROLL TAXES	LABOR	77,980	4,871	506	14,405	10,420	4,926
8	OTHER TAXES	PLANT	15,298	1,658	179	5,234	2,945	1,809
9	TOTAL TAX OTHER THAN INCOME		803,480	84,360	9,080	265,539	151,142	91,717
10								
11	TOTAL OPERATING EXPENSE BEFORE INCOME TAX		$5,610,885	$483,355	$50,958	$1,503,946	$893,622	$510,699
12	**FEDERAL & STATE TAX CALCULATION**							
13								
14	OPERATING REVENUES		$8,661,952	$669,748	$110,150	$1,995,955	$1,579,030	$646,348
15	OPERATING EXPENSES							
16	OPERATION & MAINTENANCE EXP		3,638,470	284,950	29,620	881,701	529,805	295,743
17	DEPRECIATION		1,168,936	114,045	12,258	356,706	212,676	123,238
18	TAXES OTHER THAN INCOME		803,480	84,360	9,080	265,539	151,142	91,717
19	OPERATING INCOME BEFORE INCOME TAXES		3,051,067	186,393	59,192	492,009	685,407	135,650
20								
21	INTEREST EXPENSE		(941,990)	(105,678)	(11,439)	(335,685)	(184,873)	(115,839)
22								
23	BOOK TAXABLE INCOME		2,109,077	80,715	47,753	156,324	500,535	19,810
24								
25	STATE TAX @ 0.00%		0	0	0	0	0	0
26								
27	STATE AND FEDERAL TAXABLE BASIS		2,109,077	80,715	47,753	156,324	500,535	19,810
28								
29	STATE AND FEDERAL INCOME TAX @ 39.43%		831,539	31,823	18,827	61,633	197,344	7,810
30	AMORTIZATION OF ITC	PLANT	0	0	0	0	0	0
31	BLANK.	PLANT	0	0	0	0	0	0
32	TOTAL STATE AND FEDERAL TAXES		831,539	31,823	18,827	61,633	197,344	7,810
33								
34	TOTAL STATE & FEDERAL INCOME TAX		831,539	31,823	18,827	61,633	197,344	7,810
35								
36	NET INCOME AFTER TAX		$2,219,528	$154,570	$40,365	$430,376	$488,063	$127,839
37								

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL RESIDENTIAL SERVICE (14)	RESIDENTIAL CARES (15)	COMMERCIAL SM. VOL. (16)	COMMERCIAL LG. VOL. (17)	COMMERCIAL TRANS-PORTATION (18)
1	STATE & FED TAXES & OTHER EXPENSE						
2							
3	**TAXES OTHER THAN INCOME**						
4	PROPERTY TAXES - TRANSMISSION	TRANPLT	$162,587	$6,598	$62,730	$2,622	$6,413
5	PROPERTY TAXES - DISTRIBUTION ,	DISTRPLT	2,419,990	102,872	621,092	20,088	47,060
6	PROPERTY TAXES - GENERAL	GENPLT	138,349	5,285	26,379	526	1,121
7	PAYROLL TAXES	LABOR	408,976	15,622	77,980	1,556	3,315
8	OTHER TAXES	PLANT	59,173	2,489	15,298	496	1,163
9	TOTAL TAX OTHER THAN INCOME		3,189,076	132,865	803,480	25,288	59,072
10							
11	TOTAL OPERATING EXPENSE BEFORE INCOME TAX		$26,737,852	$953,845	$5,610,885	$142,124	$341,231
12	**FEDERAL & STATE TAX CALCULATION**						
13							
14	OPERATING REVENUES		$32,402,775	$1,006,059	$8,661,952	$214,268	$455,479
15	OPERATING EXPENSES						
16	OPERATION & MAINTENANCE EXP		18,528,597	612,481	3,638,470	82,407	202,543
17	DEPRECIATION		5,020,179	208,499	1,168,936	34,430	79,615
18	TAXES OTHER THAN INCOME		3,189,076	132,865	803,480	25,288	59,072
19	OPERATING INCOME BEFORE INCOME TAXES		5,664,923	52,214	3,051,067	72,144	114,249
20							
21	INTEREST EXPENSE		(3,546,075)	(148,789)	(941,990)	(31,382)	(74,296)
22							
23	BOOK TAXABLE INCOME		2,118,848	(96,575)	2,109,077	40,762	39,952
24							
25	STATE TAX @ 0.00%		0	0	0	0	0
26							
27	STATE AND FEDERAL TAXABLE BASIS		2,118,848	(96,575)	2,109,077	40,762	39,952
28							
29	STATE AND FEDERAL INCOME TAX @ 39.43%		835,392	(38,076)	831,539	16,071	15,752
30	AMORTIZATION OF ITC	PLANT	0	0	0	0	0
31	BLANK.	PLANT	0	0	0	0	0
32	TOTAL STATE AND FEDERAL TAXES		835,392	(38,076)	831,539	16,071	15,752
33							
34	TOTAL STATE & FEDERAL INCOME TAX		835,392	(38,076)	831,539	16,071	15,752
35							
36	NET INCOME AFTER TAX		$4,829,531	$90,290	$2,219,528	$56,073	$98,497
37							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	STATE & FED TAXES & OTHER EXPENSE				
2					
3	**TAXES OTHER THAN INCOME**				
4	PROPERTY TAXES - TRANSMISSION	TRANPLT	$986	$4,258	$24,994
5	PROPERTY TAXES - DISTRIBUTION	DISTRPLT	7,238	31,278	180,497
6	PROPERTY TAXES - GENERAL	GENPLT	171	748	4,125
7	PAYROLL TAXES	LABOR	506	2,211	12,194
8	OTHER TAXES	PLANT	179	773	4,461
9	TOTAL TAX OTHER THAN INCOME		9,080	39,268	226,271
10					
11	TOTAL OPERATING EXPENSE BEFORE INCOME TAX		$50,958	$206,056	$1,297,889
12	**FEDERAL & STATE TAX CALCULATION**				
13					
14	OPERATING REVENUES		$110,150	$208,585	$1,787,370
15	OPERATING EXPENSES				
16	OPERATION & MAINTENANCE EXP		29,620	113,848	767,853
17	DEPRECIATION		12,258	52,941	303,765
18	TAXES OTHER THAN INCOME		9,080	39,268	226,271
19	OPERATING INCOME BEFORE INCOME TAXES		59,192	2,528	489,481
20					
21	INTEREST EXPENSE		(11,439)	(49,392)	(286,294)
22					
23	BOOK TAXABLE INCOME		47,753	(46,863)	203,187
24					
25	STATE TAX @ 0.00%		0	0	0
26					
27	STATE AND FEDERAL TAXABLE BASIS		47,753	(46,863)	203,187
28					
29	STATE AND FEDERAL INCOME TAX @ 39.43%		18,827	(18,477)	80,110
30	AMORTIZATION OF ITC	PLANT	0	0	0
31	BLANK.	PLANT	0	0	0
32	TOTAL STATE AND FEDERAL TAXES		18,827	(18,477)	80,110
33					
34	TOTAL STATE & FEDERAL INCOME TAX		18,827	(18,477)	80,110
35					
36	NET INCOME AFTER TAX		$40,365	$21,005	$409,371
37					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	PUBLIC AUTHORITY LG. VOL. (23)	PUBLIC AUTHORITY TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	STATE & FED TAXES & OTHER EXPENSE						
2							
3	**TAXES OTHER THAN INCOME**						
4	PROPERTY TAXES - TRANSMISSION	TRANPLT	$14,124	$2,395	$7,700	$178	$122
5	PROPERTY TAXES - DISTRIBUTION	DISTRPLT	120,127	17,482	55,740	1,276	975
6	PROPERTY TAXES - GENERAL	GENPLT	3,525	393	1,274	29	29
7	PAYROLL TAXES	LABOR	10,420	1,160	3,765	86	85
8	OTHER TAXES	PLANT	2,945	431	1,377	32	24
9	TOTAL TAX OTHER THAN INCOME		151,142	21,861	69,856	1,601	1,235
10							
11	TOTAL OPERATING EXPENSE BEFORE INCOME TAX		$893,622	$112,073	$398,626	$11,774	$8,114
12	**FEDERAL & STATE TAX CALCULATION**						
13							
14	OPERATING REVENUES		$1,579,030	$119,795	$526,553	$73,251	$24,260
15	OPERATING EXPENSES						
16	OPERATION & MAINTENANCE EXP		529,805	60,797	234,946	8,026	5,173
17	DEPRECIATION		212,676	29,414	93,824	2,147	1,707
18	TAXES OTHER THAN INCOME		151,142	21,861	69,856	1,601	1,235
19	OPERATING INCOME BEFORE INCOME TAXES		685,407	7,722	127,928	61,477	16,146
20							
21	INTEREST EXPENSE		(184,873)	(27,560)	(88,279)	(2,027)	(1,522)
22							
23	BOOK TAXABLE INCOME		500,535	(19,838)	39,649	59,450	14,624
24							
25	STATE TAX @ 0.00%		0	0	0	0	0
26							
27	STATE AND FEDERAL TAXABLE BASIS		500,535	(19,838)	39,649	59,450	14,624
28							
29	STATE AND FEDERAL INCOME TAX @ 39.43%		197,344	(7,822)	15,632	23,439	5,766
30	AMORTIZATION OF ITC	PLANT	0	0	0	0	0
31	BLANK.	PLANT	0	0	0	0	0
32	TOTAL STATE AND FEDERAL TAXES		197,344	(7,822)	15,632	23,439	5,766
33							
34	TOTAL STATE & FEDERAL INCOME TAX		197,344	(7,822)	15,632	23,439	5,766
35							
36	NET INCOME AFTER TAX		$488,063	$15,544	$112,295	$38,038	$10,380
37							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1 DEVELOPMENT OF RATE BASE					
2					
3 **GAS PLANT IN SERVICE**					
4					
5 INTANGIBLE PLANT					
6 302-FRANCHISES & CONSENTS	LABOR	$392,682	$102,545	$0	$290,137
7 302-FRANCHISES & CONSENTS - ACQ ADJ	LABOR	(36,464)	(9,522)	(0)	(26,942)
8 303-MISC. INTANGIBLE PLANT	LABOR	922,947	241,018	0	681,930
9 303-MISC. INTANGIBLE PLANT - ACQ ADJ	LABOR	(36,142)	(9,438)	(0)	(26,704)
10 TOTAL INTANGIBLE PLANT		1,243,023	324,602	0	918,421
11					
12 TRANSMISSION PLANT					
13 365-LAND & LAND RIGHTS	TRANS	87,625	87,625	0	0
14 365-LAND & LAND RIGHTS - ACQ ADJ	TRANS	(15,425)	(15,425)	0	0
15 366-STRUCTURES & IMPROVEMENTS	TRANS	16,047	16,047	0	0
16 366-STRUCTURES & IMPROVE - ACQ ADJ	TRANS	(2,352)	(2,352)	0	0
17 367-MAINS	TRANS	17,678,612	17,678,612	0	0
18 367-MAINS - ACQ ADJ	TRANS	(1,604,647)	(1,604,647)	0	0
19 369-MEASURING & REG STATION EQUIP.	TRANS	846,096	846,096	0	0
20 369-MEAS & REG STA EQUIP - ACQ ADJ	TRANS	(424,444)	(424,444)	0	0
21 371-OTHER EQUIPMENT	TRANS	(8,778)	(8,778)	0	0
22 371-OTHER EQUIPMENT - ACQ ADJ	TRANS	(24,187)	(24,187)	0	0
23 TOTAL TRANSMISSION PLANT		16,548,546	16,548,546	0	0
24					
25 DISTRIBUTION PLANT					
26 374-LAND & LAND RIGHTS	DISTR	245,654	245,654	0	0
27 374-LAND & LAND RIGHTS - ACQ ADJ	DISTR	(38,784)	(38,784)	0	0
28 375-STRUCTURES & IMPROV	DISTR	10,423	10,423	0	0
29 375-STRUCTURES & IMPROV - ACQ ADJ	DISTR	(247)	(247)	0	0
30 376-MAINS	DISTMAIN	137,954,659	137,954,659	0	0
31 376-MAINS - ACQ ADJ	DISTMAIN	(17,621,606)	(17,621,606)	0	0
32 378-MEAS. & REG. EQUIP-GEN	DISTREG	1,916,236	1,916,236	0	0
33 378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	DISTREG	(188,503)	(188,503)	0	0
34 379-MEAS. & REG. EQUIP-CITY GATE	DISTREG	2,222,861	2,222,861	0	0
35 379-MEAS & REG EQ-CITY GATE - ACQ ADJ	DISTREG	(239,569)	(239,569)	0	0
36 380-SERVICES	CUST380	72,951,925	0	0	72,951,925
37 380-SERVICES - ACQ ADJ	CUST380	(6,640,414)	0	0	(6,640,414)
38 381-METERS	CUST381	13,255,870	0	0	13,255,870
39 381-METERS - ACQ ADJ	CUST381	(1,160,990)	0	0	(1,160,990)
40 382-METER INSTALLATIONS	CUST382	6,788,598	0	0	6,788,598
41 382-METER INSTALLATIONS - ACQ ADJ	CUST382	(744,797)	0	0	(744,797)
42					
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	DEVELOPMENT OF RATE BASE					
2						
3	**GAS PLANT IN SERVICE CONTINUED**					
4						
5	DISTRIBUTION PLANT CONTINUED					
6	383-REGULATORS	CUST383	2,628,662	0	0	2,628,662
7	383-REGULATORS - ACQ ADJ	CUST383	(178,700)	0	0	(178,700)
8	384-REGULATOR INSTALLATIONS	CUST384	1,163,556	0	0	1,163,556
9	384-REGULATOR INSTALLATIONS - ACQ ADJ	CUST384	(82,263)	0	0	(82,263)
10	385-INDUSTRIAL MEAS. EQUIP	CUST385	1,230,284	0	0	1,230,284
11	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	CUST385	(106,448)	0	0	(106,448)
12	387-OTHER EQUIPMENT	DISTMAIN	1,466,810	1,466,810	0	0
13	387-OTHER EQUIPMENT - ACQ ADJ	DISTMAIN	(146,048)	(146,048)	0	0
14	TOTAL DISTRIBUTION PLANT		214,687,170	125,581,886	0	89,105,284
15						
16	GENERAL PLANT					
17	389-LAND & LAND RIGHTS	LABOR	198,829	51,922	0	146,907
18	389-LAND & LAND RIGHTS - ACQ ADJ	LABOR	(49,200)	(12,848)	(0)	(36,352)
19	390-STRUCTURES & IMPROVE	LABOR	1,302,181	340,050	0	962,131
20	390-STRUCTURES & IMPROVE - ACQ ADJ	LABOR	(123,018)	(32,125)	(0)	(90,893)
21	391-OFFICE FURN & EQUIPMENT	LABOR	6,545,194	1,709,206	0	4,835,988
22	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	LABOR	(643,851)	(168,135)	(0)	(475,716)
23	392-TRANSPORTATION EQUIP	LABOR	5,144,377	1,343,398	0	3,800,979
24	392-TRANSPORTATION EQUIP - ACQ ADJ	LABOR	(85,465)	(22,318)	(0)	(63,147)
25	393-STORES EQUIPMENT	LABOR	114,038	29,780	0	84,259
26	393-STORES EQUIPMENT - ACQ ADJ	LABOR	(17,774)	(4,642)	(0)	(13,133)
27	394-TOOLS, SHOP & GARAGE EQUIP	LABOR	1,668,491	435,708	0	1,232,783
28	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	LABOR	(230,699)	(60,244)	(0)	(170,454)
29	395-LABORATORY EQUIPMENT	LABOR	748,718	195,520	0	553,199
30	395-LABORATORY EQUIPMENT - ACQ ADJ	LABOR	(78,875)	(20,597)	(0)	(58,278)
31	396-POWER OPERATED EQUIP	LABOR	399,442	104,310	0	295,132
32	396-POWER OPERATED EQUIP - ACQ ADJ	LABOR	(5,510)	(1,439)	(0)	(4,071)
33	397-COMMUNICATION EQUIP	LABOR	1,009,674	263,665	0	746,009
34	397-COMMUNICATION EQUIP - ACQ ADJ	LABOR	(153,703)	(40,138)	(0)	(113,565)
35	398-MISCELLANEOUS EQUIP	LABOR	267,981	69,980	0	198,000
36	398-MISCELLANEOUS EQUIP - ACQ ADJ	LABOR	(29,611)	(7,733)	(0)	(21,879)
37	399-OTHER TANGIBLE PROPERTY	LABOR	0	0	0	0
38	TOTAL GENERAL PLANT		15,981,218	4,173,320	0	11,807,898
39						
40	COMMON PLANT	LABOR	0	0	0	0
41						
42	TOTAL GAS PLANT IN SERVICE		248,459,957	146,628,354	0	101,831,603
43						
44	TOTAL GAS PLANT IN SERVICE ACQ ADJ		(30,709,737)	(20,694,991)	(0)	(10,014,746)
45						

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	DEVELOPMENT OF RATE BASE CONT.					
2						
3	**DEPRECIATION RESERVE CONTINUED**					
4						
5	**DEPRECIATION RESERVE**					
6	INTANGIBLE RESERVE					
7	302-FRANCHISES & CONSENTS	PLT302	197,465	51,566	0	145,899
8	302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(3,352)	(875)	(0)	(2,477)
9	303-MISC. INTANGIBLE PLANT	PLT303	340,154	88,828	0	251,327
10	303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(3,245)	(847)	(0)	(2,397)
11	TOTAL INTANGIBLE PLANT		531,023	138,671	0	392,352
12						
13	TRANSMISSION RESERVE					
14	365-LAND & LAND RIGHTS	PLT365	0	0	0	0
15	365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0
16	366-STRUCTURES & IMPROVEMENTS	PLT366	3,705	3,705	0	0
17	366-STRUCTURES & IMPROV - ADQ ADJ	PLT366	(400)	(400)	0	0
18	367-MAINS	PLT367	3,082,012	3,082,012	0	0
19	367-MAINS - ACQ ADJ	PLT367	(59,513)	(59,513)	0	0
20	369-MEASURING & REG STATION EQUIP.	PLT369	234,313	234,313	0	0
21	369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(15,972)	(15,972)	0	0
22	371-OTHER EQUIPMENT	PLT371	(4,641)	(4,641)	0	0
23	371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(2,828)	(2,828)	0	0
24	TOTAL TRANSMISSION PLANT		3,236,677	3,236,677	0	0
25						
26	DISTRIBUTION RESERVE					
27	374.1-LAND	PLT374	0	0	0	0
28	374.1-LAND - ACQ ADJ	PLT374	0	0	0	0
29	375-STRUCTURES & IMPROV	PLT375	8,751	8,751	0	0
30	375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(19)	(19)	0	0
31	376-MAINS	PLT376	29,504,348	29,504,348	0	0
32	376-MAINS - ACQ ADJ	PLT376	(879,393)	(879,393)	0	0
33	378-MEAS. & REG. EQUIP-GEN	PLT378	846,473	846,473	0	0
34	378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(13,445)	(13,445)	0	0
35	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	735,949	735,949	0	0
36	379-MEAS & REG EQ-CITY GATE - ACQ ADJ	PLT379	(13,417)	(13,417)	0	0
37	380-SERVICES	PLT380	22,263,336	0	0	22,263,336
38	380-SERVICES - ACQ ADJ	PLT380	(449,039)	0	0	(449,039)
39	381-METERS	PLT381	4,875,854	0	0	4,875,854
40	381-METERS - ACQ ADJ	PLT381	(55,706)	0	0	(55,706)
41	382-METER INSTALLATIONS	PLT382	1,053,528	0	0	1,053,528
42	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(42,231)	0	0	(42,231)
43						
44						
45						

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	DEVELOPMENT OF RATE BASE CONT.					
2						
3	**DEPRECIATION RESERVE CONTINUED**					
4	DISTRIBUTION RESERVE CONTINUED					
5	383-REGULATORS	PLT383	1,063,986	0	0	1,063,986
6	383-REGULATORS - ACQ ADJ	PLT383	(10,992)	0	0	(10,992)
7	384-REGULATOR INSTALLATIONS	PLT384	94,352	0	0	94,352
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(5,443)	0	0	(5,443)
9	385-INDUSTRIAL MEAS. EQUIP	PLT385	597,058	0	0	597,058
10	385-INDUSTRIAL MEAS. EQUIP - ACQ ADJ	PLT385	(6,447)	0	0	(6,447)
11	387-OTHER EQUIPMENT	PLT387	333,544	333,544	0	0
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(10,778)	(10,778)	0	0
13	TOTAL DISTRIBUTION RESERVE		59,890,270	30,512,013	0	29,378,257
14						
15	GENERAL PLANT RESERVE					
16	389-LAND AND LAND RIGHTS	PLT389	0	0	0	0
17	389-LAND AND LAND RIGHTS - ACQ ADJ	PLT389	0	0	0	0
18	390-STRUCTURES & IMPROVE	PLT390	521,758	136,251	0	385,507
19	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(10,840)	(2,831)	(0)	(8,010)
20	391-OFFICE FURN & EQUIPMENT	PLT391	3,247,867	848,145	0	2,399,722
21	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(178,962)	(46,734)	(0)	(132,228)
22	392-TRANSPORTATION EQUIP	PLT392	1,760,750	459,800	0	1,300,949
23	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	(49,951)	(13,044)	(0)	(36,907)
24	393-STORES EQUIPMENT	PLT393	25,675	6,705	0	18,971
25	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(1,267)	(331)	(0)	(936)
26	394-TOOLS, SHOP & GARAGE EQUIPMENT	PLT394	523,919	136,816	0	387,103
27	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(21,139)	(5,520)	(0)	(15,619)
28	395-LABORATORY EQUIPMENT	PLT395	288,256	75,275	0	212,981
29	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(17,255)	(4,506)	(0)	(12,749)
30	396-POWER OPERATED EQUIPMENT	PLT396	289,124	75,502	0	213,622
31	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(678)	(177)	(0)	(501)
32	397-COMMUNICATION EQUIP	PLT397	30,282	7,908	0	22,374
33	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(21,895)	(5,718)	(0)	(16,177)
34	398-MISCELLANEOUS EQUIP	PLT398	88,888	23,212	0	65,676
35	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(2,775)	(725)	(0)	(2,050)
36	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0
37	TOTAL GENERAL PLANT RESERVE		6,471,757	1,690,028	0	4,781,729
38						
39	COMMON PLANT	PLTCOMN	0	0	0	0
40						
41	TOTAL DEPRECIATION RESERVE		70,129,727	35,577,390	0	34,552,338
42						
43	TOTAL DEPRECIATION RESERVE ACQ ADJ		(1,876,981)	(1,077,072)	(0)	(799,909)
44						
45	NET PLANT IN SERVICE		$178,330,230	$111,050,964	$0	$67,279,265
46						

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1 DEVELOPMENT OF RATE BASE CONT.					
2					
3 **OTHER RATE BASE ITEMS**					
4					
5 WORKING CAPITAL					
6 CASH WORKING CAPITAL					
7 PLANT	PLANT	($3,280,886)	($1,936,211)	($0)	($1,344,675)
8 COMMODITY	WCGC	0	0	0	0
9 OPERATIONS & MAINTENANCE	WCOTH	0	0	0	0
10 OTHER	WCOTH	0	0	0	0
11 TOTAL CASH WORKING CAPITAL		(3,280,886)	(1,936,211)	(0)	(1,344,675)
12 MATERIALS & SUPPLIES	PLANT	2,039,798	1,203,785	0	836,014
13 PREPAYMENTS	PLANT	195,942	115,635	0	80,307
14 TOTAL WORKING CAPITAL		(1,045,146)	(616,791)	(0)	(428,354)
15					
16 LESS: CUSTOMER CONTRIBUTIONS					
17 CUST ADVANCES FOR CONSTRUCTION	PLANT	(7,283,595)	(4,298,405)	(0)	(2,985,190)
18 CUSTOMER DEPOSITS	PLANT	(3,040,483)	(1,794,338)	(0)	(1,246,146)
19					
20 OTHER RATE BASE					
21 CWIP	DISTRPLT	0	0	0	0
22 Y2K COSTS & GIC DEF	PAYXAG	1,097,410	289,673	0	807,736
23 C.A.R.E.S.	THERMS	107,477	0	107,477	0
24 OTHER - WARM SPIRIT	RESNTPT	(19,721)	(10,251)	(0)	(9,470)
25 TOTAL OTHER		1,185,166	279,422	107,477	798,267
26					
27 LESS					
28 ACCUMULATED DEFERRED INC. TAXES	PLANT	(6,484,809)	(3,827,002)	(0)	(2,657,807)
29					
30					
31 TOTAL RATE BASE		$161,661,362	$100,793,850	$107,477	$60,760,036
32					
33					
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1 OPERATING REVENUES					
2					
3 **REVENUES**					
4					
5 GAS OPERATING REVENUES					
6					
7 SALES REVENUES					
8 FIRM SALES OF GAS		$45,689,224	20,888,954	7,948	24,792,322
9 INTERR SALES GAS COST REV	GASSALES	0	0	0	0
10 INTERR SALES PROFIT MARGINS	DEMGAS	0	0	0	0
11 INTERRUPTIBLE TRANSPORTATION	DISTR	0	0	0	0
12 SALES FOR RESALE	DEMGAS	0	0	0	0
13 TOTAL SALES OF GAS		45,689,224	20,888,954	7,948	24,792,322
14					
15 OTHER OPERATING REVENUES					
16 FORFEITED DISCOUNTS	PLANT	398,966	235,449	0	163,517
17 MISCELLANEOUS SERVICE REV	CUST487B	1,046,891	0	0	1,046,891
18 OTHER REVENUE	DEMGAS	34,447	34,447	0	0
19 OTHER REVENUE	PLANT	0	0	0	0
20 OTHER REVENUE	PLANT	0	0	0	0
21 TOTAL OTHER OPERATING REV		1,480,303	269,896	0	1,210,408
22					
23 TOTAL GAS OPERATING REVENUE		$47,169,527	$21,158,849	$7,948	$26,002,730

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	OPERATION & MAINTENANCE EXPENSE					
2						
3	**OPERATION & MAINTENANCE EXPENSE**					
4	PRODUCTION EXPENSE					
5	421-PURCHASED POWER	DEMGAS	0	0	0	0
6	805-PURCHASED GAS EXPENSES	DEMGAS	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES					
8	NON-RECONCILABLE	DEMGAS	355,528	355,528	0	0
9	CAPACITY RELATED	DEMGAS	0	0	0	0
10	COMMODITY RELATED	GASSALES	0	0	0	0
11	TOTAL ACCOUNT 807		355,528	355,528	0	0
12	TOTAL PURCHASED GAS SUPPLY		355,529	355,529	0	0
13						
14	TRANSMISSION EXPENSE					
15	856-MAINS EXPENSE	TRANS	11,280	11,280	0	0
16	857-MEASURING & REG. STATION	TRANS	(52,221)	(52,221)	0	0
17	864-MAINTENANCE OF COMPRESSOR STATION EC	TRANS	19	19	0	0
18	870-OPERATION SUPERVISION AND ENGINEERING	TRANS	315,983	315,983	0	0
19	TOTAL TRANSMISSION		275,061	275,061	0	0
20						
21	DISTRIBUTION EXPENSE					
22	431-INTEREST ON CUSTOMER DEPOSITS	LABDO	170,459	52,346	0	118,113
23	871-LOAD DISPATCHING	DISTR	162	162	0	0
24	874-MAINS & SERVICING EXPENSE	PLT376380	1,337,349	862,212	0	475,136
25	875-MEAS./REG. STATION EXPENSE	PLT378	244,463	244,463	0	0
26	876-MEAS./REG. STATION EXPENSE	PLT379	150,536	150,536	0	0
27	877-MEAS./REG. STATION EXPENSE	PLT383	56,529	0	0	56,529
28	878-METER EXPENSE	PLT381	1,349,114	0	0	1,349,114
29	879-CUSTOMER INSTALL EXP	PLT38284	539,082	0	0	539,082
30	880-OTHER EXPENSES	EXP87479	1,090,666	372,905	0	717,761
31	881-RENTS	DISTR	44,510	44,510	0	0
32	885-MAINT. SUPERV. & ENG.	LABDM	243,170	140,081	0	103,088
33	886-MAINT. OF STRUCTURES	PLT375	0	0	0	0
34	887-MAINT. OF MAINS	PLT376	1,084,194	1,084,194	0	0
35	889-MAINT. MEAS./REG	PLT378	25,623	25,623	0	0
36	890-MAINT. MEAS./REG	PLT379	2,072	2,072	0	0
37	891-MAINT. MEAS./REG	PLT383	850	0	0	850
38	892-MAINT. OF SERVICES	PLT380	465,066	0	0	465,066
39	893-MAINT. OF METER	PLT381	167,015	0	0	167,015
40	894-MAINT. OF OTHER EQUIP.	PLT387	96,826	96,826	0	0
41	TOTAL DISTRIBUTION EXP		7,067,687	3,075,932	0	3,991,755
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	OPERATION & MAINT EXP CONT.					
2						
3	**OPERATION & MAINTENANCE EXPENSE CONTINUED**					
4	CUSTOMER ACCOUNT					
5	901-SUPERVISION	LABCA	74,309	2	0	74,307
6	902-METER READING EXPENSE	CUST902	719,037	0	0	719,037
7	903-CUST RECORDS & COLLECT	CUST903	5,462,173	0	0	5,462,173
8	904-UNCOLLECTIBLE ACCOUNTS	BADDEBT	722,634	427,520	267	294,847
9	905-MISC CUST ACCTS EXP	EXP9024	34,381	2,129	1	32,251
10	906-CUSTOMER SERVICE & INFO	CUST10	0	0	0	0
11	907-SUPERV. CUSTOMER SERV.	LABCS	14,743	0	0	14,743
12	908-CUSTOMER ASSISTANCE	CUST10	(34,228)	0	0	(34,228)
13	909-INFO & INSTRUCTIONAL ADVERT.	CUST10	65,794	0	0	65,794
14	910-MISC. CUST. SERV. & INFO.	EXP9089	22,602	0	0	22,602
15	CARES DISCOUNTS	THERMS	0	0	0	0
16	CARES EXPENSES	THERMS	0	0	0	0
17	TOTAL CUSTOMER ACCTS EXP		7,081,444	429,651	268	6,651,525
18						
19	SALES EXPENSE					
20	912-DEMONSTRATING & SELLING	CDA912	558	0	0	558
21	913-ADVERTISING EXPENSES	CDA913	0	0	0	0
22	TOTAL SALES EXPENSE		558	0	0	558
23						
24	ADMINISTRATIVE & GENERAL EXPENSE					
25	920-ADMIN & GENERAL SALARY	PAYXAG	1,529,696	403,780	0	1,125,916
26	921-OFFICE SUPPLIES & EXP	PAYXAG	1,365,974	360,564	0	1,005,410
27	923-OUTSIDE SERV EMPLOYED	PAYXAG	(152,817)	(40,338)	(0)	(112,479)
28	924-PROPERTY INSURANCE	PLANT	2,696,531	1,591,355	0	1,105,177
29	925-INJURIES & DAMAGES	PAYXAG	7,415	1,957	0	5,458
30	926-EMPLOYED PENSION & BENF	PAYXAG	574,128	151,547	0	422,580
31	928-REGULATORY COMM EXPENSE	TOTREV	2,452,071	1,099,926	413	1,351,731
32	930-MISCELLANEOUS GEN EXP	PAYXAG	1,282,411	338,507	0	943,904
33	931-RENTS	PAYXAG	109,053	28,786	0	80,267
34	932-MAINT OF GENERAL PLT	GENPLT	169,826	44,348	0	125,478
35	TOTAL ADMIN & GEN EXPENSE		10,034,287	3,980,432	413	6,053,441
36						
37	TOTAL GAS O & M EXPENSE		$24,814,565	$8,116,604	$681	$16,697,279
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1 DEPRECIATION & AMORT EXPENSE					
2					
3 **DEPRECIATION AND AMORITIZATION EXPENSE**					
4					
5 407-AMOR Y2K EXP; GPS & PRESC GAIN	PAYXAG	363,339	95,907	0	267,431
6 407-AMORTIZATION OF C.A.R.E.S.	PLANT	477,337	281,700	0	195,637
7					
8 INTANGIBLE PLT DEPRECIATION EXPENSE					
9 302-FRANCHISES & CONSENTS	PLT302	13,489	3,522	0	9,966
10 302-FRANCHISES & CONSENTS - ACQ ADJ	PLT302	(1,284)	(335)	(0)	(949)
11 303-MISC. INTANGIBLE PLANT	PLT303	75,438	19,700	0	55,739
12 303-MISC. INTANGIBLE PLANT - ACQ ADJ	PLT303	(1,934)	(505)	(0)	(1,429)
13 TOTAL INTANGIBLE PLT DEPR EXP		85,709	22,382	0	63,327
14					
15 TRANSMISSION PLT DEPR EXP					
16 365-LAND & LAND RIGHTS	PLT365	0	0	0	0
17 365-LAND & LAND RIGHTS - ACQ ADJ	PLT365	0	0	0	0
18 366-STRUCTURES & IMPROVEMENTS	PLT366	1,416	1,416	0	0
19 366-STRUCTURES & IMPROVE - ACQ ADJ	PLT366	(249)	(249)	0	0
20 367-MAINS	PLT367	272,433	272,433	0	0
21 367-MAINS - ACQ ADJ	PLT367	(24,551)	(24,551)	0	0
22 369-MEASURING & REG STATION EQ.	PLT369	11,670	11,670	0	0
23 369-MEASURING & REG STA EQ - ACQ ADJ	PLT369	(6,536)	(6,536)	0	0
24 371-OTHER EQUIPMENT	PLT371	(332)	(332)	0	0
25 371-OTHER EQUIPMENT - ACQ ADJ	PLT371	(602)	(602)	0	0
26 TOTAL TRANS PLT DEPR EXP		253,249	253,249	0	0
27					
28 DISTRIBUTION PLT DEPR EXP					
29 375-STRUCTURES & IMPROV	PLT375	2,126	2,126	0	0
30 375-STRUCTURES & IMPROV - ACQ ADJ	PLT375	(318)	(318)	0	0
31 376-MAINS	PLT376	2,867,976	2,867,976	0	0
32 376-MAINS - ACQ ADJ	PLT376	(364,767)	(364,767)	0	0
33 378-MEAS. & REG. EQUIP-GEN	PLT378	55,436	55,436	0	0
34 378-MEAS. & REG. EQUIP-GEN - ACQ ADJ	PLT378	(5,598)	(5,598)	0	0
35 379-MEAS. & REG. EQUIP-CITY GATE	PLT379	51,099	51,099	0	0
36 379-MEAS. & REG. EQ-CITY GATE - ACQ ADJ	PLT379	(5,653)	(5,653)	0	0
37 380-SERVICES	PLT380	2,063,965	0	0	2,063,965
38 380-SERVICES - ACQ ADJ	PLT380	(187,260)	0	0	(187,260)
39 381-METERS	PLT381	261,313	0	0	261,313
40 381-METERS - ACQ ADJ	PLT381	(23,452)	0	0	(23,452)
41					
42					
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	DEPREC & AMORT EXP CONT.					
2	DISTRIBUTION PLT DEPR EXP CONTINUED					
3	382-METER INSTALLATIONS	PLT382	156,349	0	0	156,349
4	382-METER INSTALLATIONS - ACQ ADJ	PLT382	(17,577)	0	0	(17,577)
5	383-REGULATORS	PLT383	65,671	0	0	65,671
6	383-REGULATORS - ACQ ADJ	PLT383	(4,574)	0	0	(4,574)
7	384-REGULATOR INSTALLATIONS	PLT384	31,794	0	0	31,794
8	384-REGULATOR INSTALLATIONS - ACQ ADJ	PLT384	(2,303)	0	0	(2,303)
9	385-INDUSTRIAL MEAS. EQUIP.	PLT385	32,408	0	0	32,408
10	385-INDUSTRIAL MEAS. EQUIP. - ACQ ADJ	PLT385	(2,874)	0	0	(2,874)
11	387-OTHER EQUIPMENT	PLT387	43,005	43,005	0	0
12	387-OTHER EQUIPMENT - ACQ ADJ	PLT387	(4,396)	(4,396)	0	0
13	TOTAL DISTRIBUTION PLT DEPR EXP		5,012,368	2,638,908	0	2,373,460
14						
15	GENERAL PLANT DEPR EXP					
16	390-STRUCTURES & IMPROVE	PLT390	70,345	18,370	0	51,975
17	390-STRUCTURES & IMPROVE - ACQ ADJ	PLT390	(8,730)	(2,280)	(0)	(6,450)
18	391-OFFICE FURN & EQUIPMENT	PLT391	638,907	166,843	0	472,063
19	391-OFFICE FURN & EQUIPMENT - ACQ ADJ	PLT391	(61,588)	(16,083)	(0)	(45,505)
20	392-TRANSPORTATION EQUIP	PLT392	146,461	38,247	0	108,215
21	392-TRANSPORTATION EQUIP - ACQ ADJ	PLT392	22,952	5,994	0	16,958
22	393-STORES EQUIPMENT	PLT393	2,916	761	0	2,155
23	393-STORES EQUIPMENT - ACQ ADJ	PLT393	(466)	(122)	(0)	(344)
24	394-TOOLS, SHOP & GARAGE EQ	PLT394	63,503	16,583	0	46,920
25	394-TOOLS, SHOP & GARAGE EQ - ACQ ADJ	PLT394	(8,997)	(2,349)	(0)	(6,647)
26	395-LABORATORY EQUIPMENT	PLT395	65,249	17,039	0	48,210
27	395-LABORATORY EQUIPMENT - ACQ ADJ	PLT395	(7,044)	(1,839)	(0)	(5,204)
28	396-POWER OPERATED EQUIPMENT	PLT396	40,891	10,678	0	30,213
29	396-POWER OPERATED EQUIP - ACQ ADJ	PLT396	(579)	(151)	(0)	(428)
30	397-COMMUNICATION EQUIP	PLT397	65,623	17,137	0	48,486
31	397-COMMUNICATION EQUIP - ACQ ADJ	PLT397	(10,237)	(2,673)	(0)	(7,564)
32	398-MISCELLANEOUS EQUIP	PLT398	10,357	2,705	0	7,652
33	398-MISCELLANEOUS EQUIP - ACQ ADJ	PLT398	(1,173)	(306)	(0)	(866)
34	399-OTHER TANGIBLE PROPERTY	PLT399	0	0	0	0
35	TOTAL GENERAL PLT DEPR EXP		1,028,390	268,553	0	759,837
36						
37	TOTAL DEPRECIATION & AMORTIZATION EXPENSE		$7,220,392	$3,560,698	$0	$3,659,693
38						
39	TOTAL ACQUISITION ADJUSTMENT DEPR EXPENSE		(729,791)	(433,322)	(0)	(296,469)
40						
41						
42						
43						
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			TOTAL COMPANY	CAPACITY	COMMODITY	CUSTOMER
1	STATE & FED TAXES & OTHER EXPENSE					
2						
3	**TAXES OTHER THAN INCOME**					
4	PROPERTY TAXES - TRANSMISSION	TRANPLT	$295,707	$295,707	$0	$0
5	PROPERTY TAXES - DISTRIBUTION	DISTRPLT	3,625,714	2,120,872	0	1,504,842
6	PROPERTY TAXES - GENERAL	GENPLT	181,954	47,515	0	134,439
7	PAYROLL TAXES	LABOR	537,877	140,461	0	397,416
8	OTHER TAXES	PLANT	88,841	52,429	0	36,412
9	TOTAL TAX OTHER THAN INCOME		4,730,094	2,656,985	0	2,073,109
10						
11	TOTAL OPERATING EXPENSE BEFORE INCOME TAX		$36,765,050	$14,334,288	$681	$22,430,081
12	**FEDERAL & STATE TAX CALCULATION**					
13						
14	OPERATING REVENUES		$47,169,527	$21,158,849	$7,948	$26,002,730
15	OPERATING EXPENSES					
16	OPERATION & MAINTENANCE EXP		24,814,565	8,116,604	681	16,697,279
17	DEPRECIATION		7,220,392	3,560,698	0	3,659,693
18	TAXES OTHER THAN INCOME		4,730,094	2,656,985	0	2,073,109
19	OPERATING INCOME BEFORE INCOME TAXES		10,404,477	6,824,562	7,267	3,572,648
20						
21	INTEREST EXPENSE		(5,393,917)	(3,363,040)	(3,586)	(2,027,291)
22						
23	BOOK TAXABLE INCOME		5,010,560	3,461,521	3,681	1,545,358
24						
25	STATE TAX @ 0.00%		0	0	0	0
26						
27	STATE AND FEDERAL TAXABLE BASIS		5,010,560	3,461,521	3,681	1,545,358
28						
29	STATE AND FEDERAL INCOME TAX @ 39.43%		1,975,498	1,364,763	1,451	609,283
30	AMORTIZATION OF ITC	PLANT	0	0	0	0
31	BLANK.	PLANT	0	0	0	0
32	TOTAL STATE AND FEDERAL TAXES		1,975,498	1,364,763	1,451	609,283
33						
34	TOTAL STATE & FEDERAL INCOME TAX		1,975,498	1,364,763	1,451	609,283
35						
36	NET INCOME AFTER TAX		$8,428,979	$5,459,799	$5,816	$2,963,365
37						
38						
39	EFFECTIVE STATE TAX RATE- Included in Federal		0.0000%	0.0000%	0.0000%	0.0000%
40	FEDERAL TAX RATE - CURRENT		39.4267%	39.4267%	39.4267%	39.4267%
41	UNCOLLECTIBLE FACTOR		0.5105%	0.5105%	0.5105%	0.5105%
42	1 - INCREMENTAL TAX RATE		0.608826	0.608826	0.608826	0.608826
43	FACTOR FOR TAXABLE BASIS		0.000000	1.664924	1.664924	1.664924
44	INTEREST EXPENSE PERCENTAGE		-3.34%	-3.34%	-3.34%	-3.34%
45	INCREMENTAL RETURN TAX RATE		1.50393	1.50393	1.50393	1.50393

