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BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

Arizona Corporation Commission

DOCKETED

SEP 27 2007

DOCKETED BY	nr
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IN THE MATTER OF THE APPLICATION
OF UNS GAS INC. FOR COMMISSION
APPROVAL OF A PURCHASED GAS
ADJUSTOR CREDIT OF \$0.02 PER THERM

DOCKET NO. G-04204A-07-0503

DECISION NO. 69919

ORDER

Open Meeting
September 18 and 19, 2007
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Gas, Inc. ("UNS") is engaged in providing natural gas service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission").

2. On August 30, 2007, UNS filed for Commission approval of a \$0.02 per therm purchased gas adjustor ("PGA") credit to customer bills for a period of October 1, 2007 through April 30, 2008.

3. UNS passes its purchased gas costs through its PGA mechanism, resulting in a PGA bank balance that changes over time depending on costs incurred by UNS and cost recoveries by UNS. UNS' bank balance currently has a threshold on it of \$4,450,000, wherein if UNS' over-recovered bank balance exceeds this threshold, UNS is required to take action to address the over-recovery in some fashion.

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1 4. On July 18, 2007, UNS made a filing with the Commission, indicating that it had
2 exceeded the threshold, and recommending that no action be taken to address the PGA bank
3 balance.

4 5. UNS' current filing indicates that UNS now is recommending implementation of a
5 \$0.02 per therm credit for a period that roughly covers the winter 2007-2008 heating season.

6 6. UNS' most recent monthly PGA report shows a reported over-collected PGA bank
7 balance of \$10,755,098 as of the end of June 2007.

8 7. Natural gas prices in recent months have been relatively stable, with San Juan and
9 Permian basin spot market price indices generally found in the \$5.00 to \$7.00 per decatherm range.
10 These prices are somewhat lower than most price projections had shown, as a result of a number of
11 factors, including mild spring weather, significant liquid natural gas imports, high gas storage
12 inventories, and lack of hurricane activity in the Gulf of Mexico so far in the 2007 hurricane
13 season.

14 8. As of September 5, 2007, the Gas Daily El Paso – San Juan daily spot market index
15 is at \$4.615 per decatherm and the El Paso – Permian daily spot market index is at \$4.82 per
16 decatherm.

17 9. While natural gas prices have trended downward recently, changes in market
18 conditions, particularly if a major hurricane significantly impacted natural gas infrastructure in the
19 Gulf of Mexico, could place upward pressure on natural gas prices in the coming months.

20 10. New York Mercantile Exchange (“NYMEX”) natural gas futures prices have
21 followed the recent downward trend, with January 2008 futures prices at \$7.858 per decatherm as
22 of September 5, 2007.

23 11. Applying rates in effect in September 2007, an October 2007 residential customer
24 bill, absent the proposed PGA credit, using an average of 22 therms, is estimated to be \$30.87, not
25 including taxes and other assessments. With the \$0.02 per therm PGA credit in place, the average
26 October 2007 residential customer bill is estimated to be \$30.43, reflecting a \$0.44 or 1.5 percent
27 reduction.

28 ...

1 3. The Commission, having reviewed the application and Staff's Memorandum dated
 2 September 5, 2007, and UNS' September 13, 2007 comments, concludes that it is in the public
 3 interest to approve a \$0.04 per therm PGA credit for the period of October 2007 through April
 4 2008.

ORDER

6 IT IS THEREFORE ORDERED that a \$0.04 per therm Purchased Gas Adjustor credit for
 7 the period of October 2007 through April 2008, be and hereby is approved for UNS Gas, Inc.

8 IT IS FURTHER ORDERED that UNS notify its customers of the Commission's approval
 9 of a PGA credit via customer bill inserts and other available methods.

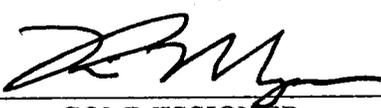
10 IT IS FURTHER ORDERED that this Order shall become effective immediately.

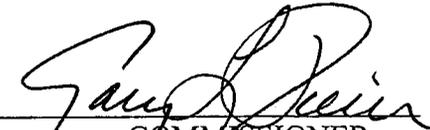
BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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 CHAIRMAN

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 COMMISSIONER

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 16 COMMISSIONER

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 18 IN WITNESS WHEREOF, I DEAN S. MILLER, Interim
 19 Executive Director of the Arizona Corporation Commission,
 20 have hereunto, set my hand and caused the official seal of
 21 this Commission to be affixed at the Capitol, in the City of
 22 Phoenix, this 27th day of September, 2007.

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 23 
 24 DEAN S. MILLER
 Interim Executive Director

25 DISSENT: _____

27 DISSENT: _____

28 EGJ:RGG:lhm\KL

1 SERVICE LIST FOR: UNS Gas, Inc.
2 DOCKET NO. G-04204A-07-0503

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