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November 3, 2003

To: ACC Docket Control

G-04204A-03-0634 RECEIVED

2003 NOV -4 P 1: 20

I have enclosed one original, 13 copies, and 1 copy and a self-addressed, stamped envelope for a return copy.

AZ CORP COMMISSION
DOCUMENT CONTROL

Please call if there are any problems with this filing.

Thanks

Sincerely,

Thomas Broderick, 928-527-8036

Arizona Corporation Commission

DOCKETED

NOV 04 2003

DOCKETED BY	<i>Mac</i>
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UniSourceEnergy
SERVICES

December 4, 2003
Arizona Corporation Commission
DOCKETED

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

DEC - 5 2003

E-04204A-03-0731

DOCKETED BY	<i>JM</i>
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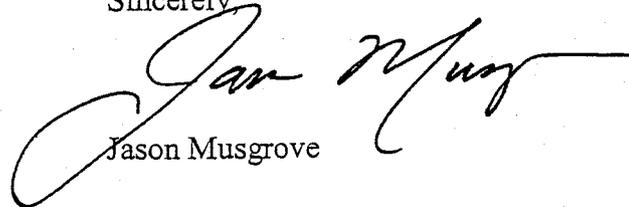
RE: **UniSource Energy Services Revised Electric Tariffs and Rules and Regulations**

Docket Control:

UniSource Energy Services, Inc. (UES) hereby submits an original and thirteen copies of UES' revised electric tariffs and rules and regulations. This filing has been amended to meet Staff's recommendations.

If you have any questions regarding this filing, please contact me at (520) 745-3432.

Sincerely


Jason Musgrove

Cc: Tom Campbell, Lewis and Roca
Dennis Nelson, UES
Tom Ferry, UES
Steve Glaser, UES
Leland Snook, UES
David Thomas, UES
Barbara Keene, ACC

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Arizona Corporation Commission

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NOV 04 2003

Second Set of Comments

Northern Arizona Transporters Group (NATG)

Docket G04204A-03-0634

November 3, 2003

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These comments are filed on behalf of the Northern Arizona Transporters Group (NATG), a group of Northern Arizona gas transportation customers of Unisource Energy Services (UES) in the matter of the revised transportation tariff T-1 (Docket G04204A-03-0634). Currently, NATG includes 12 transportation customers of UES, including 5 large customers using 100,000 to 400,000 dt per year. The annual transportation margin paid by the group to UES is about \$1.5 million. In both the number of customers and the load represented, this group probably represents well over 50% of transportation customers, excluding the Griffith power plant. There are manufacturers, hospitals, government, and commercial customers in the group. They also represent significant employers in their communities, exceeding 3000 employees overall.

As a follow-up to the first set of comments last week, we are submitting the language for the T-1 tariff in both finished and "redline" form, to facilitate review and identification of where changes are made. These tariff changes incorporate the principles of first set of comments made on October 27, principally to make the balancing penalties compatible with the El Paso requirements on the LDC, which, as was pointed out in those comments, is a very conservative approach as far as covering any balancing penalties that would be incurred by the LDC. Specifically, in nearly all situations, the NATG members would be liable for penalties that would exceed those that the LDC would be liable for from El Paso, arising from the imbalances of transportation customers. In fact, there are easily identified situations where the customers would be liable for penalties when the LDC would be liable for none. The reverse is not the case, as far as we can see.

The scaling of the penalties is slightly different than El Paso, to make them consistent with the scaling Unisource verbally indicated last week that they were planning. However, the use of that scaling in this tariff language has not been reviewed with Unisource, so it is not clear whether they would agree with this language.

As part of the research for these comments, we found that not only is the original proposal much stricter than El Paso, it is also much stricter than other LDCs on the El Paso system outside of Arizona. Specifically, the Public Service of New Mexico tariff allows a 10% Imbalance Tolerance, and two California utilities, Pacific Gas and Electric and Southern California Gas, have an extensive trading period where customers can trade imbalances before any penalties are assessed. We do not believe this complexity is warranted here since the number of customers is small, but the point is that there are numerous opportunities to eliminate imbalances and so therefore avoid penalties that are not present in the original Unisource proposal.

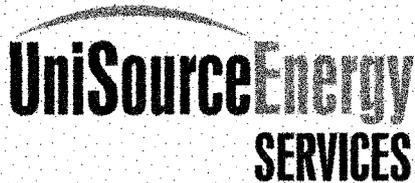
We have had substantive discussions with both Commission Staff and Unisource last week on the concepts of this tariff. We hope to continue those discussions this week as well to try to reach agreement and address concerns that we may not have been aware of.

We do believe that this tariff language remains consistent with the principles forming the basis of our comments last week. Specifically, that system supply customers are made whole, the LDC is protected from balancing costs from El Paso caused by transportation customers, and that customers have an incentive to manage their imbalances more carefully than in the past.

Northern Arizona Transporter Group contact:

Thomas Broderick 928-527-8036 tbbflag@unneedspeed.net

Exhibit 1
NATG Proposed T-1 Tariff
Version without Visible Corrections



**UNS Gas, Inc.
Pricing Plan T-1
Transportation of Customer-Secured Natural Gas**

1. AVAILABILITY

This pricing plan is available to any qualifying Customer for transportation of natural gas by the Company from existing interconnects between the Company and upstream pipelines (herein called Receipt Point) to the Delivery Point(s) on the Company's system throughout its certificated Arizona Gas Service Area under the following conditions:

- 1.1 The Company has available capacity to render the requested service without construction of any additional facilities, except as provided by Section 8 of this pricing plan.
- 1.2 The Customer has demonstrated to the Company's satisfaction the assurance of natural gas supplies and third-party transportation agreements with quantities, and for a term compatible with the service being requested from the Company.
- 1.3 The Customer and the Company have executed a Transportation Agreement, and the Customer is to be the End-User.
- 1.4 The Customer's gas to be transported is greater than 120,000 therms per year. A Customer receiving service from the Company at multiple locations may aggregate meters with annual consumption of no less than 50,000 therms to qualify for this service provided that all meter locations are served under a single entity.