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

CLAIMED RATE OF RETURN SUMMARY SCHEDULE - COMPONENT FORMAT

			TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%	8.80%	8.80%
	REVENUES REQUIRED								
1	**CAPACITY COMPONENTS**	26,587,316	26,587,316	15,159,662	6,471,270	2,759,364	2,167,015	18,623	11,382
2	**PRODUCTION DEMAND COMP**		375,965	241,717	101,638	9,237	22,742	341	290
3	PROD DEM GAS COST		375,965	241,717	101,638	9,237	22,742	341	290
4									
5	**TRANSMISSION DEMAND COMP**		2,679,314	1,523,916	651,719	281,178	219,445	1,916	1,141
6	TRANSMISSION PLANT		2,679,314	1,523,916	651,719	281,178	219,445	1,916	1,141
7									
8	**DISTRIBUTION DEMAND COMP**	23,532,037	23,532,037	13,394,029	5,717,914	2,468,948	1,924,828	16,366	9,952
9	DISTRIBUTION MAINS		21,972,875	12,504,756	5,340,197	2,305,478	1,797,770	15,369	9,305
10	DISTRIBUTION REGULATORS		1,478,060	843,050	358,048	154,965	120,440	944	613
11	DISTRIBUTION OTHER		81,102	46,224	19,668	8,505	6,618	53	34
12									
13	**COMMODITY COMPONENTS**	13,918	13,918	7,143	3,311	2,288	1,152	14	9
14	COMMODITY GAS COST COMP		0	0	0	0	0	0	0
15	COMMODITY OTHER COMP		13,918	7,143	3,311	2,288	1,152	14	9
16									
17	**CUSTOMER COMPONENTS**	28,734,892	28,734,892	25,083,844	3,337,971	36,573	275,007	170	1,329
18	CUST SERVICE DROP COMPONENT		11,874,625	10,767,728	948,125	3,776	154,461	0	534
19	CUST METER COMPONENT		7,724,073	6,197,382	1,436,940	23,211	65,754	0	787
20	CUST REGULATOR COMPONENT		1,003,382	702,820	272,966	7,353	20,076	0	168
21	CUST DEPOSITS COMPONENT		0	0	0	0	0	0	0
22	CUST MISC REV COMP		(1,050,866)	(961,689)	(52,457)	0	(36,161)	(0)	(560)
23	CUST METER READING COMP		1,513,409	1,381,807	119,485	452	11,599	0	65
24	CUST RECORDS & COLL COMP		7,544,235	6,880,694	602,975	1,752	58,317	167	330
25	CUST SALES		126,035	115,101	9,936	29	961	3	5
26	**TOTAL COMPANY**	55,336,126	55,336,126	40,250,648	9,812,552	2,798,225	2,443,174	18,807	12,720
27									
28									
29	**TOTAL PRODUCTION**		389,882	248,860	104,949	11,525	23,895	355	299
30									
31	**TOTAL DELIVERY SERVICE**		54,946,244	40,001,789	9,707,603	2,786,700	2,419,279	18,452	12,421
32									
33	**TRAND & DISTR COMPONENT $/THERM**		$0.1896	$0.2079	$0.1944	$0.1243	$0.1883	$0.1795	$0.1278
34									
35	**CUSTOMER COMPONENT $/MO/CUST**		$17.31	$16.55	$25.44	$96.24	$21.48	$4.71	$18.46
36									
37	**TOTAL THRUPUT THERM**		138,233,864	71,765,520	32,770,803	22,121,972	11,386,911	101,855	86,803
38									
39	**TOTAL ANNUAL CUSTOMERS**		138,340	126,296	10,936	32	1,067	3	6
40									
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
			SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.
			(8)	(9)	(10)	(11)	(12)	(13)
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - COMPONENT							
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%	8.80%
	REVENUES REQUIRED							
1	**CAPACITY COMPONENTS**	26,587,316	5,655,415	815,855	88,008	2,671,356	1,262,274	904,741
2	**PRODUCTION DEMAND COMP**		97,348	4,290	1,686	7,551	19,377	3,366
3	PROD DEM GAS COST		97,348	4,290	1,686	7,551	19,377	3,366
4								
5	**TRANSMISSION DEMAND COMP**		568,684	83,035	8,843	272,335	127,218	92,227
6	TRANSMISSION PLANT		568,684	83,035	8,843	272,335	127,218	92,227
7								
8	**DISTRIBUTION DEMAND COMP**	23,532,037	4,989,384	728,530	77,479	2,391,470	1,115,680	809,148
9	DISTRIBUTION MAINS		4,659,795	680,403	72,381	2,233,097	1,042,069	755,701
10	DISTRIBUTION REGULATORS		312,427	45,621	4,832	150,133	69,776	50,664
11	DISTRIBUTION OTHER		17,162	2,506	266	8,239	3,835	2,783
12								
13	**COMMODITY COMPONENTS**	13,918	2,928	384	51	2,237	585	567
14	COMMODITY GAS COST COMP		0	0	0	0	0	(0)
15	COMMODITY OTHER COMP		2,928	384	51	2,237	585	567
16								
17	**CUSTOMER COMPONENTS**	28,734,892	3,299,429	38,541	2,897	33,676	264,353	10,654
18	CUST SERVICE DROP COMPONENT		945,264	2,861	1,090	2,687	153,176	1,285
19	CUST METER COMPONENT		1,411,321	25,618	721	22,490	60,705	5,049
20	CUST REGULATOR COMPONENT		264,125	8,841	254	7,099	16,426	3,650
21	CUST DEPOSITS COMPONENT		0	0	0	0	0	(0)
22	CUST MISC REV COMP		(52,457)	0	0	0	(36,161)	(0)
23	CUST METER READING COMP		119,209	276	136	317	11,448	152
24	CUST RECORDS & COLL COMP		602,046	929	685	1,067	57,806	510
25	CUST SALES		9,921	15	11	18	953	8
26	**TOTAL COMPANY**	55,336,126	8,957,772	854,780	90,956	2,707,269	1,527,213	915,961
27								
28								
29	**TOTAL PRODUCTION**		100,275	4,674	1,737	9,788	19,962	3,933
30								
31	**TOTAL DELIVERY SERVICE**		8,857,497	850,106	89,219	2,697,481	1,507,251	912,029
32								
33	**TRAND & DISTR COMPONENT $/THERM**		$0.1916	$0.2160	$0.1687	$0.1233	$0.2133	$0.1622
34								
35	**CUSTOMER COMPONENT $/MO/CUST**		$25.18	$191.81	$19.06	$147.70	$20.83	$95.25
36								
37	**TOTAL THRUPUT THERM**		29,014,067	3,756,736	511,826	21,610,146	5,828,186	5,558,725
38								
39	**TOTAL ANNUAL CUSTOMERS**		10,919	17	13	19	1,058	9
40								
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
			RESIDENTIAL SERVICE	CARES	SM. VOL.	LG. VOL.	TRANS-PORTATION
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - COMPONENT		(14)	(15)	(16)	(17)	(18)
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%
	REVENUES REQUIRED						
1	**CAPACITY COMPONENTS**	26,587,316	14,571,287	588,375	5,655,415	235,391	580,464
2	**PRODUCTION DEMAND COMP**		232,221	9,496	97,348	4,290	(0)
3	PROD DEM GAS COST		232,221	9,496	97,348	4,290	(0)
4							
5	**TRANSMISSION DEMAND COMP**		1,464,857	59,059	568,684	23,628	59,407
6	TRANSMISSION PLANT		1,464,857	59,059	568,684	23,628	59,407
7							
8	**DISTRIBUTION DEMAND COMP**	23,532,037	12,874,209	519,820	4,989,384	207,473	521,057
9	DISTRIBUTION MAINS		12,019,587	485,168	4,659,795	193,735	486,667
10	DISTRIBUTION REGULATORS		810,197	32,853	312,427	13,023	32,599
11	DISTRIBUTION OTHER		44,425	1,799	17,162	715	1,791
12							
13	**COMMODITY COMPONENTS**	13,918	6,866	277	2,928	128	256
14	COMMODITY GAS COST COMP		0	0	0	0	(0)
15	COMMODITY OTHER COMP		6,866	277	2,928	128	256
16							
17	**CUSTOMER COMPONENTS**	28,734,892	24,187,205	896,638	3,299,429	20,657	17,884
18	CUST SERVICE DROP COMPONENT		10,312,891	454,837	945,264	1,505	1,356
19	CUST METER COMPONENT		5,934,757	262,625	1,411,321	13,492	12,126
20	CUST REGULATOR COMPONENT		673,089	29,731	264,125	4,883	3,959
21	CUST DEPOSITS COMPONENT		0	0	0	0	(0)
22	CUST MISC REV COMP		(943,034)	(18,654)	(52,457)	0	0
23	CUST METER READING COMP		1,323,109	58,698	119,209	176	100
24	CUST RECORDS & COLL COMP		6,776,442	104,252	602,046	592	337
25	CUST SALES		109,951	5,150	9,921	10	6
26	**TOTAL COMPANY**	55,336,126	38,765,358	1,485,290	8,957,772	256,176	598,604
27							
28							
29	**TOTAL PRODUCTION**		239,087	9,773	100,275	4,418	256
30							
31	**TOTAL DELIVERY SERVICE**		38,526,272	1,475,517	8,857,497	251,758	598,348
32							
33	**TRAND & DISTR COMPONENT $/THERM**		$0.2080	$0.2057	$0.1916	$0.1806	$0.2343
34							
35	**CUSTOMER COMPONENT $/MO/CUST**		$16.71	$13.20	$25.18	$160.21	$248.39
36							
37	**TOTAL THRUPUT THERM**		68,951,676	2,813,844	29,014,067	1,279,629	2,477,106
38							
39	**TOTAL ANNUAL CUSTOMERS**		120,636	5,660	10,919	11	6
40							
41							
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45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
			SM. VOL.	LG. VOL.	TRANS-PORTATION
			(19)	(20)	(21)
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - COMPONENT				
	RATE OF RETURN		8.80%	8.80%	8.80%
	REVENUES REQUIRED				
1	**CAPACITY COMPONENTS**	26,587,316	88,008	373,518	2,297,838
2	**PRODUCTION DEMAND COMP**		1,686	7,551	0
3	PROD DEM GAS COST		1,686	7,551	0
4					
5	**TRANSMISSION DEMAND COMP**		8,843	37,384	234,951
6	TRANSMISSION PLANT		8,843	37,384	234,951
7					
8	**DISTRIBUTION DEMAND COMP**	23,532,037	77,479	328,583	2,062,887
9	DISTRIBUTION MAINS		72,381	306,767	1,926,331
10	DISTRIBUTION REGULATORS		4,832	20,682	129,451
11	DISTRIBUTION OTHER		266	1,134	7,105
12					
13	**COMMODITY COMPONENTS**	13,918	51	223	2,014
14	COMMODITY GAS COST COMP		0	0	0
15	COMMODITY OTHER COMP		51	223	2,014
16					
17	**CUSTOMER COMPONENTS**	28,734,892	2,897	11,984	21,691
18	CUST SERVICE DROP COMPONENT		1,090	1,002	1,684
19	CUST METER COMPONENT		721	7,951	14,539
20	CUST REGULATOR COMPONENT		254	2,536	4,563
21	CUST DEPOSITS COMPONENT		0	0	0
22	CUST MISC REV COMP		0	0	0
23	CUST METER READING COMP		136	112	205
24	CUST RECORDS & COLL COMP		685	378	689
25	CUST SALES		11	6	11
26	**TOTAL COMPANY**	55,336,126	90,956	385,726	2,321,543
27					
28					
29	**TOTAL PRODUCTION**		1,737	7,774	2,014
30					
31	**TOTAL DELIVERY SERVICE**		89,219	377,951	2,319,529
32					
33	**TRAND & DISTR COMPONENT $/THERM**		$0.1687	$0.1593	$0.1190
34					
35	**CUSTOMER COMPONENT $/MO/CUST**		$19.06	$142.67	$150.63
36					
37	**TOTAL THRUPUT THERM**		511,826	2,297,027	19,313,119
38					
39	**TOTAL ANNUAL CUSTOMERS**		13	7	12
40					
41					
42					
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			PUBLIC AUTHORITY			SPECIAL	
			SM. VOL.	LG. VOL.	TRANS-PORTATION	GAS LIGHT SERVICE	IRRIGATION
			(22)	(23)	(24)	(25)	(26)
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - COMPONENT						
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%
	REVENUES REQUIRED						
1	**CAPACITY COMPONENTS**	26,587,316	1,262,274	208,723	696,018	18,623	11,382
2	**PRODUCTION DEMAND COMP**		19,377	3,366	(0)	341	290
3	PROD DEM GAS COST		19,377	3,366	(0)	341	290
4							
5	**TRANSMISSION DEMAND COMP**		127,218	20,987	71,240	1,916	1,141
6	TRANSMISSION PLANT		127,218	20,987	71,240	1,916	1,141
7							
8	**DISTRIBUTION DEMAND COMP**	23,532,037	1,115,680	184,370	624,778	16,366	9,952
9	DISTRIBUTION MAINS		1,042,069	172,147	583,554	15,369	9,305
10	DISTRIBUTION REGULATORS		69,776	11,587	39,076	944	613
11	DISTRIBUTION OTHER		3,835	636	2,147	53	34
12							
13	**COMMODITY COMPONENTS**	13,918	585	100	467	14	9
14	COMMODITY GAS COST COMP		0	(0)	(0)	0	0
15	COMMODITY OTHER COMP		585	100	467	14	9
16							
17	**CUSTOMER COMPONENTS**	28,734,892	264,353	2,900	7,754	170	1,329
18	CUST SERVICE DROP COMPONENT		153,176	833	451	0	534
19	CUST METER COMPONENT		60,705	299	4,750	0	787
20	CUST REGULATOR COMPONENT		16,426	1,392	2,258	0	168
21	CUST DEPOSITS COMPONENT		0	(0)	(0)	0	0
22	CUST MISC REV COMP		(36,161)	(0)	(0)	(0)	(560)
23	CUST METER READING COMP		11,448	85	67	0	65
24	CUST RECORDS & COLL COMP		57,806	286	225	167	330
25	CUST SALES		953	5	4	3	5
26	**TOTAL COMPANY**	55,336,126	1,527,213	211,722	704,239	18,807	12,720
27							
28							
29	**TOTAL PRODUCTION**		19,962	3,465	467	355	299
30							
31	**TOTAL DELIVERY SERVICE**		1,507,251	208,257	703,772	18,452	12,421
32							
33	**TRAND & DISTR COMPONENT $/THERM**		$0.2133	$0.1997	$0.1536	$0.1795	$0.1278
34							
35	**CUSTOMER COMPONENT $/MO/CUST**		$20.83	$45.41	$161.54	$4.71	$18.46
36							
37	**TOTAL THRUPUT THERM**		5,828,186	1,028,395	4,530,330	101,855	86,803
38							
39	**TOTAL ANNUAL CUSTOMERS**		1,058	5	4	3	6
40							
41							
42							
43							
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45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

CLAIMED RATE OF RETURN SUMMARY SCHEDULE - FUNCTION FORMAT

			TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%	8.80%	8.80%
	$/THERM								
1	**CAPACITY COMPONENTS**	0.1923	0.1923	0.2112	0.1975	0.1247	0.1903	0.1828	0.1311
2	**PRODUCTION DEMAND COMP**		0.0027	0.0034	0.0031	0.0004	0.0020	0.0034	0.0033
3	PROD DEM GAS COST		0.0027	0.0034	0.0031	0.0004	0.0020	0.0034	0.0033
4									
5	**TRANSMISSION DEMAND COMP**		0.0194	0.0212	0.0199	0.0127	0.0193	0.0188	0.0131
6	TRANSMISSION PLANT		0.0194	0.0212	0.0199	0.0127	0.0193	0.0188	0.0131
7									
8	**DISTRIBUTION DEMAND COMP**	0.1702	0.1702	0.1866	0.1745	0.1116	0.1690	0.1607	0.1146
9	DISTRIBUTION MAINS		0.1590	0.1742	0.1630	0.1042	0.1579	0.1509	0.1072
10	DISTRIBUTION REGULATORS		0.0107	0.0117	0.0109	0.0070	0.0106	0.0093	0.0071
11	DISTRIBUTION OTHER		0.0006	0.0006	0.0006	0.0004	0.0006	0.0005	0.0004
12									
13	**COMMODITY COMPONENTS**	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
14	COMMODITY GAS COST COMP		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
15	COMMODITY OTHER COMP		0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
16									
17	**CUSTOMER COMPONENTS**	0.2079	0.2079	0.3495	0.1019	0.0017	0.0242	0.0017	0.0153
18	CUST SERVICE DROP COMPONENT		0.0859	0.1500	0.0289	0.0002	0.0136	0.0000	0.0061
19	CUST METER COMPONENT		0.0559	0.0864	0.0438	0.0010	0.0058	0.0000	0.0091
20	CUST REGULATOR COMPONENT		0.0073	0.0098	0.0083	0.0003	0.0018	0.0000	0.0019
21	CUST DEPOSITS COMPONENT		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
22	CUST MISC REV COMP		-0.0076	-0.0134	-0.0016	0.0000	-0.0032	0.0000	-0.0064
23	CUST METER READING COMP		0.0109	0.0193	0.0036	0.0000	0.0010	0.0000	0.0008
24	CUST RECORDS & COLL COMP		0.0546	0.0959	0.0184	0.0001	0.0051	0.0016	0.0038
25	CUST SALES		0.0009	0.0016	0.0003	0.0000	0.0001	0.0000	0.0001
26	TOTAL COMPANY		0.4003	0.5609	0.2994	0.1265	0.2146	0.1846	0.1465
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

CLAIMED RATE OF RETURN SUMMARY SCHEDULE - FUNCTION FO

			COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
			SM. VOL. (8)	LG. VOL. (9)	SM. VOL. (10)	LG. VOL. (11)	SM. VOL. (12)	LG. VOL. (13)
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%	8.80%
	$/THERM							
1	**CAPACITY COMPONENTS**	0.1923	0.1949	0.2172	0.1719	0.1236	0.2166	0.1628
2	**PRODUCTION DEMAND COMP**		0.0034	0.0011	0.0033	0.0003	0.0033	0.0006
3	PROD DEM GAS COST		0.0034	0.0011	0.0033	0.0003	0.0033	0.0006
4								
5	**TRANSMISSION DEMAND COMP**		0.0196	0.0221	0.0173	0.0126	0.0218	0.0166
6	TRANSMISSION PLANT		0.0196	0.0221	0.0173	0.0126	0.0218	0.0166
7								
8	**DISTRIBUTION DEMAND COMP**	0.1702	0.1720	0.1939	0.1514	0.1107	0.1914	0.1456
9	DISTRIBUTION MAINS		0.1606	0.1811	0.1414	0.1033	0.1788	0.1359
10	DISTRIBUTION REGULATORS		0.0108	0.0121	0.0094	0.0069	0.0120	0.0091
11	DISTRIBUTION OTHER		0.0006	0.0007	0.0005	0.0004	0.0007	0.0005
12								
13	**COMMODITY COMPONENTS**	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
14	COMMODITY GAS COST COMP		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
15	COMMODITY OTHER COMP		0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
16								
17	**CUSTOMER COMPONENTS**	0.2079	0.1137	0.0103	0.0057	0.0016	0.0454	0.0019
18	CUST SERVICE DROP COMPONENT		0.0326	0.0008	0.0021	0.0001	0.0263	0.0002
19	CUST METER COMPONENT		0.0486	0.0068	0.0014	0.0010	0.0104	0.0009
20	CUST REGULATOR COMPONENT		0.0091	0.0024	0.0005	0.0003	0.0028	0.0007
21	CUST DEPOSITS COMPONENT		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
22	CUST MISC REV COMP		-0.0018	0.0000	0.0000	0.0000	-0.0062	0.0000
23	CUST METER READING COMP		0.0041	0.0001	0.0003	0.0000	0.0020	0.0000
24	CUST RECORDS & COLL COMP		0.0208	0.0002	0.0013	0.0000	0.0099	0.0001
25	CUST SALES		0.0003	0.0000	0.0000	0.0000	0.0002	0.0000
26	**TOTAL COMPANY**		0.3087	0.2275	0.1777	0.1253	0.2620	0.1648
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
			RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - FUNCTION FO						
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%
	$/THERM						
1	**CAPACITY COMPONENTS**	0.1923	0.2113	0.2091	0.1949	0.1840	0.2343
2	**PRODUCTION DEMAND COMP**		0.0034	0.0034	0.0034	0.0034	0.0000
3	PROD DEM GAS COST		0.0034	0.0034	0.0034	0.0034	0.0000
4							
5	**TRANSMISSION DEMAND COMP**		0.0212	0.0210	0.0196	0.0185	0.0240
6	TRANSMISSION PLANT		0.0212	0.0210	0.0196	0.0185	0.0240
7							
8	**DISTRIBUTION DEMAND COMP**	0.1702	0.1867	0.1847	0.1720	0.1621	0.2103
9	DISTRIBUTION MAINS		0.1743	0.1724	0.1606	0.1514	0.1965
10	DISTRIBUTION REGULATORS		0.0118	0.0117	0.0108	0.0102	0.0132
11	DISTRIBUTION OTHER		0.0006	0.0006	0.0006	0.0006	0.0007
12							
13	**COMMODITY COMPONENTS**	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
14	COMMODITY GAS COST COMP		0.0000	0.0000	0.0000	0.0000	0.0000
15	COMMODITY OTHER COMP		0.0001	0.0001	0.0001	0.0001	0.0001
16							
17	**CUSTOMER COMPONENTS**	0.2079	0.3508	0.3187	0.1137	0.0161	0.0072
18	CUST SERVICE DROP COMPONENT		0.1496	0.1616	0.0326	0.0012	0.0005
19	CUST METER COMPONENT		0.0861	0.0933	0.0486	0.0105	0.0049
20	CUST REGULATOR COMPONENT		0.0098	0.0106	0.0091	0.0038	0.0016
21	CUST DEPOSITS COMPONENT		0.0000	0.0000	0.0000	0.0000	0.0000
22	CUST MISC REV COMP		-0.0137	-0.0066	-0.0018	0.0000	0.0000
23	CUST METER READING COMP		0.0192	0.0209	0.0041	0.0001	0.0000
24	CUST RECORDS & COLL COMP		0.0983	0.0370	0.0208	0.0005	0.0001
25	CUST SALES		0.0016	0.0018	0.0003	0.0000	0.0000
26	**TOTAL COMPANY**		0.5622	0.5279	0.3087	0.2002	0.2417
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
			SM. VOL.	LG. VOL.	TRANS-PORTATION
			(19)	(20)	(21)
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - FUNCTION FO				
	RATE OF RETURN		8.80%	8.80%	8.80%
	$/THERM				
1	**CAPACITY COMPONENTS**	0.1923	0.1719	0.1626	0.1190
2	**PRODUCTION DEMAND COMP**		0.0033	0.0033	0.0000
3	PROD DEM GAS COST		0.0033	0.0033	0.0000
4					
5	**TRANSMISSION DEMAND COMP**		0.0173	0.0163	0.0122
6	TRANSMISSION PLANT		0.0173	0.0163	0.0122
7					
8	**DISTRIBUTION DEMAND COMP**	0.1702	0.1514	0.1430	0.1068
9	DISTRIBUTION MAINS		0.1414	0.1335	0.0997
10	DISTRIBUTION REGULATORS		0.0094	0.0090	0.0067
11	DISTRIBUTION OTHER		0.0005	0.0005	0.0004
12					
13	**COMMODITY COMPONENTS**	0.0001	0.0001	0.0001	0.0001
14	COMMODITY GAS COST COMP		0.0000	0.0000	0.0000
15	COMMODITY OTHER COMP		0.0001	0.0001	0.0001
16					
17	**CUSTOMER COMPONENTS**	0.2079	0.0057	0.0052	0.0011
18	CUST SERVICE DROP COMPONENT		0.0021	0.0004	0.0001
19	CUST METER COMPONENT		0.0014	0.0035	0.0008
20	CUST REGULATOR COMPONENT		0.0005	0.0011	0.0002
21	CUST DEPOSITS COMPONENT		0.0000	0.0000	0.0000
22	CUST MISC REV COMP		0.0000	0.0000	0.0000
23	CUST METER READING COMP		0.0003	0.0000	0.0000
24	CUST RECORDS & COLL COMP		0.0013	0.0002	0.0000
25	CUST SALES		0.0000	0.0000	0.0000
26	**TOTAL COMPANY**		0.1777	0.1679	0.1202
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			PUBLIC AUTHORITY			SPECIAL	
			SM. VOL.	LG. VOL.	TRANS-PORTATION	GAS LIGHT SERVICE	IRRIGATION
			(22)	(23)	(24)	(25)	(26)
	CLAIMED RATE OF RETURN SUMMARY SCHEDULE - FUNCTION FO						
	RATE OF RETURN		8.80%	8.80%	8.80%	8.80%	8.80%
	$/THERM						
1	**CAPACITY COMPONENTS**	0.1923	0.2166	0.2030	0.1536	0.1828	0.1311
2	**PRODUCTION DEMAND COMP**		0.0033	0.0033	0.0000	0.0034	0.0033
3	PROD DEM GAS COST		0.0033	0.0033	0.0000	0.0034	0.0033
4							
5	**TRANSMISSION DEMAND COMP**		0.0218	0.0204	0.0157	0.0188	0.0131
6	TRANSMISSION PLANT		0.0218	0.0204	0.0157	0.0188	0.0131
7							
8	**DISTRIBUTION DEMAND COMP**	0.1702	0.1914	0.1793	0.1379	0.1607	0.1146
9	DISTRIBUTION MAINS		0.1788	0.1674	0.1288	0.1509	0.1072
10	DISTRIBUTION REGULATORS		0.0120	0.0113	0.0086	0.0093	0.0071
11	DISTRIBUTION OTHER		0.0007	0.0006	0.0005	0.0005	0.0004
12							
13	**COMMODITY COMPONENTS**	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
14	COMMODITY GAS COST COMP		0.0000	0.0000	0.0000	0.0000	0.0000
15	COMMODITY OTHER COMP		0.0001	0.0001	0.0001	0.0001	0.0001
16							
17	**CUSTOMER COMPONENTS**	0.2079	0.0454	0.0028	0.0017	0.0017	0.0153
18	CUST SERVICE DROP COMPONENT		0.0263	0.0008	0.0001	0.0000	0.0061
19	CUST METER COMPONENT		0.0104	0.0003	0.0010	0.0000	0.0091
20	CUST REGULATOR COMPONENT		0.0028	0.0014	0.0005	0.0000	0.0019
21	CUST DEPOSITS COMPONENT		0.0000	0.0000	0.0000	0.0000	0.0000
22	CUST MISC REV COMP		-0.0062	0.0000	0.0000	0.0000	-0.0064
23	CUST METER READING COMP		0.0020	0.0001	0.0000	0.0000	0.0008
24	CUST RECORDS & COLL COMP		0.0099	0.0003	0.0000	0.0016	0.0038
25	CUST SALES		0.0002	0.0000	0.0000	0.0000	0.0001
26	**TOTAL COMPANY**		0.2620	0.2059	0.1554	0.1846	0.1465
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
			0						
1	DEVELOPMENT OF LABOR ALLOCATOR								
2									
3	**EXPENSED LABOR**								
4	PRODUCTION LABOR								
5	421-PURCHASED POWER	EXP421	0	0	0	0	0	0	0
6	805-PURCHASED GAS EXPENSE	EXP805	0	0	0	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES								
8	DEMAND RELATED	EXP807D	0	0	0	0	0	0	0
9	COMMODITY RELATED	EXP807C	0	0	0	0	0	0	0
10	TOTAL ACCOUNT 807		0	0	0	0	0	0	0
11	TOTAL PURCHASED GAS SUPPLY		0	0	0	0	0	0	0
12									
13	TRANSMISSION LABOR								
14	856-MAINS EXPENSE	EXP856	8,362	4,784	2,029	855	685	5	3
15	857-MEASURING & REG. STATION	EXP857	110	63	27	11	9	0	0
16	864-MAINT. OF STATION EQUIP.	EXP864	0	0	0	0	0	0	0
17	867-MAINT. OF OTHER EQUIP.	EXP867	0	0	0	0	0	0	0
18	TOTAL TRANSMISSION LABOR		8,472	4,847	2,056	866	694	5	4
19									
20	DISTRIBUTION LABOR								
21	870-OPERATION SUPERV. & ENG.	LABDO	260,572	193,889	49,711	8,635	8,239	48	50
22	871-LOAD DISPATCHING	EXP871	0	0	0	0	0	0	0
23	874-MAINS & SERVICING EXPENSE	EXP874	969,232	669,860	179,041	64,008	55,673	376	274
24	875-MEAS./REG. STATION EXPENSE	EXP875	149,128	85,321	36,191	15,250	12,214	90	62
25	876-MEAS./REG. STATION EXPENSE	EXP876	114,529	65,526	27,795	11,712	9,380	69	47
26	877-MEAS./REG. STATION EXPENSE	EXP877	15,325	12,297	2,851	45	131	0	2
27	878-METER EXPENSE	EXP878	1,084,223	869,935	201,680	3,211	9,288	0	110
28	879-CUSTOMER INSTALL EXP	EXP879	590,687	473,943	109,876	1,749	5,060	0	60
29	880-OTHER EXPENSES	EXP880	261,949	193,102	50,198	9,579	8,964	54	53
30	881-RENTS	EXP881	0	0	0	0	0	0	0
31	885-MAINT. SUPERV. & ENG.	LABDM	190,429	134,748	34,306	11,275	9,985	66	50
32	886-MAINT. OF STRUCTURES	EXP886	0	0	0	0	0	0	0
33	887-MAINT. OF MAINS	EXP887	522,694	299,052	126,851	53,450	42,810	314	216
34	889-MAINT. MEAS./REG	EXP889	8,235	4,711	1,998	842	674	5	3
35	890-MAINT. MEAS./REG	EXP890	75	43	18	8	6	0	0
36	891-MAINT. MEAS./REG	EXP891	579	464	108	2	5	0	0
37	892-MAINT. OF SERVICES	EXP892	345,392	313,287	27,474	109	4,508	0	15
38	893-MAINT. OF METER	EXP893	58,834	47,206	10,944	174	504	0	6
39	894-MAINT. OF OTHER EQUIP.	EXP894	19,066	10,908	4,627	1,950	1,562	11	8
40	TOTAL DISTRIBUTION LABOR		4,590,950	3,374,292	863,669	181,999	169,003	1,033	954
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	DEVELOPMENT OF LABOR ALLOCATOR							
2								
3	**EXPENSED LABOR**							
4	PRODUCTION LABOR							
5	421-PURCHASED POWER	EXP421	0	0	0	0	0	0
6	805-PURCHASED GAS EXPENSE	EXP805	0	0	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES							
8	DEMAND RELATED	EXP807D	0	0	0	0	0	0
9	COMMODITY RELATED	EXP807C	0	0	0	0	0	0
10	TOTAL ACCOUNT 807		0	0	0	0	0	0
11	TOTAL PURCHASED GAS SUPPLY		0	0	0	0	0	0
12								
13	TRANSMISSION LABOR							
14	856-MAINS EXPENSE	EXP856	1,774	255	28	827	399	285
15	857-MEASURING & REG. STATION	EXP857	23	3	0	11	5	4
16	864-MAINT. OF STATION EQUIP.	EXP864	0	0	0	0	0	0
17	867-MAINT. OF OTHER EQUIP.	EXP867	0	0	0	0	0	0
18	TOTAL TRANSMISSION LABOR		1,797	259	28	838	405	289
19								
20	DISTRIBUTION LABOR							
21	870-OPERATION SUPERV. & ENG.	LABDO	46,766	2,944	284	8,352	5,408	2,831
22	871-LOAD DISPATCHING	EXP871	0	0	0	0	0	0
23	874-MAINS & SERVICING EXPENSE	EXP874	159,868	19,174	2,116	61,892	34,303	21,370
24	875-MEAS./REG. STATION EXPENSE	EXP875	31,635	4,556	497	14,752	7,123	5,091
25	876-MEAS./REG. STATION EXPENSE	EXP876	24,296	3,499	382	11,330	5,470	3,910
26	877-MEAS./REG. STATION EXPENSE	EXP877	2,800	50	1	44	121	10
27	878-METER EXPENSE	EXP878	198,113	3,567	103	3,108	8,590	698
28	879-CUSTOMER INSTALL EXP	EXP879	107,933	1,943	56	1,693	4,680	380
29	880-OTHER EXPENSES	EXP880	46,998	3,200	315	9,265	5,814	3,150
30	881-RENTS	EXP881	0	0	0	0	0	0
31	885-MAINT. SUPERV. & ENG.	LABDM	30,899	3,407	373	10,901	6,225	3,760
32	886-MAINT. OF STRUCTURES	EXP886	0	0	0	0	0	0
33	887-MAINT. OF MAINS	EXP887	110,882	15,969	1,743	51,707	24,966	17,844
34	889-MAINT. MEAS./REG	EXP889	1,747	252	27	815	393	281
35	890-MAINT. MEAS./REG	EXP890	16	2	0	7	4	3
36	891-MAINT. MEAS./REG	EXP891	106	2	0	2	5	0
37	892-MAINT. OF SERVICES	EXP892	27,391	82	32	77	4,470	38
38	893-MAINT. OF METER	EXP893	10,750	194	6	169	466	38
39	894-MAINT. OF OTHER EQUIP.	EXP894	4,045	583	64	1,886	911	651
40	TOTAL DISTRIBUTION LABOR		804,244	59,425	6,000	175,999	108,949	60,054
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	DEVELOPMENT OF LABOR ALLOCATOR						
2							
3	**EXPENSED LABOR**						
4	PRODUCTION LABOR						
5	421-PURCHASED POWER	EXP421	0	0	0	0	0
6	805-PURCHASED GAS EXPENSE	EXP805	0	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES						
8	DEMAND RELATED	EXP807D	0	0	0	0	0
9	COMMODITY RELATED	EXP807C	0	0	0	0	0
10	TOTAL ACCOUNT 807		0	0	0	0	0
11	TOTAL PURCHASED GAS SUPPLY		0	0	0	0	0
12							
13	TRANSMISSION LABOR						
14	856-MAINS EXPENSE	EXP856	4,598	187	1,774	74	181
15	857-MEASURING & REG. STATION	EXP857	60	2	23	1	2
16	864-MAINT. OF STATION EQUIP.	EXP864	0	0	0	0	0
17	867-MAINT. OF OTHER EQUIP.	EXP867	0	0	0	0	0
18	TOTAL TRANSMISSION LABOR		4,658	189	1,797	75	184
19							
20	DISTRIBUTION LABOR						
21	870-OPERATION SUPERV. & ENG.	LABDO	185,820	8,069	46,766	975	1,969
22	871-LOAD DISPATCHING	EXP871	0	0	0	0	0
23	874-MAINS & SERVICING EXPENSE	EXP874	642,667	27,193	159,868	5,583	13,590
24	875-MEAS./REG. STATION EXPENSE	EXP875	81,994	3,327	31,635	1,322	3,234
25	876-MEAS./REG. STATION EXPENSE	EXP876	62,971	2,555	24,296	1,015	2,484
26	877-MEAS./REG. STATION EXPENSE	EXP877	11,775	522	2,800	27	24
27	878-METER EXPENSE	EXP878	833,029	36,906	198,113	1,899	1,668
28	879-CUSTOMER INSTALL EXP	EXP879	453,836	20,106	107,933	1,035	909
29	880-OTHER EXPENSES	EXP880	185,085	8,016	46,998	1,041	2,159
30	881-RENTS	EXP881	0	0	0	0	0
31	885-MAINT. SUPERV. & ENG.	LABDM	129,247	5,501	30,899	1,002	2,405
32	886-MAINT. OF STRUCTURES	EXP886	0	0	0	0	0
33	887-MAINT. OF MAINS	EXP887	287,390	11,662	110,882	4,634	11,336
34	889-MAINT. MEAS./REG	EXP889	4,528	184	1,747	73	179
35	890-MAINT. MEAS./REG	EXP890	41	2	16	1	2
36	891-MAINT. MEAS./REG	EXP891	444	20	106	1	1
37	892-MAINT. OF SERVICES	EXP892	299,996	13,291	27,391	44	38
38	893-MAINT. OF METER	EXP893	45,204	2,003	10,750	103	90
39	894-MAINT. OF OTHER EQUIP.	EXP894	10,483	425	4,045	169	413
40	TOTAL DISTRIBUTION LABOR		3,234,510	139,782	804,244	18,925	40,500
41							
42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	DEVELOPMENT OF LABOR ALLOCATOR				
2					
3	**EXPENSED LABOR**				
4	PRODUCTION LABOR				
5	421-PURCHASED POWER	EXP421	0	0	0
6	805-PURCHASED GAS EXPENSE	EXP805	0	0	0
7	807-PURCHASED GAS COST EXPENSES				
8	DEMAND RELATED	EXP807D	0	0	0
9	COMMODITY RELATED	EXP807C	0	0	0
10	TOTAL ACCOUNT 807		0	0	0
11	TOTAL PURCHASED GAS SUPPLY		0	0	0
12					
13	TRANSMISSION LABOR				
14	856-MAINS EXPENSE	EXP856	28	120	707
15	857-MEASURING & REG. STATION	EXP857	0	2	9
16	864-MAINT. OF STATION EQUIP.	EXP864	0	0	0
17	867-MAINT. OF OTHER EQUIP.	EXP867	0	0	0
18	TOTAL TRANSMISSION LABOR		28	122	716
19					
20	DISTRIBUTION LABOR				
21	870-OPERATION SUPERV. & ENG.	LABDO	284	1,313	7,038
22	871-LOAD DISPATCHING	EXP871	0	0	0
23	874-MAINS & SERVICING EXPENSE	EXP874	2,116	9,029	52,864
24	875-MEAS./REG. STATION EXPENSE	EXP875	497	2,148	12,605
25	876-MEAS./REG. STATION EXPENSE	EXP876	382	1,649	9,680
26	877-MEAS./REG. STATION EXPENSE	EXP877	1	16	28
27	878-METER EXPENSE	EXP878	103	1,145	1,963
28	879-CUSTOMER INSTALL EXP	EXP879	56	624	1,069
29	880-OTHER EXPENSES	EXP880	315	1,439	7,825
30	881-RENTS	EXP881	0	0	0
31	885-MAINT. SUPERV. & ENG.	LABDM	373	1,598	9,303
32	886-MAINT. OF STRUCTURES	EXP886	0	0	0
33	887-MAINT. OF MAINS	EXP887	1,743	7,527	44,180
34	889-MAINT. MEAS./REG	EXP889	27	119	696
35	890-MAINT. MEAS./REG	EXP890	0	1	6
36	891-MAINT. MEAS./REG	EXP891	0	1	1
37	892-MAINT. OF SERVICES	EXP892	32	30	47
38	893-MAINT. OF METER	EXP893	6	62	107
39	894-MAINT. OF OTHER EQUIP.	EXP894	64	275	1,612
40	TOTAL DISTRIBUTION LABOR		6,000	26,975	149,024
41					
42					
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEVELOPMENT OF LABOR ALLOCATOR						
2							
3	**EXPENSED LABOR**						
4	PRODUCTION LABOR						
5	421-PURCHASED POWER	EXP421	0	0	0	0	0
6	805-PURCHASED GAS EXPENSE	EXP805	0	0	0	0	0
7	807-PURCHASED GAS COST EXPENSES						
8	DEMAND RELATED	EXP807D	0	0	0	0	0
9	COMMODITY RELATED	EXP807C	0	0	0	0	0
10	TOTAL ACCOUNT 807		0	0	0	0	0
11	TOTAL PURCHASED GAS SUPPLY		0	0	0	0	0
12							
13	TRANSMISSION LABOR						
14	856-MAINS EXPENSE	EXP856	399	68	218	5	3
15	857-MEASURING & REG. STATION	EXP857	5	1	3	0	0
16	864-MAINT. OF STATION EQUIP.	EXP864	0	0	0	0	0
17	867-MAINT. OF OTHER EQUIP.	EXP867	0	0	0	0	0
18	TOTAL TRANSMISSION LABOR		405	69	221	5	4
19							
20	DISTRIBUTION LABOR						
21	870-OPERATION SUPERV. & ENG.	LABDO	5,408	656	2,175	48	50
22	871-LOAD DISPATCHING	EXP871	0	0	0	0	0
23	874-MAINS & SERVICING EXPENSE	EXP874	34,303	5,086	16,284	376	274
24	875-MEAS./REG. STATION EXPENSE	EXP875	7,123	1,208	3,883	90	62
25	876-MEAS./REG. STATION EXPENSE	EXP876	5,470	928	2,982	69	47
26	877-MEAS./REG. STATION EXPENSE	EXP877	121	1	9	0	2
27	878-METER EXPENSE	EXP878	8,590	43	654	0	110
28	879-CUSTOMER INSTALL EXP	EXP879	4,680	24	356	0	60
29	880-OTHER EXPENSES	EXP880	5,814	733	2,417	54	53
30	881-RENTS	EXP881	0	0	0	0	0
31	885-MAINT. SUPERV. & ENG.	LABDM	6,225	894	2,866	66	50
32	886-MAINT. OF STRUCTURES	EXP886	0	0	0	0	0
33	887-MAINT. OF MAINS	EXP887	24,966	4,233	13,611	314	216
34	889-MAINT. MEAS./REG	EXP889	393	67	214	5	3
35	890-MAINT. MEAS./REG	EXP890	4	1	2	0	0
36	891-MAINT. MEAS./REG	EXP891	5	0	0	0	0
37	892-MAINT. OF SERVICES	EXP892	4,470	25	13	0	15
38	893-MAINT. OF METER	EXP893	466	2	36	0	6
39	894-MAINT. OF OTHER EQUIP.	EXP894	911	154	496	11	8
40	TOTAL DISTRIBUTION LABOR		108,949	14,054	46,000	1,033	954
41							
42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	DEVEL OF LABOR ALLOC CON'T.								
2	**EXPENSED LABOR CONTINUED**								
3	CUSTOMER ACCOUNT LABOR								
4	901-SUPERVISION	LABCA	57,780	52,695	4,616	15	451	1	3
5	902-METER READING EXPENSE	EXP902	555,711	507,219	43,995	165	4,308	0	24
6	903-CUST RECORDS & COLLECT	EXP903	1,285,183	1,171,692	103,052	298	10,056	28	57
7	904-UNCOLLECTIBLE ACCOUNTS	EXP904	0	0	0	0	0	0	0
8	905-MISC CUST ACCTS EXP	EXP905	779	683	70	16	10	0	0
9	906-CUSTOMER SERVICE & INFO	EXP906	0	0	0	0	0	0	0
10	907-SUPERV. CUSTOMER SERV.	LABCS	13,342	12,180	1,055	3	103	0	1
11	908-CUSTOMER ASSISTANCE	EXP908	3,460	3,159	274	1	27	0	0
12	909-INFO & INSTRUCTIONAL ADVERT.	EXP909	24,715	22,563	1,954	6	191	1	1
13	910-MISC. CUST. SERV. & INFO.	EXP910	0	0	0	0	0	0	0
14	TOTAL CUSTOMER ACCTS LABOR		1,940,970	1,770,191	155,015	504	15,145	30	85
15									
16	SALES LABOR								
17	912-DEMONSTRATING & SELLING	EXP912	0	0	0	0	0	0	0
18	913-ADVERTISING EXPENSES	EXP913	0	0	0	0	0	0	0
19	TOTAL SALES LABOR		0	0	0	0	0	0	0
20									
21	ADMINISTRATIVE & GENERAL LABOR								
22	920-ADMIN & GENERAL SALARY	EXP920	1,295,495	1,019,959	202,184	36,321	36,613	212	206
23	921-OFFICE SUPPLIES & EXP	EXP921	0	0	0	0	0	0	0
24	923-OUTSIDE SERV EMPLOYED	EXP923	1,076,612	847,630	168,024	30,184	30,427	176	172
25	924-PROPERTY INSURANCE	EXP924	0	0	0	0	0	0	0
26	925-INJURIES & DAMAGES	EXP925	13,225	10,413	2,064	371	374	2	2
27	926-EMPLOYED PENSION & BENF	EXP926	74,902	58,971	11,690	2,100	2,117	12	12
28	928-REGULATORY COMM EXPENSE	EXP928	0	0	0	0	0	0	0
29	930-MISCELLANEOUS GEN EXP	EXP930	14,065	11,074	2,195	394	398	2	2
30	931-RENTS	EXP931	0	0	0	0	0	0	0
31	932-MAINT OF GENERAL PLT	EXP932	12,877	10,165	1,984	357	367	2	2
32	TOTAL ADMIN & GEN LABOR		2,487,178	1,958,212	388,140	69,728	70,295	406	396
33									
34	**CAPITALIZED LABOR**								
35	371	CAPLABX	22,791	18,140	3,365	609	669	3	3
36	376-MAINS	PLT376	576,791	330,003	139,980	58,982	47,241	347	239
37	378-MEAS. & REG. EQUIP-GEN	PLT378	23,826	13,632	5,782	2,436	1,951	14	10
38	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	11,621	6,649	2,820	1,188	952	7	5
39	380-SERVICES	PLT380	1,290,458	1,170,506	102,647	407	16,842	0	57
40	382-METER INSTALLATIONS	PLT382	448,397	359,775	83,408	1,328	3,841	0	45
41	384-REGULATOR INSTALLATIONS	PLT384	127,987	102,691	23,807	379	1,096	0	13
42	385-INDUSTRIAL MEAS. EQUIP.	PLT385	5,452	0	4,705	200	544	0	3
43	387-OTHER EQUIPMENT	PLT387	15,338	8,776	3,722	1,569	1,256	9	6
44	390-STRUCTURES & IMPROVE.	PLT390	41	32	6	1	1	0	0
45	391-OFFICE FURN & EQUIP	PLT391	343,980	271,537	52,984	9,536	9,814	55	54
46	TOTAL CAPITALIZED LABOR		2,866,682	2,281,740	423,227	76,636	84,208	436	435
47									
48	SUM OF ALLOCATED LABOR EXP		11,894,252	9,389,282	1,832,106	329,734	339,345	1,911	1,874

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	*DEVEL OF LABOR ALLOC CON'T.*							
2	**EXPENSED LABOR CONTINUED**							
3	CUSTOMER ACCOUNT LABOR							
4	901-SUPERVISION	LABCA	4,607	8	5	10	446	5
5	902-METER READING EXPENSE	EXP902	43,894	101	51	115	4,252	56
6	903-CUST RECORDS & COLLECT	EXP903	102,894	158	119	179	9,968	88
7	904-UNCOLLECTIBLE ACCOUNTS	EXP904	0	0	0	0	0	0
8	905-MISC CUST ACCTS EXP	EXP905	66	4	0	16	5	5
9	906-CUSTOMER SERVICE & INFO	EXP906	0	0	0	0	0	0
10	907-SUPERV. CUSTOMER SERV.	LABCS	1,053	2	1	2	102	1
11	908-CUSTOMER ASSISTANCE	EXP908	273	0	0	0	26	0
12	909-INFO & INSTRUCTIONAL ADVERT.	EXP909	1,951	3	2	3	189	2
13	910-MISC. CUST. SERV. & INFO.	EXP910	0	0	0	0	0	0
14	TOTAL CUSTOMER ACCTS LABOR		154,738	276	180	325	14,989	156
15								
16	SALES LABOR							
17	912-DEMONSTRATING & SELLING	EXP912	0	0	0	0	0	0
18	913-ADVERTISING EXPENSES	EXP913	0	0	0	0	0	0
19	TOTAL SALES LABOR		0	0	0	0	0	0
20								
21	ADMINISTRATIVE & GENERAL LABOR							
22	920-ADMIN & GENERAL SALARY	EXP920	190,307	11,877	1,230	35,092	24,629	11,984
23	921-OFFICE SUPPLIES & EXP	EXP921	0	0	0	0	0	0
24	923-OUTSIDE SERV EMPLOYED	EXP923	158,154	9,870	1,022	29,163	20,468	9,959
25	924-PROPERTY INSURANCE	EXP924	0	0	0	0	0	0
26	925-INJURIES & DAMAGES	EXP925	1,943	121	13	358	251	122
27	926-EMPLOYED PENSION & BENF	EXP926	11,003	687	71	2,029	1,424	693
28	928-REGULATORY COMM EXPENSE	EXP928	0	0	0	0	0	0
29	930-MISCELLANEOUS GEN EXP	EXP930	2,066	129	13	381	267	130
30	931-RENTS	EXP931	0	0	0	0	0	0
31	932-MAINT OF GENERAL PLT	EXP932	1,867	117	12	345	249	118
32	TOTAL ADMIN & GEN LABOR		365,340	22,800	2,361	67,367	47,290	23,006
33								
34	**CAPITALIZED LABOR**							
35	371	CAPLABX	3,166	198	21	588	467	202
36	376-MAINS	PLT376	122,358	17,622	1,924	57,058	27,550	19,691
37	378-MEAS. & REG. EQUIP-GEN	PLT378	5,054	728	79	2,357	1,138	813
38	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	2,465	355	39	1,150	555	397
39	380-SERVICES	PLT380	102,339	307	119	287	16,701	141
40	382-METER INSTALLATIONS	PLT382	81,933	1,475	43	1,285	3,553	288
41	384-REGULATOR INSTALLATIONS	PLT384	23,386	421	12	367	1,014	82
42	385-INDUSTRIAL MEAS. EQUIP.	PLT385	4,452	253	7	193	412	132
43	387-OTHER EQUIPMENT	PLT387	3,254	469	51	1,517	733	524
44	390-STRUCTURES & IMPROVE.	PLT390	6	0	0	1	1	0
45	391-OFFICE FURN & EQUIP	PLT391	49,870	3,115	324	9,212	6,664	3,150
46	TOTAL CAPITALIZED LABOR		398,283	24,944	2,619	74,017	58,787	25,421
47								
48	SUM OF ALLOCATED LABOR EXP		1,724,402	107,704	11,188	318,546	230,419	108,927

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	RESIDENTIAL		COMMERCIAL		
			RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	DEVEL OF LABOR ALLOC CON'T.						
2	**EXPENSED LABOR CONTINUED**						
3	CUSTOMER ACCOUNT LABOR						
4	901-SUPERVISION	LABCA	51,463	1,231	4,607	5	3
5	902-METER READING EXPENSE	EXP902	485,701	21,518	43,894	65	36
6	903-CUST RECORDS & COLLECT	EXP903	1,153,971	17,720	102,894	101	57
7	904-UNCOLLECTIBLE ACCOUNTS	EXP904	0	0	0	0	0
8	905-MISC CUST ACCTS EXP	EXP905	670	13	66	0	4
9	906-CUSTOMER SERVICE & INFO	EXP906	0	0	0	0	0
10	907-SUPERV. CUSTOMER SERV.	LABCS	11,634	546	1,053	1	1
11	908-CUSTOMER ASSISTANCE	EXP908	3,018	142	273	0	0
12	909-INFO & INSTRUCTIONAL ADVERT.	EXP909	21,552	1,011	1,951	2	1
13	910-MISC. CUST. SERV. & INFO.	EXP910	0	0	0	0	0
14	TOTAL CUSTOMER ACCTS LABOR		1,728,009	42,182	154,738	175	102
15							
16	SALES LABOR						
17	912-DEMONSTRATING & SELLING	EXP912	0	0	0	0	0
18	913-ADVERTISING EXPENSES	EXP913	0	0	0	0	0
19	TOTAL SALES LABOR		0	0	0	0	0
20							
21	ADMINISTRATIVE & GENERAL LABOR						
22	920-ADMIN & GENERAL SALARY	EXP920	983,879	36,080	190,307	3,798	8,079
23	921-OFFICE SUPPLIES & EXP	EXP921	0	0	0	0	0
24	923-OUTSIDE SERV EMPLOYED	EXP923	817,646	29,984	158,154	3,156	6,714
25	924-PROPERTY INSURANCE	EXP924	0	0	0	0	0
26	925-INJURIES & DAMAGES	EXP925	10,044	368	1,943	39	82
27	926-EMPLOYED PENSION & BENF	EXP926	56,885	2,086	11,003	220	467
28	928-REGULATORY COMM EXPENSE	EXP928	0	0	0	0	0
29	930-MISCELLANEOUS GEN EXP	EXP930	10,682	392	2,066	41	88
30	931-RENTS	EXP931	0	0	0	0	0
31	932-MAINT OF GENERAL PLT	EXP932	9,791	374	1,867	37	79
32	TOTAL ADMIN & GEN LABOR		1,888,927	69,284	365,340	7,291	15,509
33							
34	**CAPITALIZED LABOR**						
35	371	CAPLABX	17,393	747	3,166	63	135
36	376-MAINS	PLT376	317,134	12,869	122,358	5,113	12,509
37	378-MEAS. & REG. EQUIP-GEN	PLT378	13,100	532	5,054	211	517
38	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	6,389	259	2,465	103	252
39	380-SERVICES	PLT380	1,120,849	49,657	102,339	164	144
40	382-METER INSTALLATIONS	PLT382	344,512	15,263	81,933	785	690
41	384-REGULATOR INSTALLATIONS	PLT384	98,335	4,357	23,386	224	197
42	385-INDUSTRIAL MEAS. EQUIP.	PLT385	0	0	4,452	145	108
43	387-OTHER EQUIPMENT	PLT387	8,433	342	3,254	136	333
44	390-STRUCTURES & IMPROVE.	PLT390	31	1	6	0	0
45	391-OFFICE FURN & EQUIP	PLT391	261,546	9,991	49,870	995	2,120
46	TOTAL CAPITALIZED LABOR		2,187,722	94,018	398,283	7,940	17,004
47							
48	SUM OF ALLOCATED LABOR EXP		9,043,826	345,455	1,724,402	34,406	73,299

