

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

DOCKETED

AUG 30 2007

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AZ CORP COMMISSION
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KRISTIN K. MAYES
GARY PIERCE

G-04204A-07-0503

DOCKET NO. G-04204A-07-

APPLICATION

IN THE MATTER OF THE APPLICATION OF
UNS GAS, INC. FOR APPROVAL TO
TEMPORARILY ADJUST THE RATE OF ITS
PURCHASED GAS ADJUSTOR.

UNS Gas, Inc. ("UNS Gas"), through undersigned counsel, hereby respectfully requests that the Arizona Corporation Commission (the "Commission") approve a 2 cents per therm credit to customer bills from October 1, 2007 through April 30, 2008, related to UNS Gas' over-collected Purchased Gas Adjustor ("PGA") bank balance. In support hereof, UNS Gas states as follows:

I. INTRODUCTION.

UNS Gas filed with the Commission on July 18, 2007, notification that its PGA bank balance was in excess of the \$4,450,000 threshold set forth in Decision No. 68325 (December 9, 2005). Due to the volatility of natural gas prices, the Company did not deem it prudent to recommend a PGA adjustment at that time.

UNS Gas received a letter from Commissioner Mayes on August 3, 2007, requesting that the Company provide to the Commission proposals for addressing the over-collected bank balance. Specifically, it was requested that the Company propose "options for the Commission's consideration that would credit customers' bills for some of the over-collected surcharge funds during the winter of 2007-2008." UNS Gas responded to Commissioner Mayes' letter on August 23, 2007. A copy of the Company's letter is attached hereto as Exhibit 1 and by this reference incorporated herein. Although natural gas prices are projected to continue to be volatile, UNS

1 Gas, in an effort to provide its customers with some relief, indicated that it could support a per
2 term credit of \$.02 (2 cents) to customers' bills from October 1, 2007 through April 30, 2008.

3 **II. UNS GAS' REQUEST.**

4 WHEREFORE, for all the foregoing reasons, UNS Gas respectfully requests that the
5 Commission issue its order approving a credit to the Company's customer bills of 2 cents per
6 term beginning October 1, 2007 through April 30, 2008. In the event that UNS Gas exceeds the
7 PGA under-collected threshold, it will promptly notify the Commission and request that the
8 appropriate action be taken to provide for the timely collection of the Company's PGA costs.

9
10 RESPECTFULLY SUBMITTED this 30th day of August 2007.

11 UNS Gas, Inc.

12 By *Michelle Livengood*

13 Michelle Livengood
14 One South Church Avenue
15 Tucson, Arizona 85702

16 Attorney for UNS Gas, Inc.

17
18 Original and 13 copies of the foregoing
19 filed this 30th day of August 2007 with:

20 Docket Control
21 Arizona Corporation Commission
22 1200 West Washington Street
23 Phoenix, Arizona 85007

24 Copy of the foregoing hand-delivered/mailed
25 this 30th day of August 2007 to:

26 Chairman Mike Gleason
27 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

1 Commissioner William A. Mundell
2 Arizona Corporation Commission
3 1200 West Washington Street
4 Phoenix, Arizona 85007

5 Commissioner Jeff Hatch-Miller
6 Arizona Corporation Commission
7 1200 West Washington Street
8 Phoenix, Arizona 85007

9 Commissioner Kristin K. Mayes
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

13 Commissioner Gary Pierce
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007

17 Lyn A. Farmer, Esq.
18 Chief Administrative Law Judge
19 Hearing Division
20 Arizona Corporation Commission
21 1200 West Washington Street
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24 Chief Counsel, Legal Division
25 Arizona Corporation Commission
26 1200 West Washington Street
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Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

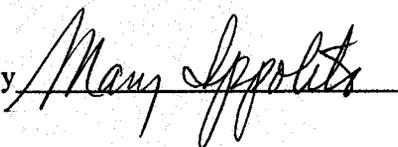
23 By 
24
25
26
27

Exhibit 1

Tucson Electric Power Company

1 South Church Avenue (85701)
Mail Stop UE181
P.O. Box 711
Tucson, Arizona 85702

James S. Pignatelli
Chairman, President &
Chief Executive Officer

(520) 884-3623
Fax: (520) 884-3612
E-mail: jpignatelli@tucsonelectric.com

August 23, 2007

Commissioner Kristin Mayes
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007-2996

RE: UNS Gas, Inc.'s Purchased Gas Adjustor Bank Balance

Dear Commissioner Mayes:

I am in receipt of your August 3, 2007 letter regarding UNS Gas, Inc.'s, ("UNS Gas") recent Purchased Gas Adjustor ("PGA") filing regarding its over-collected bank balance. I will address your concerns and request.

As you know, natural gas prices have been extremely volatile; the last two months have been a prime example of this volatility. When UNS Gas filed its PGA report on July 18, 2007, the Company based its projections on forward prices and purchases as of June 30, 2007. While natural gas prices had fallen in the later part of June, the Company did not deem it prudent to recommend a credit to customers based on what was then a recent, and possible fleeting, price decrease.

After the filing, gas prices for the winter remained at the lower levels for a period of time as shown in Attachment 1. These same forward prices were reflected in the PGA bank graph, provided to you by the Company at your request. Even in this projection, the bank balance increases above the over-collection threshold in a few short months and remains above that level; the bank balance then exceeds the under-collection threshold late next year.

