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ORIGINAL

P.O. Box 711
Tucson, Arizona 85702-0711

UniSourceEnergy SERVICES

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2008 DEC 15 P 2:05

AZ CORP COMMISSION
DOCKET CONTROL

December 15, 2008

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

Re: Docket Nos. G-04204A-07-0696, E-04230A-07-0696, Decision No. 70186

Docket Control:

Pursuant to Decision No. 70186 (February 27, 2008), Finding of Fact No. 36, UNS Gas, Inc. ("UNS Gas") is required to make a filing with Docket Control whenever the allocation of capital costs between UNS Gas and UES, or any successor companies is changed, within 10 days of the effective date of the new allocation. Enclosed is the first amendment to the Gas Transportation Agreement between UNS Gas and UNS Electric, Inc ("UNS Electric") executed on December 10, 2008.

If you have any questions, please contact me at (520) 884-3680.

Respectfully Submitted,

Jessica Bryne

Jessica Bryne
Regulatory Services

cc: Ernest Johnson, ACC
Bob Gray, ACC
Compliance, ACC

Arizona Corporation Commission
DOCKETED

DEC 15 2008

DOCKETED BY MN

First Amendment to
Gas Transportation Agreement

THIS FIRST AMENDMENT TO GAS TRANSPORTATION AGREEMENT (the "***Amendment***") is made as of this 10th day of December, 2008, by and between UNS Gas, Inc., an Arizona corporation ("***UNS Gas***"), and UNS Electric, Inc., an Arizona corporation ("***UNS Electric***"). For the purposes of this Amendment, UNS Gas and UNS Electric are sometimes referred to individually as "***Party***" and collectively as "***Parties***." Capitalized terms shall have the meaning ascribed to them in the Agreement unless otherwise defined herein.

RECITALS

UNS Gas and UniSource Energy Development Company ("UED") entered into a Gas Transportation Agreement for Transportation of Customer-Scheduled Natural Gas (the "***Agreement***") dated February 28, 2008 (the "***Agreement***"), whereunder UNS Gas agreed to provide interstate gas transportation services to UNS Electric; and

UED assigned its interest in the Agreement to UNS Electric, under that certain Assignment Agreement dated May 13, 2008.; and

Since the Agreement was executed, the Parties have determined the actual capital costs of the Pipeline as described in the Agreement. Accordingly, the Parties desire to modify the Agreement to reflect such actual costs and, in association therewith, to revise the monthly transportation rate and various other provisions of the Agreement, all as set forth in this Amendment.

AGREEMENT

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, UNS Gas and UNS Electric hereby agree as follows:

1. The first two paragraphs of Section 7.1 are deleted in their entirety and replaced with the following:

   "The capital cost of the Pipeline is $5,400,836. Exhibit B provides supporting detail for this cost. Based upon the capital cost of $5,400,836, UNS will recover from UNS Electric $4,357,974 of the pipeline capital cost, which is approximately 80.691% of the total pipeline cost."

2. The first sentence of the first paragraph of Section 7.2 is deleted in its entirety and replaced with the following:

   "UNS Electric agrees to pay UNS Gas the monthly transportation rate of $47,380, based on the capital cost of $4,357,974, for the services provided in this Agreement."

3. Exhibit B to the Agreement is deleted in its entirety and replaced with the revised Exhibit B (Revision 1) attached hereto and incorporated herein.

4. Exhibit C to the Agreement is deleted in its entirety and replaced with the revised Exhibit C (Revision 1) attached hereto and incorporated herein.

5. If for any reason, this Amendment is suspended or terminated, all provisions of the Agreement shall remain in full force and effect. The Agreement is not amended or modified in any manner whatsoever except as expressly and specifically provided herein. All rights, duties and obligations of UNS Gas and UNS Electric set forth in the Agreement shall remain in full force and effect unless amended or modified herein.

6. Each Party represents it has the legal capacity to enter into this Amendment and the execution, delivery and performance of this Amendment and the consummation of the transactions contemplated hereby have been authorized and approved by all action required on the part of that Party. Each of the undersigned individuals represents and warrants that he or she is expressly and duly authorized by his or her respective entity to execute this Amendment and to legally bind such entity as set forth herein.

IN WITNESS WHEREOF, UNS Gas and UNS Electric have duly executed this Amendment through their authorized agents effective as of the date hereof.

UNS Gas, Inc.

By: _____
Name: David G. Hutchens
Title: Vice President

UNS Electric, Inc.