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	DEVEL OF LABOR ALLOC CON'T.				
2	**EXPENSED LABOR CONTINUED**				
3	CUSTOMER ACCOUNT LABOR				
4	901-SUPERVISION	LABCA	5	3	6
5	902-METER READING EXPENSE	EXP902	51	42	72
6	903-CUST RECORDS & COLLECT	EXP903	119	66	113
7	904-UNCOLLECTIBLE ACCOUNTS	EXP904	0	0	0
8	905-MISC CUST ACCTS EXP	EXP905	0	0	16
9	906-CUSTOMER SERVICE & INFO	EXP906	0	0	0
10	907-SUPERV. CUSTOMER SERV.	LABCS	1	1	1
11	908-CUSTOMER ASSISTANCE	EXP908	0	0	0
12	909-INFO & INSTRUCTIONAL ADVERT.	EXP909	2	1	2
13	910-MISC. CUST. SERV. & INFO.	EXP910	0	0	0
14	TOTAL CUSTOMER ACCTS LABOR		180	114	211
15					
16	SALES LABOR				
17	912-DEMONSTRATING & SELLING	EXP912	0	0	0
18	913-ADVERTISING EXPENSES	EXP913	0	0	0
19	TOTAL SALES LABOR		0	0	0
20					
21	ADMINISTRATIVE & GENERAL LABOR				
22	920-ADMIN & GENERAL SALARY	EXP920	1,230	5,390	29,702
23	921-OFFICE SUPPLIES & EXP	EXP921	0	0	0
24	923-OUTSIDE SERV EMPLOYED	EXP923	1,022	4,479	24,683
25	924-PROPERTY INSURANCE	EXP924	0	0	0
26	925-INJURIES & DAMAGES	EXP925	13	55	303
27	926-EMPLOYED PENSION & BENF	EXP926	71	312	1,717
28	928-REGULATORY COMM EXPENSE	EXP928	0	0	0
29	930-MISCELLANEOUS GEN EXP	EXP930	13	59	322
30	931-RENTS	EXP931	0	0	0
31	932-MAINT OF GENERAL PLT	EXP932	12	53	292
32	TOTAL ADMIN & GEN LABOR		2,361	10,347	57,020
33					
34	**CAPITALIZED LABOR**				
35	371	CAPLABX	21	90	498
36	376-MAINS	PLT376	1,924	8,306	48,752
37	378-MEAS. & REG. EQUIP-GEN	PLT378	79	343	2,014
38	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	39	167	982
39	380-SERVICES	PLT380	119	112	176
40	382-METER INSTALLATIONS	PLT382	43	474	812
41	384-REGULATOR INSTALLATIONS	PLT384	12	135	232
42	385-INDUSTRIAL MEAS. EQUIP.	PLT385	7	72	120
43	387-OTHER EQUIPMENT	PLT387	51	221	1,296
44	390-STRUCTURES & IMPROVE.	PLT390	0	0	1
45	391-OFFICE FURN & EQUIP	PLT391	324	1,414	7,798
46	TOTAL CAPITALIZED LABOR		2,619	11,335	62,682
47					
48	SUM OF ALLOCATED LABOR EXP		11,188	48,893	269,653

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	DEVEL OF LABOR ALLOC CON'T.						
2	**EXPENSED LABOR CONTINUED**						
3	CUSTOMER ACCOUNT LABOR						
4	901-SUPERVISION	LABCA	446	3	2	1	3
5	902-METER READING EXPENSE	EXP902	4,252	32	24	0	24
6	903-CUST RECORDS & COLLECT	EXP903	9,968	50	38	28	57
7	904-UNCOLLECTIBLE ACCOUNTS	EXP904	0	0	0	0	0
8	905-MISC CUST ACCTS EXP	EXP905	5	0	5	0	0
9	906-CUSTOMER SERVICE & INFO	EXP906	0	0	0	0	0
10	907-SUPERV. CUSTOMER SERV.	LABCS	102	1	0	0	1
11	908-CUSTOMER ASSISTANCE	EXP908	26	0	0	0	0
12	909-INFO & INSTRUCTIONAL ADVERT.	EXP909	189	1	1	1	1
13	910-MISC. CUST. SERV. & INFO.	EXP910	0	0	0	0	0
14	TOTAL CUSTOMER ACCTS LABOR		14,989	86	70	30	85
15							
16	SALES LABOR						
17	912-DEMONSTRATING & SELLING	EXP912	0	0	0	0	0
18	913-ADVERTISING EXPENSES	EXP913	0	0	0	0	0
19	TOTAL SALES LABOR		0	0	0	0	0
20							
21	ADMINISTRATIVE & GENERAL LABOR						
22	920-ADMIN & GENERAL SALARY	EXP920	24,629	2,815	9,169	212	206
23	921-OFFICE SUPPLIES & EXP	EXP921	0	0	0	0	0
24	923-OUTSIDE SERV EMPLOYED	EXP923	20,468	2,339	7,620	176	172
25	924-PROPERTY INSURANCE	EXP924	0	0	0	0	0
26	925-INJURIES & DAMAGES	EXP925	251	29	94	2	2
27	926-EMPLOYED PENSION & BENF	EXP926	1,424	163	530	12	12
28	928-REGULATORY COMM EXPENSE	EXP928	0	0	0	0	0
29	930-MISCELLANEOUS GEN EXP	EXP930	267	31	100	2	2
30	931-RENTS	EXP931	0	0	0	0	0
31	932-MAINT OF GENERAL PLT	EXP932	249	28	90	2	2
32	TOTAL ADMIN & GEN LABOR		47,290	5,403	17,602	406	396
33							
34	**CAPITALIZED LABOR**						
35	371	CAPLABX	467	48	154	3	3
36	376-MAINS	PLT376	27,550	4,671	15,019	347	239
37	378-MEAS. & REG. EQUIP-GEN	PLT378	1,138	193	620	14	10
38	379-MEAS. & REG. EQUIP-CITY GATE	PLT379	555	94	303	7	5
39	380-SERVICES	PLT380	16,701	93	48	0	57
40	382-METER INSTALLATIONS	PLT382	3,553	18	271	0	45
41	384-REGULATOR INSTALLATIONS	PLT384	1,014	5	77	0	13
42	385-INDUSTRIAL MEAS. EQUIP.	PLT385	412	60	72	0	3
43	387-OTHER EQUIPMENT	PLT387	733	124	399	9	6
44	390-STRUCTURES & IMPROVE.	PLT390	1	0	0	0	0
45	391-OFFICE FURN & EQUIP	PLT391	6,664	742	2,408	55	54
46	TOTAL CAPITALIZED LABOR		58,787	6,049	19,372	436	435
47							
48	SUM OF ALLOCATED LABOR EXP		230,419	25,662	83,265	1,911	1,874

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
ALLOCATION FACTOR TABLE								
DEMAND RELATED								
PRODUCTION ALLOCATORS								
ANNUAL FIRM THERM THROUGHPUT	DEMGAS	111,913,308	71,765,520	30,293,696	2,808,853	6,856,581	101,855	86,803
TRANSMISSION ALLOCATORS								
PROPORTIONAL RESPONSIBILITY	TRANS	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
DISTRIBUTION ALLOCATORS								
PROPORTIONAL RESPONSIBILITY	DISTR	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
DISTRIBUTION MAINS	DISTMAIN	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
DISTRIBUTION REGULATORS	DISTREG	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
PROPORTIONAL RESPONSIBILITY		1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
		ALLOC	SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.
			(8)	(9)	(10)	(11)	(12)	(13)
1	ALLOCATION FACTOR TABLE							
2	DEMAND RELATED							
3								
4	PRODUCTION ALLOCATORS							
5	ANNUAL FIRM THERM THROUGHPUT	DEMGAS	29,014,067	1,279,629	511,826	2,297,027	5,828,186	1,028,395
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22	TRANSMISSION ALLOCATORS							
23								
24	PROPORTIONAL RESPONSIBILITY	TRANS	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
25								
26								
27								
28								
29								
30								
31	DISTRIBUTION ALLOCATORS							
32								
33	PROPORTIONAL RESPONSIBILITY	DISTR	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
34	DISTRIBUTION MAINS	DISTMAIN	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
35	DISTRIBUTION REGULATORS	DISTREG	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
36								
37								
38								
39								
40								
41								
42								
43	PROPORTIONAL RESPONSIBILITY		0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
44								
45								

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	ALLOCATION FACTOR TABLE						
2	DEMAND RELATED						
3							
4	PRODUCTION ALLOCATORS						
5	ANNUAL FIRM THERM THROUGHPUT	DEMGAS	68,951,676	2,813,844	29,014,067	1,279,629	0
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22	TRANSMISSION ALLOCATORS						
23							
24	PROPORTIONAL RESPONSIBILITY	TRANS	0.54982	0.02231	0.21213	0.00887	0.02169
25							
26							
27							
28							
29							
30							
31	DISTRIBUTION ALLOCATORS						
32							
33	PROPORTIONAL RESPONSIBILITY	DISTR	0.54982	0.02231	0.21213	0.00887	0.02169
34	DISTRIBUTION MAINS	DISTMAIN	0.54982	0.02231	0.21213	0.00887	0.02169
35	DISTRIBUTION REGULATORS	DISTREG	0.54982	0.02231	0.21213	0.00887	0.02169
36							
37							
38							
39							
40							
41							
42							
43	PROPORTIONAL RESPONSIBILITY		0.54982	0.02231	0.21213	0.00887	0.02169
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
		ALLOC	SM. VOL.	LG. VOL.	TRANS-PORTATION
			(19)	(20)	(21)
1	ALLOCATION FACTOR TABLE				
2	DEMAND RELATED				
3					
4	PRODUCTION ALLOCATORS				
5	ANNUAL FIRM THERM THROUGHPUT	DEMGAS	511,826	2,297,027	0
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22	TRANSMISSION ALLOCATORS				
23					
24	PROPORTIONAL RESPONSIBILITY	TRANS	0.00334	0.01440	0.08452
25					
26					
27					
28					
29					
30					
31	DISTRIBUTION ALLOCATORS				
32					
33	PROPORTIONAL RESPONSIBILITY	DISTR	0.00334	0.01440	0.08452
34	DISTRIBUTION MAINS	DISTMAIN	0.00334	0.01440	0.08452
35	DISTRIBUTION REGULATORS	DISTREG	0.00334	0.01440	0.08452
36					
37					
38					
39					
40					
41					
42					
43	PROPORTIONAL RESPONSIBILITY		0.00334	0.01440	0.08452
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	PUBLIC AUTHORITY LG. VOL. (23)	PUBLIC AUTHORITY TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
ALLOCATION FACTOR TABLE						
DEMAND RELATED						
PRODUCTION ALLOCATORS						
ANNUAL FIRM THERM THROUGHPUT	DEMGAS	5,828,186	1,028,395	0	101,855	86,803
TRANSMISSION ALLOCATORS						
PROPORTIONAL RESPONSIBILITY	TRANS	0.04776	0.00810	0.02604	0.00060	0.00041
DISTRIBUTION ALLOCATORS						
PROPORTIONAL RESPONSIBILITY	DISTR	0.04776	0.00810	0.02604	0.00060	0.00041
DISTRIBUTION MAINS	DISTMAIN	0.04776	0.00810	0.02604	0.00060	0.00041
DISTRIBUTION REGULATORS	DISTREG	0.04776	0.00810	0.02604	0.00060	0.00041
PROPORTIONAL RESPONSIBILITY		0.04776	0.00810	0.02604	0.00060	0.00041

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
ALLOCATION FACTOR TABLE CONT								
COMMODITY RELATED								
ANNUAL FIRM THERM THROUGHPUT	GASSALES	111,913,308	71,765,520	30,293,696	2,808,853	6,856,581	101,855	86,803
ANNUAL FIRM THERM THROUGHPUT	THERMS	138,233,864	71,765,520	32,770,803	22,121,972	11,386,911	101,855	86,803
CARES	CARES	135,420,020	68,951,676	32,770,803	22,121,972	11,386,911	101,855	86,803
CUSTOMER RELATED								
YEAR END NUMBER OF CUSTOMERS	CUST10	138,340	126,296	10,936	32	1,067	3	6
ACCT 380-SERVICES	CUST380	72,951,925	66,170,791	5,802,812	23,007	952,116	0	3,200
ACCT 381-METERS	CUST381	20,799,241	16,688,431	3,868,942	61,597	178,169	0	2,102
ACCT 382-METER INSTALLATIONS	CUST382	20,799,241	16,688,431	3,868,942	61,597	178,169	0	2,102
ACCT 383-HOUSE REGULATORS	CUST383	20,799,241	16,688,431	3,868,942	61,597	178,169	0	2,102
ACCT 384-HOUSE REG. INSTALLATION	CUST384	20,799,241	16,688,431	3,868,942	61,597	178,169	0	2,102
ACCT 385-INDUSTRIAL REG EQUIP	CUST385	2,444,597	0	2,109,434	89,751	243,944	0	1,468
CUSTOMER DEPOSITS	CUSTDEP	3,014,968	2,362,097	628,938	432	23,369	0	132
ACCT 487-MISC. SERVICE REVENUE	CUST487B	1,083,856	991,216	54,292	0	37,765	0	583
ACCT 902-METER READ EXP	CUST902	718,413	655,722	56,875	214	5,570	0	31
ACCT 903-CUST RECORDS & COLL	CUST903	5,384,828	4,909,308	431,782	1,250	42,132	118	237
ACCT 912-DEMO & SELLING	CDA912	535	487	44	0	4	0	0
ACCT 913-ADVERTISING EXPENSES	CDA913	535	487	44	0	4	0	0

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
		ALLOC	SM. VOL. (8)	LG. VOL. (9)	SM. VOL. (10)	LG. VOL. (11)	SM. VOL. (12)	LG. VOL. (13)
1	ALLOCATION FACTOR TABLE CONT							
2	COMMODITY RELATED							
3	----------							
4	ANNUAL FIRM THERM THROUGHPUT	GASSALES	29,014,067	1,279,629	511,826	2,297,027	5,828,186	1,028,395
5								
6								
7	ANNUAL FIRM THERM THROUGHPUT	THERMS	29,014,067	3,756,736	511,826	21,610,146	5,828,186	5,558,725
8	CARES	CARES	29,014,067	3,756,736	511,826	21,610,146	5,828,186	5,558,725
9								
10								
11								
12								
13								
14								
15								
16	CUSTOMER RELATED							
17	----------							
18	YEAR END NUMBER OF CUSTOMERS	CUST10	10,919	17	13	19	1,058	9
19	ACCT 380-SERVICES	CUST380	5,785,431	17,381	6,755	16,252	944,140	7,976
20	ACCT 381-METERS	CUST381	3,800,514	68,428	1,973	59,623	164,788	13,381
21	ACCT 382-METER INSTALLATIONS	CUST382	3,800,514	68,428	1,973	59,623	164,788	13,381
22	ACCT 383-HOUSE REGULATORS	CUST383	3,800,514	68,428	1,973	59,623	164,788	13,381
23	ACCT 384-HOUSE REG. INSTALLATION	CUST384	3,800,514	68,428	1,973	59,623	164,788	13,381
24	ACCT 385-INDUSTRIAL REG EQUIP	CUST385	1,996,039	113,395	3,355	86,396	184,547	59,397
25	CUSTOMER DEPOSITS	CUSTDEP	587,522	41,416	278	154	23,252	117
26								
27								
28	ACCT 487-MISC. SERVICE REVENUE	CUST487B	54,292	0	0	0	37,765	0
29								
30	ACCT 902-METER READ EXP	CUST902	56,745	131	66	148	5,497	73
31	ACCT 903-CUST RECORDS & COLL	CUST903	431,121	661	500	750	41,764	368
32	ACCT 912-DEMO & SELLING	CDA912	44	0	0	0	4	0
33	ACCT 913-ADVERTISING EXPENSES	CDA913	44	0	0	0	4	0
34								
35								
36								
37								
38								
39								
40								
41								
42								
43								
44								
45								

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	ALLOCATION FACTOR TABLE CONT						
2	COMMODITY RELATED						
3	----------						
4	ANNUAL FIRM THERM THROUGHPUT	GASSALES	68,951,676	2,813,844	29,014,067	1,279,629	0
5							
6							
7	ANNUAL FIRM THERM THROUGHPUT	THERMS	68,951,676	2,813,844	29,014,067	1,279,629	2,477,106
8	CARES	CARES	68,951,676	0	29,014,067	1,279,629	2,477,106
9							
10							
11							
12							
13							
14							
15							
16	CUSTOMER RELATED						
17	----------						
18	YEAR END NUMBER OF CUSTOMERS	CUST10	120,636	5,660	10,919	11	6
19	ACCT 380-SERVICES	CUST380	63,363,598	2,807,193	5,785,431	9,255	8,126
20	ACCT 381-METERS	CUST381	15,980,450	707,981	3,800,514	36,436	31,992
21	ACCT 382-METER INSTALLATIONS	CUST382	15,980,450	707,981	3,800,514	36,436	31,992
22	ACCT 383-HOUSE REGULATORS	CUST383	15,980,450	707,981	3,800,514	36,436	31,992
23	ACCT 384-HOUSE REG. INSTALLATION	CUST384	15,980,450	707,981	3,800,514	36,436	31,992
24	ACCT 385-INDUSTRIAL REG EQUIP	CUST385	0	0	1,996,039	64,797	48,598
25	CUSTOMER DEPOSITS	CUSTDEP	2,330,385	31,712	587,522	41,416	0
26							
27							
28	ACCT 487-MISC. SERVICE REVENUE	CUST487B	972,032	19,184	54,292	0	0
29							
30	ACCT 902-METER READ EXP	CUST902	627,904	27,818	56,745	84	47
31	ACCT 903-CUST RECORDS & COLL	CUST903	4,835,061	74,247	431,121	424	237
32	ACCT 912-DEMO & SELLING	CDA912	479	7	44	0	0
33	ACCT 913-ADVERTISING EXPENSES	CDA913	479	7	44	0	0
34							
35							
36							
37							
38							
39							
40							
41							
42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
		ALLOC	SM. VOL. (19)	LG. VOL. (20)	TRANS-PORTATION (21)
1	ALLOCATION FACTOR TABLE CONT				
2	COMMODITY RELATED				
3	----------				
4	ANNUAL FIRM THERM THROUGHPUT	GASSALES	511,826	2,297,027	0
5					
6					
7	ANNUAL FIRM THERM THROUGHPUT	THERMS	511,826	2,297,027	19,313,119
8	CARES	CARES	511,826	2,297,027	19,313,119
9					
10					
11					
12					
13					
14					
15					
16	CUSTOMER RELATED				
17	----------				
18	YEAR END NUMBER OF CUSTOMERS	CUST10	13	7	12
19	ACCT 380-SERVICES	CUST380	6,755	6,320	9,932
20	ACCT 381-METERS	CUST381	1,973	21,967	37,657
21	ACCT 382-METER INSTALLATIONS	CUST382	1,973	21,967	37,657
22	ACCT 383-HOUSE REGULATORS	CUST383	1,973	21,967	37,657
23	ACCT 384-HOUSE REG. INSTALLATION	CUST384	1,973	21,967	37,657
24	ACCT 385-INDUSTRIAL REG EQUIP	CUST385	3,355	32,399	53,998
25	CUSTOMER DEPOSITS	CUSTDEP	278	154	0
26					
27					
28	ACCT 487-MISC. SERVICE REVENUE	CUST487B	0	0	0
29					
30	ACCT 902-METER READ EXP	CUST902	66	55	94
31	ACCT 903-CUST RECORDS & COLL	CUST903	500	276	474
32	ACCT 912-DEMO & SELLING	CDA912	0	0	0
33	ACCT 913-ADVERTISING EXPENSES	CDA913	0	0	0
34					
35					
36					
37					
38					
39					
40					
41					
42					
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
RATIO TABLE								
CAPACITY RELATED								
PRODUCTION ALLOCATORS								
ANNUAL FIRM THERM THROUGHPUT	DEMGAS	1.00000	0.64126	0.27069	0.02510	0.06127	0.00091	0.00078
TRANSMISSION ALLOCATORS								
PROPORTIONAL RESPONSIBILITY	TRANS	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
DISTRIBUTION ALLOCATORS								
PROPORTIONAL RESPONSIBILITY	DISTR	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
DISTRIBUTION MAINS	DISTMAIN	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
DISTRIBUTION REGULATORS	DISTREG	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
PROPORTIONAL RESPONSIBILITY		1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1 RATIO TABLE							
2 CAPACITY RELATED							
3 ----------							
4 PRODUCTION ALLOCATORS							
5 ANNUAL FIRM THERM THROUGHPUT	DEMGAS	0.25925	0.01143	0.00457	0.02053	0.05208	0.00919
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22 TRANSMISSION ALLOCATORS							
23 ----------							
24 PROPORTIONAL RESPONSIBILITY	TRANS	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
25							
26							
27							
28							
29							
30							
34 DISTRIBUTION ALLOCATORS							
35 ----------							
33 PROPORTIONAL RESPONSIBILITY	DISTR	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
34 DISTRIBUTION MAINS	DISTMAIN	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
35 DISTRIBUTION REGULATORS	DISTREG	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
36							
37							
38							
39							
40							
41							
42							
43 PROPORTIONAL RESPONSIBILITY		0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	RATIO TABLE						
2	CAPACITY RELATED						
3							
4	PRODUCTION ALLOCATORS						
5	ANNUAL FIRM THERM THROUGHPUT	DEMGAS	0.61612	0.02514	0.25925	0.01143	0.00000
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22	TRANSMISSION ALLOCATORS						
23							
24	PROPORTIONAL RESPONSIBILITY	TRANS	0.54982	0.02231	0.21213	0.00887	0.02169
25							
26							
27							
28							
29							
30							
34	DISTRIBUTION ALLOCATORS						
35							
33	PROPORTIONAL RESPONSIBILITY	DISTR	0.54982	0.02231	0.21213	0.00887	0.02169
34	DISTRIBUTION MAINS	DISTMAIN	0.54982	0.02231	0.21213	0.00887	0.02169
35	DISTRIBUTION REGULATORS	DISTREG	0.54982	0.02231	0.21213	0.00887	0.02169
36							
37							
38							
39							
40							
41							
42							
43	PROPORTIONAL RESPONSIBILITY		0.54982	0.02231	0.21213	0.00887	0.02169
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
		ALLOC	SM. VOL. (19)	LG. VOL. (20)	TRANS-PORTATION (21)
1	RATIO TABLE				
2	CAPACITY RELATED				
3					
4	PRODUCTION ALLOCATORS				
5	ANNUAL FIRM THERM THROUGHPUT	DEMGAS	0.00457	0.02053	0.00000
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22	TRANSMISSION ALLOCATORS				
23					
24	PROPORTIONAL RESPONSIBILITY	TRANS	0.00334	0.01440	0.08452
25					
26					
27					
28					
29					
30					
34	DISTRIBUTION ALLOCATORS				
35					
33	PROPORTIONAL RESPONSIBILITY	DISTR	0.00334	0.01440	0.08452
34	DISTRIBUTION MAINS	DISTMAIN	0.00334	0.01440	0.08452
35	DISTRIBUTION REGULATORS	DISTREG	0.00334	0.01440	0.08452
36					
37					
38					
39					
40					
41					
42					
43	PROPORTIONAL RESPONSIBILITY		0.00334	0.01440	0.08452
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	PUBLIC AUTHORITY LG. VOL. (23)	PUBLIC AUTHORITY TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
RATIO TABLE CAPACITY RELATED						
PRODUCTION ALLOCATORS						
ANNUAL FIRM THERM THROUGHPUT	DEMGAS	0.05208	0.00919	0.00000	0.00091	0.00078
TRANSMISSION ALLOCATORS						
PROPORTIONAL RESPONSIBILITY	TRANS	0.04776	0.00810	0.02604	0.00060	0.00041
DISTRIBUTION ALLOCATORS						
PROPORTIONAL RESPONSIBILITY	DISTR	0.04776	0.00810	0.02604	0.00060	0.00041
DISTRIBUTION MAINS	DISTMAIN	0.04776	0.00810	0.02604	0.00060	0.00041
DISTRIBUTION REGULATORS	DISTREG	0.04776	0.00810	0.02604	0.00060	0.00041
PROPORTIONAL RESPONSIBILITY		0.04776	0.00810	0.02604	0.00060	0.00041

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	RATIO TABLE CONT.								
2	COMMODITY RELATED								
3	----------								
4	ANNUAL FIRM THERM THROUGHPUT	GASSALES	1.00000	0.64126	0.27069	0.02510	0.06127	0.00091	0.00078
5			0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
6			0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
7	ANNUAL FIRM THERM THROUGHPUT	THERMS	1.00000	0.51916	0.23707	0.16003	0.08237	0.00074	0.00063
8	CARES	CARES	1.00000	0.50917	0.24199	0.16336	0.08409	0.00075	0.00064
9									
10									
11									
12									
13									
14									
15									
16	CUSTOMER RELATED								
17	----------								
18	YEAR END NUMBER OF CUSTOMERS	CUST10	1.00000	0.91294	0.07905	0.00023	0.00771	0.00002	0.00004
19	ACCT 380-SERVICES	CUST380	1.00000	0.90705	0.07954	0.00032	0.01305	0.00000	0.00004
20	ACCT 381-METERS	CUST381	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
21	ACCT 382-METER INSTALLATIONS	CUST382	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
22	ACCT 383-HOUSE REGULATORS	CUST383	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
23	ACCT 384-HOUSE REG. INSTALLATION	CUST384	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
24	ACCT 385-INDUSTRIAL REG EQUIP	CUST385	1.00000	0.00000	0.86290	0.03671	0.09979	0.00000	0.00060
25	CUSTOMER DEPOSITS	CUSTDEP	1.00000	0.78346	0.20861	0.00014	0.00775	0.00000	0.00004
26									
27									
28	ACCT 487-MISC. SERVICE REVENUE	CUST487B	1.00000	0.91453	0.05009	0.00000	0.03484	0.00000	0.00054
29									
30	ACCT 902-METER READ EXP	CUST902	1.00000	0.91274	0.07917	0.00030	0.00775	0.00000	0.00004
31	ACCT 903-CUST RECORDS & COLL	CUST903	1.00000	0.91169	0.08018	0.00023	0.00782	0.00002	0.00004
32	ACCT 912-DEMO & SELLING	CDA912	1.00000	0.90922	0.08243	0.00024	0.00804	0.00002	0.00005
33	ACCT 913-ADVERTISING EXPENSES	CDA913	1.00000	0.90922	0.08243	0.00024	0.00804	0.00002	0.00005
34									
35									
36									
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42									
43									
44									
45									

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
		ALLOC	SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.	SM. VOL.	LG. VOL.
			(8)	(9)	(10)	(11)	(12)	(13)
1	RATIO TABLE CONT.							
2	COMMODITY RELATED							
3	----------							
4	ANNUAL FIRM THERM THROUGHPUT	GASSALES	0.25925	0.01143	0.00457	0.02053	0.05208	0.00919
5			0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
6			0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
7	ANNUAL FIRM THERM THROUGHPUT	THERMS	0.20989	0.02718	0.00370	0.15633	0.04216	0.04021
8	CARES	CARES	0.21425	0.02774	0.00378	0.15958	0.04304	0.04105
9								
10								
11								
12								
13								
14								
15								
16	CUSTOMER RELATED							
17	----------							
18	YEAR END NUMBER OF CUSTOMERS	CUST10	0.07893	0.00012	0.00009	0.00014	0.00765	0.00007
19	ACCT 380-SERVICES	CUST380	0.07930	0.00024	0.00009	0.00022	0.01294	0.00011
20	ACCT 381-METERS	CUST381	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
21	ACCT 382-METER INSTALLATIONS	CUST382	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
22	ACCT 383-HOUSE REGULATORS	CUST383	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
23	ACCT 384-HOUSE REG. INSTALLATION	CUST384	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
24	ACCT 385-INDUSTRIAL REG EQUIP	CUST385	0.81651	0.04639	0.00137	0.03534	0.07549	0.02430
25	CUSTOMER DEPOSITS	CUSTDEP	0.19487	0.01374	0.00009	0.00005	0.00771	0.00004
26								
27								
28	ACCT 487-MISC. SERVICE REVENUE	CUST487B	0.05009	0.00000	0.00000	0.00000	0.03484	0.00000
29								
30	ACCT 902-METER READ EXP	CUST902	0.07899	0.00018	0.00009	0.00021	0.00765	0.00010
31	ACCT 903-CUST RECORDS & COLL	CUST903	0.08006	0.00012	0.00009	0.00014	0.00776	0.00007
32	ACCT 912-DEMO & SELLING	CDA912	0.08231	0.00013	0.00010	0.00014	0.00797	0.00007
33	ACCT 913-ADVERTISING EXPENSES	CDA913	0.08231	0.00013	0.00010	0.00014	0.00797	0.00007
34								
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42								
43								
44								
45								

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	RATIO TABLE CONT.						
2	COMMODITY RELATED						
3	----------						
4	ANNUAL FIRM THERM THROUGHPUT	GASSALES	0.61612	0.02514	0.25925	0.01143	0.00000
5			0.00000	0.00000	0.00000	0.00000	0.00000
6			0.00000	0.00000	0.00000	0.00000	0.00000
7	ANNUAL FIRM THERM THROUGHPUT	THERMS	0.49880	0.02036	0.20989	0.00926	0.01792
8	CARES	CARES	0.50917	0.00000	0.21425	0.00945	0.01829
9							
10							
11							
12							
13							
14							
15							
16	CUSTOMER RELATED						
17	----------						
18	YEAR END NUMBER OF CUSTOMERS	CUST10	0.87203	0.04092	0.07893	0.00008	0.00004
19	ACCT 380-SERVICES	CUST380	0.86857	0.03848	0.07930	0.00013	0.00011
20	ACCT 381-METERS	CUST381	0.76832	0.03404	0.18272	0.00175	0.00154
21	ACCT 382-METER INSTALLATIONS	CUST382	0.76832	0.03404	0.18272	0.00175	0.00154
22	ACCT 383-HOUSE REGULATORS	CUST383	0.76832	0.03404	0.18272	0.00175	0.00154
23	ACCT 384-HOUSE REG. INSTALLATION	CUST384	0.76832	0.03404	0.18272	0.00175	0.00154
24	ACCT 385-INDUSTRIAL REG EQUIP	CUST385	0.00000	0.00000	0.81651	0.02651	0.01988
25	CUSTOMER DEPOSITS	CUSTDEP	0.77294	0.01052	0.19487	0.01374	0.00000
26							
27							
28	ACCT 487-MISC. SERVICE REVENUE	CUST487B	0.89683	0.01770	0.05009	0.00000	0.00000
29							
30	ACCT 902-METER READ EXP	CUST902	0.87402	0.03872	0.07899	0.00012	0.00007
31	ACCT 903-CUST RECORDS & COLL	CUST903	0.89790	0.01379	0.08006	0.00008	0.00004
32	ACCT 912-DEMO & SELLING	CDA912	0.89547	0.01375	0.08231	0.00008	0.00005
33	ACCT 913-ADVERTISING EXPENSES	CDA913	0.89547	0.01375	0.08231	0.00008	0.00005
34							
35							
36							
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42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	RATIO TABLE CONT.				
2	COMMODITY RELATED				
3	----------				
4	ANNUAL FIRM THERM THROUGHPUT	GASSALES	0.00457	0.02053	0.00000
5			0.00000	0.00000	0.00000
6			0.00000	0.00000	0.00000
7	ANNUAL FIRM THERM THROUGHPUT	THERMS	0.00370	0.01662	0.13971
8	CARES	CARES	0.00378	0.01696	0.14262
9					
10					
11					
12					
13					
14					
15					
16	CUSTOMER RELATED				
17	----------				
18	YEAR END NUMBER OF CUSTOMERS	CUST10	0.00009	0.00005	0.00009
19	ACCT 380-SERVICES	CUST380	0.00009	0.00009	0.00014
20	ACCT 381-METERS	CUST381	0.00009	0.00106	0.00181
21	ACCT 382-METER INSTALLATIONS	CUST382	0.00009	0.00106	0.00181
22	ACCT 383-HOUSE REGULATORS	CUST383	0.00009	0.00106	0.00181
23	ACCT 384-HOUSE REG. INSTALLATION	CUST384	0.00009	0.00106	0.00181
24	ACCT 385-INDUSTRIAL REG EQUIP	CUST385	0.00137	0.01325	0.02209
25	CUSTOMER DEPOSITS	CUSTDEP	0.00009	0.00005	0.00000
26					
27					
28	ACCT 487-MISC. SERVICE REVENUE	CUST487B	0.00000	0.00000	0.00000
29					
30	ACCT 902-METER READ EXP	CUST902	0.00009	0.00008	0.00013
31	ACCT 903-CUST RECORDS & COLL	CUST903	0.00009	0.00005	0.00009
32	ACCT 912-DEMO & SELLING	CDA912	0.00010	0.00005	0.00009
33	ACCT 913-ADVERTISING EXPENSES	CDA913	0.00010	0.00005	0.00009
34					
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42					
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	PUBLIC AUTHORITY LG. VOL. (23)	PUBLIC AUTHORITY TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	RATIO TABLE CONT.						
2	COMMODITY RELATED						
3	----------						
4	ANNUAL FIRM THERM THROUGHPUT	GASSALES	0.05208	0.00919	0.00000	0.00091	0.00078
5			0.00000	0.00000	0.00000	0.00000	0.00000
6			0.00000	0.00000	0.00000	0.00000	0.00000
7	ANNUAL FIRM THERM THROUGHPUT	THERMS	0.04216	0.00744	0.03277	0.00074	0.00063
8	CARES	CARES	0.04304	0.00759	0.03345	0.00075	0.00064
9							
10							
11							
12							
13							
14							
15							
16	CUSTOMER RELATED						
17	----------						
18	YEAR END NUMBER OF CUSTOMERS	CUST10	0.00765	0.00004	0.00003	0.00002	0.00004
19	ACCT 380-SERVICES	CUST380	0.01294	0.00007	0.00004	0.00000	0.00004
20	ACCT 381-METERS	CUST381	0.00792	0.00004	0.00060	0.00000	0.00010
21	ACCT 382-METER INSTALLATIONS	CUST382	0.00792	0.00004	0.00060	0.00000	0.00010
22	ACCT 383-HOUSE REGULATORS	CUST383	0.00792	0.00004	0.00060	0.00000	0.00010
23	ACCT 384-HOUSE REG. INSTALLATION	CUST384	0.00792	0.00004	0.00060	0.00000	0.00010
24	ACCT 385-INDUSTRIAL REG EQUIP	CUST385	0.07549	0.01104	0.01325	0.00000	0.00060
25	CUSTOMER DEPOSITS	CUSTDEP	0.00771	0.00004	0.00000	0.00000	0.00004
26							
27							
28	ACCT 487-MISC. SERVICE REVENUE	CUST487B	0.03484	0.00000	0.00000	0.00000	0.00054
29							
30	ACCT 902-METER READ EXP	CUST902	0.00765	0.00006	0.00004	0.00000	0.00004
31	ACCT 903-CUST RECORDS & COLL	CUST903	0.00776	0.00004	0.00003	0.00002	0.00004
32	ACCT 912-DEMO & SELLING	CDA912	0.00797	0.00004	0.00003	0.00002	0.00005
33	ACCT 913-ADVERTISING EXPENSES	CDA913	0.00797	0.00004	0.00003	0.00002	0.00005
34							
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	INTERNALLY DEVELOPED RATIOS								
2	----------								
3	TOTAL GAS PLANT IN SERVICE	PLANT	1.00000	0.69407	0.19086	0.06093	0.05351	0.00036	0.00027
4	SUM OF ALLOCATED LABOR EXP	LABOR	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
5	ACCT 302-FRANCHISE & CONSENTS	PLT302	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
6	ACCT 303-MISC. INTANGIBLE PLANT	PLT303	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
7	ACCT 365-LAND & LAND RIGHTS	PLT365	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
8	ACCT 366-STRUCTURES & IMPROV.	PLT366	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
9	ACCT 367-MAINS	PLT367	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
10	ACCT 369-MEAS. & REG STATION EQ	PLT369	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
11	ACCT 371-OTHER TRANS EQUIP	PLT371	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
12	TOTAL TRANSMISSION PLANT	TRANPLT	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
13	ACCT 374-DISTR LAND & LAND RIGHTS	PLT374	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
14	ACCT 375-STRUCTURES & IMPROV	PLT375	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
15	ACCT 376-MAINS	PLT376	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
16	ACCT 378-MEAS & REG EQ - GEN	PLT378	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
17	ACCT 379-MEAS & REG EQ - CITY GATE	PLT379	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
18	ACCT 380-SERVICES	PLT380	1.00000	0.90705	0.07954	0.00032	0.01305	0.00000	0.00004
19	ACCT 381-METERS	PLT381	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
20	ACCT 382-METER INSTALLATIONS	PLT382	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
21	ACCT 383-REGULATORS	PLT383	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
22	ACCT 384-REGULATOR INSTALLATIONS	PLT384	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
23	ACCT 385-INDUSTRIAL MEAS. EQUIP	PLT385	1.00000	0.00000	0.86290	0.03671	0.09979	0.00000	0.00060
24	ACCT 387-OTHER EQUIPMENT	PLT387	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
25	ACCT 389-GEN PLT LAND	PLT389	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
26	ACCT 390-STRUCTURES & IMPROVE	PLT390	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
27	ACCT 391-OFFICE FURN & EQUIP	PLT391	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
28	ACCT 392-TRANSPORTATION EQUIP	PLT392	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
29	ACCT 393-STORES EQUIPMENT	PLT393	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
30	ACCT 394-TOOLS, SHOP & GAR EQ	PLT394	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
31	ACCT 395-LABORATORY EQUIPMENT	PLT395	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
32	ACCT 396-POWER OPER EQUIP	PLT396	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
33	ACCT 397-COMMUNICATION EQUIP	PLT397	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
34	ACCT 398-MISCELLANEOUS EQUIP	PLT398	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
35	ACCT 399-OTHER TANGIBLE PROP	PLT399	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 367 & 376 TOTAL MAINS	PLT367376	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
37	ACCT 376 MAINS + 380 SERVICES	PLT376380	1.00000	0.69112	0.18472	0.06604	0.05744	0.00039	0.00028
38	TOTAL DISTRIBUTION PLANT	DISTRPLT	1.00000	0.69582	0.18982	0.06041	0.05333	0.00035	0.00027
39									
40	ACCT 378 & 379 MEAS. & REG. EQUIP	PLT37879	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
41	ACCT 382 & 384 INSTALLATIONS	PLT38284	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
42									
43									
44									
45									

