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AZ CORP COMMISSION
DOCKET CONTROL

August 9, 2007

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

Re: Transwestern Project Status Report
Docket No. G-04204A-06-0627 – Decision No. 69333

Docket Control:

Enclosed please find the UNS Gas, Inc. ("UNS Gas") status report on the Transwestern project and UNS Gas' participation in the project, pursuant to Decision No. 69333 (02-20-07). UNS Gas is required to file a status report with the Commission every six (6) months until either UNS Gas begins taking service from Transwestern or UNS Gas' participation in the project is terminated.

Please do not hesitate to contact me at (520) 884-3752 if you have any questions concerning the provided status report.

Respectfully Submitted,

David Couture, Director
Regulatory Services

Arizona Corporation Commission
DOCKETED

AUG 10 2007

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Cc: Bob Gray, ACC
Brian Bozzo, ACC Compliance
Shannon Kanlan, ACC Compliance (cover letter only)

UNS Gas, Inc.
PreApproval of Cost Recovery for Acquisition of Pipeline Capacity
On the Transwestern Phoenix Expansion Project
August 2007 Status Report

Pursuant to Decision No. 69333, in Docket No. G-04204A-06-0627, UNS Gas, Inc. ("UNS") hereby submits its first six-month status report of activities on Transwestern Pipeline's ("Transwestern") Phoenix Lateral Project ("Project") from the date of the Decision through the end of July 2007.

Background

The Arizona Corporation Commission issued Decision No.69333 on February 20, 2007, granting pre-approval of the acquisition of capacity from Transwestern during the initial term of UNS' agreement with Transwestern.

The Project will provide shippers additional access to gas supplies in the San Juan basin and indirect access to supplies of Rockies natural gas. There are three segments to the Project, and the third segment will begin west of Flagstaff, run south through Yavapai County in the Prescott area, skirt the Phoenix metro area to the west, and end near Coolidge, Arizona. UNS will acquire service off this third segment through three taps; one on the east side of Chino Valley and two in the Prescott Valley area. This has been a growth area for UNS and having service from Transwestern will enhance UNS' service reliability, offer a competitive option in the area, as well as reduce future capital costs for infrastructure.

Project Status

A. Progress made achieving project milestones

- i. The Draft EIS was issued by the FERC on April 27, 2007 and the comment period for the Draft EIS ended on June 18, 2007.
- ii. Responses to the Draft EIS were submitted to the FERC on June 18, 2007. No extension to the comment period was authorized by the FERC.
- iii. Four FERC public meetings were held in Arizona and one in New Mexico to receive comments on the Draft EIS.

B. Schedule and Budget

- i. The in-service date for the Phoenix Lateral from Ash Fork to approximately the Palo Verde Power plant sites (~MP #164) is anticipated to be July, 2008. The remaining segment to the terminus is anticipated to be in service October 2008.
- ii. Budget is on-target.

C. Future milestones and schedule for meeting these milestones

- i. Transwestern's work is progressing well with SRP and APS on collocation agreements.
- ii. Final EIS is expected in August/September time frame.

UNS will file its next six-month status report on the Project by February 20, 2008.