By: _____
Name: THOMAS A. MCKENNA
Title: VICE PRESIDENT

EXHIBIT B
(Revision 1)

GAS PIPELINE COSTS

Description	Cost
Transwestern Interconnect and Tap	$1,177,033
Golden Valley Pipeline – 16" Pipeline (approximately 22,000') from Transwestern Interconnect to BMGS Meter Station	$4,042,060
BMGS Meter Station	$181,743
Total Pipeline Project Cost	$5,400,836
Minus Comparable 6" Pipeline to Serve Other Customers	$1,042,862
UNS Electric's Portion of Pipeline Project Cost	$4,357,974

EXHIBIT C
(Revision 1)

MONTHLY TRANPORTATION COSTS AND COSTS OF SERVICE
(see attached)

Rate calculation - Summary

MONTHLY TRANSPORTATION RATE **$47,380** Subject to periodic adjustment (see Note 2)
Transportation Agreement specifies the monthly payment

ANNUAL EQUIVALENT RATE **$587,809** Subject to periodic adjustment (see Note 2)
(Time value adjusted)
Note 1: The calculation of the annual rate is shown on page 2 of this Exhibit. The time-value adjusted equivalence of the annual rate and monthly rate is shown on page 3 of this Exhibit.

Assumptions for calculating the rate:

1	Initial Capital Cost for UED recovered through model	$4,357,974
1a	Amt of 6 inch line for other customers (Alternative project cost)	$1,042,862
1b	1a as % of 1d	19.309%
1c	1 as % of 1d (UED portion)	80.691%
1d	Full cost of Project	$5,400,836
2	Cost of debt	6.60%
3	% Debt	50.00%
4	Cost of Equity	11.00%
5	% Equity	50.00%
6	Weighted average cost of capital	8.80%
7	Composite tax rate (given)	39.94%
8	After Tax weighted average cost of capital	7.482%

Note 2: UED shall pay a monthly Transportation Rate ("Rate") (starting at $51,527 and recalculated as $47,380 on 12/1/08) (a transportation payment) for 240 consecutive months for the right to transport gas over the gas pipeline, which payment does not include incremental Operation and Maintenance expenses incurred, nor Administrative Expenses initially calculated as 40.437% of the aforementioned Operation and Maintenance Expenses. Operation and Maintenance Expenses and associated Administrative Expenses shall be billed annually - separate from the Transportation Rate - after the end of each calendar year of the contract. (See item 9 below for illustrative calculation). UED shall be assigned 80.691% of the Operation and Maintenance Expenses and associated Administrative Expenses; the remainder (19.309%) shall be assigned to retail utility customers. The Transportation Rate to be paid by UED is also based upon the 80.691% / 19.309% allocation between UED and retail utility customers. At thirty-six month intervals during the term of the contract, the 80.691% / 19.309% allocation, and the 40.437% administrative loading factor will be reevaluated, and conforming changes to charges under this contract will be made following the evaluation. The 80.691% / 19.309% allocation is initially based on the cost of an alternative 6 inch pipeline that would have been built to serve retail utility customers (but not for UED transportation for the Black Mountain Generating Station), as compared to the total cost of the larger pipeline serving both UED and retail customers. Future re-evaluations may conclude that the 80.691% / 19.309% remains a reasonable approach to allocating cost. A possible reason for changing the 80.691% / 19.309% allocation between UED and retail utility customers could, for example be that the retail utility load grows to a level that the aforementioned 6 inch pipeline (the alternative that was not built) would have been too small to handle the retail utility load, and the relative cost of a resized pipeline grows relative to the cost of the gas pipeline that was actually built for the UED BMGS load as well as retail utility load.

9 Illustrative Calculation of Hypothetical Operations and Maintenance Expenses and Associated Administrative Expenses. (Hypothetical case - not to be billed).
Separate and distinct from the Transportation Rate.

9a	System Surveillance / Patrolling	$512
9b	Leak Survey	640
9c	Odorant	9,000
9d	Odor Tests & Maintenance	1,280
9e	Communications	720
9f	Station / Valve maintenance	2,560
9g	Measurement	3,100
9h	CP & Rectifier Maintenance	4,560
9i	Power, Rectifier	240
9j	QA	320
9k	Blue Stake	819
9l	Other	0
9m	Total	$23,751
9n	Admin. Expense Loading Factor	40.44%
9o	Total of 9m + loading (9m * (1+9n))	$33,355
9p	Allocation to UED	80.691%
9q	O&M and Admin billed in Hypothetical Year	$26,915