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			COMMERCIAL		INDUSTRIAL		PUBLIC AUTHORITY	
		ALLOC	SM. VOL. (8)	LG. VOL. (9)	SM. VOL. (10)	LG. VOL. (11)	SM. VOL. (12)	LG. VOL. (13)
1	INTERNALLY DEVELOPED RATIOS							
2	----------							
3	TOTAL GAS PLANT IN SERVICE	PLANT	0.17220	0.01867	0.00201	0.05891	0.03315	0.02036
4	SUM OF ALLOCATED LABOR EXP	LABOR	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
5	ACCT 302-FRANCHISE & CONSENTS	PLT302	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
6	ACCT 303-MISC. INTANGIBLE PLANT	PLT303	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
7	ACCT 365-LAND & LAND RIGHTS	PLT365	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
8	ACCT 366-STRUCTURES & IMPROV.	PLT366	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
9	ACCT 367-MAINS	PLT367	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
10	ACCT 369-MEAS. & REG STATION EQ	PLT369	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
11	ACCT 371-OTHER TRANS EQUIP	PLT371	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
12	TOTAL TRANSMISSION PLANT	TRANPLT	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
13	ACCT 374-DISTR LAND & LAND RIGHTS	PLT374	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
14	ACCT 375-STRUCTURES & IMPROV	PLT375	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
15	ACCT 376-MAINS	PLT376	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
16	ACCT 378-MEAS & REG EQ - GEN	PLT378	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
17	ACCT 379-MEAS & REG EQ - CITY GATE	PLT379	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
18	ACCT 380-SERVICES	PLT380	0.07930	0.00024	0.00009	0.00022	0.01294	0.00011
19	ACCT 381-METERS	PLT381	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
20	ACCT 382-METER INSTALLATIONS	PLT382	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
21	ACCT 383-REGULATORS	PLT383	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
22	ACCT 384-REGULATOR INSTALLATIONS	PLT384	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
23	ACCT 385-INDUSTRIAL MEAS. EQUIP	PLT385	0.81651	0.04639	0.00137	0.03534	0.07549	0.02430
24	ACCT 387-OTHER EQUIPMENT	PLT387	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
25	ACCT 389-GEN PLT LAND	PLT389	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
26	ACCT 390-STRUCTURES & IMPROVE	PLT390	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
27	ACCT 391-OFFICE FURN & EQUIP	PLT391	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
28	ACCT 392-TRANSPORTATION EQUIP	PLT392	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
29	ACCT 393-STORES EQUIPMENT	PLT393	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
30	ACCT 394-TOOLS, SHOP & GAR EQ	PLT394	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
31	ACCT 395-LABORATORY EQUIPMENT	PLT395	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
32	ACCT 396-POWER OPER EQUIP	PLT396	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
33	ACCT 397-COMMUNICATION EQUIP	PLT397	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
34	ACCT 398-MISCELLANEOUS EQUIP	PLT398	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
35	ACCT 399-OTHER TANGIBLE PROP	PLT399	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 367 & 376 TOTAL MAINS	PLT367376	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
37	ACCT 376 MAINS + 380 SERVICES	PLT376380	0.16494	0.01978	0.00218	0.06386	0.03539	0.02205
38	TOTAL DISTRIBUTION PLANT	DISTRPLT	0.17130	0.01852	0.00200	0.05841	0.03313	0.02020
39								
40	ACCT 378 & 379 MEAS. & REG. EQUIP	PLT37879	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
41	ACCT 382 & 384 INSTALLATIONS	PLT38284	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
42								
43								
44								
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	INTERNALLY DEVELOPED RATIOS						
2	----------						
3	TOTAL GAS PLANT IN SERVICE	PLANT	0.66606	0.02802	0.17220	0.00558	0.01309
4	SUM OF ALLOCATED LABOR EXP	LABOR	0.76035	0.02904	0.14498	0.00289	0.00616
5	ACCT 302-FRANCHISE & CONSENTS	PLT302	0.76035	0.02904	0.14498	0.00289	0.00616
6	ACCT 303-MISC. INTANGIBLE PLANT	PLT303	0.76035	0.02904	0.14498	0.00289	0.00616
7	ACCT 365-LAND & LAND RIGHTS	PLT365	0.54982	0.02231	0.21213	0.00887	0.02169
8	ACCT 366-STRUCTURES & IMPROV.	PLT366	0.54982	0.02231	0.21213	0.00887	0.02169
9	ACCT 367-MAINS	PLT367	0.54982	0.02231	0.21213	0.00887	0.02169
10	ACCT 369-MEAS. & REG STATION EQ	PLT369	0.54982	0.02231	0.21213	0.00887	0.02169
11	ACCT 371-OTHER TRANS EQUIP	PLT371	0.54982	0.02231	0.21213	0.00887	0.02169
12	TOTAL TRANSMISSION PLANT	TRANPLT	0.54982	0.02231	0.21213	0.00887	0.02169
13	ACCT 374-DISTR LAND & LAND RIGHTS	PLT374	0.54982	0.02231	0.21213	0.00887	0.02169
14	ACCT 375-STRUCTURES & IMPROV	PLT375	0.54982	0.02231	0.21213	0.00887	0.02169
15	ACCT 376-MAINS	PLT376	0.54982	0.02231	0.21213	0.00887	0.02169
16	ACCT 378-MEAS & REG EQ - GEN	PLT378	0.54982	0.02231	0.21213	0.00887	0.02169
17	ACCT 379-MEAS & REG EQ - CITY GATE	PLT379	0.54982	0.02231	0.21213	0.00887	0.02169
18	ACCT 380-SERVICES	PLT380	0.86857	0.03848	0.07930	0.00013	0.00011
19	ACCT 381-METERS	PLT381	0.76832	0.03404	0.18272	0.00175	0.00154
20	ACCT 382-METER INSTALLATIONS	PLT382	0.76832	0.03404	0.18272	0.00175	0.00154
21	ACCT 383-REGULATORS	PLT383	0.76832	0.03404	0.18272	0.00175	0.00154
22	ACCT 384-REGULATOR INSTALLATIONS	PLT384	0.76832	0.03404	0.18272	0.00175	0.00154
23	ACCT 385-INDUSTRIAL MEAS. EQUIP	PLT385	0.00000	0.00000	0.81651	0.02651	0.01988
24	ACCT 387-OTHER EQUIPMENT	PLT387	0.54982	0.02231	0.21213	0.00887	0.02169
25	ACCT 389-GEN PLT LAND	PLT389	0.76035	0.02904	0.14498	0.00289	0.00616
26	ACCT 390-STRUCTURES & IMPROVE	PLT390	0.76035	0.02904	0.14498	0.00289	0.00616
27	ACCT 391-OFFICE FURN & EQUIP	PLT391	0.76035	0.02904	0.14498	0.00289	0.00616
28	ACCT 392-TRANSPORTATION EQUIP	PLT392	0.76035	0.02904	0.14498	0.00289	0.00616
29	ACCT 393-STORES EQUIPMENT	PLT393	0.76035	0.02904	0.14498	0.00289	0.00616
30	ACCT 394-TOOLS, SHOP & GAR EQ	PLT394	0.76035	0.02904	0.14498	0.00289	0.00616
31	ACCT 395-LABORATORY EQUIPMENT	PLT395	0.76035	0.02904	0.14498	0.00289	0.00616
32	ACCT 396-POWER OPER EQUIP	PLT396	0.76035	0.02904	0.14498	0.00289	0.00616
33	ACCT 397-COMMUNICATION EQUIP	PLT397	0.76035	0.02904	0.14498	0.00289	0.00616
34	ACCT 398-MISCELLANEOUS EQUIP	PLT398	0.76035	0.02904	0.14498	0.00289	0.00616
35	ACCT 399-OTHER TANGIBLE PROP	PLT399	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 367 & 376 TOTAL MAINS	PLT367376	0.54982	0.02231	0.21213	0.00887	0.02169
37	ACCT 376 MAINS + 380 SERVICES	PLT376380	0.66307	0.02806	0.16494	0.00576	0.01402
38	TOTAL DISTRIBUTION PLANT	DISTRPLT	0.66745	0.02837	0.17130	0.00554	0.01298
39							
40	ACCT 378 & 379 MEAS. & REG. EQUIP	PLT37879	0.54982	0.02231	0.21213	0.00887	0.02169
41	ACCT 382 & 384 INSTALLATIONS	PLT38284	0.76832	0.03404	0.18272	0.00175	0.00154
42							
43							
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	INTERNALLY DEVELOPED RATIOS				
2	----------				
3	TOTAL GAS PLANT IN SERVICE	PLANT	0.00201	0.00870	0.05022
4	SUM OF ALLOCATED LABOR EXP	LABOR	0.00094	0.00411	0.02267
5	ACCT 302-FRANCHISE & CONSENTS	PLT302	0.00094	0.00411	0.02267
6	ACCT 303-MISC. INTANGIBLE PLANT	PLT303	0.00094	0.00411	0.02267
7	ACCT 365-LAND & LAND RIGHTS	PLT365	0.00334	0.01440	0.08452
8	ACCT 366-STRUCTURES & IMPROV.	PLT366	0.00334	0.01440	0.08452
9	ACCT 367-MAINS	PLT367	0.00334	0.01440	0.08452
10	ACCT 369-MEAS. & REG STATION EQ	PLT369	0.00334	0.01440	0.08452
11	ACCT 371-OTHER TRANS EQUIP	PLT371	0.00334	0.01440	0.08452
12	TOTAL TRANSMISSION PLANT	TRANPLT	0.00334	0.01440	0.08452
13	ACCT 374-DISTR LAND & LAND RIGHTS	PLT374	0.00334	0.01440	0.08452
14	ACCT 375-STRUCTURES & IMPROV	PLT375	0.00334	0.01440	0.08452
15	ACCT 376-MAINS	PLT376	0.00334	0.01440	0.08452
16	ACCT 378-MEAS & REG EQ - GEN	PLT378	0.00334	0.01440	0.08452
17	ACCT 379-MEAS & REG EQ - CITY GATE	PLT379	0.00334	0.01440	0.08452
18	ACCT 380-SERVICES	PLT380	0.00009	0.00009	0.00014
19	ACCT 381-METERS	PLT381	0.00009	0.00106	0.00181
20	ACCT 382-METER INSTALLATIONS	PLT382	0.00009	0.00106	0.00181
21	ACCT 383-REGULATORS	PLT383	0.00009	0.00106	0.00181
22	ACCT 384-REGULATOR INSTALLATIONS	PLT384	0.00009	0.00106	0.00181
23	ACCT 385-INDUSTRIAL MEAS. EQUIP	PLT385	0.00137	0.01325	0.02209
24	ACCT 387-OTHER EQUIPMENT	PLT387	0.00334	0.01440	0.08452
25	ACCT 389-GEN PLT LAND	PLT389	0.00094	0.00411	0.02267
26	ACCT 390-STRUCTURES & IMPROVE	PLT390	0.00094	0.00411	0.02267
27	ACCT 391-OFFICE FURN & EQUIP	PLT391	0.00094	0.00411	0.02267
28	ACCT 392-TRANSPORTATION EQUIP	PLT392	0.00094	0.00411	0.02267
29	ACCT 393-STORES EQUIPMENT	PLT393	0.00094	0.00411	0.02267
30	ACCT 394-TOOLS, SHOP & GAR EQ	PLT394	0.00094	0.00411	0.02267
31	ACCT 395-LABORATORY EQUIPMENT	PLT395	0.00094	0.00411	0.02267
32	ACCT 396-POWER OPER EQUIP	PLT396	0.00094	0.00411	0.02267
33	ACCT 397-COMMUNICATION EQUIP	PLT397	0.00094	0.00411	0.02267
34	ACCT 398-MISCELLANEOUS EQUIP	PLT398	0.00094	0.00411	0.02267
35	ACCT 399-OTHER TANGIBLE PROP	PLT399	0.00000	0.00000	0.00000
36	ACCT 367 & 376 TOTAL MAINS	PLT367376	0.00334	0.01440	0.08452
37	ACCT 376 MAINS + 380 SERVICES	PLT376380	0.00218	0.00932	0.05454
38	TOTAL DISTRIBUTION PLANT	DISTRPLT	0.00200	0.00863	0.04978
39					
40	ACCT 378 & 379 MEAS. & REG. EQUIP	PLT37879	0.00334	0.01440	0.08452
41	ACCT 382 & 384 INSTALLATIONS	PLT38284	0.00009	0.00106	0.00181
42					
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	PUBLIC AUTHORITY LG. VOL. (23)	PUBLIC AUTHORITY TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	INTERNALLY DEVELOPED RATIOS						
2	----------						
3	TOTAL GAS PLANT IN SERVICE	PLANT	0.03315	0.00486	0.01550	0.00036	0.00027
4	SUM OF ALLOCATED LABOR EXP	LABOR	0.01937	0.00216	0.00700	0.00016	0.00016
5	ACCT 302-FRANCHISE & CONSENTS	PLT302	0.01937	0.00216	0.00700	0.00016	0.00016
6	ACCT 303-MISC. INTANGIBLE PLANT	PLT303	0.01937	0.00216	0.00700	0.00016	0.00016
7	ACCT 365-LAND & LAND RIGHTS	PLT365	0.04776	0.00810	0.02604	0.00060	0.00041
8	ACCT 366-STRUCTURES & IMPROV.	PLT366	0.04776	0.00810	0.02604	0.00060	0.00041
9	ACCT 367-MAINS	PLT367	0.04776	0.00810	0.02604	0.00060	0.00041
10	ACCT 369-MEAS. & REG STATION EQ	PLT369	0.04776	0.00810	0.02604	0.00060	0.00041
11	ACCT 371-OTHER TRANS EQUIP	PLT371	0.04776	0.00810	0.02604	0.00060	0.00041
12	TOTAL TRANSMISSION PLANT	TRANPLT	0.04776	0.00810	0.02604	0.00060	0.00041
13	ACCT 374-DISTR LAND & LAND RIGHTS	PLT374	0.04776	0.00810	0.02604	0.00060	0.00041
14	ACCT 375-STRUCTURES & IMPROV	PLT375	0.04776	0.00810	0.02604	0.00060	0.00041
15	ACCT 376-MAINS	PLT376	0.04776	0.00810	0.02604	0.00060	0.00041
16	ACCT 378-MEAS & REG EQ - GEN	PLT378	0.04776	0.00810	0.02604	0.00060	0.00041
17	ACCT 379-MEAS & REG EQ - CITY GATE	PLT379	0.04776	0.00810	0.02604	0.00060	0.00041
18	ACCT 380-SERVICES	PLT380	0.01294	0.00007	0.00004	0.00000	0.00004
19	ACCT 381-METERS	PLT381	0.00792	0.00004	0.00060	0.00000	0.00010
20	ACCT 382-METER INSTALLATIONS	PLT382	0.00792	0.00004	0.00060	0.00000	0.00010
21	ACCT 383-REGULATORS	PLT383	0.00792	0.00004	0.00060	0.00000	0.00010
22	ACCT 384-REGULATOR INSTALLATIONS	PLT384	0.00792	0.00004	0.00060	0.00000	0.00010
23	ACCT 385-INDUSTRIAL MEAS. EQUIP	PLT385	0.07549	0.01104	0.01325	0.00000	0.00060
24	ACCT 387-OTHER EQUIPMENT	PLT387	0.04776	0.00810	0.02604	0.00060	0.00041
25	ACCT 389-GEN PLT LAND	PLT389	0.01937	0.00216	0.00700	0.00016	0.00016
26	ACCT 390-STRUCTURES & IMPROVE	PLT390	0.01937	0.00216	0.00700	0.00016	0.00016
27	ACCT 391-OFFICE FURN & EQUIP	PLT391	0.01937	0.00216	0.00700	0.00016	0.00016
28	ACCT 392-TRANSPORTATION EQUIP	PLT392	0.01937	0.00216	0.00700	0.00016	0.00016
29	ACCT 393-STORES EQUIPMENT	PLT393	0.01937	0.00216	0.00700	0.00016	0.00016
30	ACCT 394-TOOLS, SHOP & GAR EQ	PLT394	0.01937	0.00216	0.00700	0.00016	0.00016
31	ACCT 395-LABORATORY EQUIPMENT	PLT395	0.01937	0.00216	0.00700	0.00016	0.00016
32	ACCT 396-POWER OPER EQUIP	PLT396	0.01937	0.00216	0.00700	0.00016	0.00016
33	ACCT 397-COMMUNICATION EQUIP	PLT397	0.01937	0.00216	0.00700	0.00016	0.00016
34	ACCT 398-MISCELLANEOUS EQUIP	PLT398	0.01937	0.00216	0.00700	0.00016	0.00016
35	ACCT 399-OTHER TANGIBLE PROP	PLT399	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 367 & 376 TOTAL MAINS	PLT367376	0.04776	0.00810	0.02604	0.00060	0.00041
37	ACCT 376 MAINS + 380 SERVICES	PLT376380	0.03539	0.00525	0.01680	0.00039	0.00028
38	TOTAL DISTRIBUTION PLANT	DISTRPLT	0.03313	0.00482	0.01537	0.00035	0.00027
39							
40	ACCT 378 & 379 MEAS. & REG. EQUIP	PLT37879	0.04776	0.00810	0.02604	0.00060	0.00041
41	ACCT 382 & 384 INSTALLATIONS	PLT38284	0.00792	0.00004	0.00060	0.00000	0.00010
42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	INTERNALLY DEVELOPED RATIOS CONT.								
2	----------								
3	TOTAL GAS COSTS	GASCOSTS	1.00000	0.64126	0.27069	0.02510	0.06127	0.00091	0.00078
4	ACCT 421-PURCHASED POWER EXPENSE	EXP421	1.00000	0.64126	0.27069	0.02510	0.06127	0.00091	0.00078
4	ACCT 805-PURCHASED GAS EXPENSE	EXP805	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
6	ACCT 807-PUR GAS DEMAND	EXP807D	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
7	ACCT 807-PUR GAS COMMODITY	EXP807C	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
8									
9									
10	ACCT 856-MAIN EXPENSE	EXP856	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
11	ACCT 857-MEAS AND REG STATION	EXP857	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
12	ACCT 864-MAINT OF STATION EQUIP	EXP864	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
13	ACCT 867-MAINT OF OTHER EQUIP	EXP867	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
14	ACCT 871-LOAD DISPATCHING	EXP871	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
15	ACCT 874-MAINS & SERVICING EXP	EXP874	1.00000	0.69112	0.18472	0.06604	0.05744	0.00039	0.00028
16	ACCT 875-MEAS AND REG STATION	EXP875	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
17	ACCT 876-MEAS AND REG STATION	EXP876	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
18	ACCT 877-MEAS AND REG STATION	EXP877	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
19	ACCT 878-METER EXPENSE	EXP878	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
20	ACCT 879-CUST INSTALL EXPENSE	EXP879	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
21	ACCT 880-OTHER DISTR EXP	EXP880	1.00000	0.73717	0.19163	0.03657	0.03422	0.00021	0.00020
22	ACCT 881-RENTS	EXP881	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
23	ACCT 886-MAINT OF STRUCTURES	EXP886	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
24	ACCT 887-MAINT OF MAINS	EXP887	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
25	ACCT 889-MAINT OF MEAS/REG	EXP889	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
26	ACCT 890-MAINT OF MEAS/REG	EXP890	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
27	ACCT 891-MAINT OF MEAS/REG	EXP891	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
28	ACCT 892-MAINT OF SERVICES	EXP892	1.00000	0.90705	0.07954	0.00032	0.01305	0.00000	0.00004
29	ACCT 893-MAINT OF METER	EXP893	1.00000	0.80236	0.18601	0.00296	0.00857	0.00000	0.00010
30	ACCT 894-MAINT OF OTHER EQUIP	EXP894	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
31	ACCT 902-METER READING EXP	EXP902	1.00000	0.91274	0.07917	0.00030	0.00775	0.00000	0.00004
32	ACCT 903-CUST RECORDS & COLLEC	EXP903	1.00000	0.91169	0.08018	0.00023	0.00782	0.00002	0.00004
33	ACCT 904-UNCOLLECTIBLE ACCTS	EXP904	1.00000	0.57549	0.17533	0.19116	0.05785	0.00000	0.00017
34	ACCT 905-MISC CUST ACCT EXP	EXP905	1.00000	0.87661	0.09004	0.02022	0.01305	0.00002	0.00006
35	ACCT 906-CUST SERVICE & INFO	EXP906	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 908-CUSTOMER ASSISTANCE	EXP908	1.00000	0.91294	0.07905	0.00023	0.00771	0.00002	0.00004
37	ACCT 909-INFO & INSTRUCT ADV	EXP909	1.00000	0.91294	0.07905	0.00023	0.00771	0.00002	0.00004
38	ACCT 910-MISC SERV & INFO	EXP910	1.00000	0.91294	0.07905	0.00023	0.00771	0.00002	0.00004
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	INTERNALLY DEVELOPED RATIOS CONT.							
2	----------							
3	TOTAL GAS COSTS	GASCOSTS	0.25925	0.01143	0.00457	0.02053	0.05208	0.00919
4	ACCT 421-PURCHASED POWER EXPENSE	EXP421	0.25925	0.01143	0.00457	0.02053	0.05208	0.00919
4	ACCT 805-PURCHASED GAS EXPENSE	EXP805	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
6	ACCT 807-PUR GAS DEMAND	EXP807D	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
7	ACCT 807-PUR GAS COMMODITY	EXP807C	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
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10	ACCT 856-MAIN EXPENSE	EXP856	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
11	ACCT 857-MEAS AND REG STATION	EXP857	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
12	ACCT 864-MAINT OF STATION EQUIP	EXP864	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
13	ACCT 867-MAINT OF OTHER EQUIP	EXP867	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
14	ACCT 871-LOAD DISPATCHING	EXP871	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
15	ACCT 874-MAINS & SERVICING EXP	EXP874	0.16494	0.01978	0.00218	0.06386	0.03539	0.02205
16	ACCT 875-MEAS AND REG STATION	EXP875	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
17	ACCT 876-MEAS AND REG STATION	EXP876	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
18	ACCT 877-MEAS AND REG STATION	EXP877	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
19	ACCT 878-METER EXPENSE	EXP878	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
20	ACCT 879-CUST INSTALL EXPENSE	EXP879	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
21	ACCT 880-OTHER DISTR EXP	EXP880	0.17942	0.01222	0.00120	0.03537	0.02219	0.01203
22	ACCT 881-RENTS	EXP881	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
23	ACCT 886-MAINT OF STRUCTURES	EXP886	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
24	ACCT 887-MAINT OF MAINS	EXP887	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
25	ACCT 889-MAINT OF MEAS/REG	EXP889	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
26	ACCT 890-MAINT OF MEAS/REG	EXP890	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
27	ACCT 891-MAINT OF MEAS/REG	EXP891	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
28	ACCT 892-MAINT OF SERVICES	EXP892	0.07930	0.00024	0.00009	0.00022	0.01294	0.00011
29	ACCT 893-MAINT OF METER	EXP893	0.18272	0.00329	0.00009	0.00287	0.00792	0.00064
30	ACCT 894-MAINT OF OTHER EQUIP	EXP894	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
31	ACCT 902-METER READING EXP	EXP902	0.07899	0.00018	0.00009	0.00021	0.00765	0.00010
32	ACCT 903-CUST RECORDS & COLLEC	EXP903	0.08006	0.00012	0.00009	0.00014	0.00776	0.00007
33	ACCT 904-UNCOLLECTIBLE ACCTS	EXP904	0.12265	0.05268	0.00009	0.19107	0.00000	0.05785
34	ACCT 905-MISC CUST ACCT EXP	EXP905	0.08441	0.00563	0.00009	0.02013	0.00693	0.00612
35	ACCT 906-CUST SERVICE & INFO	EXP906	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 908-CUSTOMER ASSISTANCE	EXP908	0.07893	0.00012	0.00009	0.00014	0.00765	0.00007
37	ACCT 909-INFO & INSTRUCT ADV	EXP909	0.07893	0.00012	0.00009	0.00014	0.00765	0.00007
38	ACCT 910-MISC SERV & INFO	EXP910	0.07893	0.00012	0.00009	0.00014	0.00765	0.00007
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	INTERNALLY DEVELOPED RATIOS CONT.						
2							
3	TOTAL GAS COSTS	GASCOSTS	0.61612	0.02514	0.25925	0.01143	0.00000
4	ACCT 421-PURCHASED POWER EXPENSE	EXP421	0.61612	0.02514	0.25925	0.01143	0.00000
4	ACCT 805-PURCHASED GAS EXPENSE	EXP805	0.00000	0.00000	0.00000	0.00000	0.00000
6	ACCT 807-PUR GAS DEMAND	EXP807D	0.00000	0.00000	0.00000	0.00000	0.00000
7	ACCT 807-PUR GAS COMMODITY	EXP807C	0.00000	0.00000	0.00000	0.00000	0.00000
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10	ACCT 856-MAIN EXPENSE	EXP856	0.54982	0.02231	0.21213	0.00887	0.02169
11	ACCT 857-MEAS AND REG STATION	EXP857	0.54982	0.02231	0.21213	0.00887	0.02169
12	ACCT 864-MAINT OF STATION EQUIP	EXP864	0.54982	0.02231	0.21213	0.00887	0.02169
13	ACCT 867-MAINT OF OTHER EQUIP	EXP867	0.54982	0.02231	0.21213	0.00887	0.02169
14	ACCT 871-LOAD DISPATCHING	EXP871	0.54982	0.02231	0.21213	0.00887	0.02169
15	ACCT 874-MAINS & SERVICING EXP	EXP874	0.66307	0.02806	0.16494	0.00576	0.01402
16	ACCT 875-MEAS AND REG STATION	EXP875	0.54982	0.02231	0.21213	0.00887	0.02169
17	ACCT 876-MEAS AND REG STATION	EXP876	0.54982	0.02231	0.21213	0.00887	0.02169
18	ACCT 877-MEAS AND REG STATION	EXP877	0.76832	0.03404	0.18272	0.00175	0.00154
19	ACCT 878-METER EXPENSE	EXP878	0.76832	0.03404	0.18272	0.00175	0.00154
20	ACCT 879-CUST INSTALL EXPENSE	EXP879	0.76832	0.03404	0.18272	0.00175	0.00154
21	ACCT 880-OTHER DISTR EXP	EXP880	0.70657	0.03060	0.17942	0.00397	0.00824
22	ACCT 881-RENTS	EXP881	0.54982	0.02231	0.21213	0.00887	0.02169
23	ACCT 886-MAINT OF STRUCTURES	EXP886	0.00000	0.00000	0.00000	0.00000	0.00000
24	ACCT 887-MAINT OF MAINS	EXP887	0.54982	0.02231	0.21213	0.00887	0.02169
25	ACCT 889-MAINT OF MEAS/REG	EXP889	0.54982	0.02231	0.21213	0.00887	0.02169
26	ACCT 890-MAINT OF MEAS/REG	EXP890	0.54982	0.02231	0.21213	0.00887	0.02169
27	ACCT 891-MAINT OF MEAS/REG	EXP891	0.76832	0.03404	0.18272	0.00175	0.00154
28	ACCT 892-MAINT OF SERVICES	EXP892	0.86857	0.03848	0.07930	0.00013	0.00011
29	ACCT 893-MAINT OF METER	EXP893	0.76832	0.03404	0.18272	0.00175	0.00154
30	ACCT 894-MAINT OF OTHER EQUIP	EXP894	0.54982	0.02231	0.21213	0.00887	0.02169
31	ACCT 902-METER READING EXP	EXP902	0.87402	0.03872	0.07899	0.00012	0.00007
32	ACCT 903-CUST RECORDS & COLLEC	EXP903	0.89790	0.01379	0.08006	0.00008	0.00004
33	ACCT 904-UNCOLLECTIBLE ACCTS	EXP904	0.55425	0.02124	0.12265	0.00351	0.04917
34	ACCT 905-MISC CUST ACCT EXP	EXP905	0.85945	0.01716	0.08441	0.00044	0.00519
35	ACCT 906-CUST SERVICE & INFO	EXP906	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 908-CUSTOMER ASSISTANCE	EXP908	0.87203	0.04092	0.07893	0.00008	0.00004
37	ACCT 909-INFO & INSTRUCT ADV	EXP909	0.87203	0.04092	0.07893	0.00008	0.00004
38	ACCT 910-MISC SERV & INFO	EXP910	0.87203	0.04092	0.07893	0.00008	0.00004
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	INTERNALLY DEVELOPED RATIOS CONT.				
2	----------				
3	TOTAL GAS COSTS	GASCOSTS	0.00457	0.02053	0.00000
4	ACCT 421-PURCHASED POWER EXPENSE	EXP421	0.00457	0.02053	0.00000
4	ACCT 805-PURCHASED GAS EXPENSE	EXP805	0.00000	0.00000	0.00000
6	ACCT 807-PUR GAS DEMAND	EXP807D	0.00000	0.00000	0.00000
7	ACCT 807-PUR GAS COMMODITY	EXP807C	0.00000	0.00000	0.00000
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10	ACCT 856-MAIN EXPENSE	EXP856	0.00334	0.01440	0.08452
11	ACCT 857-MEAS AND REG STATION	EXP857	0.00334	0.01440	0.08452
12	ACCT 864-MAINT OF STATION EQUIP	EXP864	0.00334	0.01440	0.08452
13	ACCT 867-MAINT OF OTHER EQUIP	EXP867	0.00334	0.01440	0.08452
14	ACCT 871-LOAD DISPATCHING	EXP871	0.00334	0.01440	0.08452
15	ACCT 874-MAINS & SERVICING EXP	EXP874	0.00218	0.00932	0.05454
16	ACCT 875-MEAS AND REG STATION	EXP875	0.00334	0.01440	0.08452
17	ACCT 876-MEAS AND REG STATION	EXP876	0.00334	0.01440	0.08452
18	ACCT 877-MEAS AND REG STATION	EXP877	0.00009	0.00106	0.00181
19	ACCT 878-METER EXPENSE	EXP878	0.00009	0.00106	0.00181
20	ACCT 879-CUST INSTALL EXPENSE	EXP879	0.00009	0.00106	0.00181
21	ACCT 880-OTHER DISTR EXP	EXP880	0.00120	0.00549	0.02987
22	ACCT 881-RENTS	EXP881	0.00334	0.01440	0.08452
23	ACCT 886-MAINT OF STRUCTURES	EXP886	0.00000	0.00000	0.00000
24	ACCT 887-MAINT OF MAINS	EXP887	0.00334	0.01440	0.08452
25	ACCT 889-MAINT OF MEAS/REG	EXP889	0.00334	0.01440	0.08452
26	ACCT 890-MAINT OF MEAS/REG	EXP890	0.00334	0.01440	0.08452
27	ACCT 891-MAINT OF MEAS/REG	EXP891	0.00009	0.00106	0.00181
28	ACCT 892-MAINT OF SERVICES	EXP892	0.00009	0.00009	0.00014
29	ACCT 893-MAINT OF METER	EXP893	0.00009	0.00106	0.00181
30	ACCT 894-MAINT OF OTHER EQUIP	EXP894	0.00334	0.01440	0.08452
31	ACCT 902-METER READING EXP	EXP902	0.00009	0.00008	0.00013
32	ACCT 903-CUST RECORDS & COLLEC	EXP903	0.00009	0.00005	0.00009
33	ACCT 904-UNCOLLECTIBLE ACCTS	EXP904	0.00009	0.00037	0.19070
34	ACCT 905-MISC CUST ACCT EXP	EXP905	0.00009	0.00009	0.02004
35	ACCT 906-CUST SERVICE & INFO	EXP906	0.00000	0.00000	0.00000
36	ACCT 908-CUSTOMER ASSISTANCE	EXP908	0.00009	0.00005	0.00009
37	ACCT 909-INFO & INSTRUCT ADV	EXP909	0.00009	0.00005	0.00009
38	ACCT 910-MISC SERV & INFO	EXP910	0.00009	0.00005	0.00009
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	INTERNALLY DEVELOPED RATIOS CONT.						
2	----------						
3	TOTAL GAS COSTS	GASCOSTS	0.05208	0.00919	0.00000	0.00091	0.00078
4	ACCT 421-PURCHASED POWER EXPENSE	EXP421	0.05208	0.00919	0.00000	0.00091	0.00078
4	ACCT 805-PURCHASED GAS EXPENSE	EXP805	0.00000	0.00000	0.00000	0.00000	0.00000
6	ACCT 807-PUR GAS DEMAND	EXP807D	0.00000	0.00000	0.00000	0.00000	0.00000
7	ACCT 807-PUR GAS COMMODITY	EXP807C	0.00000	0.00000	0.00000	0.00000	0.00000
8							
9							
10	ACCT 856-MAIN EXPENSE	EXP856	0.04776	0.00810	0.02604	0.00060	0.00041
11	ACCT 857-MEAS AND REG STATION	EXP857	0.04776	0.00810	0.02604	0.00060	0.00041
12	ACCT 864-MAINT OF STATION EQUIP	EXP864	0.04776	0.00810	0.02604	0.00060	0.00041
13	ACCT 867-MAINT OF OTHER EQUIP	EXP867	0.04776	0.00810	0.02604	0.00060	0.00041
14	ACCT 871-LOAD DISPATCHING	EXP871	0.04776	0.00810	0.02604	0.00060	0.00041
15	ACCT 874-MAINS & SERVICING EXP	EXP874	0.03539	0.00525	0.01680	0.00039	0.00028
16	ACCT 875-MEAS AND REG STATION	EXP875	0.04776	0.00810	0.02604	0.00060	0.00041
17	ACCT 876-MEAS AND REG STATION	EXP876	0.04776	0.00810	0.02604	0.00060	0.00041
18	ACCT 877-MEAS AND REG STATION	EXP877	0.00792	0.00004	0.00060	0.00000	0.00010
19	ACCT 878-METER EXPENSE	EXP878	0.00792	0.00004	0.00060	0.00000	0.00010
20	ACCT 879-CUST INSTALL EXPENSE	EXP879	0.00792	0.00004	0.00060	0.00000	0.00010
21	ACCT 880-OTHER DISTR EXP	EXP880	0.02219	0.00280	0.00923	0.00021	0.00020
22	ACCT 881-RENTS	EXP881	0.04776	0.00810	0.02604	0.00060	0.00041
23	ACCT 886-MAINT OF STRUCTURES	EXP886	0.00000	0.00000	0.00000	0.00000	0.00000
24	ACCT 887-MAINT OF MAINS	EXP887	0.04776	0.00810	0.02604	0.00060	0.00041
25	ACCT 889-MAINT OF MEAS/REG	EXP889	0.04776	0.00810	0.02604	0.00060	0.00041
26	ACCT 890-MAINT OF MEAS/REG	EXP890	0.04776	0.00810	0.02604	0.00060	0.00041
27	ACCT 891-MAINT OF MEAS/REG	EXP891	0.00792	0.00004	0.00060	0.00000	0.00010
28	ACCT 892-MAINT OF SERVICES	EXP892	0.01294	0.00007	0.00004	0.00000	0.00004
29	ACCT 893-MAINT OF METER	EXP893	0.00792	0.00004	0.00060	0.00000	0.00010
30	ACCT 894-MAINT OF OTHER EQUIP	EXP894	0.04776	0.00810	0.02604	0.00060	0.00041
31	ACCT 902-METER READING EXP	EXP902	0.00765	0.00006	0.00004	0.00000	0.00004
32	ACCT 903-CUST RECORDS & COLLEC	EXP903	0.00776	0.00004	0.00003	0.00002	0.00004
33	ACCT 904-UNCOLLECTIBLE ACCTS	EXP904	0.00000	0.00000	0.05785	0.00000	0.00017
34	ACCT 905-MISC CUST ACCT EXP	EXP905	0.00693	0.00004	0.00608	0.00002	0.00006
35	ACCT 906-CUST SERVICE & INFO	EXP906	0.00000	0.00000	0.00000	0.00000	0.00000
36	ACCT 908-CUSTOMER ASSISTANCE	EXP908	0.00765	0.00004	0.00003	0.00002	0.00004
37	ACCT 909-INFO & INSTRUCT ADV	EXP909	0.00765	0.00004	0.00003	0.00002	0.00004
38	ACCT 910-MISC SERV & INFO	EXP910	0.00765	0.00004	0.00003	0.00002	0.00004
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
1	INTERNALLY DEVELOPED RATIOS CONT.								
2									
3	ACCT 912-DEMO & SELLING	EXP912	1.00000	0.90922	0.08243	0.00024	0.00804	0.00002	0.00005
4	ACCT 913-ADVERTISING EXP	EXP913	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
5	ACCT 920-ADMIN & GENERAL SALARY	EXP920	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
6	ACCT 921-OFFICE SUPPIES & EXP	EXP921	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
7	ACCT 923-OUTSIDE SERVICES	EXP923	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
8	ACCT 924-PROPERTY INSURANCE	EXP924	1.00000	0.69407	0.19086	0.06093	0.05351	0.00036	0.00027
9	ACCT 925-INJURIES & DAMAGES	EXP925	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
10	ACCT 926-EMPLOYEE PENSION & BENF	EXP926	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
11	ACCT 928-REG COMMISSION EXP	EXP928	1.00000	0.70827	0.19783	0.04465	0.04718	0.00155	0.00051
12	ACCT 930-MISC GEN EXP	EXP930	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
13	ACCT 931-RENTS	EXP931	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
14	ACCT 932-MAINT OF GENERAL PLT	EXP932	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
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16									
17	LABOR ACCT 820-867	LABTM	1.00000	0.57214	0.24269	0.10226	0.08190	0.00060	0.00041
18	LABOR ACCT 871-881	LABDO	1.00000	0.74409	0.19077	0.03314	0.03162	0.00018	0.00019
19	LABOR ACCT 874-881 & 886-894	LABDM	1.00000	0.70760	0.18015	0.05921	0.05243	0.00035	0.00026
20	LAROR ACCT 902-906	LABCA	1.00000	0.91199	0.07988	0.00026	0.00780	0.00002	0.00004
21	LABOR ACCT 908-910	LABCS	1.00000	0.91294	0.07905	0.00023	0.00771	0.00002	0.00004
22									
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25	ACCTS 902-904	EXP9024	1.00000	0.87661	0.09004	0.02022	0.01305	0.00002	0.00006
26	ACCTS 874 - 879	EXP87479	1.00000	0.73717	0.19163	0.03657	0.03422	0.00021	0.00020
27	ACCTS 908 & 909	EXP9089	1.00000	0.91294	0.07905	0.00023	0.00771	0.00002	0.00004
28	REV CLAIMED ROR LESS GAS COSTS	REVCLAIM	1.00000	0.72794	0.17672	0.05073	0.04404	0.00034	0.00023
29	TOTAL GENERAL PLANT	GENPLT	1.00000	0.78940	0.15403	0.02772	0.02853	0.00016	0.00016
30	WORKING CASH 1/8 OF O&M	WCOM	1.00000	0.77136	0.15811	0.03673	0.03327	0.00032	0.00021
31	PRESENT REVENUE	TOTREV	1.00000	0.70827	0.19783	0.04465	0.04718	0.00155	0.00051
32	PAYROLL EXCLUDING A&G	PAYXAG	1.00000	0.78731	0.15607	0.02804	0.02826	0.00016	0.00016
33	COMMON PLANT	PLTCOMN	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
34	CHANGE IN REVENUE @ EQUALIZED	REVCHGC	1.00000	0.83946	0.06414	0.07435	0.02879	-0.00563	-0.00112
35	CHANGE IN REVENUE @ PROPOSED	REVCHGP	1.00000	0.70371	0.20122	0.04558	0.04739	0.00158	0.00052
36	NET PLANT - RESIDENTIAL ONLY	RESNTPT	1.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
37	CAPITALIZED LABOR EXCL ACCT 371	CAPLABX	1.00000	0.79595	0.14764	0.02673	0.02937	0.00015	0.00015
38	WORKING CASH - GAS COSTS	WCGC	1.00000	0.64126	0.27069	0.02510	0.06127	0.00091	0.00078
39	WORKING CASH - OTHER	WCOTH	1.00000	0.77326	0.15647	0.03689	0.03286	0.00031	0.00020
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	INTERNALLY DEVELOPED RATIOS CONT.							
2	----------							
3	ACCT 912-DEMO & SELLING	EXP912	0.08231	0.00013	0.00010	0.00014	0.00797	0.00007
4	ACCT 913-ADVERTISING EXP	EXP913	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
5	ACCT 920-ADMIN & GENERAL SALARY	EXP920	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
6	ACCT 921-OFFICE SUPPIES & EXP	EXP921	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
7	ACCT 923-OUTSIDE SERVICES	EXP923	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
8	ACCT 924-PROPERTY INSURANCE	EXP924	0.17220	0.01867	0.00201	0.05891	0.03315	0.02036
9	ACCT 925-INJURIES & DAMAGES	EXP925	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
10	ACCT 926-EMPLOYEE PENSION & BENF	EXP926	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
11	ACCT 928-REG COMMISSION EXP	EXP928	0.18363	0.01420	0.00234	0.04231	0.03348	0.01370
12	ACCT 930-MISC GEN EXP	EXP930	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
13	ACCT 931-RENTS	EXP931	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
14	ACCT 932-MAINT OF GENERAL PLT	EXP932	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
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17	LABOR ACCT 820-867	LABTM	0.21213	0.03055	0.00334	0.09892	0.04776	0.03414
18	LABOR ACCT 871-881	LABDO	0.17948	0.01130	0.00109	0.03205	0.02075	0.01087
19	LABOR ACCT 874-881 & 886-894	LABDM	0.16226	0.01789	0.00196	0.05725	0.03269	0.01975
20	LAROR ACCT 902-906	LABCA	0.07974	0.00014	0.00009	0.00017	0.00772	0.00008
21	LABOR ACCT 908-910	LABCS	0.07893	0.00012	0.00009	0.00014	0.00765	0.00007
22								
23								
24								
25	ACCTS 902-904	EXP9024	0.08441	0.00563	0.00009	0.02013	0.00693	0.00612
26	ACCTS 874 - 879	EXP87479	0.17942	0.01222	0.00120	0.03537	0.02219	0.01203
27	ACCTS 908 & 909	EXP9089	0.07893	0.00012	0.00009	0.00014	0.00765	0.00007
28	REV CLAIMED ROR LESS GAS COSTS	REVCLAIM	0.16125	0.01547	0.00162	0.04911	0.02744	0.01660
29	TOTAL GENERAL PLANT	GENPLT	0.14498	0.00906	0.00094	0.02678	0.01937	0.00916
30	WORKING CASH 1/8 OF O&M	WCOM	0.14663	0.01148	0.00119	0.03553	0.02135	0.01192
31	PRESENT REVENUE	TOTREV	0.18363	0.01420	0.00234	0.04231	0.03348	0.01370
32	PAYROLL EXCLUDING A&G	PAYXAG	0.14690	0.00917	0.00095	0.02709	0.01901	0.00925
33	COMMON PLANT	PLTCOMN	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
34	CHANGE IN REVENUE @ EQUALIZED	REVCHGC	0.04415	0.01999	-0.00189	0.07624	-0.00003	0.02882
35	CHANGE IN REVENUE @ PROPOSED	REVCHGP	0.18673	0.01449	0.00239	0.04319	0.03343	0.01396
36	NET PLANT - RESIDENTIAL ONLY	RESNTPT	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
37	CAPITALIZED LABOR EXCL ACCT 371	CAPLABX	0.13894	0.00870	0.00091	0.02582	0.02051	0.00887
38	WORKING CASH - GAS COSTS	WCGC	0.25925	0.01143	0.00457	0.02053	0.05208	0.00919
39	WORKING CASH - OTHER	WCOTH	0.14499	0.01148	0.00114	0.03575	0.02090	0.01196
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			RESIDENTIAL		COMMERCIAL		
		ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1	INTERNALLY DEVELOPED RATIOS CONT.						
2							
3	ACCT 912-DEMO & SELLING	EXP912	0.89547	0.01375	0.08231	0.00008	0.00005
4	ACCT 913-ADVERTISING EXP	EXP913	0.00000	0.00000	0.00000	0.00000	0.00000
5	ACCT 920-ADMIN & GENERAL SALARY	EXP920	0.75946	0.02785	0.14690	0.00293	0.00624
6	ACCT 921-OFFICE SUPPIES & EXP	EXP921	0.75946	0.02785	0.14690	0.00293	0.00624
7	ACCT 923-OUTSIDE SERVICES	EXP923	0.75946	0.02785	0.14690	0.00293	0.00624
8	ACCT 924-PROPERTY INSURANCE	EXP924	0.66606	0.02802	0.17220	0.00558	0.01309
9	ACCT 925-INJURIES & DAMAGES	EXP925	0.75946	0.02785	0.14690	0.00293	0.00624
10	ACCT 926-EMPLOYEE PENSION & BENF	EXP926	0.75946	0.02785	0.14690	0.00293	0.00624
11	ACCT 928-REG COMMISSION EXP	EXP928	0.68694	0.02133	0.18363	0.00454	0.00966
12	ACCT 930-MISC GEN EXP	EXP930	0.75946	0.02785	0.14690	0.00293	0.00624
13	ACCT 931-RENTS	EXP931	0.75946	0.02785	0.14690	0.00293	0.00624
14	ACCT 932-MAINT OF GENERAL PLT	EXP932	0.76035	0.02904	0.14498	0.00289	0.00616
15							
16							
17	LABOR ACCT 820-867	LABTM	0.54982	0.02231	0.21213	0.00887	0.02169
18	LABOR ACCT 871-881	LABDO	0.71313	0.03096	0.17948	0.00374	0.00756
19	LABOR ACCT 874-881 & 886-894	LABDM	0.67871	0.02889	0.16226	0.00526	0.01263
20	LAROR ACCT 902-906	LABCA	0.89068	0.02131	0.07974	0.00009	0.00005
21	LABOR ACCT 908-910	LABCS	0.87203	0.04092	0.07893	0.00008	0.00004
22							
23							
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25	ACCTS 902-904	EXP9024	0.85945	0.01716	0.08441	0.00044	0.00519
26	ACCTS 874 - 879	EXP87479	0.70657	0.03060	0.17942	0.00397	0.00824
27	ACCTS 908 & 909	EXP9089	0.87203	0.04092	0.07893	0.00008	0.00004
28	REV CLAIMED ROR LESS GAS COSTS	REVCLAIM	0.70109	0.02685	0.16125	0.00459	0.01089
29	TOTAL GENERAL PLANT	GENPLT	0.76035	0.02904	0.14498	0.00289	0.00616
30	WORKING CASH 1/8 OF O&M	WCOM	0.74668	0.02468	0.14663	0.00332	0.00816
31	PRESENT REVENUE	TOTREV	0.68694	0.02133	0.18363	0.00454	0.00966
32	PAYROLL EXCLUDING A&G	PAYXAG	0.75946	0.02785	0.14690	0.00293	0.00624
33	COMMON PLANT	PLTCOMN	0.00000	0.00000	0.00000	0.00000	0.00000
34	CHANGE IN REVENUE @ EQUALIZED	REVCHGC	0.78662	0.05285	0.04415	0.00462	0.01538
35	CHANGE IN REVENUE @ PROPOSED	REVCHGP	0.68236	0.02135	0.18673	0.00463	0.00985
36	NET PLANT - RESIDENTIAL ONLY	RESNTPT	0.95969	0.04031	0.00000	0.00000	0.00000
37	CAPITALIZED LABOR EXCL ACCT 371	CAPLABX	0.76315	0.03280	0.13894	0.00277	0.00593
38	WORKING CASH - GAS COSTS	WCGC	0.61612	0.02514	0.25925	0.01143	0.00000
39	WORKING CASH - OTHER	WCOTH	0.74858	0.02468	0.14499	0.00320	0.00828
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	INDUSTRIAL SM. VOL. (19)	INDUSTRIAL LG. VOL. (20)	INDUSTRIAL TRANS-PORTATION (21)
1	INTERNALLY DEVELOPED RATIOS CONT.				
2					
3	ACCT 912-DEMO & SELLING	EXP912	0.00010	0.00005	0.00009
4	ACCT 913-ADVERTISING EXP	EXP913	0.00000	0.00000	0.00000
5	ACCT 920-ADMIN & GENERAL SALARY	EXP920	0.00095	0.00416	0.02293
6	ACCT 921-OFFICE SUPPIES & EXP	EXP921	0.00095	0.00416	0.02293
7	ACCT 923-OUTSIDE SERVICES	EXP923	0.00095	0.00416	0.02293
8	ACCT 924-PROPERTY INSURANCE	EXP924	0.00201	0.00870	0.05022
9	ACCT 925-INJURIES & DAMAGES	EXP925	0.00095	0.00416	0.02293
10	ACCT 926-EMPLOYEE PENSION & BENF	EXP926	0.00095	0.00416	0.02293
11	ACCT 928-REG COMMISSION EXP	EXP928	0.00234	0.00442	0.03789
12	ACCT 930-MISC GEN EXP	EXP930	0.00095	0.00416	0.02293
13	ACCT 931-RENTS	EXP931	0.00095	0.00416	0.02293
14	ACCT 932-MAINT OF GENERAL PLT	EXP932	0.00094	0.00411	0.02267
15					
16					
17	LABOR ACCT 820-867	LABTM	0.00334	0.01440	0.08452
18	LABOR ACCT 871-881	LABDO	0.00109	0.00504	0.02701
19	LABOR ACCT 874-881 & 886-894	LABDM	0.00196	0.00839	0.04885
20	LAROR ACCT 902-906	LABCA	0.00009	0.00006	0.00011
21	LABOR ACCT 908-910	LABCS	0.00009	0.00005	0.00009
22					
23					
24					
25	ACCTS 902-904	EXP9024	0.00009	0.00009	0.02004
26	ACCTS 874 - 879	EXP87479	0.00120	0.00549	0.02987
27	ACCTS 908 & 909	EXP9089	0.00009	0.00005	0.00009
28	REV CLAIMED ROR LESS GAS COSTS	REVCLAIM	0.00162	0.00688	0.04222
29	TOTAL GENERAL PLANT	GENPLT	0.00094	0.00411	0.02267
30	WORKING CASH 1/8 OF O&M	WCOM	0.00119	0.00459	0.03094
31	PRESENT REVENUE	TOTREV	0.00234	0.00442	0.03789
32	PAYROLL EXCLUDING A&G	PAYXAG	0.00095	0.00416	0.02293
33	COMMON PLANT	PLTCOMN	0.00000	0.00000	0.00000
34	CHANGE IN REVENUE @ EQUALIZED	REVCHGC	(0.00189)	0.01880	0.05745
35	CHANGE IN REVENUE @ PROPOSED	REVCHGP	0.00239	0.00451	0.03868
36	NET PLANT - RESIDENTIAL ONLY	RESNTPT	0.00000	0.00000	0.00000
37	CAPITALIZED LABOR EXCL ACCT 371	CAPLABX	0.00091	0.00395	0.02187
38	WORKING CASH - GAS COSTS	WCGC	0.00457	0.02053	0.00000
39	WORKING CASH - OTHER	WCOTH	0.00114	0.00436	0.03139
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	INTERNALLY DEVELOPED RATIOS CONT.						
2	----------						
3	ACCT 912-DEMO & SELLING	EXP912	0.00797	0.00004	0.00003	0.00002	0.00005
4	ACCT 913-ADVERTISING EXP	EXP913	0.00000	0.00000	0.00000	0.00000	0.00000
5	ACCT 920-ADMIN & GENERAL SALARY	EXP920	0.01901	0.00217	0.00708	0.00016	0.00016
6	ACCT 921-OFFICE SUPPIES & EXP	EXP921	0.01901	0.00217	0.00708	0.00016	0.00016
7	ACCT 923-OUTSIDE SERVICES	EXP923	0.01901	0.00217	0.00708	0.00016	0.00016
8	ACCT 924-PROPERTY INSURANCE	EXP924	0.03315	0.00486	0.01550	0.00036	0.00027
9	ACCT 925-INJURIES & DAMAGES	EXP925	0.01901	0.00217	0.00708	0.00016	0.00016
10	ACCT 926-EMPLOYEE PENSION & BENF	EXP926	0.01901	0.00217	0.00708	0.00016	0.00016
11	ACCT 928-REG COMMISSION EXP	EXP928	0.03348	0.00254	0.01116	0.00155	0.00051
12	ACCT 930-MISC GEN EXP	EXP930	0.01901	0.00217	0.00708	0.00016	0.00016
13	ACCT 931-RENTS	EXP931	0.01901	0.00217	0.00708	0.00016	0.00016
14	ACCT 932-MAINT OF GENERAL PLT	EXP932	0.01937	0.00216	0.00700	0.00016	0.00016
15							
16							
17	LABOR ACCT 820-867	LABTM	0.04776	0.00810	0.02604	0.00060	0.00041
18	LABOR ACCT 871-881	LABDO	0.02075	0.00252	0.00835	0.00018	0.00019
19	LABOR ACCT 874-881 & 886-894	LABDM	0.03269	0.00469	0.01505	0.00035	0.00026
20	LAROR ACCT 902-906	LABCA	0.00772	0.00004	0.00004	0.00002	0.00004
21	LABOR ACCT 908-910	LABCS	0.00765	0.00004	0.00003	0.00002	0.00004
22							
23							
24							
25	ACCTS 902-904	EXP9024	0.00693	0.00004	0.00608	0.00002	0.00006
26	ACCTS 874 - 879	EXP87479	0.02219	0.00280	0.00923	0.00021	0.00020
27	ACCTS 908 & 909	EXP9089	0.00765	0.00004	0.00003	0.00002	0.00004
28	REV CLAIMED ROR LESS GAS COSTS	REVCLAIM	0.02744	0.00379	0.01281	0.00034	0.00023
29	TOTAL GENERAL PLANT	GENPLT	0.01937	0.00216	0.00700	0.00016	0.00016
30	WORKING CASH 1/8 OF O&M	WCOM	0.02135	0.00245	0.00947	0.00032	0.00021
31	PRESENT REVENUE	TOTREV	0.03348	0.00254	0.01116	0.00155	0.00051
32	PAYROLL EXCLUDING A&G	PAYXAG	0.01901	0.00217	0.00708	0.00016	0.00016
33	COMMON PLANT	PLTCOMN	0.00000	0.00000	0.00000	0.00000	0.00000
34	CHANGE IN REVENUE @ EQUALIZED	REVCHGC	(0.00003)	0.00976	0.01906	(0.00563)	(0.00112)
35	CHANGE IN REVENUE @ PROPOSED	REVCHGP	0.03343	0.00257	0.01139	0.00158	0.00052
36	NET PLANT - RESIDENTIAL ONLY	RESNTPT	0.00000	0.00000	0.00000	0.00000	0.00000
37	CAPITALIZED LABOR EXCL ACCT 371	CAPLABX	0.02051	0.00211	0.00676	0.00015	0.00015
38	WORKING CASH - GAS COSTS	WCGC	0.05208	0.00919	0.00000	0.00091	0.00078
39	WORKING CASH - OTHER	WCOTH	0.02090	0.00235	0.00961	0.00031	0.00020
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
INTERNALLY DEVELOPED CONT.								
REVENUES FROM GAS SALES								
BASE REVENUES		1.00000	0.70372	0.20122	0.04555	0.04739	0.00160	0.00052