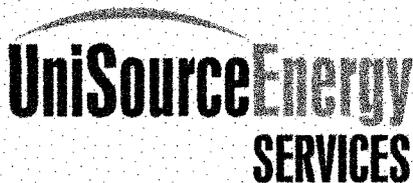
2. APPLICABILITY

This pricing plan shall apply to gas transported by the Company for Customer pursuant to the executed service agreement.

- 2.1 The basic transportation service rendered under this pricing plan shall consist of:
 - (a) The receipt by the Company for the account of the Customer of the Customer's gas at the Receipt Point;
 - (b) The transportation of gas through the Company's gas system for the account of the Customer; and
 - (c) The delivery of gas after transportation by the Company for the account of the Customer at the Delivery Point(s).

Filed By: Dennis R. Nelson
Title: Senior Vice President and Chief Operating Officer
District: Entire Gas Service Area

Tariff No.: T-1
Effective:
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UNS Gas, Inc.
Pricing Plan T-1
Transportation of Customer-Secured Natural Gas

PRICING PLAN T-1 (continued)

- 2.2 Transportation: Service is firm and uninterrupted except for the following:
- (a) Curtailment in accordance with the Company's curtailment priority procedures;
 - (b) When the Company determines it has insufficient capacity on its system or from its upstream pipeline; or
 - (c) Customer's gas supply to the Company is insufficient to meet its requirement.
- 2.3 Any Customer served under this pricing plan that requests service under a sales pricing plan is ineligible to return to transportation service for a period of not less than twelve (12) months.

3. RATES

- 3.1 A discount from the following rates may be offered at the sole discretion of the Company if such discount is in the best interest of the Company and its ratepayers. The maximum amount that the Customer shall pay the Company monthly will be the sum of the following charges:

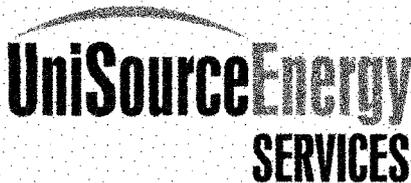
Basic Customer Charge per Month: \$85.00 per meter

Volume Charge: An amount equal to the applicable unit transportation rate for each therm of Customer-secured gas metered and delivered to the Customer. The unit rates shall be as set forth in the currently effective Pricing Plan Summary. The volume charge will consist of the following:

- (a) An amount equal to the applicable unit sales margin for each therm as set forth in the Customer's otherwise applicable sales pricing plan for each meter. This volume charge will cover the Company's Basic Cost of Service Rate as specified in the currently effective gas sales pricing plan but not including the base cost of gas specified therein. In no event will the minimum charge be less than that set forth in Section 4.1 below.
- (b) An amount to reflect lost and unaccounted for gas as determined by the differential between the gas costs on a sales basis and gas costs on a purchase basis determined in the development of the currently effective, Purchased Gas Adjustment ("PGA"), Rate Rider No. RR-1. The Company, at its sole option, may allow lost and unaccounted for gas to be paid in kind.

Filed By: Dennis R. Nelson
Title: Senior Vice President and Chief Operating Officer
District: Entire Gas Service Area

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Effective:
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UNS Gas, Inc.
Pricing Plan T-1
Transportation of Customer-Secured Natural Gas

PRICING PLAN T-1 (continued)

- (c) Any applicable imbalance charges as specified in Section 7 of this pricing plan.
- (d) Any charges from upstream pipeline transporters or suppliers which have been incurred by the Company in excess of those specified in section (c) above and are deemed by the Company to be applicable to the transportation service rendered for the Customer under these pricing plans.

4. MINIMUM CHARGE

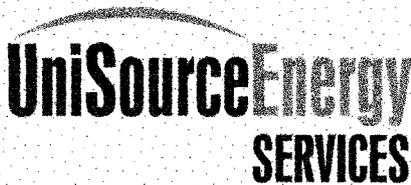
- 4.1 The minimum charge will be the Basic Customer Charge per Month plus \$0.005 per therm.

5. ADMINISTRATIVE PROCEDURES

- 5.1 Processing Requests for Transportation Service: Requests for transportation hereunder shall be made by, and shall be deemed to be complete upon, the Customer providing the following information to the Company:
 - (a) Gas Quantities: The Maximum Daily Quantity applicable to the receipt point and the Maximum Daily Quantity applicable to each delivery point, and estimated total quantities to be received and transported monthly over the delivery period should be stated individually in therms for each receipt point.
 - (b) Delivery Point(s): Point(s) of delivery by the Company to the Customer.
 - (c) Term of Service:
 - i. Date of service requested to commence;
 - ii. Date service requested to terminate, if known; and
 - iii. Minimum term for transportation service shall be twelve (12) months.
 - (d) Performance: A statement from the Customer certifying that the Customer has or will have title to the gas to be delivered to the Company for transportation and has entered into or will enter into those arrangements necessary to assure all upstream transportation will be in place prior to the commencement of service under a Transportation Agreement. The Customer's Agent, if any, must be named.

Filed By: Dennis R. Nelson
Title: Senior Vice President and Chief Operating Officer
District: Entire Gas Service Area

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Effective:
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UNS Gas, Inc.
Pricing Plan T-1
Transportation of Customer-Secured Natural Gas

PRICING PLAN T-1 (continued)

Upon receipt of all of the information specified above, the Company shall prepare and tender to the Customer for execution a Transportation Agreement. If the Customer fails to execute the Transportation Agreement within thirty (30) days of the date tendered, the Customer's request shall be deemed null and void.