UNS GAS - UED GAS TRANSPORTATION AGREEMENT
INVESTMENT CARRYING CHARGE CALCULATION
20 YEAR BOOK LIFE

YEAR	Original Investment	Book Deprec	Accum Deprec.	Net Book Value (1-3)	Tax Deprec.	Deferr. Tax (5-2) * 39.94%	Deferr. Tax Reserve (6) cumulative	Rate Base (4-7)	Equity Return (8) * 5.50%	Interest (8) * 3.30%	Taxable Income (2-5+6+9)/ 60.06%	Income Tax (11) * 39.94%	Property Tax/Ins Annual Estimates	Revenue Requirement (2+6+9+10 +12+13)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	4,357,974	217,899	-	4,357,974	217,899	-	-	4,357,974	239,689	143,813	399,063	159,375	78,513	839,288
2	4,357,974	217,899	217,899	4,140,075	414,008	78,320	-	4,140,075	227,704	136,622	183,001	73,086	74,587	808,219
3	4,357,974	217,899	435,797	3,922,177	372,607	61,786	78,320	3,843,856	211,412	126,847	197,277	78,787	69,251	765,982
4	4,357,974	217,899	653,696	3,704,278	335,564	46,992	140,106	3,564,171	196,029	117,618	208,709	83,352	64,212	726,102
5	4,357,974	217,899	871,595	3,486,379	302,008	33,591	187,099	3,299,280	181,460	108,876	218,009	87,067	59,440	688,332
6	4,357,974	217,899	1,089,494	3,268,481	271,502	21,408	220,689	3,047,791	167,629	100,577	225,486	90,053	54,909	652,473
7	4,357,974	217,899	1,307,392	3,050,582	257,120	15,664	242,097	2,808,485	154,467	92,680	217,954	87,045	50,597	618,351
8	4,357,974	217,899	1,525,291	2,832,683	257,120	15,664	257,761	2,574,922	141,621	84,972	196,566	78,503	46,390	585,048
9	4,357,974	217,899	1,743,190	2,614,784	257,556	15,838	273,425	2,341,359	128,775	77,265	174,743	69,787	42,182	551,745
10	4,357,974	217,899	1,961,088	2,396,886	257,120	15,664	289,263	2,107,622	115,919	69,552	153,775	61,413	37,971	518,418
11	4,357,974	217,899	2,178,987	2,178,987	257,556	15,838	304,927	1,874,060	103,073	61,844	131,952	52,698	33,763	485,115
12	4,357,974	217,899	2,396,886	1,961,088	257,120	15,664	320,766	1,640,323	90,218	54,131	110,984	44,324	29,552	451,787
13	4,357,974	217,899	2,614,784	1,743,190	257,556	15,838	336,430	1,406,760	77,372	46,423	89,161	35,608	25,344	418,484
14	4,357,974	217,899	2,832,683	1,525,291	257,120	15,664	352,268	1,173,023	64,516	38,710	68,193	27,234	21,133	385,156
15	4,357,974	217,899	3,050,582	1,307,392	257,556	15,838	367,932	939,460	51,670	31,002	46,370	18,519	16,925	351,853
16	4,357,974	217,899	3,268,481	1,089,494	128,560	(35,679)	383,770	705,724	38,815	23,289	153,962	61,488	12,714	318,526
17	4,357,974	217,899	3,486,379	871,595	-	(87,023)	348,091	523,504	28,793	17,276	265,836	106,168	9,431	292,543
18	4,357,974	217,899	3,704,278	653,696	-	(87,023)	261,068	392,628	21,595	12,957	253,852	101,381	7,074	273,882
19	4,357,974	217,899	3,922,177	435,797	-	(87,023)	174,045	261,752	14,396	8,638	241,868	96,595	4,716	255,221
20	4,357,974	217,899	4,140,075	217,899	-	(87,023)	87,023	130,876	7,198	4,319	229,883	91,809	2,358	236,560
					Accel. Depr. Schedule	Note: 39.94% is Comp. Tax rate			Note: 5.50% Based on Eq cost* Eq %	Note: 3.30% Based on Debt cost* Debt %			Present Value	$6,000,593
													Rate in NPV Calculation	7.482%
													Term (in Years) in NPV Calculation	20
													Annual Rate	**$587,809**

UNS Gas - UED Gas Transportation Agreement
Equivalence in Net Present Value Terms of Annual and Monthly Payments

After Tax Weighted Average Cost of Capital	7.482%	Per Year
Equivalent Monthly Cost of Capital	0.60309%	Per Month
Annual Payment	$587,809	Annual Transportation
Using PMT Function to get to Monthly	$47,380	Transportation Rate (monthly)

=PMT(.0060309,12,639254/(1+.074821))
=PMT(monthly rate,12 months,(annual transportation rate)/(1+after tax weighted average cost of capital))