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1	INTERNALLY DEVELOPED CONT.							
2								
3	REVENUES FROM GAS SALES							
4	BASE REVENUES		0.18674	0.01449	0.00239	0.04316	0.03343	0.01396
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		RESIDENTIAL		COMMERCIAL		
	ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
INTERNALLY DEVELOPED CONT.						
REVENUES FROM GAS SALES						
BASE REVENUES		0.68237	0.02135	0.18674	0.00463	0.00985

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		INDUSTRIAL		
	ALLOC	SM. VOL.	LG. VOL.	TRANS-PORTATION
		(19)	(20)	(21)
1 INTERNALLY DEVELOPED CONT.				
2 ----------				
3 REVENUES FROM GAS SALES				
4 BASE REVENUES		0.00239	0.00447	0.03868
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UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	PUBLIC AUTHORITY SM. VOL. (22)	PUBLIC AUTHORITY LG. VOL. (23)	PUBLIC AUTHORITY TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
INTERNALLY DEVELOPED CONT.						
REVENUES FROM GAS SALES						
BASE REVENUES		0.03343	0.00257	0.01139	0.00160	0.00052

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
RATIO TABLE CONT.								
INTERNALLY DEVELOPED								
DEVELOPMENT OF UNCOLLECTABLE FACTOR								
RESIDENTIAL REVENUE	RESREV	1.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
COMMERCIAL REVENUE	COMREV	1.00000	0.00000	0.99862	0.00000	0.00000	0.00000	0.00138
INDUSTRIAL REVENUE	INDREV	1.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
TRANSPORTATION REVENUE	TRAREV	1.00000	0.00000	0.16516	0.64053	0.19431	0.00000	0.00000
ALLOCATION OF BAD DEBTS								
RESIDENTIAL	RESREV							
COMMERCIAL	COMREV							
INDUSTRIAL	INDREV							
TRANSPORTATION	TRAREV							
ALLOCATED BAD DEBTS	BADDEBT	1.00000	0.57549	0.17533	0.19116	0.05785	0.00000	0.00017

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
RATIO TABLE CONT.							
INTERNALLY DEVELOPED							
DEVELOPMENT OF UNCOLLECTABLE FACTOR							
RESIDENTIAL REVENUE	RESREV	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
COMMERCIAL REVENUE	COMREV	0.97086	0.02776	0.00000	0.00000	0.00000	0.00000
INDUSTRIAL REVENUE	INDREV	0.00000	0.00000	0.19081	0.80919	0.00000	0.00000
TRANSPORTATION REVENUE	TRAREV	0.00000	0.16516	0.00000	0.64053	0.00000	0.19431
ALLOCATION OF BAD DEBTS							
RESIDENTIAL	RESREV						
COMMERCIAL	COMREV						
INDUSTRIAL	INDREV						
TRANSPORTATION	TRAREV						
ALLOCATED BAD DEBTS	BADDEBT	0.12265	0.05268	0.00009	0.19107	0.00000	0.05785

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		RESIDENTIAL		COMMERCIAL		
	ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
RATIO TABLE CONT.						
INTERNALLY DEVELOPED						
DEVELOPMENT OF UNCOLLECTABLE FACTOR						
RESIDENTIAL REVENUE	RESREV	0.96310	0.03690	0.00000	0.00000	0.00000
COMMERCIAL REVENUE	COMREV	0.00000	0.00000	0.97086	0.02776	0.00000
INDUSTRIAL REVENUE	INDREV	0.00000	0.00000	0.00000	0.00000	0.00000
TRANSPORTATION REVENUE	TRAREV	0.00000	0.00000	0.00000	0.00000	0.16516
ALLOCATION OF BAD DEBTS						
RESIDENTIAL	RESREV					
COMMERCIAL	COMREV					
INDUSTRIAL	INDREV					
TRANSPORTATION	TRAREV					
ALLOCATED BAD DEBTS	BADDEBT	0.55425	0.02124	0.12265	0.00351	0.04917

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
		ALLOC	SM. VOL.	LG. VOL.	TRANS-PORTATION
			(19)	(20)	(21)
1	RATIO TABLE CONT.				
2					
3	INTERNALLY DEVELOPED				
4	----------				
5					
6					
7	DEVELOPMENT OF UNCOLLECTABLE FACTOR				
8	RESIDENTIAL REVENUE	RESREV	0.00000	0.00000	0.00000
9	COMMERCIAL REVENUE	COMREV	0.00000	0.00000	0.00000
10	INDUSTRIAL REVENUE	INDREV	0.19081	0.80919	0.00000
11	TRANSPORTATION REVENUE	TRAREV	0.00000	0.00000	0.64053
12					
13	ALLOCATION OF BAD DEBTS				
14	RESIDENTIAL	RESREV			
15	COMMERCIAL	COMREV			
16	INDUSTRIAL	INDREV			
17	TRANSPORTATION	TRAREV			
18	ALLOCATED BAD DEBTS	BADDEBT	0.00009	0.00037	0.19070
19					
20					
21					
22					
23					
24					
25					
26					
27					
28					
29					
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32					
33					
34					
35					
36					
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42					
43					
44					
45					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			PUBLIC AUTHORITY			SPECIAL	
		ALLOC	SM. VOL.	LG. VOL.	TRANS-PORTATION	GAS LIGHT SERVICE	IRRIGATION
			(22)	(23)	(24)	(25)	(26)
1	RATIO TABLE CONT.						
2							
3	INTERNALLY DEVELOPED						
4	----------						
5							
6							
7	DEVELOPMENT OF UNCOLLECTABLE FACTOR						
8	RESIDENTIAL REVENUE	RESREV	0.00000	0.00000	0.00000	0.00000	0.00000
9	COMMERCIAL REVENUE	COMREV	0.00000	0.00000	0.00000	0.00000	0.00138
10	INDUSTRIAL REVENUE	INDREV	0.00000	0.00000	0.00000	0.00000	0.00000
11	TRANSPORTATION REVENUE	TRAREV	0.00000	0.00000	0.19431	0.00000	0.00000
12							
13	ALLOCATION OF BAD DEBTS						
14	RESIDENTIAL	RESREV					
15	COMMERCIAL	COMREV					
16	INDUSTRIAL	INDREV					
17	TRANSPORTATION	TRAREV					
18	ALLOCATED BAD DEBTS	BADDEBT	0.00000	0.00000	0.05785	0.00000	0.00017
19							
20							
21							
22							
23							
24							
25							
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36							
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39							
40							
41							
42							
43							
44							
45							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	TOTAL COMPANY (1)	RESIDENTIAL (2)	TOTAL COMMERCIAL (3)	TOTAL INDUSTRIAL (4)	TOTAL PUBLIC AUTH. (5)	SPECIAL GAS LIGHT SERVICE (6)	IRRIGATION (7)
INTERNALLY DEVELOPED CONT.								
487-FORFEITED DISCOUNTS								
REVENUE BY CLASS - RANGE NAME DEFINITION								
RESIDENTIAL SERVICE	REV487A	1.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
RESIDENTIAL CARES	REV487C	1.00000	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
COMMERCIAL SM. VOL.	REV487D	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
COMMERCIAL LG. VOL.	REV487F	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
COMMERCIAL TRANSPORTATION	REV487G	1.00000	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
INDUSTRIAL SM. VOL.	REV487H	1.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
INDUSTRIAL LG. VOL.	REV487I	1.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
INDUSTRIAL TRANSPORTATION	REV487J	1.00000	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
PUBLIC AUTHORITY SM. VOL.	REV487K	1.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
PUBLIC AUTHORITY LG. VOL.	REV487L	1.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
PUBLIC AUTHORITY TRANSPORT.	REV487M	1.00000	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
IRRIGATION	REV487N	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000
487-FORFEITED DISCOUNTS								
REVENUE BY CLASS - ALLOCATION								
RESIDENTIAL SERVICE	REV487A							
RESIDENTIAL CARES	REV487C							
COMMERCIAL SM. VOL.	REV487D							
COMMERCIAL LG. VOL.	REV487F							
COMMERCIAL TRANSPORTATION	REV487G							
INDUSTRIAL SM. VOL.	REV487H							
INDUSTRIAL LG. VOL.	REV487I							
INDUSTRIAL TRANSPORTATION	REV487J							
PUBLIC AUTHORITY SM. VOL.	REV487K							
PUBLIC AUTHORITY LG. VOL.	REV487L							
PUBLIC AUTHORITY TRANSPORT.	REV487M							
IRRIGATION	REV487N							
TOTAL FOREITED DISCOUNTS	FORFDISC	1.00000	0.51890	0.26804	0.11527	0.09687	0.00000	0.00092

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

	ALLOC	COMMERCIAL SM. VOL. (8)	COMMERCIAL LG. VOL. (9)	INDUSTRIAL SM. VOL. (10)	INDUSTRIAL LG. VOL. (11)	PUBLIC AUTHORITY SM. VOL. (12)	PUBLIC AUTHORITY LG. VOL. (13)
1 INTERNALLY DEVELOPED CONT.							
2 ----------							
3 487-FORFEITED DISCOUNTS							
4 REVENUE BY CLASS - RANGE NAME DEFINITION							
5 RESIDENTIAL SERVICE	REV487A	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
6							
7 RESIDENTIAL CARES	REV487C	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
8 COMMERCIAL SM. VOL.	REV487D	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
9							
10 COMMERCIAL LG. VOL.	REV487F	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
11 COMMERCIAL TRANSPORTATION	REV487G	0.00000	1.00000	0.00000	0.00000	0.00000	0.00000
12 INDUSTRIAL SM. VOL.	REV487H	0.00000	0.00000	1.00000	0.00000	0.00000	0.00000
13 INDUSTRIAL LG. VOL.	REV487I	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
14 INDUSTRIAL TRANSPORTATION	REV487J	0.00000	0.00000	0.00000	1.00000	0.00000	0.00000
15 PUBLIC AUTHORITY SM. VOL.	REV487K	0.00000	0.00000	0.00000	0.00000	1.00000	0.00000
16 PUBLIC AUTHORITY LG. VOL.	REV487L	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000
17 PUBLIC AUTHORITY TRANSPORT.	REV487M	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000
18 IRRIGATION	REV487N	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
19							
20 487-FORFEITED DISCOUNTS							
21 REVENUE BY CLASS - ALLOCATION							
22 RESIDENTIAL SERVICE	REV487A						
23							
24 RESIDENTIAL CARES	REV487C						
25 COMMERCIAL SM. VOL.	REV487D						
26							
27 COMMERCIAL LG. VOL.	REV487F						
28 COMMERCIAL TRANSPORTATION	REV487G						
29 INDUSTRIAL SM. VOL.	REV487H						
30 INDUSTRIAL LG. VOL.	REV487I						
31 INDUSTRIAL TRANSPORTATION	REV487J						
32 PUBLIC AUTHORITY SM. VOL.	REV487K						
33 PUBLIC AUTHORITY LG. VOL.	REV487L						
34 PUBLIC AUTHORITY TRANSPORT.	REV487M						
35 IRRIGATION	REV487N						
36 TOTAL FOREITED DISCOUNTS	FORFDISC	0.21558	0.05246	0.00537	0.10990	0.03319	0.06367
37							
38							
39							
40							
41							
42							

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

		RESIDENTIAL		COMMERCIAL		
	ALLOC	RESIDENTIAL SERVICE (14)	CARES (15)	SM. VOL. (16)	LG. VOL. (17)	TRANS-PORTATION (18)
1 INTERNALLY DEVELOPED CONT.						
2 ----------						
3 487-FORFEITED DISCOUNTS						
4 REVENUE BY CLASS - RANGE NAME DEFINITION						
5 RESIDENTIAL SERVICE	REV487A	1.00000	0.00000	0.00000	0.00000	0.00000
6						
7 RESIDENTIAL CARES	REV487C	0.00000	1.00000	0.00000	0.00000	0.00000
8 COMMERCIAL SM. VOL.	REV487D	0.00000	0.00000	1.00000	0.00000	0.00000
9						
10 COMMERCIAL LG. VOL.	REV487F	0.00000	0.00000	0.00000	1.00000	0.00000
11 COMMERCIAL TRANSPORTATION	REV487G	0.00000	0.00000	0.00000	0.00000	1.00000
12 INDUSTRIAL SM. VOL.	REV487H	0.00000	0.00000	0.00000	0.00000	0.00000
13 INDUSTRIAL LG. VOL.	REV487I	0.00000	0.00000	0.00000	0.00000	0.00000
14 INDUSTRIAL TRANSPORTATION	REV487J	0.00000	0.00000	0.00000	0.00000	0.00000
15 PUBLIC AUTHORITY SM. VOL.	REV487K	0.00000	0.00000	0.00000	0.00000	0.00000
16 PUBLIC AUTHORITY LG. VOL.	REV487L	0.00000	0.00000	0.00000	0.00000	0.00000
17 PUBLIC AUTHORITY TRANSPORT.	REV487M	0.00000	0.00000	0.00000	0.00000	0.00000
18 IRRIGATION	REV487N	0.00000	0.00000	0.00000	0.00000	0.00000
19						
20 487-FORFEITED DISCOUNTS						
21 REVENUE BY CLASS - ALLOCATION						
22 RESIDENTIAL SERVICE	REV487A					
23						
24 RESIDENTIAL CARES	REV487C					
25 COMMERCIAL SM. VOL.	REV487D					
26						
27 COMMERCIAL LG. VOL.	REV487F					
28 COMMERCIAL TRANSPORTATION	REV487G					
29 INDUSTRIAL SM. VOL.	REV487H					
30 INDUSTRIAL LG. VOL.	REV487I					
31 INDUSTRIAL TRANSPORTATION	REV487J					
32 PUBLIC AUTHORITY SM. VOL.	REV487K					
33 PUBLIC AUTHORITY LG. VOL.	REV487L					
34 PUBLIC AUTHORITY TRANSPORT.	REV487M					
35 IRRIGATION	REV487N					
36 TOTAL FOREITED DISCOUNTS	FORFDISC	0.50846	0.01044	0.21558	0.00581	0.04665
37						
38						
39						
40						
41						
42						

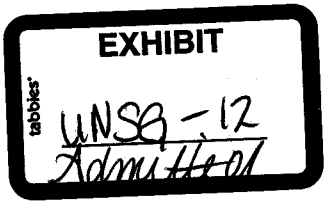
UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			INDUSTRIAL		
		ALLOC	SM. VOL. (19)	LG. VOL. (20)	TRANS-PORTATION (21)
1	INTERNALLY DEVELOPED CONT.				
2	----------				
3	487-FORFEITED DISCOUNTS				
4	REVENUE BY CLASS - RANGE NAME DEFINITION				
5	RESIDENTIAL SERVICE	REV487A	0.00000	0.00000	0.00000
6					
7	RESIDENTIAL CARES	REV487C	0.00000	0.00000	0.00000
8	COMMERCIAL SM. VOL.	REV487D	0.00000	0.00000	0.00000
9					
10	COMMERCIAL LG. VOL.	REV487F	0.00000	0.00000	0.00000
11	COMMERCIAL TRANSPORTATION	REV487G	0.00000	0.00000	0.00000
12	INDUSTRIAL SM. VOL.	REV487H	1.00000	0.00000	0.00000
13	INDUSTRIAL LG. VOL.	REV487I	0.00000	1.00000	0.00000
14	INDUSTRIAL TRANSPORTATION	REV487J	0.00000	0.00000	1.00000
15	PUBLIC AUTHORITY SM. VOL.	REV487K	0.00000	0.00000	0.00000
16	PUBLIC AUTHORITY LG. VOL.	REV487L	0.00000	0.00000	0.00000
17	PUBLIC AUTHORITY TRANSPORT.	REV487M	0.00000	0.00000	0.00000
18	IRRIGATION	REV487N	0.00000	0.00000	0.00000
19					
20	487-FORFEITED DISCOUNTS				
21	REVENUE BY CLASS - ALLOCATION				
22	RESIDENTIAL SERVICE	REV487A			
23					
24	RESIDENTIAL CARES	REV487C			
25	COMMERCIAL SM. VOL.	REV487D			
26					
27	COMMERCIAL LG. VOL.	REV487F			
28	COMMERCIAL TRANSPORTATION	REV487G			
29	INDUSTRIAL SM. VOL.	REV487H			
30	INDUSTRIAL LG. VOL.	REV487I			
31	INDUSTRIAL TRANSPORTATION	REV487J			
32	PUBLIC AUTHORITY SM. VOL.	REV487K			
33	PUBLIC AUTHORITY LG. VOL.	REV487L			
34	PUBLIC AUTHORITY TRANSPORT.	REV487M			
35	IRRIGATION	REV487N			
36	TOTAL FOREITED DISCOUNTS	FORFDISC	0.00537	0.01110	0.09880
37					
38					
39					
40					
41					
42					

UNS GAS COMPANY
COST OF SERVICE STUDY
12 MONTHS ENDED DECEMBER 31, 2005

			PUBLIC AUTHORITY				
		ALLOC	SM. VOL. (22)	LG. VOL. (23)	TRANS-PORTATION (24)	SPECIAL GAS LIGHT SERVICE (25)	IRRIGATION (26)
1	INTERNALLY DEVELOPED CONT.						
2	----------						
3	487-FORFEITED DISCOUNTS						
4	REVENUE BY CLASS - RANGE NAME DEFINITION						
5	RESIDENTIAL SERVICE	REV487A	0.00000	0.00000	0.00000	0.00000	0.00000
6							
7	RESIDENTIAL CARES	REV487C	0.00000	0.00000	0.00000	0.00000	0.00000
8	COMMERCIAL SM. VOL.	REV487D	0.00000	0.00000	0.00000	0.00000	0.00000
9							
10	COMMERCIAL LG. VOL.	REV487F	0.00000	0.00000	0.00000	0.00000	0.00000
11	COMMERCIAL TRANSPORTATION	REV487G	0.00000	0.00000	0.00000	0.00000	0.00000
12	INDUSTRIAL SM. VOL.	REV487H	0.00000	0.00000	0.00000	0.00000	0.00000
13	INDUSTRIAL LG. VOL.	REV487I	0.00000	0.00000	0.00000	0.00000	0.00000
14	INDUSTRIAL TRANSPORTATION	REV487J	0.00000	0.00000	0.00000	0.00000	0.00000
15	PUBLIC AUTHORITY SM. VOL.	REV487K	1.00000	0.00000	0.00000	0.00000	0.00000
16	PUBLIC AUTHORITY LG. VOL.	REV487L	0.00000	1.00000	0.00000	0.00000	0.00000
17	PUBLIC AUTHORITY TRANSPORT.	REV487M	0.00000	0.00000	1.00000	0.00000	0.00000
18	IRRIGATION	REV487N	0.00000	0.00000	0.00000	0.00000	1.00000
19							
20	487-FORFEITED DISCOUNTS						
21	REVENUE BY CLASS - ALLOCATION						
22	RESIDENTIAL SERVICE	REV487A					
23							
24	RESIDENTIAL CARES	REV487C					
25	COMMERCIAL SM. VOL.	REV487D					
26							
27	COMMERCIAL LG. VOL.	REV487F					
28	COMMERCIAL TRANSPORTATION	REV487G					
29	INDUSTRIAL SM. VOL.	REV487H					
30	INDUSTRIAL LG. VOL.	REV487I					
31	INDUSTRIAL TRANSPORTATION	REV487J					
32	PUBLIC AUTHORITY SM. VOL.	REV487K					
33	PUBLIC AUTHORITY LG. VOL.	REV487L					
34	PUBLIC AUTHORITY TRANSPORT.	REV487M					
35	IRRIGATION	REV487N					
36	TOTAL FOREITED DISCOUNTS	FORFDISC	0.03319	0.00758	0.05610	0.00000	0.00092
37							
38							
39							
40							
41							
42							

BEFORE THE ARIZONA CORPORATION COMMISSION



COMMISSIONERS
JEFF HATCH-MILLER- CHAIRMAN
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	)	DOCKET NO. G-04204A-06-0463

Direct Testimony of

Dallas J. Dukes

on Behalf of

UNS Gas, Inc.

July 13, 2006

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I. INTRODUCTION.

Q. Please state your name and business address.

A. My name is Dallas J. Dukes and my business address is One South Church Ave, Tucson, Arizona, 85702.

Q. By whom are you employed and what are your duties and responsibilities?

A. I am the Director of Revenue Requirements for Tucson Electric Power Company ("TEP"). TEP, UNS Gas, Inc. ("UNS Gas" or the "Company") and UNS Electric, Inc. ("UNS Electric") are all regulated subsidiaries of UniSource Energy Corporation ("UniSource Energy"). As Director of Revenue Requirements, I am responsible for monitoring and determining revenue requirements for all the regulated utility subsidiaries of UniSource Energy.

Q. Please describe your background and work experience.

A. I hold a Bachelors of Science degree in Accounting from Indiana University. I am also a Certified Public Accountant licensed in the State of Indiana. I have over fifteen years experience as an accountant within the utility industry. Before assuming my current position, I was employed as the Director of Accounting for TEP.

Prior to that, I was employed by Citizens Gas & Coke Utility ("Citizens Gas") for approximately five years. Citizens Gas serves approximately 265,000 customers in the Indianapolis, Indiana area. The majority of my time at Citizens Gas was spent as the Controller.

Before then, I was the Controller and Director of Regulatory Affairs for Fountaintown Natural Gas Company and Southeastern Indiana Natural Gas Company.

Prior to that, I was employed by the Indiana Office of Utility Consumer Counselor ("OUCC") for approximately seven years. The majority of my time at the OUCC was spent as a Principal Accountant. My primary duties at the OUCC were to perform professional investigative audits and to represent the public's interest as an expert witness in proceedings before the Indiana Utility Regulatory Commission.

Q. Could you please summarize your testimony?

A. I am supporting the Company's request for a rate increase by sponsoring Schedules A-1, A-2, A-5, C-1 and C-2 and the pro forma accounting adjustments reflected on Schedules C listed below:

(i) Griffith Power Plant ("Griffith Plant") Operations;

(ii) Purchased Gas Cost and Gas Cost Revenue;

(iii) Negotiated Sales Program ("NSP") Revenue & Gas Cost;

(iv) Payroll Expense;

(v) Payroll Tax Expense;

(vi) Pensions and Benefits;

(vii) Post-Retirement Medical;

(viii) Worker's Compensation;

(ix) Incentive Compensation;

(x) Rate Case Expense;

(xi) Bad Debt Expense;

(xii) Interest on Customer Deposits;

(xiii) Fleet Fuel Expense;

(xiv) Amortization of GIS Expenditures;

(xv) Out of Period Expenses;

(xvi) Year-end Accruals;

(xvii) Advertising and Donations;

(xviii) Postage Expense;

(xix) Customer Assistance Residential Energy Support ("CARES") Expenses;

(xx) Depreciation & Property Tax for Construction Work In Progress ("CWIP");

(xxi) Gain on Sale of Prescott Property;

(xxii) Corporate Cost Allocations; and

(xxiii) Customer Service Cost Allocations.

Q. Please describe the information contained in summary Schedule A-1?

A. Schedule A-1 provides a summary of the increase in revenue requirement that UNS Gas is seeking as a rate increase in this case. Lines 1-8 of Schedule A-1 present the data utilized in determining the Company's revenue requirement. The data is presented pursuant to three valuation methodologies: (1) original cost; (2) reconstruction cost new less depreciation ("RCND"); and (3) fair value. The fair value is determined by adding together the original cost and RCND rate base amounts and dividing that total by two. This gives equal weight to both methods in determining the fair value amount. This method of determining the fair value is consistent with prior Commission practice.

The test year that the Company utilized for this rate case is the twelve months ending December 31, 2005. As set forth in Schedule A-1, the original cost rate base is $161,661,362 and the RCND rate base is $221,197,435. Under standard Arizona Corporation Commission ("ACC" or the "Commission") practice, the fair value rate base is considered to be $191,429,398.

Schedule A-1 supports a finding that UNS Gas presently has an operating income deficiency of $5,794,198 and is entitled to an increase in revenues of $9,646,901. Lines 9-15 of Schedule A-1 present how the revenue increase would be allocated among UNS Gas' customers by class.

II. PRO FORMA ADJUSTMENTS.

Q. Please explain the consideration of pro forma adjustments in the rate case process.

A. Public utility rates are based on the reasonable and prudently incurred costs of providing safe, reliable service. The revenue requirement underlying rates is developed on the basis of a test year that reflects a level of operating revenues and expenses and net plant investment that is representative of normal conditions that are expected to exist during the time that resulting rates may be in effect. This affords the utility a reasonable opportunity to achieve a fair rate of return, as authorized by the respective regulatory authority.

Pro forma adjustments are made to recorded test year amounts that are not required for the provision of service or that are not representative of the levels expected to occur during the period in which the new rates will be in effect. Such adjustments may be made in the form of eliminations, annualizations, or normalizations.

Elimination adjustments are made to remove out-of-period or non-recurring transactions, or items that are not costs or revenues related to the provision of utility service; thus, not eligible for reflection in revenue requirements.

Annualization adjustments are made to reflect the full, twelve-month revenue or expense level of certain components of operating income. They are typically computed using end-of-test year quantities and the most current known and measurable prices and rates. Examples in this case include restating test year operating revenues to reflect customer levels at the end of the test year, adjusting payroll expense to reflect current salary rates and changes in employee levels during the test year, and adjusting recorded depreciation expense to reflect the full effect of plant additions and retirements during the test year.

Normalization adjustments reflect that the recorded test year operating revenues and expenses may not be representative of a normal level for ratemaking purposes. Certain events may have affected recorded transactions in an atypical manner. Moreover, some transactions eligible for reflection in revenue requirements are incurred at intervals less frequently than annually, provide benefits extending beyond a single year, or reoccur in significantly different amounts each year. As a result, the amounts recorded in the test year may not be viewed as "normal," thus requiring a restatement for ratemaking purposes. Normalization adjustments are made in such instances when a test year level of revenues or expenses is not representative of what would be expected on an on-going basis. Examples in this case include the adjustment for bad debt expense, the overtime factor implicit in the payroll adjustment, and the adjustment to normalize the level of postage expense.

Q. Were the pro forma adjustments that you are sponsoring in your testimony prepared by you or under your supervision?

A. Yes, they were.

III. OPERATING INCOME ADJUSTMENTS.

Q. Please explain the Griffith Plant adjustment.

A. This adjustment removes the revenues and expenses associated with serving the Griffith Plant. The Griffith Plant costs are recovered pursuant to a specific contract between UNS Gas and the owners of Griffith Plant. This special contract was approved by the Commission in Decision No. 61835 (July 21, 1999). Pursuant to that Decision, the plant, revenue, and expenses are excluded from rate base and revenue requirements for the purpose of general retail ratemaking.

Q. Please explain the Purchased Gas Cost and Gas Revenue adjustment.

A UNS Gas is recommending that no base cost of gas be built into its revenue requirements. Rather the base cost of gas should be recovered through the Purchase Gas Adjustor ("PGA") rate. The details of this recommendation are included in the Direct Testimony of Mr. David G. Hutchens. To reflect this recommendation in our adjusted operating income I have removed all purchased gas expenses and gas cost revenues. This represents a removal of the base cost of gas charged to the customers, PGA rates charged to the customers and approved surcharges charged to customers during the test year. This adjustment has zero impact on operating income as there is no profit associated with the recovery of purchased gas expenditures.

Q. Please explain the NSP Adjustment.

A. The NSP allows the Company to participate in the competitive bidding process of its transportation customers who are seeking to purchase gas supplies for their own use in accordance with a transportation tariff. The Company, in accordance with Decision No. 59399, credits the PGA bank account for 50% of the sales margin, unless the NSP customer is a transportation customer who was a bundled sales customer anytime during the most recent three year period. In that case, the Company credits the PGA bank 100% of the sales margin.

The test year income statement reflects revenues received and the gas cost incurred to serve NSP customers excluding the sales margin recorded into the PGA bank. The adjustment removes all remaining revenues and purchased gas expense from the sale of natural gas to NSP customers. This is necessary because the remaining sales margin is the portion to be retained by the Company.

Q. Please explain the Payroll adjustment.

A. The payroll adjustment is intended to reflect in operating expenses an annualized level of salaries and wages based on current rates of pay and the number of employees on the UNS Gas payroll at the end of the test year.

Q. What do you mean by "annualized level"?

A. The revenue requirement used to establish service rates should reflect a degree of business activity that would likely exist on an on-going basis during the period that such rates are likely to be in effect. As described in more detail in the Direct Testimony of Mr. Gary A. Smith, UNS Gas has experienced very rapid customer growth and expansion of the system. Because of this growth, employees have had to be added throughout the test year. During the test year, UNS Gas employee count has gone from 193 to 203. The adjustment reflects employee levels and rates of pay known and measurable at the end of the test year.

Q. Please explain the Payroll Tax Adjustment.

A. The payroll tax adjustment was computed in a manner similar to and consistent with the payroll adjustment. An annualized level of payroll taxes was computed using current payroll tax rates and the same end-of-test-year employee levels and current salary rates that were used in the payroll adjustment.

Q. Please explain the Post Retirement Medical Adjustment.

A. For ratemaking purposes, the Commission historically required the Company's predecessor, Citizens Communications Company ("Citizens"), to reflect post-retirement medical costs in revenue requirements on a cash basis. This adjustment effectively converts the amounts reflected in test year operating expenses from an accrual to a cash basis.

Q. Please explain the Worker's Compensation Costs Adjustment?

A. Similar to the post retirement medical adjustment, the Commission historically required the Company's predecessor, Citizens, to reflect worker's compensation costs in revenue requirements on a cash basis. This adjustment converts the amounts reflected in test year operating expenses from an accrual to a cash basis.

Q. Please explain the Incentive Compensation Adjustment.

A. Incentive compensation is an integral part of the Company's compensation and benefits program. The Company's Incentive Compensation program is calculated on specific corporate performance, and is designed to award non-union employees for their contributions to the Company. The goals are measured throughout the year, and final payout is determined based on year-end results, with payments made to employees late first quarter or early second quarter of the following year.

The adjustment is calculated by taking the average of the incentive compensation expense for the past two years and adjusting the amount reflected in test year operating expenses to that level. Since the incentive compensation payments are subject to payroll taxes, a portion of the adjustment reflects the incremental effect of payroll taxes thereon.

Q. Please explain the Rate Case expense adjustment.

A. The rate case expense adjustment addresses the outside costs thus far incurred and expected yet to be incurred in connection with the conduct of this rate case. This amount is an estimate of the anticipated final cost and will be updated prior to the record in this proceeding closing. The adjustment amortizes the balance to expense over three-years; the approximate time period between the filing of this rate case and the point at which the next rate case is likely to occur.

Q. Please explain the Bad Debt Expense Adjustment.

A. Bad debt expense is adjusted to a level reflective of final, pro forma weather-normalized, customer-annualized test year operating revenues, and the average percentage of actual account write-offs experienced during the past two years. This method of calculating bad debt expense is consistent with past Commission accepted practice.

Q. Please explain the Interest on Customer Deposits Adjustment.

A. The interest on customer deposits adjustment annualizes interest expense to reflect an occurrence of a six percent rate on the rate base level proposed in the Direct Testimony of Ms. Karen G. Kissinger.

Q. Please explain the Fleet Fuel Expense Adjustment.

A. This adjustment was made based on the level of vehicles and personnel at the end of the test year. We took this end-of-year level and calculated an annualized level of fuel usage. We then applied the most recent actual fuel rates experienced by UNS Gas to determine the pro forma expense.

Q. Please explain the amortization of Geographic Information System ("GIS") Expenditures.

A. This adjustment represents the recovery of the GIS Expenditures discussed in the Direct Testimony of Mr. Smith over the estimated life of the rates being established in this proceeding.

Q. Why were these expenditures expensed during the test year, rather than capitalized?

A. The expenditures UNS Gas is requesting to recover were primarily paid to an outside contractor and related to data conversion. Generally Accepted Accounting Principles

("GAAP") require that these types of expenditures be expensed as incurred, in accordance with SOP 98-1 - Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. This treatment is also consistent with UNS Gas' interpretation of the Uniform System of Accounts ("USOA") prescribed treatment.

Q. Please explain the Out of Period Expenses adjustment.

A. In preparation for this filing we reviewed expense accounts and material transactions in an attempt to identify expenditures that were not reflective of on-going recurring business activity at UNS Gas and/or that belonged in other periods. In doing so, we identified certain expenses that belonged in a prior period and this adjustment reflects those corrections.

Q. Please explain the Year-end Accrual adjustment.

A. As part of the review discussed above, we also looked at all year-end accrued expense entries and compared them to the actual expenses incurred. In doing so, we identified some corrections to actual and those corrections are reflected in this entry.

Q. Please explain the Advertising and Donation Expense adjustment.

A. The advertising and donation expense adjustment removes sponsorships and support payments to local organizations from test year expenses.

Q. Please explain the Postage adjustment.

A. Postage expenditure levels vary considerably due to many factors. Such factors include the size, weight and rate of occurrence for things like safety literature, informational mailings and other materials sent directly to customers. Because of this variance, I used a two year average to determine a normal level of postage expense and then adjusted it for the postage rate increase that went into effect on January 8, 2006.

Q. Please explain the CARES Program expense adjustment.

A. The CARES program expense adjustment reflects the impact of the requested change in program discounts discussed in Mr. Smith's testimony. This adjustment also reflects the impact of removing some prior period adjustments that were made during the test year directly related to the true-up of the accounting for the CARES program.

Q. Please explain the Depreciation and Property Tax for CWIP adjustment.

A Mr. Kentton C. Grant explains in his Direct Testimony the Company's request for the inclusion of CWIP balance at the end of the test year into rate base. Mr. Grant discusses an approximately $1.5 million impact to annual revenues. Implicit in this revenue impact is the inclusion of the CWIP balance as plant in service. This inclusion would impact both the annualized depreciation adjustment and the property tax adjustment. This particular adjustment was calculated independently from the other depreciation and property tax adjustments to allow the impact to be easily identified. The depreciation of CWIP was calculated using the composite depreciation rate proposed by Dr. Ronald E. White in his Direct Testimony. The property tax adjustment was prepared consistent with the property tax adjustment proposed by Ms. Kissinger in her Direct Testimony.

Q. Please explain the Gain on the Sale of the Prescott Building adjustment.

A. In the first quarter of 2006 the sale of the "Prescott Building" was completed. This sale was approved by the Commission in Decision No. 68180 (September 30, 2005). In that proceeding, UNS Gas and the Staff agreed that the gain from the sale should be shared equally by the shareholders and ratepayers. This adjustment reflects the ratepayer's equal share of the gain being amortized over the estimated life of the rates as a reduction in the revenue requirements. The treatment of the gain on this sale was deferred until the next rate case.

IV. COST RESPONSIBILITY AND ALLOCATIONS.

Q. Briefly describe how costs associated with UNS Gas' administrative and operational support departments are treated in this rate application.

A. Costs are incurred directly at either the UNS Gas, UniSource Energy or TEP levels. Costs that are incurred at the UNS Gas level are expensed directly to UNS Gas, and are called "Direct Costs". Costs that are incurred at the UniSource Energy or TEP levels, are either charged directly to UNS Gas, or a portion thereof is allocated to UNS Gas (if the cost is common or beneficial to all UniSource Energy companies). The costs that are charged directly to UNS Gas from TEP are called "Direct Charges". The costs that are allocated to UNS Gas, if the cost is common or beneficial to all UniSource Energy companies, are called "Indirect Allocations".

V. DIRECT CHARGES.

Q. How does TEP charge UNS Gas for administrative and/or other operational activities that are undertaken on its behalf?

A. TEP administrative and/or operational personnel labor, performed specifically for the benefit of UNS Gas, is charged directly to UNS Gas. Specific activity tracking processes with pre-defined accounting (tasks) were established at the acquisition by UNS Gas to capture and charge time spent by TEP departments in direct support of UNS Gas. The labor loads (FICA, pensions and benefits) associated with these direct labor charges are also charged, as well as a rental charge for use of intangible and general plant (referred to as a "Building Usage").

Non-labor charges are handled in a similar manner. As costs are incurred that are in direct support of UNS Gas, the TEP department that manages that function will pay the

bill from TEP but charge it to UNS Gas (through specific tasks on a voucher request, for example.) Occasionally, a TEP department may still manage a cost for UNS Gas, but the cost is treated and expensed as a Direct Cost (that is, invoiced and billed directly to UNS Gas and not through TEP to then be charged).

VI. INDIRECT ALLOCATIONS.

Q. What is an Indirect Allocation?

A. An indirect allocation is used to appropriately charge UNS Gas for its fair share of a system or a process. These may be for costs that are common or beneficial to the entire organization. There are various system allocations included as part of the indirect allocations, a Customer Service Cost allocation, and an allocation for corporate-type costs.

Q. How are system costs determined and split among the UniSource Energy companies?

A. Amounts necessary to maintain and manage a particular Information Technology system are accumulated in individual projects. The dollars are then allocated, and charged, to the UniSource Energy companies based on usage. For example, all financial plant and general ledger transactions are maintained in the Oracle system for TEP, UNS Gas and UNS Electric. Amounts associated with the cost of running the Oracle system are tracked in individual projects. The dollars accumulated in the specific Oracle projects are then charged or allocated to the appropriate companies based on the number of Oracle transactions supporting each particular company.

Q. How does the Customer Service Cost Allocation differ?

A. While the Customer Service Cost Allocation does track all costs in projects associated with running an integrated customer service center in Tucson, it allocates the amounts back to each Company based on a combination of specific customer talk time at each location and/or customer count.

Q. What about corporate-related costs that are included as part of the indirect allocations?

A. These are primarily employee expenses, including salary and benefits, which are accumulated as part of what is called the UNS Allocation. Also included are items such as costs of Sarbanes-Oxley compliance, certain legal expenses, and investor relations, all of which cover over 80% of the total allocation. These are costs that are common or beneficial to the entire organization, and the dollars are accumulated and allocated or charged to the various UniSource Energy companies based on the Massachusetts three-factor formula. The holding company order approved for UniSource Energy and issued by the Commission in Decision No. 60480 (November 25, 1997) approved an allocation policy which specifies the use of the Massachusetts formula. The three-factor formula is updated annually, and for this rate application it was calculated using end of test year data.

Q. Please explain the three-factor formula.

A. The three factor formula is based on the average of three equally-weighted components. These components are (i) payroll; (ii) plant and tangible assets; and (iii) total revenues. The three-factor formula, commonly referred to as the Massachusetts Formula, is a common and accepted allocation methodology.

Q. Please explain the Customer Service Cost Allocations Adjustment.

A. In May of 2005, the call center and customer service functions for UNS Gas were moved to Tucson to be integrated with TEP and UNS Electric. Because this change took place part way through the test year, it was necessary to annualize the expenses associated with the operation of the call center.

Q. Please explain the Corporate Cost Allocations Adjustment.

A. As explained above, costs that are common or beneficial to the entire UniSource Energy organization are accumulated in specific task or projects and then are allocated or charged to the various UniSource Energy companies based on the Massachusetts three-factor formula. In this adjustment, the charges to be allocated were reviewed and those that were non-recurring or not reflective of on-going expense levels were removed. Charges that were incurred during the test year that should have been included within the allocation were added to the pool. The labor and benefits charged to the pool were adjusted to reflect the rates and levels at the end of the test year. We then calculated the pro forma allocation to UNS Gas based on the Massachusetts three-factor formula. The three-factor formula was calculated using end of test year data.

VII. A SCHEDULES.

Q. Have you described Schedule A-1 earlier in your testimony?

A. Yes. Again Schedule A-1 is a summary of the increase in revenue requirement that UNS Gas is seeking as a rate increase in this case.

Q. Please describe the information contained in Schedule A-2.

A. Schedule A-2 presents a summary of the results of operations for the test year and two prior fiscal years, compared with the projected year. Lines 1-16 of Schedule A-2 set

forth the summary of operations for the years ending December 31, 2003 and December 31, 2004, and the test year ending December 31, 2005. Schedule A-2 also presents projected results of operations for the year ending December 31, 2006 under the headings "present rates" and "proposed rates".

Q. Please comment on the information presented in Schedule A-2.

A. The data contained in Schedule A-2 shows that net income ranged between $1 and $5.7 million during the past three years. The projected net income is $3.7 million in 2006. The schedule also shows that the projected total company Return on Average Common Equity without adjustments or allocations is 4.53% in 2006. This demonstrates that, absent a rate increase, UNS Gas is projected to earn a return which is substantially less than the 11.0% supported in this case.

Q. Please describe the information contained in Schedule A-5.

A. Schedule A-5 presents statements of changes in financial position for the years ending December 31, 2003 and December 31, 2004, the test year ending December 31, 2005 and the projected year ending December 31, 2006.

VIII. C SCHEDULES.

Q. Please describe the **Schedules.**

A. Section C, comprised of Schedule Nos. C-1 through C-3, presents the development of the net operating income or "return" component of revenue requirements submitted for Commission consideration in this rate case filing.

Q. Please explain Schedule C-1.

A. Schedule C-1 shows the actual Income Statement for the test year. It also summarizes the effect of the proposed pro forma adjustments to recorded operating revenues and expenses, and the resulting adjusted net operating income.

Q. What is the purpose of Schedule C-2?

A. Schedule C-2 presents the detailed pro forma adjustments that reflect the full annual impact of operating changes, annualizations, normalizations, and other adjustments made to revenues and expenses as explained previously in this testimony.

Q. What is the purpose of Schedule C-3?

A. Schedule C-3 contains the development of the Gross Revenue Conversion Factor. That factor is used to convert the computed test year return deficiency to an equivalent annual revenue increase amount. It effectively recognizes that there will be additional bad debt expense and income taxes associated with any adjustment to annual revenue levels.

Q. Does this conclude your direct testimony?

A. Yes it does.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
MIKE GLEASON- CHAIRMAN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	DOCKET NO. G-04204A-06-463
IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. TO REVIEW AND REVISE ITS PURCHASED GAS ADJUSTOR.	DOCKET NO. G-04204A-06-0013
IN THE MATTER OF THE INQUIRY INTO THE PRUDENCE OF THE GAS PROCUREMENT PRACTICES OF UNS GAS, INC.	DOCKET NO. G-04204A-05-0831

Rebuttal Testimony of

Dallas J. Dukes

on Behalf of

UNS Gas, Inc.

March 16, 2007

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Exhibits

Exhibit DJD-1 Comparison of Adjustments to Revenue Requirements

I. INTRODUCTION.

Q. Please state your name and business address.

A. My name is Dallas J. Dukes and my business address is One South Church Avenue, Tucson, Arizona 85702

Q. Are you the same Dallas J. Dukes that filed file Direct Testimony is this case?

A. Yes.

Q. Have you reviewed the Direct Testimony filed by the Commission Staff and Intervenors in this case?

A. Yes, I have.

Q. Which Commission Staff and/or Intervenor Direct Testimonies will you be addressing in your Rebuttal Testimony?

A. In my Rebuttal Testimony, I address adjustments that Staff Witness Ralph C. Smith recommends in his Direct Testimony. I also address several adjustments that Residential Utility Consumer Office ("RUCO") witnesses Marylee Diaz Cortez and Rodney L. Moore propose in their Direct Testimonies. While I agree with some of the adjustments made, the majority of adjustments Staff and RUCO make are inappropriate and should not be accepted. Further, I provide ample justification for UNS Gas, Inc.'s ("UNS Gas" or the "Company") proposals on these items in my Rebuttal Testimony in order to rebut these Staff and RUCO adjustments. In short, I believe the adoption of many of Staff's and RUCO's adjustments is not supportable based on all of the evidence and documents in this case.

II. REBUTTAL TO STAFF WITNESS RALPH C. SMITH.

Q. Could you please summarize your view of the Direct Testimony filed by Mr. Ralph C. Smith on behalf of Staff?

A. I disagree with several of the adjustments he makes in his Direct Testimony.

A. Bad Debt Expense (Staff Adjustment C-3).

Q. Mr. Dukes, do you agree with the recommendation of Mr. Smith for Bad Debt Expense?

A. Partially. Mr. Smith has basically used the Company's bad debt expense calculation. The differences are attributable to Mr. Smith using the Staff's revenue adjustments for customer annualization and weather normalization as opposed to the Company's. The Staff's adjustments are being opposed by Company's rebuttal witness, D. Bentley Erdwurm, and for reasons stated in his Rebuttal Testimony the Company's bad debt expense adjustment should be accepted without change.

B. Remove Depreciation & Property Taxes for Construction Work in Progress ("CWIP") (Staff Adjustment C-4).

Q. Do you agree with Mr. Smith's adjustment to remove the Company's proposed Depreciation and Property Tax adjustment for CWIP included in rate base?

A. No. The adjustment is directly associated with the inclusion of CWIP in rate base as a plant item. Mr. Kentton C. Grant is the Company's witness in support of the inclusion of CWIP in rate base. Because CWIP should be included in rate base for the reasons Mr. Grant explains in his Rebuttal Testimony, the Company's depreciation and property tax adjustment should not be adjusted as Mr. Smith proposes.

Q. If the Commission chooses to exclude CWIP from rate base are there other adjustments to rate base that should be made?

A. Yes. If the Commission disallows the inclusion of the CWIP balance that UNS Gas is requesting within rate base; then the customer advances directly related to projects within that CWIP balance should also be taken out as a reduction to rate base. There is $4,158,264 within the customer advances total that is directly related to projects contained in the CWIP balance as of the end of the test year. It would not be proper to reduce rate base for advances that are directly for plant items that are not included within rate base.

C. <u>Geographic Information System ("GIS") Expenditures (Staff Adjustments B-2 & C-5)</u>.

Q. Do you agree with Mr. Smith's recommendation to disallow the Company's request to include GIS expenditures as a regulatory asset and to recover that asset through amortization?

A. No. I do not.

Q. Can you give a quick overview of why the Company is requesting the inclusion of certain GIS expenditures within rate base?

A. Yes. The Company is requesting the recovery of, and on, certain GIS expenditures (made in response to the directive of the Commission) that provide present and future benefits to customers.