6. OPERATING PROCEDURES

6.1 Nominating and Scheduling of Gas Receipts and Deliveries: The Customer shall be responsible for contacting the upstream pipelines to arrange for the nominating and scheduling of receipts and deliveries hereunder, provided, however, that the Customer may designate one (1) other party to serve as his agent for such purpose.

6.2 Operating Information and Estimates: Upon request of the Company, the Customer shall from time to time submit its best estimates of the daily, monthly and annual volumes of gas to be transported, including peak day requirements, together with such other operating data as the Company may require in order to schedule its operations.

The Company may require large Customers whose contractually allowed maximum daily quantity exceeds 10000 therms per day, whose usage is not predictable based on weather, and whose ratio of high to low daily usage exceeds ten (10) to inform the Company within 2 hours of any initiation or termination of gas usage exceeding an hourly rate of 1000 therms per hour.

6.3 Quantities: All quantities referred to in Section 6 shall be provided as dekatherms ("DTH") (one million British Thermal Units).

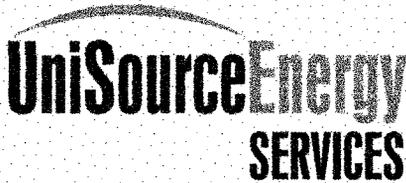
6.4 Deliverability: The Company shall not be liable for its failure to deliver gas when such failure is due to unavailability of gas supply or interruption of third party transportation services.

6.5 Other Operating Procedures: The Company may require additional information or enforce other operating procedures as deemed necessary in the Company's sole judgment, in order to coordinate gas volumes and the movement of gas through the upstream pipeline system to the Company's Arizona Gas Service Area. These additional operating procedures may be enforced upon verbal notice to each Customer or the Customer's Agent with twenty-four (24) hour notice of implementation.

PRICING PLAN T-1 (continued)

Filed By: Dennis R. Nelson
Title: Senior Vice President and Chief Operating Officer
District: Entire Gas Service Area

Tariff No.: T-1
Effective:
Page No.: 4 of 12



**UNS Gas, Inc.
Pricing Plan T-1
Transportation of Customer-Secured Natural Gas**

- 6.6 **Balancing:** Balancing of thermally equivalent volumes of gas received and delivered shall be achieved as nearly as feasible on a daily basis, taking into account the Customer's right, subject to prior Company approval, to vary receipts and deliveries across the Company Distribution System. Customer monthly cumulative imbalances are defined as the difference between the Customer's total monthly metered quantities plus or minus any carried-forward imbalance from the previous month and the Customer's total scheduled transportation quantity. This cumulative imbalance is the numerator for purposes of calculating what action is to be taken relative to that imbalance. The denominator is the monthly average deliveries of the latest 12 months. Customers are provided a monthly operating window under which the Customer's cumulative imbalances must be within plus or minus 5 percent (+/- 5%) of the month's total of daily scheduled transportation quantities, plus any Company-approved imbalance adjustment quantity, or 10,000 therms, whichever is greater. Imbalances established in excess of the applicable monthly operating windows will result in a notice to the Customer that if this imbalance reaches plus or minus ten percent (+/- 10%), it will be subject to imbalance charges as specified in Section 7 of this pricing plan. However, these charges may not be applied unless the Customer has received two consecutive monthly notices that their cumulative imbalances have exceeded +/- 5%, that 45 days have elapsed since the first notice, and their cumulative imbalance at the time these charges are applied is +/- 10% or more. Any imbalance (plus or minus) carried forward shall be considered first through the meter during the next daily or monthly period, as applicable.

Company-approved imbalance adjustments are to be provided in a non-discriminatory way. The Company will keep a record of requested adjustments granted and denied and the reasons for those decisions and will provide that record to any Customer taking service under this pricing plan who is charged subject to Section 7 and who requests that record.

To facilitate Customers' efforts at managing imbalances, upon Customer request, the Company will either provide electronic read-only access to the telemetering facilities described in Section 8 or provide daily meter reads daily (or at a less frequent interval agreed upon between the Company and Customer), at the option of the requesting Customer.

- 6.7 **Adjustments:** Periodically, volume adjustments may be made by the upstream pipelines or the Customer's agent. Therefore, actual daily volumes invoiced will be compared with daily nominated volumes. Should adjustments to the nominated volumes become necessary, such adjustments will be applied to the nomination for the month in which the volumes were delivered to the Customer for the purposes of determining the applicability of the provisions of this pricing plan.

Filed By: Dennis R. Nelson
Title: Senior Vice President and Chief Operating Officer
District: Entire Gas Service Area

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Effective:
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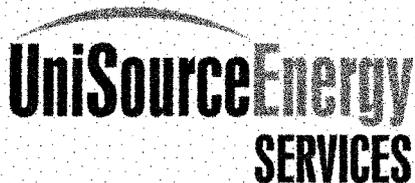


**UNS Gas, Inc.
Pricing Plan T-1
Transportation of Customer-Secured Natural Gas**

- 6.8 Customer Default: The Company shall not be required to perform or continue service on behalf of any Customer that fails to comply with the terms contained in this pricing plan and the terms of the Customer's Transportation Service Agreement with the Company. The Company shall have the right to waive any one or more specific defaults by any Customer under any provision of this pricing plan or the service agreement, provided, however, that no such waiver shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or different character.