Year	Month	Years @ end of month	Annual Payments	Monthly Payments	Discount Factor	Annual Present Value	Monthly Present Value
0	1	0.0833	0	$47,380	100.6031%	$ -	$ 47,096
0	2	0.1667	0	$47,380	101.2098%	$ -	$ 46,814
0	3	0.2500	0	$47,380	101.8202%	$ -	$ 46,533
0	4	0.3333	0	$47,380	102.4343%	$ -	$ 46,254
0	5	0.4167	0	$47,380	103.0521%	$ -	$ 45,977
0	6	0.5000	0	$47,380	103.6736%	$ -	$ 45,702
0	7	0.5833	0	$47,380	104.2988%	$ -	$ 45,428
0	8	0.6667	0	$47,380	104.9278%	$ -	$ 45,155
0	9	0.7500	0	$47,380	105.5606%	$ -	$ 44,885
0	10	0.8333	0	$47,380	106.1973%	$ -	$ 44,615
0	11	0.9167	0	$47,380	106.8377%	$ -	$ 44,348
0	12	1.0000	$587,809	$47,380	107.4821%	$ 546,890	$ 44,082
1	1	1.0833	0	$47,380	108.1303%	$ -	$ 43,818
1	2	1.1667	0	$47,380	108.7824%	$ -	$ 43,555
1	3	1.2500	0	$47,380	109.4385%	$ -	$ 43,294
1	4	1.3333	0	$47,380	110.0985%	$ -	$ 43,035
1	5	1.4167	0	$47,380	110.7625%	$ -	$ 42,777
1	6	1.5000	0	$47,380	111.4305%	$ -	$ 42,520
1	7	1.5833	0	$47,380	112.1025%	$ -	$ 42,265
1	8	1.6667	0	$47,380	112.7786%	$ -	$ 42,012
1	9	1.7500	0	$47,380	113.4588%	$ -	$ 41,760
1	10	1.8333	0	$47,380	114.1430%	$ -	$ 41,510
1	11	1.9167	0	$47,380	114.8314%	$ -	$ 41,261
1	12	2.0000	$587,809	$47,380	115.5240%	$ 508,820	$ 41,014
2	1	2.0833	0	$47,380	116.2207%	$ -	$ 40,768
2	2	2.1667	0	$47,380	116.9216%	$ -	$ 40,523
2	3	2.2500	0	$47,380	117.6267%	$ -	$ 40,280
2	4	2.3333	0	$47,380	118.3361%	$ -	$ 40,039
2	5	2.4167	0	$47,380	119.0498%	$ -	$ 39,799
2	6	2.5000	0	$47,380	119.7678%	$ -	$ 39,560
2	7	2.5833	0	$47,380	120.4901%	$ -	$ 39,323
2	8	2.6667	0	$47,380	121.2168%	$ -	$ 39,087
2	9	2.7500	0	$47,380	121.9478%	$ -	$ 38,853
2	10	2.8333	0	$47,380	122.6833%	$ -	$ 38,620
2	11	2.9167	0	$47,380	123.4232%	$ -	$ 38,389
2	12	3.0000	$587,809	$47,380	124.1675%	$ 473,400	$ 38,158
3	1	3.0833	0	$47,380	124.9164%	$ -	$ 37,930
3	2	3.1667	0	$47,380	125.6698%	$ -	$ 37,702
3	3	3.2500	0	$47,380	126.4277%	$ -	$ 37,476
3	4	3.3333	0	$47,380	127.1901%	$ -	$ 37,252
3	5	3.4167	0	$47,380	127.9572%	$ -	$ 37,028
3	6	3.5000	0	$47,380	128.7289%	$ -	$ 36,806
3	7	3.5833	0	$47,380	129.5053%	$ -	$ 36,586
3	8	3.6667	0	$47,380	130.2863%	$ -	$ 36,366
3	9	3.7500	0	$47,380	131.0721%	$ -	$ 36,148
3	10	3.8333	0	$47,380	131.8625%	$ -	$ 35,932
3	11	3.9167	0	$47,380	132.6578%	$ -	$ 35,716
3	12	4.0000	$587,809	$47,380	133.4578%	$ 440,445	$ 35,502

UNS Gas - UED Gas Transportation Agreement
Equivalence in Net Present Value Terms of Annual and Monthly Payments

After Tax Weighted Average Cost of Capital	7.482%	Per Year
Equivalent Monthly Cost of Capital	0.60309%	Per Month
Annual Payment	$587,809	Annual Transportation
Using PMT Function to get to Monthly	$47,380	Transportation Rate (monthly)

=PMT(.0060309,12,639254/(1+.074821))
=PMT(monthly rate,12 months,(annual transportation rate)/(1+after tax weighted average cost of capital))

