

G-04204A-08-0571



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ORIGINAL

**ARIZONA CORPORATION COMMIS
UTILITY COMPLAINT FORM**

Investigator: Guadalupe Ortiz

Phone: [REDACTED]

Fax: [REDACTED]

Priority: Respond Within Five Days

Opinion No. 2009 - 77903

Date: 3/30/2009

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

Complaint By: **First:** Alice **Last:** Staley

Account Name: Alice Staley

Home: (000) 000-0000

Street: [REDACTED]

Work: [REDACTED]

City: [REDACTED]

CBR: [REDACTED]

State: AZ **Zip:** [REDACTED]

is: E-Mail

Utility Company: Unisource ** Energy Services (UNS)

Division: Gas

Contact Name: [REDACTED]

Contact Phone: [REDACTED]

Nature of Complaint:

REFERRED FROM CHAIRMAN MAYES OFFICE - OPINION OPPOSED:

RE: Docket No. G-04204A-08-0571

Arizona Corporation Commission
DOCKETED

APR - 3 2009

From: Alice H Staley [REDACTED]
Sent: Sunday, March 22, 2009 2:52 PM
To: Mayes-WebEmail
Subject: gas rate increase

RECEIVED
001 APR - 3 A 10:45
AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED BY [Signature]

Hi Kris,

I was dismayed to hear that UNS gas is applying for a rate increase when the price of natural gas is dropping and there is an excess. Please see following article from yesterday's NY Times.

Thanks!

Alice Staley (Prescott)

Natural Gas, Suddenly Abundant, Is Cheaper
By CLIFFORD KRAUSS
Published: March 20, 2009

HOUSTON - The decline in crude oil prices gets all the headlines, but the first globalized natural gas glut in history is driving an even more drastic collapse in the cost of gas that cooks food, heats homes and runs factories in the United States and many other countries.

Six giant plants capable of cooling and liquefying gas for export are due to come on line this year just as the economies of the Asian and European countries that import the most gas to run their industries are slowing.

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Energy experts and company executives say that means loads of gas from Qatar, Egypt, Nigeria and Algeria that otherwise would be going to Japan, Korea, Taiwan and Spain are beginning to arrive in supertankers in the United States, even though there is a gas glut here, too.

With industrial and utility use of natural gas declining, gas prices in the United States have already declined by two-thirds since the summer. Prices are not likely to go down much more, experts say, but an increase in imports is likely to keep them low until the global economy recovers and drives demand back up.

That is good news for American consumers and many businesses, since gas provides about a fifth of the power generated by electric utilities and is a vital component for fertilizers, plastics and other industrial products. But it is bad news for proponents of energy independence, who cheered the boom in domestic gas drilling and production over the last four years.

Gas industry executives expect that liquefied gas imports into the United States will at least triple in the second half of this year. That comes as domestic producers have lowered their rig count in natural gas fields around the country by 50 percent in the last several months because of the fall in prices, leading to an expected drop in production by the end of the year.

Normally a decline in production would result in a rising gas price, leading to an eventual recovery in drilling. But energy executives say that increasing imports will probably delay a recovery in production, which until now depended almost entirely on national market forces.

"The United States used to have gas bubbles all by itself; now the world can have a gas bubble," said Donald Hertzmark, a consultant who advises energy companies on international gas projects. "Over the next few years, a globalized gas market will exert a moderating influence on gas prices here in the United States."

For Mr. Hertzmark the decline in natural gas prices will mean a major stimulus for the domestic and world economies. American oil executives see it another way.

Rodney Waller, a senior vice president at the oil and gas company Range Resources, called the expected surge in liquefied natural gas imports part of a "pile on" of problems including plummeting demand, prices and credit besetting companies that stretched their exploration and production budgets in recent years to meet expanding demand.

"Any time you push the price down, you push down the ability of U.S. independents to add reserves and production domestically", he said. "He warned that some small and midsize oil and gas companies - with debt that are in trouble now will simply get pushed over the brink."

Natural gas is becoming a world commodity like oil. It is still loosely connected to world oil benchmark prices and its price, usually set by longer-term contracts everywhere except for the United States and Britain, can diverge widely from one continent to another. Until the last few years, liquefied natural gas was a high-priced necessity for countries that did not produce their own gas supplies or have access to piped reserves; but it now has become a cheap economic driver for countries like Japan with few energy resources.

But as more terminals have been built, the amount of gas that is shipped from one continent to another in giant tankers has climbed. And now the emergence of the global market in gas is about to take a giant leap.

The global capacity for liquefied natural gas exports of 200 million tons a year will increase by 25 percent with the completion of six new plants in Qatar, Russia, Indonesia and Yemen, totaling \$48 billion in investments, and the upgrading of a seventh plant in Malaysia. National energy companies in those countries, assisted by ExxonMobil, Total, BP and Shell, rushed construction of those projects in recent years to satisfy the mushrooming appetite for energy around the world. More large plants are due on line in 2010 and 2011.

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"We had many years of ever increasing demand so the world geared up for that, but what the world did not prepare for was an economic recession that is global in scope and in impact," said Darcel L. Hulse, president and chief executive officer of Sempra LNG, a division of Sempra Energy that operates an import terminal in Mexico and is completing construction on a facility in Louisiana. "That is what has exacerbated the imbalance of supply and demand to such an excess."

Some analysts say companies may slow completion of a few of the new export terminal projects. "The companies will want to bring them on line because they want to recoup their investments made over four to five years and pay off their loans," said Nikos Tsafos, an analyst at PFC Energy, a firm that advises governments and energy companies.

The international gas glut and expected surge in gas imports represent a reversal from trends of less than a year ago when the world suffered a shortage of liquefied gas and prices spiked in the United States and elsewhere.

Natural gas in the United States costs a little over \$4 per thousand cubic feet, down from a peak of more than \$13 last year. Oil now costs a bit more than \$51 a barrel, down from a peak of more than \$145 in July. On average, world spot prices for liquefied natural gas cargoes have come down by more than two-thirds since last summer.

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

3/30/2009 - Email to Customer:

March 30, 2009

Dear Alice Staley;

Your email in regard to the UNS Gas, Inc. ("UNS or Company") rate case sent to Chairman Mayes of the Arizona Corporation Commission ("Commission") has been received and assigned to me for further handling. An opinion will be placed on file with the Docket Control Center of the Commission on your behalf to be made part of the record.

The Commission will take your comments and concerns into consideration before a decision is rendered in the Company's application. The concerns raised from customers assist the Commission within the investigation and review of the rate application. The Commission's independent analysis of the utility and its rate request attempts to balance the interest of both; the utility and its customers. Commission Staff is very sensitive to the burden that high utility rates can place on the consumer, and though constitutionally required to allow a fair return to the utility, does everything within its authority to protect the consumer.

Commission staff appreciates the time you have taken to express your comments and concerns on the proposed rate increase. If you should have any questions relating to this issue, please call me toll free at (800) 222-7000 or directly at [REDACTED]

Thank you,

Guadalupe Ortiz
Public Utilities Consumer Analyst
Arizona Corporation Commission
Utilities Division
CLOSED
End of Comments

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Date Completed: 3/30/2009

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