Filed By: Dennis R. Nelson
Title: Senior Vice President and Chief Operating Officer
District: Entire Gas Service Area

Tariff No.: T-1
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**UNS Gas, Inc.
Pricing Plan T-1
Transportation of Customer-Secured Natural Gas**

PRICING PLAN T-1 (continued)

- 6.9 Operational Curtailment: The Company reserves the right to impose, at any time, any reasonable operating conditions upon the transportation of the Customer's gas which the Company, in its sole good faith judgment, deems necessary to maintain safe and efficient operation of its distribution system, or to make the operating terms and conditions of service hereunder compatible with those of its upstream pipelines. Under such circumstances, the following conditions shall apply:
- (a) Any Customer that does not comply with a notice of operational curtailment shall be subject to, in addition to any otherwise applicable charges, a penalty of \$10.00 per DTH for all unauthorized quantities during the curtailment period.
 - (b) The Company shall endeavor to provide notice of such operational curtailment forty-eight (48) hours prior to the commencement of the delivery of gas.
 - (c) Notwithstanding condition (b), the Company may impose an operational curtailment on the current gas day. In the event an operational curtailment is imposed on the current gas day, a minimum one-hour grace period will be allowed before penalties begin to apply.

7. PAYMENT FOR EXCESS QUANTITIES

7.1 Customers will be assessed imbalance charges if an imbalance exists in excess of the applicable monthly operating window under the conditions set forth in Section 6.6 hereof. All imbalance charges will be credited against the system supply gas bank. The portion of any imbalance quantity established by a Customer in excess of the applicable monthly operating window is defined as an excess imbalance quantity. In addition to the charges payable under this pricing plan, any monthly excess quantity shall be billed as follows:

The Index Price will be either the El Paso Permian price for the first of the month as provided in Inside FERC, or another comparable publication or the average of the daily El Paso Permian prices, both increased for fuel and maximum El Paso tariff transportation to Arizona. For Positive Excess Imbalances, the Index Price will be the lower of these two; for Negative Excess Imbalances, it will be the higher of the two.

Filed By: Dennis R. Nelson
Title: Senior Vice President and Chief Operating Officer
District: Entire Gas Service Area

Tariff No.: T-1
Effective:
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**UNS Gas, Inc.
Pricing Plan T-1
Transportation of Customer-Secured Natural Gas**

(a) Positive Excess Imbalance

When the Customer's cumulative imbalance as described in Section 6.6 is positive (deliveries have exceeded usage), the entire imbalance shall be retained by the Company and the entire imbalance eliminated after the Customer's bill is credited for the imbalance volumes using the lower Index Price as follows:

- (i) The portion of the imbalance up to 5% will be credited at the Index Price
- (ii) The portion of the imbalance between 5-15% will be credited at 90% of Index Price
- (iii) The portion of the imbalance between 15-20% will be credited at 80% of Index Price
- (iv) The portion of the imbalance between 20-30% will be credited at 70% of Index Price
- (v) The portion of the imbalance Over 30% will be credited at 60% of Index Price

PRICING PLAN T-1 (continued)

(b) Negative Excess Imbalance

When the Customer's cumulative imbalance as described in Section 6.6 is negative (deliveries are less than usage), the entire imbalance shall be eliminated after the Customer's bill is charged for the imbalance volumes using the higher Index Price as follows:

- (i) The portion of the imbalance up to 5% will be charged at the Index Price
- (ii) The portion of the imbalance between 5-15% will be charged at 110% of Index Price
- (iii) The portion of the imbalance between 15-20% will be charged at 120% of Index Price
- (iv) The portion of the imbalance between 20-30% will be charged at 130% of Index Price
- (v) The portion of the imbalance Over 30% will be charged at 140% of Index Price

7.2 Notwithstanding the provisions outlined in Section 7.1 above, should the Customer cease to utilize transportation service under this pricing plan, any remaining imbalance will be cleared as follows:

- (a) When receipt by the Company exceeds delivery to the Customer, the Company shall credit the Customer for the excess quantity at a price equal to the lowest delivered system supply price paid by the Company during the prior month for gas delivered to the Company within its Arizona Gas Service Area.

Filed By: Dennis R. Nelson
Title: Senior Vice President and Chief Operating Officer
District: Entire Gas Service Area

Tariff No.: T-1
Effective:
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**UNS Gas, Inc.
Pricing Plan T-1
Transportation of Customer-Secured Natural Gas**

(b) When delivery to the Customer exceeds receipt by the Company, the Customer shall pay the Company for the excess quantity at a price equal to the highest delivered system supply price paid by the Company during the prior month for gas delivered to the Company within its Arizona Gas Service Area.

7.3 Under no circumstances shall Section 7.1 above be considered as giving the Customer any right to take excess quantity gas, other than as provided by Section 6.6 hereof, nor shall Section 7.1 or payment thereunder be considered as a substitute for any other remedy available to the Company against the offending Customer for failure to respect its obligation to stay within its authorized quantities.

Filed By: Dennis R. Nelson
Title: Senior Vice President and Chief Operating Officer
District: Entire Gas Service Area

Tariff No.: T-1
Effective:
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**UNS Gas, Inc.
Pricing Plan T-1
Transportation of Customer-Secured Natural Gas**

PRICING PLAN T-1 (continued)

8. FACILITY ADDITIONS

8.1 Any facilities which must be installed by the Company to serve the Customer will be constructed in accordance with the Rules and Regulations as approved from time to time by the Arizona Corporation Commission. Telemetering facilities on each meter will be installed at the Customer's expense. Customers requiring telemetering facilities shall provide, at the Customer's expense, a dedicated telephone line for the Company's use in communicating with the telemetering facilities and will pay any and all costs associated with that phone line. Further, any existing special surcharges or minimum bill provisions designed to recover the cost of facilities for any Customer shall remain in effect and may serve to increase maximum allowable transportation rate levels pursuant to this pricing plan.