Year	Month	Years @ end of month	Annual Payments	Monthly Payments	Discount Factor	Annual Present Value	Monthly Present Value
4	1	4.0833	0	$47,380	134.2627%	$ -	$ 35,289
4	2	4.1667	0	$47,380	135.0725%	$ -	$ 35,078
4	3	4.2500	0	$47,380	135.8871%	$ -	$ 34,868
4	4	4.3333	0	$47,380	136.7066%	$ -	$ 34,658
4	5	4.4167	0	$47,380	137.5311%	$ -	$ 34,451
4	6	4.5000	0	$47,380	138.3605%	$ -	$ 34,244
4	7	4.5833	0	$47,380	139.1949%	$ -	$ 34,039
4	8	4.6667	0	$47,380	140.0344%	$ -	$ 33,835
4	9	4.7500	0	$47,380	140.8790%	$ -	$ 33,632
4	10	4.8333	0	$47,380	141.7286%	$ -	$ 33,430
4	11	4.9167	0	$47,380	142.5834%	$ -	$ 33,230
4	12	5.0000	$587,809	$47,380	143.4433%	$ 409,785	$ 33,031
5	1	5.0833	0	$47,380	144.3084%	$ -	$ 32,833
5	2	5.1667	0	$47,380	145.1787%	$ -	$ 32,636
5	3	5.2500	0	$47,380	146.0542%	$ -	$ 32,440
5	4	5.3333	0	$47,380	146.9351%	$ -	$ 32,246
5	5	5.4167	0	$47,380	147.8212%	$ -	$ 32,053
5	6	5.5000	0	$47,380	148.7127%	$ -	$ 31,860
5	7	5.5833	0	$47,380	149.6096%	$ -	$ 31,669
5	8	5.6667	0	$47,380	150.5119%	$ -	$ 31,480
5	9	5.7500	0	$47,380	151.4196%	$ -	$ 31,291
5	10	5.8333	0	$47,380	152.3328%	$ -	$ 31,103
5	11	5.9167	0	$47,380	153.2515%	$ -	$ 30,917
5	12	6.0000	$587,809	$47,380	154.1758%	$ 381,259	$ 30,731
6	1	6.0833	0	$47,380	155.1056%	$ -	$ 30,547
6	2	6.1667	0	$47,380	156.0410%	$ -	$ 30,364
6	3	6.2500	0	$47,380	156.9821%	$ -	$ 30,182
6	4	6.3333	0	$47,380	157.9289%	$ -	$ 30,001
6	5	6.4167	0	$47,380	158.8813%	$ -	$ 29,821
6	6	6.5000	0	$47,380	159.8395%	$ -	$ 29,643
6	7	6.5833	0	$47,380	160.8035%	$ -	$ 29,465
6	8	6.6667	0	$47,380	161.7733%	$ -	$ 29,288
6	9	6.7500	0	$47,380	162.7490%	$ -	$ 29,113
6	10	6.8333	0	$47,380	163.7305%	$ -	$ 28,938
6	11	6.9167	0	$47,380	164.7179%	$ -	$ 28,765
6	12	7.0000	$587,809	$47,380	165.7113%	$ 354,719	$ 28,592
7	1	7.0833	0	$47,380	166.7107%	$ -	$ 28,421
7	2	7.1667	0	$47,380	167.7162%	$ -	$ 28,250
7	3	7.2500	0	$47,380	168.7276%	$ -	$ 28,081
7	4	7.3333	0	$47,380	169.7452%	$ -	$ 27,913
7	5	7.4167	0	$47,380	170.7689%	$ -	$ 27,745
7	6	7.5000	0	$47,380	171.7988%	$ -	$ 27,579
7	7	7.5833	0	$47,380	172.8349%	$ -	$ 27,414
7	8	7.6667	0	$47,380	173.8773%	$ -	$ 27,249
7	9	7.7500	0	$47,380	174.9259%	$ -	$ 27,086
7	10	7.8333	0	$47,380	175.9809%	$ -	$ 26,924
7	11	7.9167	0	$47,380	177.0422%	$ -	$ 26,762
7	12	8.0000	$587,809	$47,380	178.1100%	$ 330,026	$ 26,602

UNS Gas - UED Gas Transportation Agreement
Equivalence in Net Present Value Terms of Annual and Monthly Payments

After Tax Weighted Average Cost of Capital	7.482%	Per Year
Equivalent Monthly Cost of Capital	0.60309%	Per Month
Annual Payment	$587,809	Annual Transportation
Using PMT Function to get to Monthly	$47,380	Transportation Rate (monthly)

=PMT(.0060309,12,639254/(1+.074821))
=PMT(monthly rate,12 months,(annual transportation rate)/(1+after tax weighted average cost of capital))