In 2002, the Commission's Pipeline Safety Section Staff issued a directive to the Arizona Gas Division of Citizens Communications Company ("Citizens Gas") to complete the

mapping of service lines. In August 2003, UniSource Energy Corporation ("UniSource") purchased Citizens Gas assets, which then became part of UNS Gas. The Company initiated a project to locate and map into GPS all of the existing service lines in order to comply with the Commission directive.

Initially, this project was classified as a capital project based on the information submitted to the accounting department at the time the project was being approved. However, in the final quarter of the test year the accounting department became aware of the misclassification and made an adjusting entry to properly classify expenditures as an expense per Generally Accepted Accounting Principles ("GAAP"). In December 2005, a correcting entry was made and $897,000 (pre-tax) of expenditures was expensed that had originally been capitalized. These changes all occurred during UNS Gas' test year in this case.

Q. Why didn't the Company request an Accounting Order to defer the GIS expenditures in question?

A. The appropriate time to request an accounting order would have been in 2003, prior to beginning the project. However, as I stated above, the Company initially believed this was a capital project and thus had no reason to request deferral treatment at that time. The accounting adjustment itself (from capital to expense) was not finalized until December 2005. Thus, the correction was made in the final month of the test year and impacted the operating income of the test year.

Because the impact was within the test year, the Company believes the more appropriate action is to seek the requested treatment within a rate case. Thus, we have requested the Commission allow the Company to back the GIS expenditures out of the test year, record

them as a regulatory asset and allow recovery of the expense over the expected life of the rates.

Q. What were the reasons Mr. Smith provided for excluding the GIS expenditures from rate base?

A. Mr. Smith states the following on pages 16 to 17 in his Direct Testimony:

> Based on a review of the Company's October 3, 2005 memo and the supporting documentation provided by UNS Gas, Staff concludes that the deferred GIS costs requested by UNS Gas are not an appropriate rate base item, do not qualify as a "regulatory asset," were not pre-approved for deferral by the Commission, are non-recurring costs that should have largely been expensed by the Company in periods prior to the 2005 test year, and the therefore are not appropriate to include in test year rate base.

Q. Do you agree with Mr. Smith's assertion that the GIS costs are not an appropriate rate base item?

A. No, I do not. Mr. Smith did not question the prudence of the expenditures or the benefits of GIS to customers. It was also pointed out by the Company's witness, Gary A. Smith, that the Company incurred the GIS expenditures in response to a directive from the Commission's Pipeline Safety Section.

Ultimately, the Commission has broad discretion to decide what types of expenditures merit rate base treatment. It is the Company's position that these particular expenditures represent a substantial one-time investment in the initial implementation of a system that provides benefits to its current and future customers. The Company believes that merits the Commission's consideration and ultimate approval of such treatment based on the circumstances as discussed above.

Q. Do you agree with Mr. Smith's assertion that the GIS costs do not qualify as a regulatory asset?

A. No, I do not. I first note that these expenditures are used and useful to insuring safe and reliable service to customers and result from directive from the Commission's Pipeline Safety Section. Ultimately the Commission has the discretion to decide that the GIS costs should be classified as a regulatory asset, and I believe they should be so determined because of the GIS costs nexus to directly providing safe and reliable natural gas service to customers.

Q. Do you agree with Mr. Smith's assertion that because the Company did not request deferral treatment of the cost; they should not be allowed rate base treatment?

A. No. As I mentioned previously, the Commission has broad discretion to consider the particular circumstances and merit of the Company's request and to grant rate base treatment and recovery if found appropriate. We are requesting the Commission consider:

1. That the project was started in 2003 as a capital investment and a correction of book accounting treatment dictated the expensing of the costs for GAAP purposes in December 2005;
2. The magnitude of the Company's investment relative to its accumulated earnings (7.6% or $897,068/$11,825,983);
3. The benefits provided to present and future customers as a result of the investment made by the Company;
4. That the Company made this significant investment to meet the Commission's directive issued to the predecessor company, Citizens Gas; and
5. That if the Company is not granted recovery of the investment, customers will reap the benefits of a system and the investors will have borne the cost without recovery.

D. Incentive Compensation (Staff Adjustment C-6).

Q. Mr. Dukes, can you briefly summarize Mr. Smith's adjustment to test year Incentive Compensation?

A. Yes. Mr. Smith has suggested an equal sharing of the costs associated with the Company's various employee incentive programs. Mr. Smith's primary reasoning for this sharing is that it strikes the balance between the benefits attained by both shareholders and customers. He also references a recent Commission Decision No. 68487 (February 23, 2006) – the Southwest Gas Corporation ("SWG") rate case – in which the Commission adopted such a recommendation for its management incentive plan.

1. Performance Enhancement Plan ("PEP").

Q. Do you agree with Mr. Smith's adjustments related to the PEP?

A. No, I do not. Mr. Smith's suggested sharing of the PEP program cost is based on an assumption that the program is an additional cost to the customers and that the specific goals or targets of the program are the only benefits and somehow equally benefit shareholders and customers. I disagree with the assumption that the program is an additional cost. I believe the PEP program costs are actually a net savings to customers. I also believe the program provides a valuable management tool to promote increased earnings, to promote additional cost savings, to motivate individual employees, to encourage groups of employees to work together to impact specific goals, and to aid in the retention of the higher-performing employees. All of these are ultimately benefits passed on to customers.

The goals or targets of the current PEP program are also heavily weighted toward providing benefits to customers. The program uses financial performance measures weighted at 30%, operational cost containment weighted at 30% and customer service goals at 40%. I would argue that the potential benefits of the current program goals and objectives alone would merit a much greater sharing than 50/50 based on an assumed benefit standard analysis.

However, I assert that because the program actually reduces the ultimate cost passed on to customers in the form of reduced payroll and benefits cost; it should actually be irrelevant which of the goals provides the greater benefit to whom in deciding recovery. It is counter-intuitive to penalize the Company for using an employee program that reduces costs passed on to the customers, that promotes increased safety, increased customer service, the reduction of other costs and increases the financial soundness of the Company. The Company is not proposing any sharing of the benefits of the program.

Q. Please further explain the PEP and some of the benefits to customers, the Company and to employees.

A. The overly-simplified description, "Incentive Compensation", is a little misleading and not an entirely accurate caption for the PEP program. A more accurate description of that program would be "a portion of an individual's fair and reasonable compensation put at risk to encourage and enhance group and individual performance". The "at risk compensation" portion is used on an individual basis to reward specific performance and provides management with an additional tool to encourage further cost savings, motivate individuals and to encourage employees to impact goals.

PEP is "at risk compensation" because there are no guarantees to individual employees that payment will be made. The Company's compensation philosophy is to pay at approximately 50% of market rate for its non-union employees. In benchmarking studies conducted by an outside consulting firm, non-union positions actual total average cash compensation (inclusive of incentives) was 8% below 50% of market (or at 42% of market) at UNS Gas. Therefore, the overall average PEP payouts are an integral part of the fair and reasonable compensation necessary to attract and retain employees. If the PEP program is eliminated, there would be considerable increased pressure on base compensation and it would eventually have to be increased toward market to allow the Company to compete in attracting and retaining a skilled workforce. It is not reasonable to assume that the Company would be able to continue to attract the best and brightest at compensation rates well below the market median. Furthermore, to stay competitive in attracting and retaining employees, the market is such that performance-based, lump sum cash awards are standard practice at 79% of companies today. So, Staff's recommendation will drive base compensation upward so that little to no compensation is "at-risk".

From the Company's and the customers' perspectives, there are many advantages to using a program like PEP, rather than just paying median market wages as base compensation. The most direct savings result because PEP is not part of base compensation; therefore employee costs such as: vacation pay, sick pay, long term disability, 401K matching, pension expense and other post-retirement benefits that are based on base pay are all reduced. There is the impact of reduced compounding wage increases that would be based on a higher base pay total. Consequently, there are the benefits produced from the specific goals tied to a portion of the employees' compensation, which are the benefit of the Company having greater flexibility to

distinguish among and reward high-performers, to attract and retain more talented employees, and to mitigate the costs of training new employees by retaining key ones.

From the employee perspective, the proper mix of base wages and incentive pay has benefits. Individual employees are rewarded for contributing to the overall success of the organization and are allowed a way to directly participate in corporate success with a clear line of sight to goals. Employees can be acknowledged and rewarded for making a difference by exhibiting extra effort, working more hours on the job (for professionals not eligible for overtime pay), or supporting the program goals. Also, payment to individual non-union employees is discretionary, so talented and high-contributing employees can earn more through the program, which can be a motivating factor and can also lead to higher retention rates for more talented employees.

In short, the PEP benefits the ratepayer because of the net savings to the customer, the incentives it provides to motivate employees towards better serving the customer, and helps to attract and retain the best employees. Therefore, I disagree with Mr. Smith and the Company maintains its position to recover the PEP costs in rates.

2. <u>Officer's Long Term Incentive Program</u>.

Q. Do you agree with Mr. Smith's adjustments related to the Officer's Long Term Incentive Program?

A. No, I do not. Mr. Smith again simply applies an equal sharing of the cost methodology to this program and I disagree with the base assumptions behind such treatment. The costs at dispute here are primarily costs allocated to the Company from Tucson Electric Power Company ("TEP") for Executive oversight of UNS Gas.

These costs represent a portion of the Officers' total compensation, but are an integral part of a competitive compensation program. TEP also has a target level for determining compensation levels for Officers that is determined by the Board of Directors ("Board"). The Board has set that target at approximately median to 75% of a peer group of publicly-traded companies. The peer group is reviewed periodically and includes 16 electric and gas utility companies that are comparable to UniSource in terms of size as measured by annual revenues and market capitalization. The Board uses an outside consulting firm reporting directly to them to evaluate the compensation programs and levels, and to compare them to the peer group. The last study performed in October 2005 showed that TEP's Executives' total compensation program (including incentive programs) was 9% below that 75% mark of the peer group.

I would argue that instead of taking the position that this portion of "Incentive Compensation" is some additional cost to be parsed out equally to rate payers and to shareholders alike, it should be looked at in the context of its intended purpose. That purpose is to be a portion of a fair and reasonable compensation program that is necessary to attract, motivate and retain highly-skilled executives. Staff has not presented any evidence to demonstrate that the compensation and benefit packages of the Officers of TEP and UNS Gas are not reasonable. No portion of that package should be reduced without evidence being presented contradicting the evidence being provided by the Company.

3. **Deferred Compensation Plan.**

Q. Would you define the Deferred Compensation Plan as an Incentive Plan?

A. No, I would not. Below is an excerpt from the Company's response to Staff Data Request 5.72:

> UniSource Energy Corporation Management and Directors Deferred Compensation Plan ("Deferred Compensation Plan")
>
> The Deferred Compensation Plan allows participants (Directors, Officers and Managers) the opportunity to accumulate tax-deferred capital by allowing them to defer a portion of their pay on a pre-tax basis.

The plan is a program allowing Officers, Directors and Managers to defer recognition of a portion of their compensation for tax purposes and for retirement planning.

Q. Do you agree with Mr. Smith's adjustment to remove 50% of the Deferred Compensation Plan expenses allocated to UNS Gas?

A. No, I do not.

4. Supplemental Executive Retirement Plan ("SERP").

Q. Please describe the SERP program.

A SERP is a retirement program that allows Officers to have proportionately equivalent retirement benefits to all other eligible employees. The amount that Mr. Smith is recommending be disallowed primarily represents benefit cost allocated to UNS Gas from TEP.

Q. Do you agree with Mr. Smith's adjustment to remove 100% of the SERP expenses allocated to UNSG?

A. No, I do not. I recognize that Mr. Smith has at least partially relied upon Commission's recent decision in the SWG rate case (Decision No. 68487) that disallowed the recovery of SERP expenses. However, a program like SERP should not be looked at in isolation nor should it be assumed that all factors are equal and comparable across different utilities. The SERP program is a portion of the compensation and benefits package made available to UniSource Officers. The level of compensation, incentives and benefits are

all determined by the Board. The Board continually monitors those programs to determine if they are within the median to 75% range of TEP's peer group.

The reason a program like SERP is necessary is because of funding limits defined within the Internal Revenue Code. And those funding limits are set based on tax revenue collection needs, not on the point at which it is no longer fair to provide retirement benefits. They are not a guideline for how much is fair and reasonable as part of executive compensation. The evaluation of that should be the reasonableness of the compensation and benefit package as a whole. Below are the objectives of the compensation program for UniSource Executives:

> **Objectives of the Executive Compensation Program**
>
> We base our executive compensation policies and decisions with respect to our Named Executives on the achievement of the following objectives:
>
> 1. Attract, motivate and retain highly-skilled executives;
> 2. Link the delivery of compensation to the achievement of critical short- and long-term financial and strategic objectives, creation of shareholder value and provision of safe, reliable and economically available electric service;
> 3. Align the interests of management with those of our stakeholders and encourage management to think and act like owners, taking into account the interests of the public that the Company serves;
> 4. Maximize the financial efficiency of the program to avoid unnecessary tax, accounting and cash flow costs; and
> 5. Encourage management to achieve outstanding results through appropriate means by delivering compensation in a manner consistent with established and emerging corporate governance best practices.

The goals listed above define the structure of the plan, are proper and are in the best interest of both the Company and its customers. UNS Gas designed the plan so that it is competitive and fair to all parties. I further believe the plan has been effective in

achieving optimal results for its customers as far as providing safe and reliable service, as well as being cost effective. The Board continually monitors these issues and hires outside consulting firms to help them evaluate these issues. I have provided substantial evidence in my Direct Testimony and here justifying these costs as related to providing service to UNS Gas customers. By contrast, Staff has not presented any evidence to demonstrate that the compensation and benefit packages of the Officers of UNS Gas are imprudent or not reasonable. So, I believe that SERP expense should not be reduced in this proceeding.

E. <u>Emergency Bill Assistance (Staff Adjustment C-7)</u>.

Q. Mr. Dukes, do you agree with the recommendation of Mr. Smith regarding Emergency Bill Assistance expense?

A. Yes. Those expenses for emergency bill expense are more properly reflected in base rates and not in the Demand Side Management program funding.

F. <u>Nonrecurring Severance Payment Expense (Staff Adjustment C-8)</u>.

Q. Mr. Dukes, do you agree with Mr. Smith's adjustment for Nonrecurring Severance Payment Expense?

A. No. I agree that in the Company's original payroll annualization adjustment an error was made related to the Nonrecurring Severance Payment "Credit".

Q. Why did you refer to it as a "Credit" instead of as an expense?

A. In 2004, an employee was severed from UNS Gas and as part of the severance was provided a payment in the amount of $52,387.56 (pre-tax) to be paid in 2005. That severance payment was "accrued" in December 2004 as an expense of UNS Gas and as a payable. So, it impacted the 2004 income statement. In January 2005, the accrual of the

expense in 2004 was reversed. So a "Credit" was posted to payroll expense of UNS Gas in 2005 for ($52,387.56) and the payable accrued was eliminated. It is normal accounting practice to reverse accruals in the following month when the actual transaction is expected to be processed through a system such as accounts payables or payroll.

In this case, the check was issued through payroll but did not hit the books of UNS Gas, but instead actually hit the books of TEP. Because this error was so small, it was not found until the rate case was being prepared. So there was never an offsetting expense posted in 2005 to UNS Gas. What this means is that the payroll expense of 2005 was understated by $52,387.56. To put it another way, operating income was overstated by $52,387.56.

Q. What was the error in the Company's filed payroll annualization adjustment?

A. The payroll annualization adjustment proposed by the Company took test-year end employee levels and wages and annualized them to come up with the proper level of payroll expense to be included in the revenue requirement in this proceeding. Mr. Smith is not objecting to our calculation of non-overtime regular annualized payroll expense. Therefore, the annualized payroll expense is the level that we believe should be included in revenue requirements. However, the original adjustment by the Company subtracted the test-year non-overtime regular payroll expense after adding back the $52,387.56 severance expense. And by doing so, the Company understated the non-overtime regular payroll expense to be included in revenue requirement by $52,387.56. Below is a simple illustration of my point based on the numbers as originally filed by UNS Gas.

	(A)	(B)	(C=A+B)	(D)	(E=D-C)
	Actual Test Year Regular Wages	Severance Add-Back	**Adjusted** Test Year Regular Wages	Annualized Regular Wages Requested	Original Proposed Adj. to Regular Wages
	$5,095,757	$52,388	$5,148,145	$5,472,931	$324,786
Add Proposed Adj. to Test Year Actuals	$324,786				
Amount Currently Included in Company's Originally Filed Revenue Requirements	$5,420,543				

As shown above, the Company's original filed adjustment resulted in a revenue requirement that was $52,387.56 ($5,420,543 - $5,472,931) less than the annualized non-overtime regular payroll expense the Company calculated and not opposed by Staff or RUCO.

Q. How would Mr. Smith's proposed adjustment to remove the Nonrecurring Severance Payment Expense impact the revenue requirements?

A. It would further reduce the non-overtime regular annualized payroll expense being included in the Company's revenue requirements. In other words, if you accept his additional adjustment the revenue requirement would include $5,368,155 (pre-tax) of non-overtime regular annualized payroll expense, instead of the $5,472,931 (pre-tax). That would result in the Company having payroll expense set at $104,776 (pre-tax) below the annualized level it should be allowed to recover.

G. **Overtime Payroll Expense (Staff Adjustment C-9).**

Q. Do you agree with Mr. Smith's adjustment to the Company's proposed annualized overtime payroll expense?

A. Yes. Upon review of the proposed adjustment by Mr. Smith, I believe it is more reflective of the expected overtime levels that should be included in rates.

H. **Nonrecurring FERC Rate Case Legal Expenses (Staff Adjustment C-11).**

Q. Do you agree with Mr. Smith's adjustment to the Company's legal expense?

A. No, I do not. The specific rate case and its associated expenses referenced by Mr. Smith (El Paso Natural Gas) is, in fact, still an ongoing case. The Company had expenses throughout 2006 and into 2007 for continued legal support for the case and settlement. A host of additional issues not settled in the case require on-going FERC legal expenses. As further indication of the on-going nature of these legal expenses, in 2006 Transwestern Pipeline filed a rate case and we expect El Paso Natural Gas to file for increased operational restrictions in mid 2007 which will need to be litigated at FERC. Obviously, it does not make sense to exclude all legal expenses as non-recurring because the individual cases are not repeated year after year. The Company always incurs legal expenses each year as part of doing business. The objective should be to set legal expenses at a just and reasonable level that is reflective of how much is likely to be incurred annually. So, customers do not pay more than they should and the shareholders recover their cost.

In this particular case, I believe Mr. Smith's adjustment to test year legal expense to exclude $311,051 (pre-tax) would set the level of legal expense in the Company's revenue requirements well below an expected recurring level. That would leave legal

expense in revenue requirements at only $177,329 (pre-tax), when actual incurred legal expenses were $373,174 in 2004, $488,380 in 2005 and $425,540 in 2006. Clearly, $177,329 does not reflect a reasonable level of legal expense annually.

Q. Do you have a suggested alternative adjustment to test-year legal expenses different than your Direct Testimony?

A. Yes, I do. I now recommend that the two-year average of 2004 and 2005 be used; which would be $430,777 (pre-tax). This amount is based on fixed, known and measurable expense levels and is clearly more indicative of actual recurring cost. That would equate to a reduction in the Company's original request of $57,603 (pre-tax).

I. <u>Worker's Compensation Expense (Staff Adjustment C-13)</u>.

Q. Do you agree with Mr. Smith's adjustment for Worker's Compensation Expense?

A. Yes.

J. <u>Membership and Industry Association Dues (Staff Adjustment C-14)</u>.

Q. Do you agree with Mr. Smith's adjustment for Membership and Industry Association Dues?

A. Partially. I do agree that a portion of the American Gas Association ("AGA") dues should have been excluded from the revenue requirement and I am not opposing the other exclusions proposed by Mr. Smith of $10,126 (pre-tax) related to payments made to other organizations. However, I believe the appropriate exclusion of the AGA dues should only be for the portions related to lobbying and marketing. I obtained those percentages from the AGA based on the AGA's 2007 budget and they were 2% and 1.39% respectively. That is just slightly less than the amounts used by RUCO in their

adjustment to reduce AGA dues. I am including RUCO's adjustment in my revised revenue requirements.

K. Fleet Fuel Expense (Staff Adjustment C-15).

Q. Do you agree with Mr. Smith's adjustment to Fleet Fuel Expense?

A. I agree with part of his adjustment. I agree that it should be updated to reflect the most recent market cost of fuel and a portion of that increase should be allocated to construction. But the most recent prices that UNS Gas actually has paid is a more accurate determinant of actual fuel prices than relying on ArizonaGasPrices.com. It is more appropriate to reflect the cost that is most representative of the service territory in which the gas is used.

During the months of November 2006 through January 2007, the Company's average fuel cost per gallon of fuel was $2.48. If you update Mr. Smith's adjustment with the fuel cost recently incurred by UNS Gas, the additional fuel cost needed would be $61,069 (pre-tax). Overall, UNS Gas' request now reflects a $12,657 (pre-tax) reduction to its original filed adjustment.

L. Postage Expense (Staff Adjustment C-16).

Q. Do you agree with Mr. Smith's adjustment to Postage Expense?

A. No. First, Mr. Smith starts with actual book postage expense of $386,673 (pre-tax), which is understated by a prior period adjustment that was made during the test year to correct the pre-paid postage account. Prior to 2005, the Company had not been using a pre-paid postage account. When payments were made to the Postmaster to place a balance on the account associated with our postage meters, it was immediately expensed. This led to the 2003 balance sheet being understated by $99,668 in 2003 for postage paid

for but not yet used. As of December 31, 2004, the postage paid but not yet used had dropped to $58,498 for a net decrease of $41,170. That meant that we used that portion of the postage dollars that had been prepaid and this amount should have been recorded as an expense in 2004. In 2005, the Company paid $452,798 to the postmaster and at the end of the year there was a $66,125 balance on the postage meters as paid postage but not yet used. That means that we increased the pre-paid postage level by $7,627 ($66,125 - $58,498). This then means that the actual postage expense for 2005 would be the $452,798 that we paid, less the $7,627 that we didn't use, or $445,171 in test-year postage expense.

So, $445,171 should be Mr. Smith's starting point, which when applied within Mr. Smith's adjustment calculation would result in pro forma postage expense of $476,960. This is more accurate than his proposed amount of $414,285, but is still not completely reflective of the normal and recurring level of postage expenses. This is the reason that the Company used a two-year average in the pro forma adjustment to posted expense Postage expense is not just dependent on customer count; it is also dependent upon the number of additional notices mailed, the weight of specific bill inserts, and other additional factors that affect the actual cost. The postage expense for 2006 – a known and measurable amount – was $553,648. This is $139,362 more than the Mr. Smith's suggested level. That is why I believe that the Company's proposed pro forma postage expense of $529,380 is the proper and reasonable amount of expense to include in the revenue requirement.

Q. What about Staff's assertion in response to UNSG Data Request No. 2-9 that the $66,125 of postage expense is not a test-year expense?

A. It is partially correct. Only $58,498 of it is related to actual test year expense. The $66,125 was an adjustment made during the test year to correct the prepaid postage account balance at December 31, 2005. As I explained above, the $66,125 represents the cash balance on the postage meters at the end of the test year. So it is properly accounted for as a rate base item within prepaid assets. And as I also describe above, there was *no* prepaid postage recorded on the balance sheet of UNS Gas as of December 31, 2004 for the $58,498 cash balance on the postage meters. So $58,498 was booked in 2005 as a *credit* to expense (even though it had nothing to do with 2005 expenses) and is related to prior periods, and $7,627 is credited to expense to reflect the increase in the postage meter balances within 2005. So test-year postage expense is $445,171 ($452,798 cash paid in 2005 and originally booked to expense, less $7,627 increase in the postage meter balance credited to expense) and the income statement only reflected expense of $386,673 because of the $58,498 credit related to a prior period (2004).

This situation is no different than if the Company received an invoice from the Postal Service saying we under-paid our account by $58,000 in 2003 and 2004. In that scenario, we would record a credit to cash and a debit to postage expense in 2005. Mr. Smith would have reviewed the invoice and said that test-year postage expense is overstated by $58,000 that is related to prior periods, and would have proposed an adjustment to remove it from test year expense. This is just the opposite and I am saying that if you are starting with test year expense, you must adjust it for the prior period impact. In addition, the prepaid balance in rate base is the amount of cash as of December 31, 2005 that the Company has prepaid to the Post Office and is also properly reflected as well.

III. REBUTTAL TO RUCO WITNESS MARYLEE DIAZ CORTEZ.

A. GIS Expenditures (RUCO Rate Base Adjustment 5 & Income Statement Adjustment 12).

Q. Do you agree with Ms. Diaz Cortez's recommendation to disallow the Company's request to include GIS expenditures as a regulatory asset and to recover that asset through amortization?

A. No. I provide numerous reasons earlier in my Rebuttal Testimony why I believe the Commission should allow the Company to recover these expenditures as requested. Ms. Diaz Cortez appears to not be questioning the benefits to the customers or the prudence of the expenditures, but is merely arguing that we did not get pre-approval to defer the cost. As I described earlier, there were extenuating circumstances that led to that outcome, we are asking the Commission to approve our request for ratemaking treatment.

I also disagree with Ms. Diaz Cortez's assertion that the Company has already recovered the GIS expenditures. First, it contradicts her own argument that the Company has deferred the cost for regulatory purposes without Commission approval. If we deferred the cost then we didn't recover it.

It is also an incomplete description of the circumstances. UNS Gas' last rate adjustment occurred in 2003 – to recover recurring expense levels based on a 2001 test year. The GIS expenditures were not anticipated at that time and so they were not included in the revenue requirement. But as I explained above, the GIS expenditures resulted directly from the Commission's Pipeline Safety Section. These costs occurred outside of the normal range or recurring expense and were not contemplated in the rate structure that is in effect. The Company has not recovered the GIS expenditures and will not recover

them simply by expensing them within the GAAP books of the Company. If it could recover these costs by expensing them, then it would not have needed an accounting order.

Even if the Company had known in 2003 that it would end up expensing these costs – and asked for and received an accounting order allowing deferral of the expenditures for ratemaking purposes – the expenditures would still have been expenses for GAAP purposes. Without specific language in the accounting order saying that the Company would be allowed to recover the cost in the next rate case, GAAP would have required the Company to expense these costs.

It is not uncommon to have differing treatment of expenses for GAAP purposes and for ratemaking purposes. For example, in many electric cases, the overhaul cost for a turbine or boiler will be smoothed or amortized over an expected recurring cycle period. For GAAP purposes, those expenses will be recorded as incurred.

In addition, on Page 14 (lines 3-4) of her Direct Testimony, Ms. Diaz Cortez states that the Company's book net income was greater than $10.5 million in the test year. This is incorrect. The Company's operating income was over $10.5 million. Net income was actually just over $5 million for a return on ending equity of only 6.32%.

B. <u>Fleet Fuel Expense (RUCO Income Statement Adjustment 13)</u>.

Q. Do you agree with Ms. Diaz Cortez's Fleet Fuel Expense adjustment?

A. No, I do not. Ms. Diaz Cortez has taken a different approach than the Company or Mr. Smith. If I substitute the more recent cost per gallon of $2.48 actually incurred by the Company – that I discuss earlier in responding to Mr. Smith's adjustment to fleet fuel

expense – and recalculate Ms. Diaz Cortez's adjustment, the pro forma is then a reduction to the Company's original adjustment of $41,079 (pre-tax). I believe that Mr. Smith's methodology is more appropriate once the fuel cost is updated. I have reflected a $12,657 reduction in my updated revenue requirement.

C. **Corporate Cost Allocations (RUCO Income Statement Adjustment 16).**

Q. Do you agree with Ms. Diaz Cortez's adjustment to reduce Corporate Cost Allocations?

A. Yes. Ms. Diaz Cortez discovered some additional non-recurring charges related to the attempted merger and has correctly proposed the removal of these costs.

D. **Bad Debts – Uncollectibles (RUCO Income Statement Adjustment 17).**

Q. Do you agree with Ms. Diaz Cortez's adjustment to reduce the Company's proposed Bad Debt Expense?

A. No. Ms. Diaz Cortez argues that the Company has overstated the pro forma bad debt expense because an historical write-off percentage was applied to adjusted test year revenue that included Griffith plant revenue and NSP customer revenue. Both of these revenues were excluded from the revenue requirement. Ms. Diaz Cortez went on to calculate a new pro forma bad debt expense by applying the Company's calculated write-off percentage to adjusted test-year revenue that excluded Griffith plant revenue and NSP customer revenues. The problem with this approach is that the Company's write-off percentage was calculated by dividing actual write-offs by actual revenues, that include NSP and Griffith plant revenues. Therefore, her adjustment understates the pro forma bad debt expense by applying an inconsistent rate.

E. **CWIP Property Taxes (RUCO Income Statement Adjustment No 18).**

Q. **Do you agree with Ms. Diaz Cortez's adjustment to reduce the Company's proposed Property Tax adjustment for CWIP included in rate base?**

A. No. The adjustment is directly associated with the inclusion of CWIP in rate base as a plant item. Mr. Kentton C. Grant is the Company's witness in support of the inclusion of CWIP in rate base. Because CWIP should be included in rate base for the reasons Mr. Grant explains in his Rebuttal Testimony, the Company's property tax adjustment should not be adjusted as Ms. Diaz Cortez proposes.

F. **Out-Of-Period Expenses (RUCO Income Statement Adjustment 19).**

Q. **Do you agree with Ms. Diaz Cortez's adjustment for Out-of-Period Expenses?**

A. Partially. Ms. Diaz Cortez identified some PriceWaterhouseCoopers ("PWC") invoices in test year expense that were for prior-period services. Accordingly, those should be removed from the test-year revenue requirement. However, her analysis was not symmetrical. Before 2006, PWC invoices for audit services were not accrued; they were progress-billed on a quarterly basis and were not materially different from year to year. Ms. Diaz Cortez is proposing to reduce test-year expenses for invoices expensed in 2005 for services provided in 2004. However, there are also invoices expensed in 2006 for services provide in 2005. These expenses are actually greater than the ones currently in the test year and would increase pro forma test-year expenses. The Company recommends RUCO's adjustment be rejected.

G. **Legal Expenses (RUCO Income Statement Adjustment 20).**

Q. Do you agree with Ms. Diaz Cortez's adjustment to test year Legal Expenses?

A. No, I do not. Ms. Diaz Cortez has made the same adjustment as Mr. Smith, which is to exclude the legal cost related to a FERC proceeding in the amount of $311,051 (pre-tax). As I discussed earlier, legal expenses paid to outside council are non-recurring on a case-by-case basis from year to year. However, there is a recurring level of necessary expense that must be built into revenue requirements to provide reasonable assurance of recovering recurring costs. As I mentioned earlier in my Rebuttal Testimony, we propose an amount based on the two-year average, reducing the Company's proposed test-year expense by $57,603 (pre-tax).

IV. REBUTTAL TO RUCO WITNESS RODNEY L. MOORE.

A. **Worker's Compensation (RUCO Income Statement Adjustment 1).**

Q. Do you agree with Mr. Moore's adjustment to Worker's Compensation?

A. Yes.

B. **Incentive Compensation (RUCO Income Statement Adjustment 2).**

Q. Do you agree with Mr. Moore's adjustment to Incentive Compensation?

A. No, I do not.

Q. Can you summarize Mr. Moore's reasoning for excluding Incentive Compensation?

A. Yes. Mr. Moore argues that the goals and objectives of the 2004 and 2005 PEP program were designed to provide a greater benefit to stockholders, that the 2005 payout was based on an arbitrary decision made by the Board, that the 2005 award is non-recurring

and that he believes the program is discriminatory and only applies to a select group of non-union employees.

Q. Do you agree with any of the assertions that Mr. Moore makes concerning the Company's PEP plan?

A. No, and I will list the reasons. First, as I discussed earlier in response to Mr. Smith's Direct Testimony on PEP, I believe that the program actually saves the customers money in multiple ways even before the goals and objectives of the plan are taken into account. Second, the goals and objectives of the current plan are heavily weighted to the benefit of the customers. Furthermore, financial performance goals also strongly benefit customers. Even though the State of Arizona uses an historical test year to set rates, rates are set prospectively and the current PEP plan is what should be the basis for evaluation. Third, the 2005 award was not an arbitrary award approved by the Board, but was based on the remaining goals and objectives of the 2005 PEP that were achieved and not related to financial performance. The financial goal was missed primarily as a result of an unplanned outage at Springerville. This award was paid to real employees and was based on real efforts and real results they achieved. Fourth, the program applies to "all" non-union employees and I am concerned by Mr. Moore's use of the word discriminatory to describe the program. That word carries a negative connotation and could easily be misunderstood taken out of proper context. The Company would like to implement a PEP program for the union employees. But, their wages are collectively bargained and to date, the Union has rejected any proposals to put any portion of their fair-wage compensation "At Risk". The Union also has issues with any program that rewards employees in the same positions at differing rates based on their individual performance.

C. **Postage Expense (RUCO Income Statement Adjustment 4).**

Q. Do you agree with Mr. Moore's adjustment to postage expense?

A. No, I do not. Mr. Moore starts his calculation with test-year expense, similar to Mr. Smith, but inadvertently starts with only part of the test-year book expense. Also, as I describe in detail above in my rebuttal of Mr. Smith, the test-year book expense was understated by a prior-period credit and thus would need to be adjusted to $445,171 for this method to come up with an answer reflective of the recurring postage expense level. If I substitute this amount into Mr. Moore's calculation, I end up calculating a pro forma postage expense of $477,980. This is more accurate than his original calculation of $394,696, but is still not completely reflective of the normal and recurring level of postage expense. That is why I used a two-year average. As I discuss above, postage expense is not just dependent on customer count, but is also dependent on the number of additional notices mailed, weight of specific bill inserts, and a number of other additional matters that affect the actual cost. The postage expense for 2006 was $553,648. This is $158,952 more than the suggested level proposed by Mr. Moore. That is why I believe that the Company's proposed pro forma postage expense of $529,380 is the proper amount to be included in the revenue requirement

D. **Customer Service Costs (RUCO Income Statement Adjustment 5).**

Q. Do you agree with Mr. Moore's adjustment to Customer Service Costs?

A. No, I do not.

Q. Why did the Company transfer its call center functions over to a consolidated call center at TEP?

A. First, UNS Gas did not have a call center. The Company had various phone numbers for various locations within the Northern Arizona operation centers, and a handful of part-time customer representatives. Those customer representatives were limited by only having a few dedicated phone lines, no interactive voice response system ("IVR"), limited business hours (due to the limited staffing levels), limited back-up, and were not positioned to provide adequate customer service to a customer base of over 130,000 that is growing rapidly.

Basically, the system could not continue as it was configured and would have required a significant investment in new systems, phone lines, personnel, facilities and increased staffing and supervision levels to provide adequate customer service. The solution that made the most sense was to transfer the responsibilities to the TEP call center and take advantage of only paying a portion of the fixed cost for a system related to what is used rather than making all of the investment by UNS Gas.

Q. Have costs and service levels changed?

A. Yes. Costs in total have increased, but they would have had to increase. Otherwise, there would have been no system and very limited service levels. Service levels have improved significantly and call volume has almost doubled with the increased phone lines and representatives available to answer calls.

UniSource now has a consolidated Enterprise call center supporting UNS Gas, UNS Electric, Inc. and TEP. All share in paying the significant cost of supporting this center based on proportional usage. Previously, calls from UNS Gas customers were handled in

each remote location, by a handful of employees picking up incoming calls in addition to other duties. The Company has made significant strides to improve customer service, including:

- 97% increase in calls handled from UniSource Energy Services, Inc. ("UES");
- 8.5 hours per day of coverage being expanded to 12 hours per day;
- An IVR capability being added;
- An assisted credit card payment option being added;
- Dedicated Customer Service Representatives being added;
- 237 trunk lines that are now available;
- One phone number for both gas and electric inquiries and for customers in Mohave and Santa Cruz Counties; and
- Call volume tracking is now available

So Mr. Moore is incorrect when he states that the same level of service exists today as in the pre-consolidation of the call center.

UniSource chose to integrate the call center function because of the investment and technology already in place at the existing Tucson call center facility, rather than duplicate a call center elsewhere. Any new investment in additional staff and technology equipment required to provide the above service levels would have been even more significant proportionately to UES than the existing allocation of costs.

The decision to use existing TEP systems and resources across a larger customer base resulted in more efficient use of existing assets and a lower combined cost of service to all UNS Gas customers, while providing a remarkable increase in service levels for UES customers and avoiding significant additional and duplicative investment at UES.

E. <u>Unnecessary Expenses (RUCO Income Statement Adjustment 6)</u>.

Q. Do you agree with Mr. Moore's adjustment for Unnecessary Expenses?

A. In general, I do not. There are $10,126 of cost within Mr. Moore's list that were also identified by Staff's witness Mr. Smith that I previously agreed to exclude from revenue requirements. However, Gary A. Smith will discuss the remaining expenditures that Mr. Moore is seeking to exclude as "Inappropriate" and "Unnecessary" in his Rebuttal Testimony. I would, however, like to comment on the proposed adjustment itself. Mr. Moore makes reference to UNS Gas' response to RUCO Data Request No. 4.01, which requested that the Company provide sufficient documentation for these expenses, which meet the 'necessary for the provisioning of gas service' criteria for inclusion in test-year operating expenses.

While this is a technically valid request, there has to be some consideration as to how this type of review is done and the cost versus benefit of such an analysis, from a reasonableness standard.

The original request included a list of 2,168 individual charges. Of those charges, approximately 65% were less than $50 and another approximate 25% were between $51 and $200. So about 90% of his request was to provide an explanation and documentation to support approximately 2,000 charges of $200 or less. Basically, Mr. Moore compiled a list of charges based on the vendor names that appeared to be a restaurant, hotel, store or airline. I cannot think of – and RUCO does not offer – any support for justifying its adjustment being in accordance with a reasonable professional standard or common practice. To ask the Company to justify over 1,400 transactions under $50 is an overly burdensome task that takes thousands of man-hours and costs a significant amount of

money. Furthermore, the types of charges he is attempting to exclude are reviewed by the personnel's immediate supervisor and numerous controls are in place to ensure that they are valid charges incurred in the course of providing gas service to customers. Reviewing the policies, the controls and testing those items seems like a cost-effective and reasonable starting point; before asking for documentation of over 1,400 invoices of $50 or less.

In responding to Mr. Moore's Data Request No. 4.01, I provided documentation for all advertising charges and all charges of $1,000 or more. Of the charges of $1,000 or more, Mr. Moore is proposing to exclude $28,131.04. Further, $24,288.27 out of the remaining $197,394 Mr. Moore recommends exclusion of are charges comprised as an error in his computation because he used total invoice amount instead of the amount charged to UNS Gas. The remaining amount is for charges the Company did not provide documentation for, because it would have cost about $75,000 based on the fully-loaded compensation levels for the personnel involved in undergoing such a process. So that is why I stated that by no reasonable professional standard should this be an acceptable method of compiling an adjustment and should not be allowed in this case. The fact is that meals and expenses such as the ones RUCO seeks to exclude are a typical and necessary part of doing business as Mr. Gary A. Smith explains in his Rebuttal Testimony. We would urge RUCO to set a realistic materiality level for its future requests.

F. **Rate Case Expense (RUCO Income Statement Adjustment 8).**

Q. **Do you agree with Mr. Moore's adjustment for Rate Case Expense?**

A. No. Mr. Moore attempts to compare the UNS Gas rate case cost to SWG's most recent rate case and implies that SWG and UNS Gas are comparable companies. That assumption is flawed.

SWG has operations in Arizona, Nevada and southern California. SWG indirectly allocates its shared services to its Arizona operations based on a Massachusetts Formula. By contrast, TEP is a completely separate regulated utility. TEP directly allocates charges to UNS Gas for only the shared services that UNS Gas uses based on actual hours of services rendered.

For example, the SWG's Arizona operations gets approximately 55% of all shared service cost from "Corporate" whether they use it or not. In essence, the Arizona division has 50% of the accounting department, 50% of the plant accounting department, 50% of the rates/pricing department, 50% of the legal department, 50% of the payables department, 50% of the budgeting, etc. UNS Gas has none of these departments but instead is charged for resources actually used from TEP.

This is apparent looking at RUCO's response to the Company's Data Request No. UNSG 1-30d. In that response, RUCO states that SWG's allocated labor cost to its Arizona operations was 6.38% of total operating cost (excluding gas cost) and UNS Gas allocated labor cost was 1.75% of total operating cost (excluding gas cost).

Q. What have the direct allocations been to UNS Gas from TEP for shared services?

A. The direct allocations to UNS Gas from TEP for shared services (labor & burdens) were $863,254 in 2004, $965,823 in 2005, and $1,436,789 in 2006. The 2006 amount is inflated by the rate case expenses that equaled $476,602 in 2006 and were deferred as a regulatory asset; which left the remainder of normal activity at $960,187. This is equivalent to 2005 levels.

Q. What does all of that mean?

A. It means that SWG has these support services for doing a rate case built into their base rates and UNS Gas simply does not.

Q. Do you have any other comments regarding rate case expense?

A. Yes, as of the end of February 2007, the rate case deferral account had a balance of $786,556. This is $186,556 more than we had originally forecasted for this case. And since the case has hearings and an additional round of testimony remaining, it is possible that balance may reach $900,000, which is $300,000 more than we originally budgeted.

Q. What do you believe are the primary reasons causing the budget overage?

A. I see two primary drivers:

- The organization going through the first rate case for UNS Gas and thus having to research and address all issues for the first time; and
- The volume, complexity and magnitude of data requests received from Staff, RUCO and other Intervenors, which was probably also as a result of this being the first rate case for UNS Gas. For example, in SWG's most recent, case it received a total of 285 data request questions with 206 sub-parts. UNS Gas received 605 questions with

440 sub-parts. That is more than two times the number of requests that SWG received.

Q. Do you believe that UNS Gas should be allowed to collect all of these rate case expenses?

A. Most definitely. These are legitimate outside service costs incurred in the process of preparing and defending the UNS Gas rate case. In this particular instance, it will amount to about $300,000 being built into base rates for rate case expense. Even if you assume that 100% of that cost allocated from TEP that would only bring UNS Gas' allocated cost up to 2.5% total operating cost (excluding gas cost), that is still well below the SWG level 6.38%. The UNS Gas adjustment is basically adding an incremental amount to base rates for rate making support based on actual usage, versus just simply allocating portions of departments and charging them to UNS Gas whether they are used or not.

G. <u>AGA Dues (RUCO Income Statement Adjustment 9)</u>.

Q. Do you agree with Mr. Moore's adjustment for AGA dues?

A. I have accepted Mr. Moore's adjustment to AGA dues.

H. <u>Non-Recurring/Atypical Expenses (RUCO Income Statement Adjustment 10)</u>.

Q. Do you agree with Mr. Moore's adjustment for Non-Recurring/Atypical Expenses?

A. No, I do not. Mr. Moore is excluding certain training costs that were incurred during the year as non-recurring. These will be more specifically talked about in Company's witness Gary A. Smith's Rebuttal Testimony. But the Company is highly regulated, growing rapidly and continually adding new employees. So training is an on-going and

primarily mandated process for the Company. Training costs will very likely continue to increase for the foreseeable future and removing any of these costs from the test year would not be appropriate.

I. SERP (RUCO Income Statement Adjustment 11).

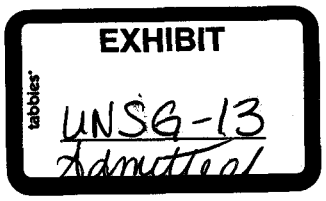
Q. Do you agree with Mr. Moore's adjustment for SERP?

A. No. I provide justification for SERP expenses in response to Mr. Smith's Direct Testimony on this subject.

Q. Does that conclude your Rebuttal Testimony?

A. Yes.

BEFORE THE ARIZONA CORPORATION COMMISSION



COMMISSIONERS
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IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	DOCKET NO. G-04204A-06-463
IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. TO REVIEW AND REVISE ITS PURCHASED GAS ADJUSTOR.	DOCKET NO. G-04204A-06-0013
IN THE MATTER OF THE INQUIRY INTO THE PRUDENCE OF THE GAS PROCUREMENT PRACTICES OF UNS GAS, INC.	DOCKET NO. G-04204A-05-0831

Rebuttal Testimony of

Dallas J. Dukes

on Behalf of

UNS Gas, Inc.

March 16, 2007

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Exhibits

Exhibit DJD-1 Comparison of Adjustments to Revenue Requirements

I. INTRODUCTION.

Q. Please state your name and business address.

A. My name is Dallas J. Dukes and my business address is One South Church Avenue, Tucson, Arizona 85702

Q. Are you the same Dallas J. Dukes that filed file Direct Testimony is this case?

A. Yes.

Q. Have you reviewed the Direct Testimony filed by the Commission Staff and Intervenors in this case?

A. Yes, I have.

Q. Which Commission Staff and/or Intervenor Direct Testimonies will you be addressing in your Rebuttal Testimony?

A. In my Rebuttal Testimony, I address adjustments that Staff Witness Ralph C. Smith recommends in his Direct Testimony. I also address several adjustments that Residential Utility Consumer Office ("RUCO") witnesses Marylee Diaz Cortez and Rodney L. Moore propose in their Direct Testimonies. While I agree with some of the adjustments made, the majority of adjustments Staff and RUCO make are inappropriate and should not be accepted. Further, I provide ample justification for UNS Gas, Inc.'s ("UNS Gas" or the "Company") proposals on these items in my Rebuttal Testimony in order to rebut these Staff and RUCO adjustments. In short, I believe the adoption of many of Staff's and RUCO's adjustments is not supportable based on all of the evidence and documents in this case.

II. REBUTTAL TO STAFF WITNESS RALPH C. SMITH.

Q. Could you please summarize your view of the Direct Testimony filed by Mr. Ralph C. Smith on behalf of Staff?

A. I disagree with several of the adjustments he makes in his Direct Testimony.

A. Bad Debt Expense (Staff Adjustment C-3).

Q. Mr. Dukes, do you agree with the recommendation of Mr. Smith for Bad Debt Expense?

A. Partially. Mr. Smith has basically used the Company's bad debt expense calculation. The differences are attributable to Mr. Smith using the Staff's revenue adjustments for customer annualization and weather normalization as opposed to the Company's. The Staff's adjustments are being opposed by Company's rebuttal witness, D. Bentley Erdwurm, and for reasons stated in his Rebuttal Testimony the Company's bad debt expense adjustment should be accepted without change.

B. Remove Depreciation & Property Taxes for Construction Work in Progress ("CWIP") (Staff Adjustment C-4).

Q. Do you agree with Mr. Smith's adjustment to remove the Company's proposed Depreciation and Property Tax adjustment for CWIP included in rate base?

A. No. The adjustment is directly associated with the inclusion of CWIP in rate base as a plant item. Mr. Kentton C. Grant is the Company's witness in support of the inclusion of CWIP in rate base. Because CWIP should be included in rate base for the reasons Mr. Grant explains in his Rebuttal Testimony, the Company's depreciation and property tax adjustment should not be adjusted as Mr. Smith proposes.