9. THIRD PARTY CHARGES

9.1 The Customer shall reimburse the Company for any charges rendered or billed to the Company by its upstream pipelines and by any other upstream transporter and gas gatherers, either before or after termination of the Transportation Agreement, which the Company, in its sole good faith judgment, determines have been incurred because of the transportation of Customer's gas hereunder and should, therefore, appropriately be borne by the Customer. Such charges, whether levied in dollars or gas, may include, but shall not be limited to, standby charges or reservation fees, prepayments, applicable taxes, applicable fuel reimbursement, shrinkage, lost and unaccounted for volumes, Gas Research Institute surcharges, penalty charges and filing fees.

The Customer will reimburse the Company for all such charges incurred by the Company as rendered, irrespective of the actual quantities of natural gas delivered to the Customer.

10. CONDITIONS FOR CONVERTING TO T-1 SERVICE

Any qualified Customer converting from gas sales service to service under this pricing plan is subject to the following conditions and requirements:

10.1 T-1 service will commence at the beginning of the first calendar month following the end of five (5) days after receipt of the customer service change request.

Filed By: Dennis R. Nelson
Title: Senior Vice President and Chief Operating Officer
District: Entire Gas Service Area

Tariff No.: T-1
Effective:
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**UNS Gas, Inc.
Pricing Plan T-1
Transportation of Customer-Secured Natural Gas**

PRICING PLAN T-1 (continued)

- 10.2 Customer will be billed or credited the Customer's pro rata share of the balance in the Company's PGA bank, calculated as follows:
- (a) Starting from the later of the month of initiation of gas sales service by the Customer, or the date of initiation of the current PGA bank, through the last month of sales service, the Customer's actual therm usage will be multiplied, on a month-by-month basis, by the difference between the Company's actual commodity cost per therm and the Gas Cost component of the Basic Cost of Service Rate adjusted for any PGA and PGA Surcharge that may be in effect from time to time;
 - (b) The sum of these monthly calculated values equals the Customer's charge or credit due for conversion to service under this pricing plan;
 - (c) Customer charge or credit will be paid in twelve (12) equal monthly payments, including interest equal to the carrying charge rate applicable to the PGA bank at the time of conversion to service under this pricing plan.
- 10.3 If a Customer converts back to a pricing plan for gas sales service while the PGA Surcharge existing at the time of the switch to T-1 service is still in effect, such Surcharge will not be applicable to the Customer's billed usage for the period it remains in effect. However, any future PGA Surcharge that may be put into effect will be applicable to the Customer's billed usage.

11. TAX CLAUSE

- 11.1 To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the gas or gas service sold and/or the volume of gas or gas service purchased for sale and/or sold hereunder.

12. RULES AND REGULATIONS

- 12.1 The standard Rules and Regulations of the Company as on file from time to time with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

Filed By: Dennis R. Nelson
Title: Senior Vice President and Chief Operating Officer
District: Entire Gas Service Area

Tariff No.: T-1
Effective:
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UNS Gas, Inc.
Pricing Plan T-1
Transportation of Customer-Secured Natural Gas

PRICING PLAN T-1 (continued)

13. CONDITIONS

- 13.1 Transportation of Customer-owned natural gas hereunder shall be limited to natural gas of equal or higher quality than natural gas currently available from the Company's supplier(s). All gas delivered by the Company to the Customer shall be deemed to be the same quality as that gas received by the Company for transportation.
- 13.2 With respect to the Company's capacity to deliver gas at any particular time, the curtailment priority of any Customer served under this pricing plan shall be the same as the curtailment priority established for other Customers served pursuant to the Company's pricing plan which would otherwise be available to such Customer.

Filed By: Dennis R. Nelson
Title: Senior Vice President and Chief Operating Officer
District: Entire Gas Service Area

Tariff No.: T-1
Effective:
Page No.: 12 of 12

Exhibit 2
NATG Proposed T-1 Tariff
Version with Visible Corrections

1. AVAILABILITY

This pricing plan is available to any qualifying Customer for transportation of natural gas by the Company from existing interconnects between the Company and upstream pipelines (herein called Receipt Point) to the Delivery Point(s) on the Company's system throughout its certificated Arizona Gas Service Area under the following conditions:

- 1.1 The Company has available capacity to render the requested service without construction of any additional facilities, except as provided by Section 8 of this pricing plan.
- 1.2 The Customer has demonstrated to the Company's satisfaction the assurance of natural gas supplies and third-party transportation agreements with quantities, and for a term compatible with the service being requested from the Company.
- 1.3 The Customer and the Company have executed a Transportation Agreement, and the Customer is to be the End-User.
- 1.4 The Customer's gas to be transported is greater than 120,000 therms per year. A Customer receiving service from the Company at multiple locations may aggregate meters with annual consumption of no less than 50,000 therms to qualify for this service provided that all meter locations are served under a single entity.

2. APPLICABILITY

This pricing plan shall apply to gas transported by the Company for Customer pursuant to the executed service agreement.

- 2.1 The basic transportation service rendered under this pricing plan shall consist of:
 - (a) The receipt by the Company for the account of the Customer of the Customer's gas at the Receipt Point;
 - (b) The transportation of gas through the Company's gas system for the account of the Customer; and
 - (c) The delivery of gas after transportation by the Company for the account of the Customer at the Delivery Point(s).