Year	Month	Years @ end of month	Annual Payments	Monthly Payments	Discount Factor	Annual Present Value	Monthly Present Value
8	1	8.0833	0	$47,380	179.1841%	$ -	$ 26,442
8	2	8.1667	0	$47,380	180.2648%	$ -	$ 26,284
8	3	8.2500	0	$47,380	181.3520%	$ -	$ 26,126
8	4	8.3333	0	$47,380	182.4457%	$ -	$ 25,970
8	5	8.4167	0	$47,380	183.5460%	$ -	$ 25,814
8	6	8.5000	0	$47,380	184.6530%	$ -	$ 25,659
8	7	8.5833	0	$47,380	185.7666%	$ -	$ 25,505
8	8	8.6667	0	$47,380	186.8869%	$ -	$ 25,352
8	9	8.7500	0	$47,380	188.0140%	$ -	$ 25,200
8	10	8.8333	0	$47,380	189.1479%	$ -	$ 25,049
8	11	8.9167	0	$47,380	190.2887%	$ -	$ 24,899
8	12	9.0000	$587,809	$47,380	191.4363%	$ 307,052	$ 24,750
9	1	9.0833	0	$47,380	192.5908%	$ -	$ 24,602
9	2	9.1667	0	$47,380	193.7523%	$ -	$ 24,454
9	3	9.2500	0	$47,380	194.9208%	$ -	$ 24,308
9	4	9.3333	0	$47,380	196.0964%	$ -	$ 24,162
9	5	9.4167	0	$47,380	197.2790%	$ -	$ 24,017
9	6	9.5000	0	$47,380	198.4688%	$ -	$ 23,873
9	7	9.5833	0	$47,380	199.6658%	$ -	$ 23,730
9	8	9.6667	0	$47,380	200.8699%	$ -	$ 23,588
9	9	9.7500	0	$47,380	202.0814%	$ -	$ 23,446
9	10	9.8333	0	$47,380	203.3001%	$ -	$ 23,306
9	11	9.9167	0	$47,380	204.5262%	$ -	$ 23,166
9	12	10.0000	$587,809	$47,380	205.7597%	$ 285,677	$ 23,027
10	1	10.0833	0	$47,380	207.0006%	$ -	$ 22,889
10	2	10.1667	0	$47,380	208.2490%	$ -	$ 22,752
10	3	10.2500	0	$47,380	209.5050%	$ -	$ 22,615
10	4	10.3333	0	$47,380	210.7685%	$ -	$ 22,480
10	5	10.4167	0	$47,380	212.0396%	$ -	$ 22,345
10	6	10.5000	0	$47,380	213.3184%	$ -	$ 22,211
10	7	10.5833	0	$47,380	214.6049%	$ -	$ 22,078
10	8	10.6667	0	$47,380	215.8992%	$ -	$ 21,946
10	9	10.7500	0	$47,380	217.2013%	$ -	$ 21,814
10	10	10.8333	0	$47,380	218.5112%	$ -	$ 21,683
10	11	10.9167	0	$47,380	219.8290%	$ -	$ 21,553
10	12	11.0000	$587,809	$47,380	221.1548%	$ 265,791	$ 21,424
11	1	11.0833	0	$47,380	222.4886%	$ -	$ 21,296
11	2	11.1667	0	$47,380	223.8304%	$ -	$ 21,168
11	3	11.2500	0	$47,380	225.1803%	$ -	$ 21,041
11	4	11.3333	0	$47,380	226.5383%	$ -	$ 20,915
11	5	11.4167	0	$47,380	227.9046%	$ -	$ 20,790
11	6	11.5000	0	$47,380	229.2790%	$ -	$ 20,665
11	7	11.5833	0	$47,380	230.6618%	$ -	$ 20,541
11	8	11.6667	0	$47,380	232.0529%	$ -	$ 20,418
11	9	11.7500	0	$47,380	233.4524%	$ -	$ 20,296
11	10	11.8333	0	$47,380	234.8603%	$ -	$ 20,174
11	11	11.9167	0	$47,380	236.2768%	$ -	$ 20,053
11	12	12.0000	$587,809	$47,380	237.7017%	$ 247,288	$ 19,933

UNS Gas - UED Gas Transportation Agreement
Equivalence in Net Present Value Terms of Annual and Monthly Payments

After Tax Weighted Average Cost of Capital	7.482%	Per Year
Equivalent Monthly Cost of Capital	0.60309%	Per Month
Annual Payment	$587,809	Annual Transportation
Using PMT Function to get to Monthly	$47,380	Transportation Rate (monthly)

=PMT(.0060309,12,639254/(1+.074821))
=PMT(monthly rate,12 months,(annual transportation rate)/(1+after tax weighted average cost of capital))