Q. If the Commission chooses to exclude CWIP from rate base are there other adjustments to rate base that should be made?

A. Yes. If the Commission disallows the inclusion of the CWIP balance that UNS Gas is requesting within rate base; then the customer advances directly related to projects within that CWIP balance should also be taken out as a reduction to rate base. There is $4,158,264 within the customer advances total that is directly related to projects contained in the CWIP balance as of the end of the test year. It would not be proper to reduce rate base for advances that are directly for plant items that are not included within rate base.

C. <u>Geographic Information System ("GIS") Expenditures (Staff Adjustments B-2 & C-5)</u>.

Q. Do you agree with Mr. Smith's recommendation to disallow the Company's request to include GIS expenditures as a regulatory asset and to recover that asset through amortization?

A. No. I do not.

Q. Can you give a quick overview of why the Company is requesting the inclusion of certain GIS expenditures within rate base?

A. Yes. The Company is requesting the recovery of, and on, certain GIS expenditures (made in response to the directive of the Commission) that provide present and future benefits to customers.

In 2002, the Commission's Pipeline Safety Section Staff issued a directive to the Arizona Gas Division of Citizens Communications Company ("Citizens Gas") to complete the

mapping of service lines. In August 2003, UniSource Energy Corporation ("UniSource") purchased Citizens Gas assets, which then became part of UNS Gas. The Company initiated a project to locate and map into GPS all of the existing service lines in order to comply with the Commission directive.

Initially, this project was classified as a capital project based on the information submitted to the accounting department at the time the project was being approved. However, in the final quarter of the test year the accounting department became aware of the misclassification and made an adjusting entry to properly classify expenditures as an expense per Generally Accepted Accounting Principles ("GAAP"). In December 2005, a correcting entry was made and $897,000 (pre-tax) of expenditures was expensed that had originally been capitalized. These changes all occurred during UNS Gas' test year in this case.

Q. Why didn't the Company request an Accounting Order to defer the GIS expenditures in question?

A. The appropriate time to request an accounting order would have been in 2003, prior to beginning the project. However, as I stated above, the Company initially believed this was a capital project and thus had no reason to request deferral treatment at that time. The accounting adjustment itself (from capital to expense) was not finalized until December 2005. Thus, the correction was made in the final month of the test year and impacted the operating income of the test year.

Because the impact was within the test year, the Company believes the more appropriate action is to seek the requested treatment within a rate case. Thus, we have requested the Commission allow the Company to back the GIS expenditures out of the test year, record

them as a regulatory asset and allow recovery of the expense over the expected life of the rates.

Q. What were the reasons Mr. Smith provided for excluding the GIS expenditures from rate base?

A. Mr. Smith states the following on pages 16 to 17 in his Direct Testimony:

> Based on a review of the Company's October 3, 2005 memo and the supporting documentation provided by UNS Gas, Staff concludes that the deferred GIS costs requested by UNS Gas are not an appropriate rate base item, do not qualify as a "regulatory asset," were not pre-approved for deferral by the Commission, are non-recurring costs that should have largely been expensed by the Company in periods prior to the 2005 test year, and the therefore are not appropriate to include in test year rate base.

Q. Do you agree with Mr. Smith's assertion that the GIS costs are not an appropriate rate base item?

A. No, I do not. Mr. Smith did not question the prudence of the expenditures or the benefits of GIS to customers. It was also pointed out by the Company's witness, Gary A. Smith, that the Company incurred the GIS expenditures in response to a directive from the Commission's Pipeline Safety Section.

Ultimately, the Commission has broad discretion to decide what types of expenditures merit rate base treatment. It is the Company's position that these particular expenditures represent a substantial one-time investment in the initial implementation of a system that provides benefits to its current and future customers. The Company believes that merits the Commission's consideration and ultimate approval of such treatment based on the circumstances as discussed above.

Q. Do you agree with Mr. Smith's assertion that the GIS costs do not qualify as a regulatory asset?

A. No, I do not. I first note that these expenditures are used and useful to insuring safe and reliable service to customers and result from directive from the Commission's Pipeline Safety Section. Ultimately the Commission has the discretion to decide that the GIS costs should be classified as a regulatory asset, and I believe they should be so determined because of the GIS costs nexus to directly providing safe and reliable natural gas service to customers.

Q. Do you agree with Mr. Smith's assertion that because the Company did not request deferral treatment of the cost; they should not be allowed rate base treatment?

A. No. As I mentioned previously, the Commission has broad discretion to consider the particular circumstances and merit of the Company's request and to grant rate base treatment and recovery if found appropriate. We are requesting the Commission consider:

1. That the project was started in 2003 as a capital investment and a correction of book accounting treatment dictated the expensing of the costs for GAAP purposes in December 2005;
2. The magnitude of the Company's investment relative to its accumulated earnings (7.6% or $897,068/$11,825,983);
3. The benefits provided to present and future customers as a result of the investment made by the Company;
4. That the Company made this significant investment to meet the Commission's directive issued to the predecessor company, Citizens Gas; and
5. That if the Company is not granted recovery of the investment, customers will reap the benefits of a system and the investors will have borne the cost without recovery.

D. Incentive Compensation (Staff Adjustment C-6).

Q. Mr. Dukes, can you briefly summarize Mr. Smith's adjustment to test year Incentive Compensation?

A. Yes. Mr. Smith has suggested an equal sharing of the costs associated with the Company's various employee incentive programs. Mr. Smith's primary reasoning for this sharing is that it strikes the balance between the benefits attained by both shareholders and customers. He also references a recent Commission Decision No. 68487 (February 23, 2006) – the Southwest Gas Corporation ("SWG") rate case – in which the Commission adopted such a recommendation for its management incentive plan.

1. Performance Enhancement Plan ("PEP").

Q. Do you agree with Mr. Smith's adjustments related to the PEP?

A. No, I do not. Mr. Smith's suggested sharing of the PEP program cost is based on an assumption that the program is an additional cost to the customers and that the specific goals or targets of the program are the only benefits and somehow equally benefit shareholders and customers. I disagree with the assumption that the program is an additional cost. I believe the PEP program costs are actually a net savings to customers. I also believe the program provides a valuable management tool to promote increased earnings, to promote additional cost savings, to motivate individual employees, to encourage groups of employees to work together to impact specific goals, and to aid in the retention of the higher-performing employees. All of these are ultimately benefits passed on to customers.

The goals or targets of the current PEP program are also heavily weighted toward providing benefits to customers. The program uses financial performance measures weighted at 30%, operational cost containment weighted at 30% and customer service goals at 40%. I would argue that the potential benefits of the current program goals and objectives alone would merit a much greater sharing than 50/50 based on an assumed benefit standard analysis.

However, I assert that because the program actually reduces the ultimate cost passed on to customers in the form of reduced payroll and benefits cost; it should actually be irrelevant which of the goals provides the greater benefit to whom in deciding recovery. It is counter-intuitive to penalize the Company for using an employee program that reduces costs passed on to the customers, that promotes increased safety, increased customer service, the reduction of other costs and increases the financial soundness of the Company. The Company is not proposing any sharing of the benefits of the program.

Q. Please further explain the PEP and some of the benefits to customers, the Company and to employees.

A. The overly-simplified description, "Incentive Compensation", is a little misleading and not an entirely accurate caption for the PEP program. A more accurate description of that program would be "a portion of an individual's fair and reasonable compensation put at risk to encourage and enhance group and individual performance". The "at risk compensation" portion is used on an individual basis to reward specific performance and provides management with an additional tool to encourage further cost savings, motivate individuals and to encourage employees to impact goals.

PEP is "at risk compensation" because there are no guarantees to individual employees that payment will be made. The Company's compensation philosophy is to pay at approximately 50% of market rate for its non-union employees. In benchmarking studies conducted by an outside consulting firm, non-union positions actual total average cash compensation (inclusive of incentives) was 8% below 50% of market (or at 42% of market) at UNS Gas. Therefore, the overall average PEP payouts are an integral part of the fair and reasonable compensation necessary to attract and retain employees. If the PEP program is eliminated, there would be considerable increased pressure on base compensation and it would eventually have to be increased toward market to allow the Company to compete in attracting and retaining a skilled workforce. It is not reasonable to assume that the Company would be able to continue to attract the best and brightest at compensation rates well below the market median. Furthermore, to stay competitive in attracting and retaining employees, the market is such that performance-based, lump sum cash awards are standard practice at 79% of companies today. So, Staff's recommendation will drive base compensation upward so that little to no compensation is "at-risk".

From the Company's and the customers' perspectives, there are many advantages to using a program like PEP, rather than just paying median market wages as base compensation. The most direct savings result because PEP is not part of base compensation; therefore employee costs such as: vacation pay, sick pay, long term disability, 401K matching, pension expense and other post-retirement benefits that are based on base pay are all reduced. There is the impact of reduced compounding wage increases that would be based on a higher base pay total. Consequently, there are the benefits produced from the specific goals tied to a portion of the employees' compensation, which are the benefit of the Company having greater flexibility to

distinguish among and reward high-performers, to attract and retain more talented employees, and to mitigate the costs of training new employees by retaining key ones.

From the employee perspective, the proper mix of base wages and incentive pay has benefits. Individual employees are rewarded for contributing to the overall success of the organization and are allowed a way to directly participate in corporate success with a clear line of sight to goals. Employees can be acknowledged and rewarded for making a difference by exhibiting extra effort, working more hours on the job (for professionals not eligible for overtime pay), or supporting the program goals. Also, payment to individual non-union employees is discretionary, so talented and high-contributing employees can earn more through the program, which can be a motivating factor and can also lead to higher retention rates for more talented employees.

In short, the PEP benefits the ratepayer because of the net savings to the customer, the incentives it provides to motivate employees towards better serving the customer, and helps to attract and retain the best employees. Therefore, I disagree with Mr. Smith and the Company maintains its position to recover the PEP costs in rates.

2. <u>Officer's Long Term Incentive Program</u>.

Q. Do you agree with Mr. Smith's adjustments related to the Officer's Long Term Incentive Program?

A. No, I do not. Mr. Smith again simply applies an equal sharing of the cost methodology to this program and I disagree with the base assumptions behind such treatment. The costs at dispute here are primarily costs allocated to the Company from Tucson Electric Power Company ("TEP") for Executive oversight of UNS Gas.

These costs represent a portion of the Officers' total compensation, but are an integral part of a competitive compensation program. TEP also has a target level for determining compensation levels for Officers that is determined by the Board of Directors ("Board"). The Board has set that target at approximately median to 75% of a peer group of publicly-traded companies. The peer group is reviewed periodically and includes 16 electric and gas utility companies that are comparable to UniSource in terms of size as measured by annual revenues and market capitalization. The Board uses an outside consulting firm reporting directly to them to evaluate the compensation programs and levels, and to compare them to the peer group. The last study performed in October 2005 showed that TEP's Executives' total compensation program (including incentive programs) was 9% below that 75% mark of the peer group.

I would argue that instead of taking the position that this portion of "Incentive Compensation" is some additional cost to be parsed out equally to rate payers and to shareholders alike, it should be looked at in the context of its intended purpose. That purpose is to be a portion of a fair and reasonable compensation program that is necessary to attract, motivate and retain highly-skilled executives. Staff has not presented any evidence to demonstrate that the compensation and benefit packages of the Officers of TEP and UNS Gas are not reasonable. No portion of that package should be reduced without evidence being presented contradicting the evidence being provided by the Company.

3. <u>Deferred Compensation Plan</u>.

Q. Would you define the Deferred Compensation Plan as an Incentive Plan?

A. No, I would not. Below is an excerpt from the Company's response to Staff Data Request 5.72:

> UniSource Energy Corporation Management and Directors Deferred Compensation Plan ("Deferred Compensation Plan")
>
> The Deferred Compensation Plan allows participants (Directors, Officers and Managers) the opportunity to accumulate tax-deferred capital by allowing them to defer a portion of their pay on a pre-tax basis.

The plan is a program allowing Officers, Directors and Managers to defer recognition of a portion of their compensation for tax purposes and for retirement planning.

Q. Do you agree with Mr. Smith's adjustment to remove 50% of the Deferred Compensation Plan expenses allocated to UNS Gas?

A. No, I do not.

4. Supplemental Executive Retirement Plan ("SERP").

Q. Please describe the SERP program.

A SERP is a retirement program that allows Officers to have proportionately equivalent retirement benefits to all other eligible employees. The amount that Mr. Smith is recommending be disallowed primarily represents benefit cost allocated to UNS Gas from TEP.

Q. Do you agree with Mr. Smith's adjustment to remove 100% of the SERP expenses allocated to UNSG?

A. No, I do not. I recognize that Mr. Smith has at least partially relied upon Commission's recent decision in the SWG rate case (Decision No. 68487) that disallowed the recovery of SERP expenses. However, a program like SERP should not be looked at in isolation nor should it be assumed that all factors are equal and comparable across different utilities. The SERP program is a portion of the compensation and benefits package made available to UniSource Officers. The level of compensation, incentives and benefits are

all determined by the Board. The Board continually monitors those programs to determine if they are within the median to 75% range of TEP's peer group.

The reason a program like SERP is necessary is because of funding limits defined within the Internal Revenue Code. And those funding limits are set based on tax revenue collection needs, not on the point at which it is no longer fair to provide retirement benefits. They are not a guideline for how much is fair and reasonable as part of executive compensation. The evaluation of that should be the reasonableness of the compensation and benefit package as a whole. Below are the objectives of the compensation program for UniSource Executives:

> **Objectives of the Executive Compensation Program**
>
> We base our executive compensation policies and decisions with respect to our Named Executives on the achievement of the following objectives:
>
> 1. Attract, motivate and retain highly-skilled executives;
> 2. Link the delivery of compensation to the achievement of critical short- and long-term financial and strategic objectives, creation of shareholder value and provision of safe, reliable and economically available electric service;
> 3. Align the interests of management with those of our stakeholders and encourage management to think and act like owners, taking into account the interests of the public that the Company serves;
> 4. Maximize the financial efficiency of the program to avoid unnecessary tax, accounting and cash flow costs; and
> 5. Encourage management to achieve outstanding results through appropriate means by delivering compensation in a manner consistent with established and emerging corporate governance best practices.

The goals listed above define the structure of the plan, are proper and are in the best interest of both the Company and its customers. UNS Gas designed the plan so that it is competitive and fair to all parties. I further believe the plan has been effective in

achieving optimal results for its customers as far as providing safe and reliable service, as well as being cost effective. The Board continually monitors these issues and hires outside consulting firms to help them evaluate these issues. I have provided substantial evidence in my Direct Testimony and here justifying these costs as related to providing service to UNS Gas customers. By contrast, Staff has not presented any evidence to demonstrate that the compensation and benefit packages of the Officers of UNS Gas are imprudent or not reasonable. So, I believe that SERP expense should not be reduced in this proceeding.

E. <u>Emergency Bill Assistance (Staff Adjustment C-7)</u>.

Q. Mr. Dukes, do you agree with the recommendation of Mr. Smith regarding Emergency Bill Assistance expense?

A. Yes. Those expenses for emergency bill expense are more properly reflected in base rates and not in the Demand Side Management program funding.

F. <u>Nonrecurring Severance Payment Expense (Staff Adjustment C-8)</u>.

Q. Mr. Dukes, do you agree with Mr. Smith's adjustment for Nonrecurring Severance Payment Expense?

A. No. I agree that in the Company's original payroll annualization adjustment an error was made related to the Nonrecurring Severance Payment "Credit".

Q. Why did you refer to it as a "Credit" instead of as an expense?

A. In 2004, an employee was severed from UNS Gas and as part of the severance was provided a payment in the amount of $52,387.56 (pre-tax) to be paid in 2005. That severance payment was "accrued" in December 2004 as an expense of UNS Gas and as a payable. So, it impacted the 2004 income statement. In January 2005, the accrual of the

expense in 2004 was reversed. So a "Credit" was posted to payroll expense of UNS Gas in 2005 for ($52,387.56) and the payable accrued was eliminated. It is normal accounting practice to reverse accruals in the following month when the actual transaction is expected to be processed through a system such as accounts payables or payroll.

In this case, the check was issued through payroll but did not hit the books of UNS Gas, but instead actually hit the books of TEP. Because this error was so small, it was not found until the rate case was being prepared. So there was never an offsetting expense posted in 2005 to UNS Gas. What this means is that the payroll expense of 2005 was understated by $52,387.56. To put it another way, operating income was overstated by $52,387.56.

Q. What was the error in the Company's filed payroll annualization adjustment?

A. The payroll annualization adjustment proposed by the Company took test-year end employee levels and wages and annualized them to come up with the proper level of payroll expense to be included in the revenue requirement in this proceeding. Mr. Smith is not objecting to our calculation of non-overtime regular annualized payroll expense. Therefore, the annualized payroll expense is the level that we believe should be included in revenue requirements. However, the original adjustment by the Company subtracted the test-year non-overtime regular payroll expense after adding back the $52,387.56 severance expense. And by doing so, the Company understated the non-overtime regular payroll expense to be included in revenue requirement by $52,387.56. Below is a simple illustration of my point based on the numbers as originally filed by UNS Gas.

	(A)	(B)	(C=A+B)	(D)	(E=D-C)
	Actual Test Year Regular Wages	Severance Add-Back	**Adjusted** Test Year Regular Wages	Annualized Regular Wages Requested	Original Proposed Adj. to Regular Wages
	$5,095,757	$52,388	$5,148,145	$5,472,931	$324,786
Add Proposed Adj. to Test Year Actuals	$324,786				
Amount Currently Included in Company's Originally Filed Revenue Requirements	$5,420,543				

As shown above, the Company's original filed adjustment resulted in a revenue requirement that was $52,387.56 ($5,420,543 - $5,472,931) less than the annualized non-overtime regular payroll expense the Company calculated and not opposed by Staff or RUCO.

Q. How would Mr. Smith's proposed adjustment to remove the Nonrecurring Severance Payment Expense impact the revenue requirements?

A. It would further reduce the non-overtime regular annualized payroll expense being included in the Company's revenue requirements. In other words, if you accept his additional adjustment the revenue requirement would include $5,368,155 (pre-tax) of non-overtime regular annualized payroll expense, instead of the $5,472,931 (pre-tax). That would result in the Company having payroll expense set at $104,776 (pre-tax) below the annualized level it should be allowed to recover.

G. **Overtime Payroll Expense (Staff Adjustment C-9).**

Q. Do you agree with Mr. Smith's adjustment to the Company's proposed annualized overtime payroll expense?

A. Yes. Upon review of the proposed adjustment by Mr. Smith, I believe it is more reflective of the expected overtime levels that should be included in rates.

H. **Nonrecurring FERC Rate Case Legal Expenses (Staff Adjustment C-11).**

Q. Do you agree with Mr. Smith's adjustment to the Company's legal expense?

A. No, I do not. The specific rate case and its associated expenses referenced by Mr. Smith (El Paso Natural Gas) is, in fact, still an ongoing case. The Company had expenses throughout 2006 and into 2007 for continued legal support for the case and settlement. A host of additional issues not settled in the case require on-going FERC legal expenses. As further indication of the on-going nature of these legal expenses, in 2006 Transwestern Pipeline filed a rate case and we expect El Paso Natural Gas to file for increased operational restrictions in mid 2007 which will need to be litigated at FERC. Obviously, it does not make sense to exclude all legal expenses as non-recurring because the individual cases are not repeated year after year. The Company always incurs legal expenses each year as part of doing business. The objective should be to set legal expenses at a just and reasonable level that is reflective of how much is likely to be incurred annually. So, customers do not pay more than they should and the shareholders recover their cost.

In this particular case, I believe Mr. Smith's adjustment to test year legal expense to exclude $311,051 (pre-tax) would set the level of legal expense in the Company's revenue requirements well below an expected recurring level. That would leave legal

expense in revenue requirements at only $177,329 (pre-tax), when actual incurred legal expenses were $373,174 in 2004, $488,380 in 2005 and $425,540 in 2006. Clearly, $177,329 does not reflect a reasonable level of legal expense annually.

Q. Do you have a suggested alternative adjustment to test-year legal expenses different than your Direct Testimony?

A. Yes, I do. I now recommend that the two-year average of 2004 and 2005 be used; which would be $430,777 (pre-tax). This amount is based on fixed, known and measurable expense levels and is clearly more indicative of actual recurring cost. That would equate to a reduction in the Company's original request of $57,603 (pre-tax).

I. <u>Worker's Compensation Expense (Staff Adjustment C-13)</u>.

Q. Do you agree with Mr. Smith's adjustment for Worker's Compensation Expense?

A. Yes.

J. <u>Membership and Industry Association Dues (Staff Adjustment C-14)</u>.

Q. Do you agree with Mr. Smith's adjustment for Membership and Industry Association Dues?

A. Partially. I do agree that a portion of the American Gas Association ("AGA") dues should have been excluded from the revenue requirement and I am not opposing the other exclusions proposed by Mr. Smith of $10,126 (pre-tax) related to payments made to other organizations. However, I believe the appropriate exclusion of the AGA dues should only be for the portions related to lobbying and marketing. I obtained those percentages from the AGA based on the AGA's 2007 budget and they were 2% and 1.39% respectively. That is just slightly less than the amounts used by RUCO in their

adjustment to reduce AGA dues. I am including RUCO's adjustment in my revised revenue requirements.

K. Fleet Fuel Expense (Staff Adjustment C-15).

Q. Do you agree with Mr. Smith's adjustment to Fleet Fuel Expense?

A. I agree with part of his adjustment. I agree that it should be updated to reflect the most recent market cost of fuel and a portion of that increase should be allocated to construction. But the most recent prices that UNS Gas actually has paid is a more accurate determinant of actual fuel prices than relying on ArizonaGasPrices.com. It is more appropriate to reflect the cost that is most representative of the service territory in which the gas is used.

During the months of November 2006 through January 2007, the Company's average fuel cost per gallon of fuel was $2.48. If you update Mr. Smith's adjustment with the fuel cost recently incurred by UNS Gas, the additional fuel cost needed would be $61,069 (pre-tax). Overall, UNS Gas' request now reflects a $12,657 (pre-tax) reduction to its original filed adjustment.

L. Postage Expense (Staff Adjustment C-16).

Q. Do you agree with Mr. Smith's adjustment to Postage Expense?

A. No. First, Mr. Smith starts with actual book postage expense of $386,673 (pre-tax), which is understated by a prior period adjustment that was made during the test year to correct the pre-paid postage account. Prior to 2005, the Company had not been using a pre-paid postage account. When payments were made to the Postmaster to place a balance on the account associated with our postage meters, it was immediately expensed. This led to the 2003 balance sheet being understated by $99,668 in 2003 for postage paid

for but not yet used. As of December 31, 2004, the postage paid but not yet used had dropped to $58,498 for a net decrease of $41,170. That meant that we used that portion of the postage dollars that had been prepaid and this amount should have been recorded as an expense in 2004. In 2005, the Company paid $452,798 to the postmaster and at the end of the year there was a $66,125 balance on the postage meters as paid postage but not yet used. That means that we increased the pre-paid postage level by $7,627 ($66,125 - $58,498). This then means that the actual postage expense for 2005 would be the $452,798 that we paid, less the $7,627 that we didn't use, or $445,171 in test-year postage expense.

So, $445,171 should be Mr. Smith's starting point, which when applied within Mr. Smith's adjustment calculation would result in pro forma postage expense of $476,960. This is more accurate than his proposed amount of $414,285, but is still not completely reflective of the normal and recurring level of postage expenses. This is the reason that the Company used a two-year average in the pro forma adjustment to posted expense Postage expense is not just dependent on customer count; it is also dependent upon the number of additional notices mailed, the weight of specific bill inserts, and other additional factors that affect the actual cost. The postage expense for 2006 – a known and measurable amount – was $553,648. This is $139,362 more than the Mr. Smith's suggested level. That is why I believe that the Company's proposed pro forma postage expense of $529,380 is the proper and reasonable amount of expense to include in the revenue requirement.

Q. What about Staff's assertion in response to UNSG Data Request No. 2-9 that the $66,125 of postage expense is not a test-year expense?

A. It is partially correct. Only $58,498 of it is related to actual test year expense. The $66,125 was an adjustment made during the test year to correct the prepaid postage account balance at December 31, 2005. As I explained above, the $66,125 represents the cash balance on the postage meters at the end of the test year. So it is properly accounted for as a rate base item within prepaid assets. And as I also describe above, there was *no* prepaid postage recorded on the balance sheet of UNS Gas as of December 31, 2004 for the $58,498 cash balance on the postage meters. So $58,498 was booked in 2005 as a *credit* to expense (even though it had nothing to do with 2005 expenses) and is related to prior periods, and $7,627 is credited to expense to reflect the increase in the postage meter balances within 2005. So test-year postage expense is $445,171 ($452,798 cash paid in 2005 and originally booked to expense, less $7,627 increase in the postage meter balance credited to expense) and the income statement only reflected expense of $386,673 because of the $58,498 credit related to a prior period (2004).

This situation is no different than if the Company received an invoice from the Postal Service saying we under-paid our account by $58,000 in 2003 and 2004. In that scenario, we would record a credit to cash and a debit to postage expense in 2005. Mr. Smith would have reviewed the invoice and said that test-year postage expense is overstated by $58,000 that is related to prior periods, and would have proposed an adjustment to remove it from test year expense. This is just the opposite and I am saying that if you are starting with test year expense, you must adjust it for the prior period impact. In addition, the prepaid balance in rate base is the amount of cash as of December 31, 2005 that the Company has prepaid to the Post Office and is also properly reflected as well.

III. REBUTTAL TO RUCO WITNESS MARYLEE DIAZ CORTEZ.

A. GIS Expenditures (RUCO Rate Base Adjustment 5 & Income Statement Adjustment 12).

Q. Do you agree with Ms. Diaz Cortez's recommendation to disallow the Company's request to include GIS expenditures as a regulatory asset and to recover that asset through amortization?

A. No. I provide numerous reasons earlier in my Rebuttal Testimony why I believe the Commission should allow the Company to recover these expenditures as requested. Ms. Diaz Cortez appears to not be questioning the benefits to the customers or the prudence of the expenditures, but is merely arguing that we did not get pre-approval to defer the cost. As I described earlier, there were extenuating circumstances that led to that outcome, we are asking the Commission to approve our request for ratemaking treatment.

I also disagree with Ms. Diaz Cortez's assertion that the Company has already recovered the GIS expenditures. First, it contradicts her own argument that the Company has deferred the cost for regulatory purposes without Commission approval. If we deferred the cost then we didn't recover it.

It is also an incomplete description of the circumstances. UNS Gas' last rate adjustment occurred in 2003 – to recover recurring expense levels based on a 2001 test year. The GIS expenditures were not anticipated at that time and so they were not included in the revenue requirement. But as I explained above, the GIS expenditures resulted directly from the Commission's Pipeline Safety Section. These costs occurred outside of the normal range or recurring expense and were not contemplated in the rate structure that is in effect. The Company has not recovered the GIS expenditures and will not recover

them simply by expensing them within the GAAP books of the Company. If it could recover these costs by expensing them, then it would not have needed an accounting order.

Even if the Company had known in 2003 that it would end up expensing these costs – and asked for and received an accounting order allowing deferral of the expenditures for ratemaking purposes – the expenditures would still have been expenses for GAAP purposes. Without specific language in the accounting order saying that the Company would be allowed to recover the cost in the next rate case, GAAP would have required the Company to expense these costs.

It is not uncommon to have differing treatment of expenses for GAAP purposes and for ratemaking purposes. For example, in many electric cases, the overhaul cost for a turbine or boiler will be smoothed or amortized over an expected recurring cycle period. For GAAP purposes, those expenses will be recorded as incurred.

In addition, on Page 14 (lines 3-4) of her Direct Testimony, Ms. Diaz Cortez states that the Company's book net income was greater than $10.5 million in the test year. This is incorrect. The Company's operating income was over $10.5 million. Net income was actually just over $5 million for a return on ending equity of only 6.32%.

B. <u>Fleet Fuel Expense (RUCO Income Statement Adjustment 13)</u>.

Q. Do you agree with Ms. Diaz Cortez's Fleet Fuel Expense adjustment?

A. No, I do not. Ms. Diaz Cortez has taken a different approach than the Company or Mr. Smith. If I substitute the more recent cost per gallon of $2.48 actually incurred by the Company – that I discuss earlier in responding to Mr. Smith's adjustment to fleet fuel

expense – and recalculate Ms. Diaz Cortez's adjustment, the pro forma is then a reduction to the Company's original adjustment of $41,079 (pre-tax). I believe that Mr. Smith's methodology is more appropriate once the fuel cost is updated. I have reflected a $12,657 reduction in my updated revenue requirement.

C. Corporate Cost Allocations (RUCO Income Statement Adjustment 16).

Q. Do you agree with Ms. Diaz Cortez's adjustment to reduce Corporate Cost Allocations?

A. Yes. Ms. Diaz Cortez discovered some additional non-recurring charges related to the attempted merger and has correctly proposed the removal of these costs.

D. Bad Debts – Uncollectibles (RUCO Income Statement Adjustment 17).

Q. Do you agree with Ms. Diaz Cortez's adjustment to reduce the Company's proposed Bad Debt Expense?

A. No. Ms. Diaz Cortez argues that the Company has overstated the pro forma bad debt expense because an historical write-off percentage was applied to adjusted test year revenue that included Griffith plant revenue and NSP customer revenue. Both of these revenues were excluded from the revenue requirement. Ms. Diaz Cortez went on to calculate a new pro forma bad debt expense by applying the Company's calculated write-off percentage to adjusted test-year revenue that excluded Griffith plant revenue and NSP customer revenues. The problem with this approach is that the Company's write-off percentage was calculated by dividing actual write-offs by actual revenues, that include NSP and Griffith plant revenues. Therefore, her adjustment understates the pro forma bad debt expense by applying an inconsistent rate.

E. CWIP Property Taxes (RUCO Income Statement Adjustment No 18).

Q. Do you agree with Ms. Diaz Cortez's adjustment to reduce the Company's proposed Property Tax adjustment for CWIP included in rate base?

A. No. The adjustment is directly associated with the inclusion of CWIP in rate base as a plant item. Mr. Kentton C. Grant is the Company's witness in support of the inclusion of CWIP in rate base. Because CWIP should be included in rate base for the reasons Mr. Grant explains in his Rebuttal Testimony, the Company's property tax adjustment should not be adjusted as Ms. Diaz Cortez proposes.

F. Out-Of-Period Expenses (RUCO Income Statement Adjustment 19).

Q. Do you agree with Ms. Diaz Cortez's adjustment for Out-of-Period Expenses?

A. Partially. Ms. Diaz Cortez identified some PriceWaterhouseCoopers ("PWC") invoices in test year expense that were for prior-period services. Accordingly, those should be removed from the test-year revenue requirement. However, her analysis was not symmetrical. Before 2006, PWC invoices for audit services were not accrued; they were progress-billed on a quarterly basis and were not materially different from year to year. Ms. Diaz Cortez is proposing to reduce test-year expenses for invoices expensed in 2005 for services provided in 2004. However, there are also invoices expensed in 2006 for services provide in 2005. These expenses are actually greater than the ones currently in the test year and would increase pro forma test-year expenses. The Company recommends RUCO's adjustment be rejected.

G. Legal Expenses (RUCO Income Statement Adjustment 20).

Q. Do you agree with Ms. Diaz Cortez's adjustment to test year Legal Expenses?

A. No, I do not. Ms. Diaz Cortez has made the same adjustment as Mr. Smith, which is to exclude the legal cost related to a FERC proceeding in the amount of $311,051 (pre-tax). As I discussed earlier, legal expenses paid to outside council are non-recurring on a case-by-case basis from year to year. However, there is a recurring level of necessary expense that must be built into revenue requirements to provide reasonable assurance of recovering recurring costs. As I mentioned earlier in my Rebuttal Testimony, we propose an amount based on the two-year average, reducing the Company's proposed test-year expense by $57,603 (pre-tax).

IV. REBUTTAL TO RUCO WITNESS RODNEY L. MOORE.

A. Worker's Compensation (RUCO Income Statement Adjustment 1).

Q. Do you agree with Mr. Moore's adjustment to Worker's Compensation?

A. Yes.

B. Incentive Compensation (RUCO Income Statement Adjustment 2).

Q. Do you agree with Mr. Moore's adjustment to Incentive Compensation?

A. No, I do not.

Q. Can you summarize Mr. Moore's reasoning for excluding Incentive Compensation?

A. Yes. Mr. Moore argues that the goals and objectives of the 2004 and 2005 PEP program were designed to provide a greater benefit to stockholders, that the 2005 payout was based on an arbitrary decision made by the Board, that the 2005 award is non-recurring

and that he believes the program is discriminatory and only applies to a select group of non-union employees.

Q. Do you agree with any of the assertions that Mr. Moore makes concerning the Company's PEP plan?

A. No, and I will list the reasons. First, as I discussed earlier in response to Mr. Smith's Direct Testimony on PEP, I believe that the program actually saves the customers money in multiple ways even before the goals and objectives of the plan are taken into account. Second, the goals and objectives of the current plan are heavily weighted to the benefit of the customers. Furthermore, financial performance goals also strongly benefit customers. Even though the State of Arizona uses an historical test year to set rates, rates are set prospectively and the current PEP plan is what should be the basis for evaluation. Third, the 2005 award was not an arbitrary award approved by the Board, but was based on the remaining goals and objectives of the 2005 PEP that were achieved and not related to financial performance. The financial goal was missed primarily as a result of an unplanned outage at Springerville. This award was paid to real employees and was based on real efforts and real results they achieved. Fourth, the program applies to "all" non-union employees and I am concerned by Mr. Moore's use of the word discriminatory to describe the program. That word carries a negative connotation and could easily be misunderstood taken out of proper context. The Company would like to implement a PEP program for the union employees. But, their wages are collectively bargained and to date, the Union has rejected any proposals to put any portion of their fair-wage compensation "At Risk". The Union also has issues with any program that rewards employees in the same positions at differing rates based on their individual performance.

C. **Postage Expense (RUCO Income Statement Adjustment 4).**

Q. Do you agree with Mr. Moore's adjustment to postage expense?

A. No, I do not. Mr. Moore starts his calculation with test-year expense, similar to Mr. Smith, but inadvertently starts with only part of the test-year book expense. Also, as I describe in detail above in my rebuttal of Mr. Smith, the test-year book expense was understated by a prior-period credit and thus would need to be adjusted to $445,171 for this method to come up with an answer reflective of the recurring postage expense level. If I substitute this amount into Mr. Moore's calculation, I end up calculating a pro forma postage expense of $477,980. This is more accurate than his original calculation of $394,696, but is still not completely reflective of the normal and recurring level of postage expense. That is why I used a two-year average. As I discuss above, postage expense is not just dependent on customer count, but is also dependent on the number of additional notices mailed, weight of specific bill inserts, and a number of other additional matters that affect the actual cost. The postage expense for 2006 was $553,648. This is $158,952 more than the suggested level proposed by Mr. Moore. That is why I believe that the Company's proposed pro forma postage expense of $529,380 is the proper amount to be included in the revenue requirement

D. **Customer Service Costs (RUCO Income Statement Adjustment 5).**

Q. Do you agree with Mr. Moore's adjustment to Customer Service Costs?

A. No, I do not.

Q. Why did the Company transfer its call center functions over to a consolidated call center at TEP?

A. First, UNS Gas did not have a call center. The Company had various phone numbers for various locations within the Northern Arizona operation centers, and a handful of part-time customer representatives. Those customer representatives were limited by only having a few dedicated phone lines, no interactive voice response system ("IVR"), limited business hours (due to the limited staffing levels), limited back-up, and were not positioned to provide adequate customer service to a customer base of over 130,000 that is growing rapidly.

Basically, the system could not continue as it was configured and would have required a significant investment in new systems, phone lines, personnel, facilities and increased staffing and supervision levels to provide adequate customer service. The solution that made the most sense was to transfer the responsibilities to the TEP call center and take advantage of only paying a portion of the fixed cost for a system related to what is used rather than making all of the investment by UNS Gas.

Q. Have costs and service levels changed?

A. Yes. Costs in total have increased, but they would have had to increase. Otherwise, there would have been no system and very limited service levels. Service levels have improved significantly and call volume has almost doubled with the increased phone lines and representatives available to answer calls.

UniSource now has a consolidated Enterprise call center supporting UNS Gas, UNS Electric, Inc. and TEP. All share in paying the significant cost of supporting this center based on proportional usage. Previously, calls from UNS Gas customers were handled in

each remote location, by a handful of employees picking up incoming calls in addition to other duties. The Company has made significant strides to improve customer service, including:

- 97% increase in calls handled from UniSource Energy Services, Inc. ("UES");
- 8.5 hours per day of coverage being expanded to 12 hours per day;
- An IVR capability being added;
- An assisted credit card payment option being added;
- Dedicated Customer Service Representatives being added;
- 237 trunk lines that are now available;
- One phone number for both gas and electric inquiries and for customers in Mohave and Santa Cruz Counties; and
- Call volume tracking is now available

So Mr. Moore is incorrect when he states that the same level of service exists today as in the pre-consolidation of the call center.

UniSource chose to integrate the call center function because of the investment and technology already in place at the existing Tucson call center facility, rather than duplicate a call center elsewhere. Any new investment in additional staff and technology equipment required to provide the above service levels would have been even more significant proportionately to UES than the existing allocation of costs.

The decision to use existing TEP systems and resources across a larger customer base resulted in more efficient use of existing assets and a lower combined cost of service to all UNS Gas customers, while providing a remarkable increase in service levels for UES customers and avoiding significant additional and duplicative investment at UES.

1 E. **Unnecessary Expenses (RUCO Income Statement Adjustment 6).**

2

3 Q. **Do you agree with Mr. Moore's adjustment for Unnecessary Expenses?**

4 A. In general, I do not. There are $10,126 of cost within Mr. Moore's list that were also
5 identified by Staff's witness Mr. Smith that I previously agreed to exclude from revenue
6 requirements. However, Gary A. Smith will discuss the remaining expenditures that Mr.
7 Moore is seeking to exclude as "Inappropriate" and "Unnecessary" in his Rebuttal
8 Testimony. I would, however, like to comment on the proposed adjustment itself. Mr.
9 Moore makes reference to UNS Gas' response to RUCO Data Request No. 4.01, which
10 requested that the Company provide sufficient documentation for these expenses, which
11 meet the 'necessary for the provisioning of gas service' criteria for inclusion in test-year
12 operating expenses.

13

14 While this is a technically valid request, there has to be some consideration as to how this
15 type of review is done and the cost versus benefit of such an analysis, from a
16 reasonableness standard.

17

18 The original request included a list of 2,168 individual charges. Of those charges,
19 approximately 65% were less than $50 and another approximate 25% were between $51
20 and $200. So about 90% of his request was to provide an explanation and documentation
21 to support approximately 2,000 charges of $200 or less. Basically, Mr. Moore compiled
22 a list of charges based on the vendor names that appeared to be a restaurant, hotel, store
23 or airline. I cannot think of – and RUCO does not offer – any support for justifying its
24 adjustment being in accordance with a reasonable professional standard or common
25 practice. To ask the Company to justify over 1,400 transactions under $50 is an overly
26 burdensome task that takes thousands of man-hours and costs a significant amount of

27

money. Furthermore, the types of charges he is attempting to exclude are reviewed by the personnel's immediate supervisor and numerous controls are in place to ensure that they are valid charges incurred in the course of providing gas service to customers. Reviewing the policies, the controls and testing those items seems like a cost-effective and reasonable starting point; before asking for documentation of over 1,400 invoices of $50 or less.

In responding to Mr. Moore's Data Request No. 4.01, I provided documentation for all advertising charges and all charges of $1,000 or more. Of the charges of $1,000 or more, Mr. Moore is proposing to exclude $28,131.04. Further, $24,288.27 out of the remaining $197,394 Mr. Moore recommends exclusion of are charges comprised as an error in his computation because he used total invoice amount instead of the amount charged to UNS Gas. The remaining amount is for charges the Company did not provide documentation for, because it would have cost about $75,000 based on the fully-loaded compensation levels for the personnel involved in undergoing such a process. So that is why I stated that by no reasonable professional standard should this be an acceptable method of compiling an adjustment and should not be allowed in this case. The fact is that meals and expenses such as the ones RUCO seeks to exclude are a typical and necessary part of doing business as Mr. Gary A. Smith explains in his Rebuttal Testimony. We would urge RUCO to set a realistic materiality level for its future requests.

F. **Rate Case Expense (RUCO Income Statement Adjustment 8).**

Q. Do you agree with Mr. Moore's adjustment for Rate Case Expense?

A. No. Mr. Moore attempts to compare the UNS Gas rate case cost to SWG's most recent rate case and implies that SWG and UNS Gas are comparable companies. That assumption is flawed.

SWG has operations in Arizona, Nevada and southern California. SWG indirectly allocates its shared services to its Arizona operations based on a Massachusetts Formula. By contrast, TEP is a completely separate regulated utility. TEP directly allocates charges to UNS Gas for only the shared services that UNS Gas uses based on actual hours of services rendered.

For example, the SWG's Arizona operations gets approximately 55% of all shared service cost from "Corporate" whether they use it or not. In essence, the Arizona division has 50% of the accounting department, 50% of the plant accounting department, 50% of the rates/pricing department, 50% of the legal department, 50% of the payables department, 50% of the budgeting, etc. UNS Gas has none of these departments but instead is charged for resources actually used from TEP.

This is apparent looking at RUCO's response to the Company's Data Request No. UNSG 1-30d. In that response, RUCO states that SWG's allocated labor cost to its Arizona operations was 6.38% of total operating cost (excluding gas cost) and UNS Gas allocated labor cost was 1.75% of total operating cost (excluding gas cost).

Q. What have the direct allocations been to UNS Gas from TEP for shared services?

A. The direct allocations to UNS Gas from TEP for shared services (labor & burdens) were $863,254 in 2004, $965,823 in 2005, and $1,436,789 in 2006. The 2006 amount is inflated by the rate case expenses that equaled $476,602 in 2006 and were deferred as a regulatory asset; which left the remainder of normal activity at $960,187. This is equivalent to 2005 levels.

Q. What does all of that mean?

A. It means that SWG has these support services for doing a rate case built into their base rates and UNS Gas simply does not.

Q. Do you have any other comments regarding rate case expense?

A. Yes, as of the end of February 2007, the rate case deferral account had a balance of $786,556. This is $186,556 more than we had originally forecasted for this case. And since the case has hearings and an additional round of testimony remaining, it is possible that balance may reach $900,000, which is $300,000 more than we originally budgeted.

Q. What do you believe are the primary reasons causing the budget overage?

A. I see two primary drivers:

- The organization going through the first rate case for UNS Gas and thus having to research and address all issues for the first time; and
- The volume, complexity and magnitude of data requests received from Staff, RUCO and other Intervenors, which was probably also as a result of this being the first rate case for UNS Gas. For example, in SWG's most recent, case it received a total of 285 data request questions with 206 sub-parts. UNS Gas received 605 questions with

440 sub-parts. That is more than two times the number of requests that SWG received.

Q. Do you believe that UNS Gas should be allowed to collect all of these rate case expenses?

A. Most definitely. These are legitimate outside service costs incurred in the process of preparing and defending the UNS Gas rate case. In this particular instance, it will amount to about $300,000 being built into base rates for rate case expense. Even if you assume that 100% of that cost allocated from TEP that would only bring UNS Gas' allocated cost up to 2.5% total operating cost (excluding gas cost), that is still well below the SWG level 6.38%. The UNS Gas adjustment is basically adding an incremental amount to base rates for rate making support based on actual usage, versus just simply allocating portions of departments and charging them to UNS Gas whether they are used or not.

G. <u>AGA Dues (RUCO Income Statement Adjustment 9)</u>.

Q. Do you agree with Mr. Moore's adjustment for AGA dues?

A. I have accepted Mr. Moore's adjustment to AGA dues.

H. <u>Non-Recurring/Atypical Expenses (RUCO Income Statement Adjustment 10)</u>.

Q. Do you agree with Mr. Moore's adjustment for Non-Recurring/Atypical Expenses?

A. No, I do not. Mr. Moore is excluding certain training costs that were incurred during the year as non-recurring. These will be more specifically talked about in Company's witness Gary A. Smith's Rebuttal Testimony. But the Company is highly regulated, growing rapidly and continually adding new employees. So training is an on-going and

primarily mandated process for the Company. Training costs will very likely continue to increase for the foreseeable future and removing any of these costs from the test year would not be appropriate.