Filed By: Dennis R. Nelson
Title: Senior Vice President and Chief Operating Officer
District: Entire Gas Service Area

Tariff No.: T-1
Effective:
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UNS Gas, Inc.
Pricing Plan T-1
Transportation of Customer-Secured Natural Gas

PRICING PLAN T-1 (continued)

- 2.2 Transportation: Service is firm and uninterrupted except for the following:
- (a) Curtailment in accordance with the Company's curtailment priority procedures;
 - (b) When the Company determines it has insufficient capacity on its system or from its upstream pipeline; or
 - (c) Customer's gas supply to the Company is insufficient to meet its requirement.
- 2.3 Any Customer served under this pricing plan that requests service under a sales pricing plan is ineligible to return to transportation service for a period of not less than twelve (12) months.

3. RATES

- 3.1 A discount from the following rates may be offered at the sole discretion of the Company if such discount is in the best interest of the Company and its ratepayers. The maximum amount that the Customer shall pay the Company monthly will be the sum of the following charges:

Basic Customer Charge per Month: \$85.00 per meter

Volume Charge: An amount equal to the applicable unit transportation rate for each therm of Customer-secured gas metered and delivered to the Customer. The unit rates shall be as set forth in the currently effective Pricing Plan Summary. The volume charge will consist of the following:

- (a) An amount equal to the applicable unit sales margin for each therm as set forth in the Customer's otherwise applicable sales pricing plan for each meter. This volume charge will cover the Company's Basic Cost of Service Rate as specified in the currently effective gas sales pricing plan but not including the base cost of gas specified therein. In no event will the minimum charge be less than that set forth in Section 4.1 below.
- (b) An amount to reflect lost and unaccounted for gas as determined by the differential between the gas costs on a sales basis and gas costs on a purchase basis determined in the development of the currently effective, Purchased Gas Adjustment ("PGA"), Rate Rider No. RR-1. The Company, at its sole option, may allow lost and unaccounted for gas to be paid in kind.

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- (c) Any applicable imbalance charges as specified in Section 7 of this pricing plan.
- (d) Any charges from upstream pipeline transporters or suppliers which have been incurred by the Company in excess of those specified in section (c) above and are deemed by the Company to be applicable to the transportation service rendered for the Customer under these pricing plans.

4. MINIMUM CHARGE

- 4.1 The minimum charge will be the Basic Customer Charge per Month plus \$0.005 per therm.

5. ADMINISTRATIVE PROCEDURES

- 5.1 Processing Requests for Transportation Service: Requests for transportation hereunder shall be made by, and shall be deemed to be complete upon, the Customer providing the following information to the Company:
 - (a) Gas Quantities: The Maximum Daily Quantity applicable to the receipt point and the Maximum Daily Quantity applicable to each delivery point, and estimated total quantities to be received and transported monthly over the delivery period should be stated individually in therms for each receipt point.
 - (b) Delivery Point(s): Point(s) of delivery by the Company to the Customer.
 - (c) Term of Service:
 - i. Date of service requested to commence;
 - ii. Date service requested to terminate, if known; and
 - iii. Minimum term for transportation service shall be twelve (12) months.
 - (d) Performance: A statement from the Customer certifying that the Customer has or will have title to the gas to be delivered to the Company for transportation and has entered into or will enter into those arrangements necessary to assure all upstream transportation will be in place prior to the commencement of service under a Transportation Agreement. The Customer's Agent, if any, must be named.

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Upon receipt of all of the information specified above, the Company shall prepare and tender to the Customer for execution a Transportation Agreement. If the Customer fails to execute the Transportation Agreement within thirty (30) days of the date tendered, the Customer's request shall be deemed null and void.

6. OPERATING PROCEDURES

6.1 Nominating and Scheduling of Gas Receipts and Deliveries: The Customer shall be responsible for contacting the upstream pipelines to arrange for the nominating and scheduling of receipts and deliveries hereunder, provided, however, that the Customer may designate one (1) other party to serve as his agent for such purpose.

Deleted: Gas Industry Standard Board guidelines will be followed regarding nominating, confirming and scheduling gas receipts and deliveries as they may be revised by the Federal Energy Regulatory Commission ("FERC") from time to time.

6.2 Operating Information and Estimates: Upon request of the Company, the Customer shall from time to time submit its best estimates of the daily, monthly and annual volumes of gas to be transported, including peak day requirements, together with such other operating data as the Company may require in order to schedule its operations.

Deleted: The Customer or Customer's Agent shall be responsible for submitting nominations to the Company via facsimile or other Company-approved method no later than one (1) hour prior to the upstream pipeline's nomination deadlines set forth in the upstream pipeline's FERC approved tariff. The Company will confirm whether it has sufficient operational capacity to deliver all or a portion of the Customer's gas. ¶

The Company may require large Customers whose contractually allowed maximum daily quantity exceeds 10000 therms per day, whose usage is not predictable based on weather, and whose ratio of high to low daily usage exceeds ten (10) to inform the Company within 2 hours of any initiation or termination of gas usage exceeding an hourly rate of 1000 therms per hour.

6.3 Quantities: All quantities referred to in Section 6 shall be provided as dekatherms ("DTH") (one million British Thermal Units).

6.4 Deliverability: The Company shall not be liable for its failure to deliver gas when such failure is due to unavailability of gas supply or interruption of third party transportation services.

6.5 Other Operating Procedures: The Company may require additional information or enforce other operating procedures as deemed necessary in the Company's sole judgment, in order to coordinate gas volumes and the movement of gas through the upstream pipeline system to the Company's Arizona Gas Service Area. These additional operating procedures may be enforced upon verbal notice to each Customer or the Customer's Agent with twenty-four (24) hour notice of implementation.