Year	Month	Years @ end of month	Annual Payments	Monthly Payments	Discount Factor	Annual Present Value	Monthly Present Value
12	1	12.0833	0	$47,380	239.1353%	$ -	$ 19,813
12	2	12.1667	0	$47,380	240.5775%	$ -	$ 19,694
12	3	12.2500	0	$47,380	242.0284%	$ -	$ 19,576
12	4	12.3333	0	$47,380	243.4881%	$ -	$ 19,459
12	5	12.4167	0	$47,380	244.9565%	$ -	$ 19,342
12	6	12.5000	0	$47,380	246.4339%	$ -	$ 19,226
12	7	12.5833	0	$47,380	247.9201%	$ -	$ 19,111
12	8	12.6667	0	$47,380	249.4153%	$ -	$ 18,997
12	9	12.7500	0	$47,380	250.9195%	$ -	$ 18,883
12	10	12.8333	0	$47,380	252.4328%	$ -	$ 18,770
12	11	12.9167	0	$47,380	253.9552%	$ -	$ 18,657
12	12	13.0000	$587,809	$47,380	255.4868%	$ 230,074	$ 18,545
13	1	13.0833	0	$47,380	257.0276%	$ -	$ 18,434
13	2	13.1667	0	$47,380	258.5777%	$ -	$ 18,323
13	3	13.2500	0	$47,380	260.1372%	$ -	$ 18,214
13	4	13.3333	0	$47,380	261.7060%	$ -	$ 18,104
13	5	13.4167	0	$47,380	263.2844%	$ -	$ 17,996
13	6	13.5000	0	$47,380	264.8722%	$ -	$ 17,888
13	7	13.5833	0	$47,380	266.4696%	$ -	$ 17,781
13	8	13.6667	0	$47,380	268.0767%	$ -	$ 17,674
13	9	13.7500	0	$47,380	269.6935%	$ -	$ 17,568
13	10	13.8333	0	$47,380	271.3200%	$ -	$ 17,463
13	11	13.9167	0	$47,380	272.9563%	$ -	$ 17,358
13	12	14.0000	$587,809	$47,380	274.6025%	$ 214,058	$ 17,254
14	1	14.0833	0	$47,380	276.2586%	$ -	$ 17,151
14	2	14.1667	0	$47,380	277.9247%	$ -	$ 17,048
14	3	14.2500	0	$47,380	279.6008%	$ -	$ 16,946
14	4	14.3333	0	$47,380	281.2871%	$ -	$ 16,844
14	5	14.4167	0	$47,380	282.9835%	$ -	$ 16,743
14	6	14.5000	0	$47,380	284.6902%	$ -	$ 16,643
14	7	14.5833	0	$47,380	286.4071%	$ -	$ 16,543
14	8	14.6667	0	$47,380	288.1344%	$ -	$ 16,444
14	9	14.7500	0	$47,380	289.8721%	$ -	$ 16,345
14	10	14.8333	0	$47,380	291.6203%	$ -	$ 16,247
14	11	14.9167	0	$47,380	293.3791%	$ -	$ 16,150
14	12	15.0000	$587,809	$47,380	295.1484%	$ 199,157	$ 16,053
15	1	15.0833	0	$47,380	296.9284%	$ -	$ 15,957
15	2	15.1667	0	$47,380	298.7192%	$ -	$ 15,861
15	3	15.2500	0	$47,380	300.5208%	$ -	$ 15,766
15	4	15.3333	0	$47,380	302.3332%	$ -	$ 15,672
15	5	15.4167	0	$47,380	304.1565%	$ -	$ 15,578
15	6	15.5000	0	$47,380	305.9909%	$ -	$ 15,484
15	7	15.5833	0	$47,380	307.8363%	$ -	$ 15,391
15	8	15.6667	0	$47,380	309.6928%	$ -	$ 15,299
15	9	15.7500	0	$47,380	311.5606%	$ -	$ 15,207
15	10	15.8333	0	$47,380	313.4396%	$ -	$ 15,116
15	11	15.9167	0	$47,380	315.3299%	$ -	$ 15,026
15	12	16.0000	$587,809	$47,380	317.2316%	$ 185,293	$ 14,936

UNS Gas - UED Gas Transportation Agreement
Equivalence in Net Present Value Terms of Annual and Monthly Payments

After Tax Weighted Average Cost of Capital	7.482%	Per Year
Equivalent Monthly Cost of Capital	0.60309%	Per Month
Annual Payment	$587,809	Annual Transportation
Using PMT Function to get to Monthly	$47,380	Transportation Rate (monthly)