I. SERP (RUCO Income Statement Adjustment 11).

Q. Do you agree with Mr. Moore's adjustment for SERP?

A. No. I provide justification for SERP expenses in response to Mr. Smith's Direct Testimony on this subject.

Q. Does that conclude your Rebuttal Testimony?

A. Yes.

EXHIBIT

DJD-1

UNS GAS, INC.
COMPARISON OF ADJUSTMENTS TO REVENUE REQUIREMENT
TEST YEAR ENDED DECEMBER 31, 2005

	As Filed 7/13/06 UNSG	As Filed 2/9/07 ACC Staff	As Filed 2/9/07 RUCO	Revised 3/16/07 UNSG	Summary	UNSG Witness
Original Cost Rate Base - Unadjusted	$149,791,159	$149,791,159	$149,791,159	$149,791,159		Kissinger
Rate Base Adjustments						
Acquisition Adjustment (RUCO Rate Base Adjustment No. 3)	35,277,589	35,277,589	35,028,702	35,277,589	RUCO adjusts the acquisition discount amortization claiming that the depreciation rates currently in use were not approved in the last rate case. UNSG is defending use of the rates. These were the rates used to derive depreciation expense in the Decision approving UNSG's current customer rates and were approved as such.	Kissinger
Southern Union Acquisition Premium	(17,053,753)	(17,053,753)	(17,053,753)	(17,053,753)	No adjustments	Kissinger
Griffith Power Plant	(5,254,086)	(5,254,086)	(5,254,086)	(5,254,086)	No adjustments	Kissinger
CWIP (Staff Adjustment B-1, RUCO Rate Base Adjustment No. 4)	7,189,231	-	-	7,189,231	Staff & RUCO exclude CWIP as not in service at test year end. UNSG defends its position for economic reasons and because the plant is in service prior to new rates being established. UNSG also asserts double jeopardy as there is $4.2 million in customer advances directly related to projects in this CWIP balance that have been included as a reduction of rate base.	Grant
Build-Out-Plant	(8,700,572)	(8,700,572)	(8,700,572)	(8,700,572)	No adjustments	Kissinger
Cares Asset	(1,662)	(1,662)	(1,662)	(1,662)	No adjustments	Kissinger
GIS Deferral (Staff Adjustment B-2, RUCO Rate Base Adjustment No. 5)	897,068	-	-	897,068	Staff & RUCO exclude the GIS expenditures from rate base primarily because UNSG did not get an accounting order from the Commission. They believe the costs are non-recurring and not eligible for rate base treatment. UNSG asserts that the costs were initially thought to be capital costs and the error was not detected until the fourth quarter of 2005. At that point the expenditures had already been made and it was impossible to request an accounting order in advance. The income statement impact did happen in the test year and no one argued that the costs were imprudent. The record shows the costs were at least partially incurred at the request of the Commission and benefit present and future customers.	Dukes
Pre-Acquisition Plant in Service (RUCO Rate Base Adjustment No. 1)	-	-	(6,990,677)	-	RUCO is claiming that UNSG cannot substantiate $3.1 million of plant additions added between 12/31/01 and 8/11/03. RUCO also contends that the level of accumulated depreciation as of 12/31/03 was incorrect based on their recalculation. UNSG strongly disagrees with RUCO's assertion.	Kissinger
Accumulated Depreciation (RUCO Rate Base Adjustment No. 2)	-	-	(2,855,454)	-	RUCO claims that since August 2003, UNSG has been using depreciation rates that were not approved by the Commission. UNSG is defending use of the rates. These were the rates used to derive depreciation expense in the Decision approving UNSG's current customer rates and were approved as such.	Kissinger
Customer Contributions	-	-	-	-	No adjustments	Kissinger
Other Rate Base (Y2K & Warm Spirit)	-	-	-	-	No adjustments	Kissinger
Accumulated Deferred Income Taxes (Staff Adjustment B-4)	2,807,892	3,003,228	2,807,892	2,807,892	Staff's differences are because of proposed rate base adjustments. RUCO did not adjust deferred taxes to synchronize with their proposed adjustments.	Kissinger
Working Capital (Staff Adjustment B-3, RUCO Rate Base Adjustment No. 6)	(3,291,503)	(2,520,543)	(2,091,351)	(2,592,809)	Staff & RUCO agreed with UNSG's lead/lag study after the correction supplied to them in response to Staff Data Request 5.76. The remaining differences arise primarily from varying adjustments and as a result of not completing a simultaneous equation to synchronize. The Company updated for adjustments accepted.	Kissinger
Total Adjustments	11,870,204	4,750,201	(5,110,961)	12,568,898		
Pro Forma OCRB	161,661,362	154,541,359	144,680,197	162,360,056		
Requested Rate of Return	8.80%	8.12%	7.94%	8.80%	Staff recommends a 10% ROE and no hypothetical capital structure. RUCO recommends a 9.64% ROE and a 50/50 hypothetical capital structure. RUCO also calculated the cost of debt excluding debt issuance cost.	Grant
Required Operating Income	$14,223,179	$12,548,758	$11,480,374	$14,284,651		

UNS GAS, INC.
COMPARISON OF ADJUSTMENTS TO REVENUE REQUIREMENT
TEST YEAR ENDED DECEMBER 31, 2005

	As Filed 7/13/06 UNSG	As Filed 2/9/07 ACC Staff	As Filed 2/9/07 RUCO	Revised 3/16/07 UNSG	Summary	UNSG Witness
Original Operating Income - Unadjusted	$10,590,155	$10,590,155	$10,590,155	$10,590,155		Kissinger
Operating Income Adjustments						
Operating Revenue Adjustments						
Griffith Plant Operations	(865,152)	(865,152)	(865,152)	(865,152)	No adjustments	
Purchased Gas Cost & Gas Cost Revenue	(75,545,465)	(75,545,465)	(75,545,465)	(75,545,465)	No adjustments	Dukes
Customer Annualization (Staff Adjustment C-1, RUCO Operating Income Adjustment No. 14)	725,682	828,115	835,688	725,682	Both Staff & RUCO used year-end customer levels with no adjustments for the cyclical pattern of customer counts. UNSG used a slightly modified method to take into account the recurring customer level losses that happen each and every summer when customers leave the system.	Dukes
Weather Normalization (Staff Adjustment C-2, RUCO Operating Income Adjustment No. 15)	516,921	518,883	517,821	516,921	The differences here are primarily because the weather normalization adjustment starts with the annualized customer counts, revenues and sales.	Erdwurm
NSP Revenue & Gas Cost	(15,738,093)	(15,738,093)	(15,738,093)	(15,738,093)	No adjustments	Erdwurm
Cares	(203,181)	(203,181)	(203,181)	(203,181)	No adjustments	Dukes
Total Adjustments to Operating Revenues	(91,109,288)	(91,004,893)	(90,998,382)	(91,109,288)		Dukes
Operating Expense Adjustments						
Griffith Plant Operations	(164,614)	(164,614)	(164,614)	(164,614)	No adjustments	
Purchased Gas Cost & Gas Cost Revenue	(75,545,465)	(75,545,465)	(75,545,465)	(75,545,465)	No adjustments	Dukes
NSP Revenue & Gas Cost	(15,269,790)	(15,269,790)	(15,269,790)	(15,269,790)	No adjustments	Dukes
Payroll Expense (Staff Adjustment C-8 & C-9)	440,550	265,152	440,550	369,928	RUCO accepted UNSG's payroll adjustment. Staff adjusted UNSG's overtime levels and incorrectly adjusted an error that they found in our adjustment. UNSG accepted the overtime adjustment proposed by Staff and corrected the error in the original UNSG pro forma adjustment.	Dukes
Payroll Tax Expense (Staff Adjustment C-10)	25,907	12,551	25,907	20,567	Adjustments reflect changes to payroll expense.	Dukes
Pension & Benefits (RUCO Operating Income Adjustment No. 11)	54,594	54,594	(38,481)	54,594	RUCO is excluding SERP charges allocated to UNSG. UNSG believes that SERP is a part of a fair and reasonable executive compensation program and should not be excluded based on IRS limits established to maximize tax revenues.	Dukes
Post Retirement Medical	57,676	57,676	57,676	57,676	No adjustments	
Worker's Compensation (Staff Adjustment C-13, RUCO Operating Income Adjustment No. 1)	34,234	-	-	-	The Company is agreeing with proposed adjustments.	Dukes
Incentive Compensation (Staff Adjustment C-6, RUCO Operating Income Adjustment No. 2)	137,262	(130,163)	(141,486)	137,262	Staff excluded 50% of the test year "incentive" compensation and 100% of SERP expenses ; RUCO excluded all incentive compensation. UNSG is opposing all adjustments and asserts that programs like the Performance Enhancement Plan actually saves customers money and the other programs are part of a fair and reasonable compensation plan for the Officers and Directors of UniSource Corporation.	Dukes
Rate Case Expense (RUCO Operating Income Adjustment No. 8)	200,000	200,000	83,667	300,000	Staff proposed no change to the Company's original adjustment. RUCO compared UNSG to SWG and took the amount SWG got in their last rate case and adjusted it for inflation. UNSG is updating the record for the latest projected cost.	Dukes
Bad Debt Expense (Staff Adjustment C-3, RUCO Operating Income Adjustment No. 17)	317,758	319,021	222,175	317,758	Staff used the UNSG adjustment and inserted revised customer annualization revenues. RUCO recalculated using our historical write-off rate times pro forma revenues (excluding NSP and Griffith); this would be correct had they corrected the write-off percentage to reflect the exclusion of those revenues as well.	Dukes
Interest On Customer Deposits	16,507	16,507	16,507	16,507	No adjustments	
Fleet Fuel Expense (Staff Adjustment C-15, RUCO Operating Income Adjustment No. 13)	73,726	21,287	24,176	61,068	Both Staff & RUCO used calculations similar to the UNSG adjustment, except that RUCO used test year average fuel cost and Staff used a recent three-month average for the State of Arizona. UNSG accepts Staff's proposed method, but used the most recent three-month average actual fuel cost for UNS Gas instead of an Arizona average.	Dukes
Amortization of GIS Expenditures (Staff Adjustment C-5, RUCO Operating Income Adjustment No. 12)	(541,344)	(840,367)	(840,367)	(541,344)	Staff & RUCO excluded GIS, saying UNSG didn't have an ACC order to defer the cost. UNSG argues that the expense was booked in the test year and the Commission has authority to grant the Company's requested treatment.	Dukes
Out of Period Expenses (RUCO Operating Income Adjustment No. 19)	(43,743)	(43,743)	(64,863)	(43,743)	RUCO is excluding some PWC invoices for services provided in 2004 and expensed in 2005; however, RUCO did not look at the 2005 invoices expensed in 2006 that were essentially equivalent. UNSG recommends no change to its original adjustment.	Dukes

UNS GAS, INC.
COMPARISON OF ADJUSTMENTS TO REVENUE REQUIREMENT
TEST YEAR ENDED DECEMBER 31, 2005

	As Filed 7/13/06 UNSG	As Filed 2/9/07 ACC Staff	As Filed 2/9/07 RUCO	Revised 3/16/07 UNSG	Summary	UNSG Witness
Operating Expense Adjustments (cont'd)						
Year-End Accruals	(125,000)	(125,000)	(125,000)	(125,000)	No adjustments	
Advertising & Donations	(16,619)	(16,619)	(16,619)	(16,619)	No adjustments	
Postage Expense (Staff Adjustment C-16, RUCO Operating Income Adjustment No. 4)	142,707	27,612	(10,772)	142,707	Staff took test year expense and increased it for the postage rate increase. RUCO took a similar approach, but has a formula error in their calculation and also forgot to pick up other postage expense. Both parties ignored the fact that there was a $58k prior period adjustment in the test year that needed to be corrected in their starting number. When those issues are corrected, the approaches are very similar but, their proposed amount is inadequate when compared to the two year average cost and the actual 2006 cost.	Dukes
Cares	(16,899)	(16,899)	(16,899)	(16,899)	No adjustments	
Depreciation & Property Tax for CWIP (Staff Adjustment C-4, RUCO Operating Income Adjustment No. 18)	363,150	-	196,266	363,150	Staff excluded the adjustment for CWIP depreciation and property taxes completely. RUCO removed the *property taxes and included the depreciation adjustment in their overall depreciation adjustment* calculation. UNSG believes the CWIP in rate base should be allowed and disagrees with the proposed reductions.	Dukes
Gain on Sale of Prescott Property	(12,437)	(12,437)	(12,437)	(12,437)	No adjustments	
Corporate Cost Allocations (RUCO Operating Income Adjustment No. 16)	130,471	130,471	117,706	117,706	Staff made no adjustments. RUCO found an invoice we had missed related to the KKR acquisition.	Dukes
Customer Service Cost Allocations (RUCO Operating Income Adjustment No. 5)	325,422	325,422	(401,288)	325,422	*Staff doesn't propose an adjustment. RUCO adjusts to an annualized incremental cost level based on* having a handful of part-time CSR's, no system, inadequate phone lines and limited customer service. UNSG strongly opposes RUCO's adjustment.	Dukes
Depreciation Annualization	3,280	3,280	3,280	3,280	No adjustments	
Emergency Bill Assistance (Staff Adjustment C-7)	-	21,600	-	21,600	Staff argues should be in base rates and not in DSM surcharge. Company agrees with Staff's adjustment.	Dukes
Nonrecurring FERC Rate Case Legal Expense (Staff Adjustment C-11, RUCO Operating Income Adjustment No. 20)	-	(311,051)	(311,051)	(57,603)	Staff and RUCO exclude legal expenses related to the El Paso FERC case as non-recurring, despite the fact that we had legal expenses of $373k in 2004, $488k in the test year and $425k in 2006. This would put a two-year average right at our 2006 expense level; UNSG is proposing a two year average of 2004 & 2005 actuals.	Dukes
Membership & Industry Association Dues (Staff Adjustment C-14, RUCO Operating Income Adjustment No. 9)	-	(26,868)	(1,523)	(11,649)	Staff excludes 40% of AGA dues. RUCO excludes 3.6%. UNSG originally viewed this as immaterial; UNSG agrees with RUCO's adjustment.	Dukes
Pre-Acquisition Plant in Service Depr. Expense (RUCO Operating Income Adjustment No. 3)	-	-	(324,083)	-	*RUCO reduces test year depreciation expense based on the recalculated plant in service balance.* UNSG strongly opposes any exclusion of plant in service and strongly disagrees with RUCO's calculation of depreciation expense.	Kissinger
Unnecessary Expenses (RUCO Operating Income Adjustment No. 6)	-	-	(233,347)	-	RUCO excluded over 2,000 immaterial charges for items such as hotels, meals, flowers, training and etc. UNSG defends the changes as necessary in the course of providing gas service and takes issue with RUCO's burdensome approach.	Dukes
Nonrecurring Expenses (RUCO Operating Income Adjustment No. 10)	-	-	(2,584)	-	RUCO removed MARC training costs from expenses. UNSG is incurring ever-increasing employee levels, regulation and training requirements. It makes no sense to reduce any part of test year training cost.	Dukes
Property Taxes (Staff Adjustment C-12, RUCO Operating Income Adjustment No. 7)	1,591,370	1,511,080	1,282,061	1,591,370	Staff & RUCO adjusted to match their plant in service and also reached out an additional year to 2007 for assessment rate reductions. UNSG disagrees with these adjustments.	Kissinger
Income Taxes (Staff Adjustment "All C's"; RUCO Operating Income Adjustment No. 22)	(1,126,817)	(542,473)	703,573	(1,103,576)	*Recalculations based on other adjustments.*	
RUCO Operating Income Adjustment No. 20	-	-	(622,102)	-	RUCO error in Schedule RLM-7 as part of Operating Adjustment No. 20.	Dukes
Total Adjustments to Operating Expense	(88,948,114)	(90,079,236)	(90,969,227)	(89,008,145)		
Total Net Adjustments	(2,161,174)	(925,657)	(29,155)	(2,101,143)		
Adjusted Operating Income	$8,428,981	$9,664,498	$10,561,000	$8,489,011		
Operating Income Deficiency	$5,794,198	$2,884,261	$919,374	$5,795,640		
Gross Revenue Conversion Factor	1.6649	1.6370	1.6370	1.6370	There was an error in the UNSG original gross-up formula as filed.	Kissinger
Increase in Gross Revenue Requirement	$9,646,901	$4,721,446	$1,505,015	$9,487,462		

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
MIKE GLEASON- CHAIRMAN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

EXHIBIT
UNSG-14
Admitted

IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.	DOCKET NO. G-04204A-06-0463
IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. TO REVIEW AND REVISE ITS PURCHASE GAS ADJUSTOR.	DOCKET NO. G-04204A-06-0013
IN THE MATTER OF THE INQUIRY INTO THE PRUDENCE OF THE GAS PROCUREMENT PRACTICES OF UNS GAS, INC.	DOCKET NO. G-04204A-05-0831

Rejoinder Testimony of

Dallas J. Dukes

on Behalf of

UNS Gas, Inc.

April 11, 2007

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I. INTRODUCTION.

Q. Please state your name and business address.

A. My name is Dallas J. Dukes and my business address is One South Church Avenue, Tucson, Arizona 85702

Q. Are you the same Dallas J. Dukes that filed file Direct Testimony and Rebuttal Testimony in this case?

A. Yes.

Q. Mr. Dukes, have you reviewed the Surrebuttal Testimony filed by the Commission Staff and Intervenors in this case?

A. Yes, I have.

II. REJOINDER TO STAFF WITNESS RALPH SMITH.

A. Construction Work in Progress (Staff Adjustment B-1).

Q. Mr. Dukes do you have any comments regarding Mr. Smith's recommendation to exclude CWIP from rate base?

A. Yes. I do. Specifically, I would like to address Mr. Smith's arguments against the removal of approximately $4.158 million of customer advances from rate base, if CWIP is excluded from rate base. Mr. Smith spends several pages arguing that the inclusion of CWIP in rate base causes a mismatch in the ratemaking process. At page 12, lines 14-15, of his Surrebuttal Testimony, he states "Hence, including the investment in rate base, without recognizing the incremental revenue it supports, would be imbalanced." And at page 12, lines 19-20, he states "In other words, allowance of CWIP in rate base would result in a

mismatch in the ratemaking process." However, these same arguments are not considered when Mr. Smith addresses the requested removal of customer advances specifically associated with projects not included in rate base.

Q. Why should Mr. Smith consider it a mismatch or an imbalance to reduce rate base by the entire balance of customer advances at the end of the test year?

A. Because $4.158 million of those advances is related to capital projects included in the CWIP balance that Mr. Smith is arguing to exclude from rate base. If CWIP is excluded from rate base, then the related customer advances should not be a reduction of rate base; otherwise the Company is penalized. In this particular case, the Company in effect would be denied a return on $4.158 million of its own investment based on the false assumption that the Company has that amount in cost free capital available at the end of the test year. In reality, those funds have already been spent on the specific projects they were intended for and exist as CWIP.

Q. What about Mr. Smith's assertion that customer advances represent non-investor supplied capital?

A. I agree with Mr. Smith that customer advances represent non-investor supplied capital. But I do not agree that the Company should be unfairly penalized by the treatment of such in a rate case. To the extent advances have been received by the Company and not yet spent, those funds constitute zero cost capital and should be recognized as a reduction of rate base. To the extent that an advance has been spent on a capital project that is in rate base it should be reflected as a reduction of rate base. This treatment protects customers from paying a return on non-investor supplied capital. But, if the advance is related to a capital project not yet in service (and therefore, not yet in rate base) as of the end of the test year and the funds have already been spent, it is not fair to reduce the Company's rate base for that portion. By doing that, the Company is denied a return on a portion of its actual

investment.

Q. What about Mr. Smith's statement that the Commission's rules require that customer advances be reflected as a deduction from rate base?

A. Mr. Smith refers to the requirements for Schedule B-1 in the Commission rules (A.A.C. R14-2-103, Appendix B, Schedule B-1). However, I would like to point out that nowhere in the Commission rules does it explicitly state that 100% of the balance of advances must be excluded from rate base. I believe the intent of the rule is to insure that customers do not pay a return on non-investor provided capital.

I would also like to point out that the rules also require the exclusion of contributions in aid of construction. But, a contribution made to a natural gas company is properly accounted for as a credit (reduction) to the specific "work order" it is received to fund; there is no specific FERC account for contributions as a contra to plant in service. The contribution is a credit to the work order. When that work order is in the construction phase or accruing in CWIP on the balance sheet, then the contribution is also still in CWIP. Then when the work order is put into service the asset is moved to plant in service at the net amount. I believe that is more consistent with the Company's proposed treatment of customer advances and represents the fair treatment of contributions and advances.

B. <u>Geographic Information System ("GIS") (Staff Adjustments B-2 & C-5).</u>

Q. Mr. Dukes will you please summarize Mr. Smith's primary reasons for his recommendation to deny the Company recovery of GIS expenditures?

A. Yes. Mr. Smith argues that the Company did not request an accounting order at the appropriate time, that the expenditures are non-recurring and primarily prior period expenses, and that the expenditures for GIS are not significantly different than all other

expenses incurred by the Company to serve its customers.

Q. Do you have any comments on Mr. Smith's recommendation?

A. Yes. The Company is not arguing that the expenditures are not properly accounted for as expenses or that the Company should have requested an accounting order prior to beginning the project. But the Company is requesting that the Commission look at the entire situation and allows the Company a reasonable opportunity to recover the GIS expenditures, which are used and useful, serving customers and are the result of the Commission's Pipeline Safety audit.

Q. Can you expand your explanation of what the Company is requesting?

A. Yes. The GIS expenditures were incurred in response to a directive from the Commission's Pipeline Safety Section. The Company understands that it should have requested an accounting order at the proper time because the expenditures were originally misclassified. But had the Company identified the GIS cost as an expense prior to beginning the project, it would have requested an accounting order. The magnitude of the expense and the fact that it is not reflected in the current rate structure would have compelled the Company to request deferral or seek an alternative approach to meeting the Commission's directive. The Company is just asking for a fair review of its request and an opportunity to recover expenditures made to correct an inadequacy inherited from the previous owner and directed by the Commission.

C. <u>Incentive Compensation (Staff Adjustment C-6).</u>

1. **Performance Enhancement Plan ("PEP").**

Q. Mr. Dukes would you briefly summarize Mr. Smith's position regarding the Company's PEP expenses.

A. Yes. Mr. Smith contends that the Company's PEP program is essentially the same as the Southwest Gas Corporation ("SWG") Management Incentive program and thus should be treated the same for ratemaking purposes.

Q. Do you agree with Mr. Smith's position?

A. No, I do not. Mr. Smith has failed to demonstrate comparability between UNS Gas' and SWG's incentive programs and overall compensation circumstances. He simply states that based on the information provided he does not see any meaningful distinction in the incentive compensation programs, but does not provide any evidence to support this assertion. I respect that prior rulings can provide guidance on issues and may set a precedent, but I see no evidence presented by Mr. Smith to show that UNS Gas' compensation levels or incentive programs are almost identical to those of SWG.

The UNS Gas PEP program is part of a fair and reasonable compensation program that is benchmarked at the median compensation levels by job classification. As I described at great length in my Rebuttal Testimony, all non-union employees are a part of the PEP program and thus have a portion of their pay put at risk, which produces overall lower compensation cost as compared to paying median compensation through base wages entirely.

Q. Mr. Smith questions the "at risk" feature in his Surrebuttal Testimony. Do you have a comment?

A. Yes. Mr. Smith implies that because the Board awarded a payout in 2005 despite missing

the PEP's financial target that perhaps the "at risk" feature is not in practice.

First, that belief ignores the fact that payouts are awarded on an individual basis based on merit and individual employees are not guaranteed any of the 42% payout. Some employees could have received more than 100% and some may have received 0%. That is a feature that make it a valuable management tool to reward individual performance and puts the pay "at risk" for individual employees.

Second, the amount can vary any year from 50% to 150% based on the different goals of the program. That in and of itself puts part of the PEP payout at risk. I understand that Mr. Smith, at the time of preparing his Surrebuttal Testimony, had not had time to examine the bench mark study that I referenced in my Rebuttal Testimony. Had he had time to analyze it, he would have seen that UNS Gas employees trail the median of market by 26% for Target Total Cash (base wages plus target annual compensation). And as I pointed out in my Rebuttal Testimony, UNS Gas employees trail the median of market by 8% for Total Cash (base wages plus actual annual incentives). Also, as I stated in my Rebuttal Testimony, 79% of companies provide lump sum cash awards. Those are real factors in being able to attract and retain employees, while controlling costs for UNS Gas.

2. <u>Officer's Long Term Incentive Program</u>.

Q. Did Mr. Smith address the Officer's Long Term Incentive Program in his Surrebuttal Testimony?

A. Mr. Smith stated that he had not had an opportunity to review the Company's most recent data responses on the subject yet and will make recommendations at a later date.

Q. Did Mr. Smith address Officer's Long Term Incentive Program in his Surrebuttal Testimony?

A. Yes. He reduced the test year expense by 50% based on the premise of equal sharing between customers and shareholders.

Q. Mr. Dukes, do you still disagree with Mr. Smith's proposed elimination of 50% of the test year long term incentive expense allocated to UNS Gas?

A. Yes, I still disagree with his proposal.

Q. Do you have any changes to your Rebuttal Testimony you would like to address?

A. Yes. I would like to make a few small changes. At page 11 of my Rebuttal Testimony:

- Line 4, should read, "The Board has set that target at approximately the median of a peer group of"; Line 9, should read, "target compensation levels, and to compare them to a peer group. The last study performed in October 2005"; Line 10, should read, "showed that TEP's Executives' total compensation program target (including incentive"; and Line 11, should read, "programs) was 5% below the 75% mark of the peer group."

Q. Are there any additional comments you would like to make about the Officer's Long Term Incentive Program?

A. Yes. I would like to just further clarify that the "target" compensation level was at approximately 70% of market in the most recent study, not actual compensation. "Target" assumes incentive compensation at full payouts. The actual 2005 Officer Total Direct Compensation was below the median of the peer group from the 2005 Executive Compensation Review. So the executive compensation that was the basis for allocations to UNS Gas during the test year was actually below the median level of the peer group, and the peer group data was obtained from 2004 Proxy statements.

3. Supplemental Executive Retirement Plan.

Q. Did Mr. Smith address the Supplemental Executive Retirement Plan in his Surrebuttal Testimony?

A. Yes. Mr. Smith again compares UNS Gas' compensation programs to SWG without providing any evidence to support the comparison. I agree that the SERP programs may be similar. However, the SERP program is just a portion of executive compensation allocated to UNS Gas from TEP and I do not believe it should be judged in isolation. I also do not believe it is fair to compare it to SWG's SERP program without putting it into the context of the entire executive compensation program. As I stated above, the actual 2005 Officer Total Direct Compensation was below the median of the peer group from the 2005 Executive Compensation Review.

Q. Are there any additional comments you would like to make about the Supplemental Executive Retirement Plan?

A. Yes. I would just like to reiterate why a program like SERP is necessary. First, it is a program offered by every company in the peer group used to evaluate executive compensation. Second, it is standard offering in executive compensation programs. Third, the Internal Revenue Code dictates funding limits for tax deductibility, but as I said in my Rebuttal Testimony that is based on collecting tax revenues and does not mean that it should be the cap for fair and reasonable retirement benefits.

D. FERC Rate Case Legal Expense (Staff Adjustment C-11).

Q. Did Mr. Smith address the FERC Rate Case Legal Expense in his Surrebuttal Testimony?

A. Yes. Mr. Smith summarized the proposal in my Rebuttal Testimony to average 2004-2005

and did not make any changes to Staff's original recommendation to reduce test year legal expenses by $311,051.

Q. Do you have any additional comments?

A. Yes. The Company provided the legal expenses for 2006 of $425,541 as support for the two-year average. It also provided information that the Company had incurred $70,868 in legal expenses as of the end of February 2007; which would annualize to $425,208. I recognize that annualizing two months of data for 2007 is not necessarily a reliable indicator, but it is indicative of the Company's position that recurring legal expenses will be in the $400,000 range for the foreseeable future.

E. <u>Rate Case Expense (Staff Adjustment C-19)</u>.

Q. Mr. Dukes would you briefly summarize Mr. Smith's position regarding rate case expense.

A. Mr. Smith did not propose any adjustment to the Company's rate case expense in his Direct Testimony. However, in his Surrebuttal Testimony Mr. Smith adopted the approach by RUCO's witness Mr. Rodney Moore. This approach basically assumes that UNS Gas is equivalent to SWG and its rate case expense should be equivalent as well.

Q. Is it a fair assumption that UNS Gas and SWG are similar and that their rate case expenses should be similar?

A. Absolutely not. In my Rebuttal Testimony, I went into considerable detail to explain why it is not appropriate to compare the two companies in this particular area. I explained the differences in how each company allocated shared services cost, SWG from corporate as an indirect allocation based on a Massachusetts formula, and UNS Gas as a direct charge by a separate regulated utility based on actual usage. Basically, Staff and RUCO are

recommending that the services provided by the personnel of TEP, a separate regulated utility, should be provided at no cost to UNS Gas customers. Their recommendation contradicts my understanding of how affiliated charges between two regulated utilities should be handled. It is not proper for TEP personnel to provide service to UNS Gas and not charge UNS Gas. And if UNS Gas is charged for incremental costs incurred as a result of a regulatory proceeding, then it is inappropriate to deny UNS Gas recovery of these costs.

Q. What would be the impact on the revenue requirement of UNS Gas if TEP were to indirectly allocate its shared services cost to UNS Gas in a similar manner as SWG?

A. As I discussed in my Rebuttal Testimony, SWG uses a Massachusetts formula to indirectly allocate its corporate overhead and shared services cost to its Arizona operations. But, UNS Gas is only indirectly allocated Executive department cost and general corporate overhead that indirectly benefits all UniSource companies.

For shared services cost, like accounting, legal and pricing, UNS Gas is directly charged costs from TEP only for the hours actually provided by TEP employees on their behalf. If you were to indirectly allocate TEP's shared services cost to UNS Gas using a Massachusetts formula, the annual cost would increase by approximately $2.5 million. That is derived by taking the TEP shared service cost in total for the test year of $47.5 million and allocating 9.42 % to UNS Gas ($4.5 million) less the current amount directly charged to UNS Gas of approximately $2 million. Obviously, that $47.5 million would be subject to audit by Staff and RUCO and some adjustments might be found, but it is unlikely that it would have a significant impact on the final amount allocated to UNS Gas.

That is precisely why SWG's rate case expense is so much lower than UNS Gas'. UNS Gas has no internal staff to pull together and litigate this rate case, and unlike SWG it is not

indirectly allocated cost for the departments that provide that service. The UNS Gas test year includes only the cost directly allocated from TEP shared service departments for normal and recurring activities, excluding rate case activities. SWG is recovering corporate shared service cost as part of base rates and it would be double recovery to also allow them to recover those same costs through rate case expense. Their rate case expense is essentially an outside consultant or two. UNS Gas' rate case support is being provided almost entirely by a separate a regulated affiliate and the costs are incremental to the service costs routinely billed to UNS Gas by that same regulated affiliate.

III. REJOINDER TO STAFF WITNESS JULIE MCNEELY KIRWAN.

A. CARES Program Deferred Balance Amortization (Staff Adjustment C-20).

Q. What is Staff proposing for Cares Program cost?

A. Staff is recommending that UNS Gas be ordered to cease deferral of CARES program costs and a different discount amount and rate design than UNS Gas is requesting. UNS Gas witness Mr. Erdwurm will address our concerns over Staff's recommendation on the CARES discount and how it should be addressed in rate design. I would like to address the suggestion to cease the deferral accounting.

Q. What are your concerns over Staff's recommendation and what is your recommendation?

A. The current structure insures that the Company is made whole for discounts given and that the customers are not providing additional revenues to the Company. It also provides a simple and transparent way for the Commission to monitor the program. This is consistent with the direction in which all parties are heading for DSM and Renewables costs, which allows the Commission to easily see how much money was collected and spent. I

recommend that UNS Gas continue the deferral accounting and thus insure that the customers and the Company are kept whole.

Q. Do you have any other concerns with Ms. McNeely-Kirwan's recommendation?

A. Yes. Ms. McNeely-Kirwan states in her Surrebuttal Testimony that the CARES discount being proposed by Staff is being addressed in rate design and therefore it is not necessary to include the discount as part of operating expenses. Given her proposal to discontinue the deferral accounting, that is the more proper way of reflecting the discount; as a reduction in rates. However, in reviewing Staff's attachment RCS-S1R, Schedule RD-1, page 2 of 2, which is a presentation of Staff's proposed rates, they do not show the volumetric rate for Residential Service CARES (R12) at the discounted level. By doing this, they are inadvertently inflating the revenues that will be collected from that class.

IV. REJOINDER TO RUCO WITNESS MARYLEE DIAZ CORTEZ.

A. GIS Expenditures (RUCO Rate Base Adjustment 5 & Income Statement Adjustment 12).

Q. Do you have any comments regarding Ms. Diaz Cortez's proposal that the Company not be allowed to recover the GIS expenditures?

A. Yes. Ms. Diaz Cortez has made essentially the same arguments as Staff witness Mr. Smith and I addressed those arguments in my Rebuttal Testimony and earlier in my rejoinder Testimony. However, Ms Diaz Cortez continues to claim that because the revenues of the test year were greater than the expenses of the test year, including the GIS expenditures, and because the Company had a positive operating income then the GIS expenditures were therefore recovered. That position completely ignores the fact that operating income of the Company is meant to provide a reasonable return on shareholders investment. When an

expense like the GIS is incurred that is not contemplated in the current rate structure, I would argue that it is the Shareholders' return that is essentially reduced.

Q. Isn't it true that costs not contemplated in current rates routinely occur between rate cases and that it could even be in the form of cost reductions?

A. Yes. And sometimes Shareholders benefit from cost reductions between rate cases. However, the vast majority of the time costs increase, which is UNS Gas' circumstance and it is the shareholders' return that is decreased.

Q. Why should these costs be considered any differently than other cost increases and cost reductions between rate cases?

A. These costs should be treated differently because there has always been consideration given to the magnitude of expense changes and the reason for the expense change. In the case of Y-2K costs, many Commissions, including Arizona, allowed companies to defer the costs and to recover them later because of the reasons causing the expenses to be incurred and because of the magnitude of the expense. Often, when companies have been required to implement new accounting pronouncements, those companies were allowed to defer and recover the recognition of prior cost and recover those cost over future years as they transitioned to the new method. As I stated earlier in my testimony, the Company is looking for fair consideration and recovery of these very significant costs incurred to meet a Commission directive despite the fact that the Company failed to request an Accounting Order in a timely manner because of its own inadvertent original misclassification.

B. **Out-of-Period Expenses (RUCO Income Statement Adjustment 19).**

Q. Has Ms. Diaz Cortez addressed her adjustment for out-of-period expenses in her Surrebuttal testimony?

A. Yes. Ms. Diaz Cortez summarizes the Company's Rebuttal Testimony that pointed out that there were invoices supporting services provided in 2005 but paid in 2006 that more than offset the invoice she proposed to exclude (for invoices paid in 2005 for services provided in 2004). However, Ms. Diaz Cortez did not alter her adjustment because the Company did not provide these invoices as part of the rebuttal filing. Therefore, the Company is providing copies of the invoices as attachment Exhibit DJD-2, to this filing.

C. **Legal Expenses (RUCO Income Statement Adjustment 20).**

Q. Has Ms. Diaz Cortez addressed her adjustment for legal expenses in her Surrebuttal testimony?

A. Yes. Ms. Diaz Cortez continues to assert that the level of recurring legal expense she is providing for within RUCO's proposed revenue requirement for UNS Gas is adequate. I have addressed this in my earlier rejoinder testimony of Staff's witness Mr. Smith and strongly disagree with this position.

V. REJOINDER TO RUCO WITNESS RODNEY L. MOORE.

A. **Incentive Compensation (RUCO Income Statement Adjustment 2).**

Q. Has Mr. Moore addressed his adjustment for incentive compensation in his Surrebuttal testimony?

A. Yes. Mr. Moore continues to defend his position of eliminating incentive compensation

expense from the test year.

Q. Do you have any additional comments about Mr. Moore's position?

A. Yes. I have addressed Mr. Moore's arguments previously in my Rebuttal Testimony, and earlier in my Rejoinder Testimony above. However, I would like to address two of his points. First, Mr. Moore is arguing against the use of an historical average to arrive at an adequate recurring level of incentive compensation expense based on strict adherence to the "Historical Test-Year Principal", yet at the same time he is arguing to also exclude the test-year expense awarded as incentive compensation. That appears to be taking contradictory positions within one adjustment. Second, Mr. Moore continues to argue that the entire program is flawed because it only rewards a segment of the employee base. I find this argument very puzzling. It implies that part of the workforce cannot have an impact on results, which is entirely incorrect and it implies that even if a program can be shown as cost effective and as producing results, if it does not apply to the entire workforce, then it should not be used. This does not seem like a sound business practice. As I have testified earlier, UNS Gas would like to make the PEP program a part of every employees' compensation program, but has been unable to do so with the Union workforce. However, that shouldn't mean that the program should be abandoned. The program still provides all of the benefits I testified about earlier and impacts customer service and customer cost.

B. <u>Customer Service Costs (RUCO Income Adjustment 5).</u>

Q. Has Mr. Moore addressed his adjustment for customer service costs in his Surrebuttal testimony?

A. Yes. Mr. Moore continues to defend the disallowance of the cost associated with the customer service call center activity being provided by TEP.

Q. Do you have any additional comments about Mr. Moore's position?

A. Yes. Mr. Moore attempts to tie an increase in the number of complaints filed against "UNS" to an increased level of dissatisfaction with the services provided by the TEP call center. First, I cannot verify Mr. Moore's complaint numbers. Our records indicate 120 UNS Gas complaints in 2005 and 149 in 2006. Secondly, the primary driver in customer call volumes in 2005 and 2006 (352,330 and 483,026 respectively) is a result of significantly increased gas cost, more specifically the surcharges to reduce the purchased gas bank. Third, the previous system could not even have handled the call volume in 2006. And whenever call volumes dramatically increase it stands to reason that the chance for customer dissatisfaction with the process will increase. If a customer doesn't call or contact the gas company it is extremely unlikely they will call the Commission and complain about customer service. However, if a customer sees that gas prices are rapidly increasing and calls the gas company and then decides they are dissatisfied with the response in some way it is obviously much more likely they may call the Commission to complain. Now that particular customer is most likely not upset at how his or her interaction with the call center employee was handled, they are most likely upset with their perception of a lack of resolution to their individual problem. Which in the case of increased gas cost, a call center representative is not likely able to fully resolve that customers underlying dissatisfaction. Finally, Mr. Moore's arguments still blatantly ignore that the system in place prior to the conversion to using TEP's call center would have to have been significantly altered, including increased staffing, increased phone lines, increased hardware and software and increased supervisor positions to meet the call level and service demands currently being handled by TEP for UNS Gas.

C. <u>Unnecessary Expenses (RUCO Income Statement Adjustment 6)</u>.

Q. Has Mr. Moore addressed his adjustment for unnecessary expenses in his Surrebuttal testimony?

A. Yes. Mr. Moore continues to defend the disallowance of all of approximately 2,000 separate charges that he identified based basically on vendor description.

Q. Do you have any additional comments about Mr. Moore's position?

A. Yes. Mr. Moore makes a statement to the effect that the Company padded the historical test year with unnecessary purchases worth over $200,000. The transactions he is referring to have been discussed by Company's witness Gary Smith, and he has explained why those charges were incurred. The Company by no means is trying to create a "warm and fuzzy" feeling; the Company is obligated to account for expenses appropriately and makes every attempt to do so. Of course there is the potential for mistakes in classification or charges above-the-line that should be below-the-line. The Company is not claiming that it keeps perfect records - no Company does. It would absolutely cost the Company and thus customers too much to treat every transaction individually and to make sure every debit and every credit is accounted for 100% correctly.

However, the Company strongly disagrees with any assertion that it has padded the test year. On the contrary, I believe that RUCO has padded its adjustment by forcing the Company into a choice to provide detailed support for thousands of immaterial transactions or lose recovery of the inflated aggregate. The situation is doubly unacceptable in that the Company would have to incur thousands of man-hours and thousands of dollars of rate case expense to refute RUCO's position and then in turn would likely have it argued that the additional rate case expense is unreasonable and a burden by the same RUCO witness.

D. **Rate Case Expense (RUCO Income Statement Adjustment 8).**

Q. Has Mr. Moore addressed his adjustment for rate case expense in his Surrebuttal testimony?

A. Yes. Mr. Moore continues to defend his proposed reduction of the Company's proposed rate case expense on the basis that the Company is essentially the same as SWG and its rate case expense should be similar.

Q. Do you have any additional comments about Mr. Moore's position?

A. Yes. I have addressed most of Mr. Moore's arguments in my earlier Rebuttal Testimony and in my rejoinder testimony of Staff's witness Mr. Ralph Smith. However, Mr. Moore continues to try to mischaracterize the situation. He uses SWG as a comparison while completely ignoring the difference in Company structures and the way in which corporate support services are provided and charged. He calls the charge a burden while ignoring the fact that the UNS Gas test year only contains shared service charges for services actually provided. UNS Gas' customers are not being burdened by paying the actual incremental cost for services being provided. As I testified earlier, if UNS Gas was indirectly allocated shared service cost from TEP it would increase the annual expense of UNS Gas by approximately $2.5 million. If that were the case, then Mr. Moore's comparison would be appropriate and reasonable.

E. **SERP (RUCO Income Statement Adjustment 11).**

Q. Has Mr. Moore addressed his adjustment for SERP expense in his Surrebuttal testimony?

A. Yes. Mr. Moore continues to defend his proposed elimination of SERP cost incurred by the Company during the test year.

Q. Do you have any additional comments about Mr. Moore's position?

A. Yes. I have addressed most of Mr. Moore's arguments in my earlier Rebuttal Testimony and Mr. Ralph Smith's arguments earlier in my Rejoinder Testimony. I continue to disagree with Mr. Moore's position.

Q. Does this conclude your Rejoinder Testimony?

A. Yes.

EXHIBIT

DJD-2

Exhibit DJD-2
Pages 1 of 6

PRICEWATERHOUSECOOPERS

January 05, 2006

Dave Grzybowski
Unisource Energy
3950 E. Irvington Road
Tucson, Arizona 85714
USA

CE982020
Release #42

Invoice Number : 1030415524-4

INVOICE FOR SERVICES
PricewaterhouseCoopers LLP
P.O.Box 31001-0068
Pasadena, CA 91110-0068

Contract Number: 5000106690

December progress billing in connection with the 2005 Integrated Audit of UniSource Energy Copr for year ended 12-31-2005.	$	200,000.00
Out-of-Pocket-Expenses	$	9,098.00
Total Invoice	$	209,098.00

Includes { # Jan 5 Invoice
40K UES audit

Over/Under BOD Budget $ 379,000 w/o expenses
Summary Sheet Entry by PSL Date 1-11-06
Accounting String for Payment
Project: CC00004 Task: CBU 0066 Exp: 151 CC: 305
Fin Acctg Review [illegible] Date 1/11/06
Approved for Payment [illegible] Date 1/11/06

If you have any questions please contact:
Steve Kitson (213)-356-6304
WBS: 0.0146322.001

Payment Due Upon Receipt

Tax Identification Number: 134008324

Exhibit DJD-2
Pages 2 of 6

PRICEWATERHOUSECOOPERS

January 23, 2006

Dave Grzybowski
Unisource Energy
3950 E. Irvington Road
Tucson, Arizona 85714
USA

Invoice Number : 1030427402-9

INVOICE FOR SERVICES
PricewaterhouseCoopers LLP
P.O.Box 31001-0068
Pasadena, CA 91110-0068

Release #45
PO CE982020

Contract Number: 5000106690

January progress billing in connection with the 2005 Integrated Audit of UniSource Energy Corp for year ended 12-31-2005.	$	150,000.00
Out of Pocket Expenses	$	20,650.00
Total Invoice	$	170,650.00

RECEIVED
ACCOUNTS PAYABLE
MAR 01 2006

Over/Under BOD Budget $ 229,000
Summary Sheet Entry by DSL Date 2-2-06
Accounting String for Payment Project CC0004
Task: CBU0006 Exp: 151 CC: 305
Fin Acctg Review [illegible] Date 2/2/06
Approved for Payment [illegible] Date 2/8/06

4m

If you have any questions please contact:
Steve Kitson 213-356-6304
WBS Code: 0.0146322.001

Payment Due Upon Receipt

Tax Identification Number: 134008324

Exhibit DJO-2
Pages 3 of 6

PRICEWATERHOUSECOOPERS

February 22, 2006

Dave Grzybowski
Dir., Financial Accounting & Report
UniSource Energy Corporation
3950 E. Irvington Road
Tucson, Arizona 85714
USA

P.O. CE982020
Release 46

Invoice Number : 1030451102-4

INVOICE FOR SERVICES
PricewaterhouseCoopers LLP
P.O.Box 31001-0068
Pasadena, CA 91110-0068

Contract Number: 5000106690

February progress billing in connection with the 2005 Integrated Audit of UniSource Energy Corp for year ended 12-31-2005.	$	100,000.00
Expenses	$	75,742.00
Total Invoice	$	175,742.00

RECEIVED
ACCOUNTS PAYABLE
MAR 06 2006

Over/Under BOD Budget ($ 129,000) w/o expenses
Summary Sheet Entry by [illegible] Date 2-27-06
Accounting String for Payment
TASK: CBU0066 EXP: 151 CC: 305 Project: CC00004
Fin Acctg Review [illegible] Date 2/28/06
Approved for Payment [illegible] Date 3/1/06

Contact: Steve Kitson (213) 356-6304
WBS: 0.0146322.001

Payment Due Upon Receipt

Tax Identification Number: 134008324

Exhibit DJD-2
Pages 4 of 6

PRICEWATERHOUSECOOPERS

March 22, 2006

Dave Grzybowski
Dir., Financial Accounting & Report
Tucson Electric Power Co.
3950 E. Irvington Rd., OH 120
Tucson, Arizona 85714
USA

Invoice Number : 1030474166-2

INVOICE FOR SERVICES
PricewaterhouseCoopers LLP
P.O.Box 31001-0068
Pasadena, CA 91110-0068

PO. CE982020
Release # 49

Contract Number: 5000106690

March final billing in connection with the 2005 UniSource Energy Corporation's and Tucson Electric Power Company's FERC Form 1's	$	18,000.00
Total Invoice	$	18,000.00

Over/Under BOD Budget $(40,000) see attached
Summary Sheet Entry by NR Date 4-5-06
Accounting String for Payment
Project: CC0000 4 TASK: CBU006 Exp: 151 CC: 305
Fin Acctg Review [illegible] Date 4/5/06
Approved for Payment [illegible] Date 4/6/06

RECEIVED
ACCOUNTS PAYABLE
APR 10 2006

Contact: Steve Kitson 213-356-6304
WBS Code: 0.0172238.001

Payment Due Upon Receipt

Tax Identification Number: 134008324

Exhibit DJD-2
Pages 5 of 6

PRICEWATERHOUSECOOPERS

March 23, 2006

Dave Grzybowski
Dir., Financial Accounting & Report
UniSource Energy Corporation
3950 E. Irvington Road
Tucson, Arizona 85714
USA

Invoice Number : 1030474954-1

INVOICE FOR SERVICES
PricewaterhouseCoopers LLP
P.O.Box 31001-0068
Pasadena, CA 91110-0068

CE 982020
Release 47

Contract Number: 5000106690

March progress billing in connection with the 2005 Integrated Audit of UniSource Energy Corp for year ended 12-31-2005.	$	0.00
Out-of-Pocket Expenses	$	53,615.92
Total Invoice	$	53,615.92

Over/Under BOD Budget $ SEE NOTE BELOW
Summary Sheet Entry by DSL Date 3-29-2006
Accounting String for Payment
Project: CC00004 Task: CBU0066 Exp: 151 CC: 305
Fin Acctg Review [illegible] Date 3/30/06
Approved for Payment KGL Date 4/6/06

NOTE: THE AUDIT COMMITTEE HAS APPROVED AN AUDIT FEE AMOUNT PLUS EXPENSES. AFTER PAYING THIS INVOICE, THE Y-T-D EXPENSE PAID IS $148,959.

RECEIVED
ACCOUNTS PAYABLE
APR 10 2006

Contact: Steve Kitson 213-356-6304
WBS Code: .0.146322 001

Payment Due Upon Receipt

Tax Identification Number: 134008324

Exhibit DJD-2
Pages 6 of 6

PRICEWATERHOUSECOOPERS

March 23, 2006

CE982020
Release: 48

Dave Grzybowski
Dir., Financial Accounting & Report
UniSource Energy Corporation
3950 E. Irvington Road
Tucson, Arizona 85714
USA

Invoice Number : 1030475131-5

INVOICE FOR SERVICES
PricewaterhouseCoopers LLP
P.O.Box 31001-0068
Pasadena, CA 91110-0068

Contract Number: 5000106690

Final supplemental billing in connection with the 2005 Integrated Audit of UniSource Energy Corp for year ended 12-31-2005.	$	175,000.00
Out-of-Pocket Expenses	$	0.00
Total Invoice	$	175,000.00

Over/Under BOD Budget ($ 58,000)
Summary Sheet Entry by DSC Date 3-29-2006
Accounting String for Payment
Project: CC00004 TASK: CBU0066 Exp: 151 CC: 305
Fin Acctg Review [signature] Date 3/30/06
Approved for Payment [signature] Date 4/6/06

RECEIVED
ACCOUNTS PAYABLE
APR 10 2006

Contact: Steve Kitson 213-356-6304
WBS Code: .0.146322.001

Payment Due Upon Receipt

Tax Identification Number: 134008324