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6.6 Balancing: Balancing of thermally equivalent volumes of gas received and delivered shall be achieved as nearly as feasible on a daily basis, taking into account the Customer's right, subject to prior Company approval, to vary receipts and deliveries across the Company Distribution System. ~~Customer monthly cumulative imbalances are defined as the difference between the Customer's total monthly metered quantities plus or minus any carried-forward imbalance from the previous month and the Customer's total scheduled transportation quantity. This cumulative imbalance is the numerator for purposes of calculating what action is to be taken relative to that imbalance. The denominator is the monthly average deliveries of the latest 12 months.~~ Customers are provided a monthly operating window under which the Customer's cumulative imbalances must be within plus or minus 5 percent (+/- 5%) of the month's total of daily scheduled transportation quantities, plus any Company-approved imbalance adjustment quantity, or 10,000 therms, whichever is greater. ~~Imbalances established in excess of the applicable monthly operating windows will be result in a notice to the Customer that if this imbalance reaches plus or minus ten percent (+/- 10%), it will be subject to imbalance charges as specified in Section 7 of this pricing plan. However, these charges may not be applied unless the Customer has received two consecutive monthly notices that their cumulative imbalances have exceeded +/- 5%, that 45 days have elapsed since the first notice, and their cumulative imbalance at the time these charges are applied is +/- 10% or more. Any imbalance (plus or minus) carried forward shall be considered first through the meter during the next daily or monthly period, as applicable.~~

Deleted: Customer daily imbalances are defined as the difference between the Customer's daily metered quantity and the sum of the Customer's daily scheduled transportation quantity plus any Company-approved daily imbalance adjustment quantity.

Deleted: Furthermore, Customers are provided a daily operating window under which the Customer's daily delivery imbalance must be within plus or minus twenty-five percent (+/- 25%) of the daily scheduled transportation quantity or 1,370 therms, whichever is greater.

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~~Company-approved imbalance adjustments are to be provided in a non-discriminatory way. The Company will keep a record of requested adjustments granted and denied and the reasons for those decisions and will provide that record to any Customer taking service under this pricing plan who is charged subject to Section 7 and who requests that record.~~

~~To facilitate Customers' efforts at managing imbalances, upon Customer request, the Company will either provide electronic read-only access to the telemetering facilities described in Section 8 or provide daily meter reads daily (or at a less frequent interval agreed upon between the Company and Customer), at the option of the requesting Customer.~~

6.7 Adjustments: Periodically, volume adjustments may be made by the upstream pipelines or the Customer's agent. Therefore, actual daily volumes invoiced will be compared with daily nominated volumes. Should adjustments to the nominated volumes become necessary, such adjustments will be applied to the nomination for the month in which the volumes were delivered to the Customer for the purposes of determining the applicability of the provisions of this pricing plan.

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- 6.8 Customer Default: The Company shall not be required to perform or continue service on behalf of any Customer that fails to comply with the terms contained in this pricing plan and the terms of the Customer's Transportation Service Agreement with the Company. The Company shall have the right to waive any one or more specific defaults by any Customer under any provision of this pricing plan or the service agreement, provided, however, that no such waiver shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or different character.

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6.9 Operational Curtailment: The Company reserves the right to impose, at any time, any reasonable operating conditions upon the transportation of the Customer's gas which the Company, in its sole good faith judgment, deems necessary to maintain safe and efficient operation of its distribution system, or to make the operating terms and conditions of service hereunder compatible with those of its upstream pipelines. Under such circumstances, the following conditions shall apply:

- (a) Any Customer that does not comply with a notice of operational curtailment shall be subject to, in addition to any otherwise applicable charges, a penalty of \$10.00 per DTH for all unauthorized quantities during the curtailment period.
- (b) The Company shall endeavor to provide notice of such operational curtailment forty-eight (48) hours prior to the commencement of the delivery of gas.
- (c) Notwithstanding condition (b), the Company may impose an operational curtailment on the current gas day. In the event an operational curtailment is imposed on the current gas day, a minimum one-hour grace period will be allowed before penalties begin to apply.

7. PAYMENT FOR EXCESS QUANTITIES

7.1 Customers will be assessed imbalance charges if an imbalance exists in excess of the applicable, monthly operating window under the conditions, set forth in Section 6.6 hereof. All imbalance charges will be credited against the system supply gas bank. The portion of any imbalance quantity established by a Customer in excess of the applicable monthly operating window is defined as an excess imbalance quantity. In addition to the charges payable under this pricing plan, any monthly excess quantity shall be billed as follows:

The Index Price will be either the El Paso Permian price for the first of the month as provided in Inside FERC, or another comparable publication or the average of the daily El Paso Permian prices, both increased for fuel and maximum El Paso tariff transportation to Arizona. For Positive Excess Imbalances, the Index Price will be the lower of these two; for Negative Excess Imbalances, it will be the higher of the two.

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(a) Positive Excess Imbalance

When the Customer's cumulative imbalance as described in Section 6.6 is positive (deliveries have exceeded usage), the entire imbalance shall be retained by the Company and the entire imbalance eliminated after the Customer's bill is credited for the imbalance volumes using the lower Index Price as follows:

- (i) The portion of the imbalance up to 5% will be credited at the Index Price
- (ii) The portion of the imbalance between 5-15% will be credited at 90% of Index Price
- (iii) The portion of the imbalance between 15-20% will be credited at 80% of Index Price
- (iv) The portion of the imbalance between 20-30% will be credited at 70% of Index Price
- (v) The portion of the imbalance Over 30% will be credited at 60% of Index Price

PRICING PLAN T-1 (continued)

(b) Negative Excess Imbalance

When the Customer's cumulative imbalance as described in Section 6.6 is negative (deliveries are less than usage), the entire imbalance shall be eliminated after the Customer's bill is charged for the imbalance volumes using the higher Index Price as follows:

- (i) The portion of the imbalance up to 5% will be charged at the Index Price
- (ii) The portion of the imbalance between 5-15% will be charged at 110% of Index Price
- (iii) The portion of the imbalance between 15-20% will be charged at 120% of Index Price
- (iv) The portion of the imbalance between 20-30% will be charged at 130% of Index Price
- (v) The portion of the imbalance Over 30% will be credited at 140% of Index Price

7.2 Notwithstanding the provisions outlined in Section 7.1 above, should the Customer cease to utilize transportation service under this pricing plan, any remaining imbalance will be cleared as follows:

- (a) When receipt by the Company exceeds delivery to the Customer, the Company shall credit the Customer for the excess quantity at a price equal to the lowest delivered system supply price paid by the Company during the prior month for gas delivered to the Company within its Arizona Gas Service Area.