While forward gas prices have increased dramatically over the past week, they are not back to the levels seen in the earlier part of the summer. I have included as Attachment 2 several PGA credit and bank balance scenarios for this winter for the Commission's consideration, based on this most recent pricing information. However, please keep two important pieces of information in mind when reviewing these proposals. First, they are based on current forward price projections and as such are just estimates, subject to future price changes. Second, in every scenario the bank balance increases rapidly this winter and becomes under-recovered by the end of the winter, even if no credit is applied. Any credit simply amplifies the amount of under-recovery during this, and future, winters.

Commissioner Kristin Mayes

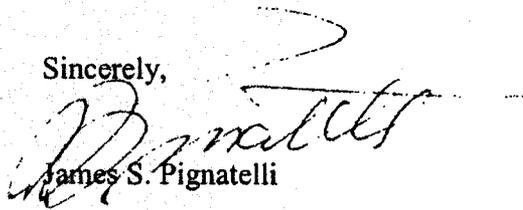
August 23, 2007

Page 2

Based on these projections, the Company would support a 2 cents per therm credit to customer bills from October 1, 2007 through April 30, 2008.

I believe this provides you, and the other Commissioners, with the information you need to understand both the issues and the risks surrounding the Company's bank balance and proposal. Please do not hesitate to contact me if there is additional information relating to our bank balance levels and projections that you would like us to provide to the Commission.

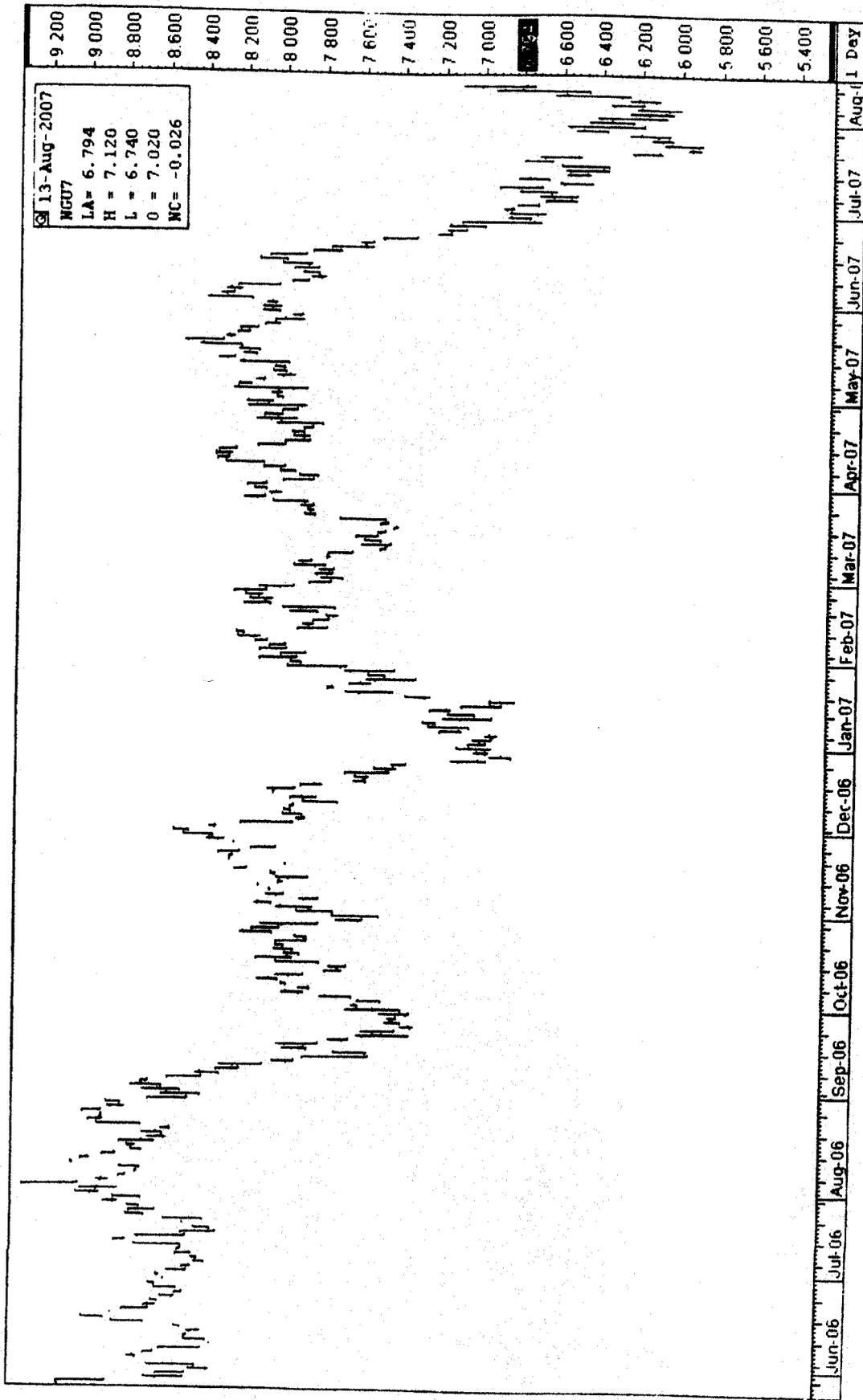
Sincerely,



James S. Pignatelli

cc: Docket Control
Chairman Mike Gleason
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Gary Pierce
Lace Collins
Ernest Johnson
Heather Murphy

Attachment 1



Attachment 2