=PMT(.0060309,12,639254/(1+.074821))
=PMT(monthly rate,12 months,(annual transportation rate)/(1+after tax weighted average cost of capital))

Year	Month	Years @ end of month	Annual Payments	Monthly Payments	Discount Factor	Annual Present Value	Monthly Present Value
16	1	16.0833	0	$47,380	319.1448%	$ -	$ 14,846
16	2	16.1667	0	$47,380	321.0696%	$ -	$ 14,757
16	3	16.2500	0	$47,380	323.0059%	$ -	$ 14,669
16	4	16.3333	0	$47,380	324.9540%	$ -	$ 14,581
16	5	16.4167	0	$47,380	326.9137%	$ -	$ 14,493
16	6	16.5000	0	$47,380	328.8853%	$ -	$ 14,406
16	7	16.5833	0	$47,380	330.8688%	$ -	$ 14,320
16	8	16.6667	0	$47,380	332.8643%	$ -	$ 14,234
16	9	16.7500	0	$47,380	334.8717%	$ -	$ 14,149
16	10	16.8333	0	$47,380	336.8913%	$ -	$ 14,064
16	11	16.9167	0	$47,380	338.9231%	$ -	$ 13,980
16	12	17.0000	$587,809	$47,380	340.9671%	$ 172,395	$ 13,896
17	1	17.0833	0	$47,380	343.0235%	$ -	$ 13,813
17	2	17.1667	0	$47,380	345.0922%	$ -	$ 13,730
17	3	17.2500	0	$47,380	347.1735%	$ -	$ 13,647
17	4	17.3333	0	$47,380	349.2672%	$ -	$ 13,566
17	5	17.4167	0	$47,380	351.3737%	$ -	$ 13,484
17	6	17.5000	0	$47,380	353.4928%	$ -	$ 13,404
17	7	17.5833	0	$47,380	355.6247%	$ -	$ 13,323
17	8	17.6667	0	$47,380	357.7694%	$ -	$ 13,243
17	9	17.7500	0	$47,380	359.9271%	$ -	$ 13,164
17	10	17.8333	0	$47,380	362.0978%	$ -	$ 13,085
17	11	17.9167	0	$47,380	364.2816%	$ -	$ 13,007
17	12	18.0000	$587,809	$47,380	366.4785%	$ 160,394	$ 12,929
18	1	18.0833	0	$47,380	368.6887%	$ -	$ 12,851
18	2	18.1667	0	$47,380	370.9123%	$ -	$ 12,774
18	3	18.2500	0	$47,380	373.1492%	$ -	$ 12,697
18	4	18.3333	0	$47,380	375.3997%	$ -	$ 12,621
18	5	18.4167	0	$47,380	377.6637%	$ -	$ 12,546
18	6	18.5000	0	$47,380	379.9414%	$ -	$ 12,470
18	7	18.5833	0	$47,380	382.2328%	$ -	$ 12,396
18	8	18.6667	0	$47,380	384.5380%	$ -	$ 12,321
18	9	18.7500	0	$47,380	386.8571%	$ -	$ 12,248
18	10	18.8333	0	$47,380	389.1902%	$ -	$ 12,174
18	11	18.9167	0	$47,380	391.5374%	$ -	$ 12,101
18	12	19.0000	$587,809	$47,380	393.8987%	$ 149,228	$ 12,029
19	1	19.0833	0	$47,380	396.2743%	$ -	$ 11,956
19	2	19.1667	0	$47,380	398.6642%	$ -	$ 11,885
19	3	19.2500	0	$47,380	401.0685%	$ -	$ 11,814
19	4	19.3333	0	$47,380	403.4873%	$ -	$ 11,743
19	5	19.4167	0	$47,380	405.9208%	$ -	$ 11,672
19	6	19.5000	0	$47,380	408.3688%	$ -	$ 11,602
19	7	19.5833	0	$47,380	410.8317%	$ -	$ 11,533
19	8	19.6667	0	$47,380	413.3094%	$ -	$ 11,464
19	9	19.7500	0	$47,380	415.8020%	$ -	$ 11,395
19	10	19.8333	0	$47,380	418.3097%	$ -	$ 11,327
19	11	19.9167	0	$47,380	420.8325%	$ -	$ 11,259
19	12	20.0000	$587,809	$47,380	423.3705%	$ 138,840	$ 11,191
						$ 6,000,593	$ 6,000,593
						TOTAL	TOTAL

new calc	$	6,000,593	$	6,000,593
old calc.	$	6,525,763	$	6,525,763
Ratio		91.95%		91.95%
new calc	$	5,400,836	$	5,400,836
old calc.	$	5,782,245	$	5,782,245
Ratio		93.40%		93.40%