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<#>Fifty percent (50%) of the Gas Cost component of the Basic Cost of Service Rate contained in the Customer's otherwise applicable sales pricing plan as stated in the Pricing Plan Summary, adjusted for the PGA; or ¶
<#>The lowest incremental cost of gas, including all upstream interstate transportation charges, purchased by the Company during the same month. ¶

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¶
<#>One hundred-fifty percent (150%) of the Gas Cost component of the Basic Cost of Service Rate contained in the Customer's otherwise applicable sales pricing plan as stated in the Pricing Plan Summary, adjusted for the PGA; or ¶
(ii) . The highest incremental cost of gas, including all upstream interstate transportation charges, purchased by the Company during the same month. ¶

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(b) When delivery to the Customer exceeds receipt by the Company, the Customer shall pay the Company for the excess quantity at a price equal to the highest delivered system supply price paid by the Company during the prior month for gas delivered to the Company within its Arizona Gas Service Area.

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7.3 Under no circumstances shall Section 7.1 above be considered as giving the Customer any right to take excess quantity gas, other than as provided by Section 6.6 hereof, nor shall Section 7.1 or payment thereunder be considered as a substitute for any other remedy available to the Company against the offending Customer for failure to respect its obligation to stay within its authorized quantities.

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8. FACILITY ADDITIONS

8.1 Any facilities which must be installed by the Company to serve the Customer will be constructed in accordance with the Rules and Regulations as approved from time to time by the Arizona Corporation Commission. Telemetering facilities on each meter will be installed at the Customer's expense. Customers requiring telemetering facilities shall provide, at the Customer's expense, a dedicated telephone line for the Company's use in communicating with the telemetering facilities and will pay any and all costs associated with that phone line. Further, any existing special surcharges or minimum bill provisions designed to recover the cost of facilities for any Customer shall remain in effect and may serve to increase maximum allowable transportation rate levels pursuant to this pricing plan.

9. THIRD PARTY CHARGES

9.1 The Customer shall reimburse the Company for any charges rendered or billed to the Company by its upstream pipelines and by any other upstream transporter and gas gatherers, either before or after termination of the Transportation Agreement, which the Company, in its sole good faith judgment, determines have been incurred because of the transportation of Customer's gas hereunder and should, therefore, appropriately be borne by the Customer. Such charges, whether levied in dollars or gas, may include, but shall not be limited to, standby charges or reservation fees, prepayments, applicable taxes, applicable fuel reimbursement, shrinkage, lost and unaccounted for volumes, Gas Research Institute surcharges, penalty charges and filing fees.

The Customer will reimburse the Company for all such charges incurred by the Company as rendered, irrespective of the actual quantities of natural gas delivered to the Customer.

10. CONDITIONS FOR CONVERTING TO T-1 SERVICE

Any qualified Customer converting from gas sales service to service under this pricing plan is subject to the following conditions and requirements:

10.1 T-1 service will commence at the beginning of the first calendar month following the end of five (5) days after receipt of the customer service change request.

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- 10.2 Customer will be billed or credited the Customer's pro rata share of the balance in the Company's PGA bank, calculated as follows:
- (a) Starting from the later of the month of initiation of gas sales service by the Customer, or the date of initiation of the current PGA bank, through the last month of sales service, the Customer's actual therm usage will be multiplied, on a month-by-month basis, by the difference between the Company's actual commodity cost per therm and the Gas Cost component of the Basic Cost of Service Rate adjusted for any PGA and PGA Surcharge that may be in effect from time to time;
 - (b) The sum of these monthly calculated values equals the Customer's charge or credit due for conversion to service under this pricing plan;
 - (c) Customer charge or credit will be paid in twelve (12) equal monthly payments, including interest equal to the carrying charge rate applicable to the PGA bank at the time of conversion to service under this pricing plan.
- 10.3 If a Customer converts back to a pricing plan for gas sales service while the PGA Surcharge existing at the time of the switch to T-1 service is still in effect, such Surcharge will not be applicable to the Customer's billed usage for the period it remains in effect. However, any future PGA Surcharge that may be put into effect will be applicable to the Customer's billed usage.

11. TAX CLAUSE

- 11.1 To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the gas or gas service sold and/or the volume of gas or gas service purchased for sale and/or sold hereunder.

12. RULES AND REGULATIONS

- 12.1 The standard Rules and Regulations of the Company as on file from time to time with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

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PRICING PLAN T-1 (continued)

13. CONDITIONS

- 13.1 Transportation of Customer-owned natural gas hereunder shall be limited to natural gas of equal or higher quality than natural gas currently available from the Company's supplier(s). All gas delivered by the Company to the Customer shall be deemed to be the same quality as that gas received by the Company for transportation.
- 13.2 With respect to the Company's capacity to deliver gas at any particular time, the curtailment priority of any Customer served under this pricing plan shall be the same as the curtailment priority established for other Customers served pursuant to the Company's pricing plan which would otherwise be available to such Customer.

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