

NEW APPLICATION

ORIGINAL



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Arizona Corporation Commission

BEFORE THE ARIZONA CORPORATION COMMISSION

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G-04204A-12-0069

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IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. G-04204A-12-\_\_\_\_  
 UNS GAS, INC. FOR APPROVAL OF A )  
 TEMPORARY CUSTOMER CREDIT ) APPLICATION  
 ADJUSTMENT FOR THE PERIOD MAY 2012 )  
 THROUGH APRIL 2014 )  
 ) (Expedited Treatment Requested)

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UNS Gas, Inc. ("UNS Gas" or the "Company"), through undersigned counsel, hereby requests that the Arizona Corporation Commission ("Commission") approve a temporary Purchased Gas Adjustor ("PGA") credit adjustment of 4.5 cents-per-therm for the period May 1, 2012 through April 30, 2014, due to the current and anticipated UNS Gas' PGA bank balance and the current forward market price of natural gas. UNS Gas further requests expedited treatment of this Application to ensure that the credit adjustment is effective as of May 1, 2012. Approving the proposed credit by May 1, 2012 will allow the credit to more than offset the proposed UNS Gas rate increase that is anticipated to take effect as of that date in Docket No. G-04204A-11-0158. Indeed, as discussed in more detail below, if the Company's proposal is accepted, the average total bill for residential customers will *decrease* by \$3.09 per month (5.62%) from the *current* average total bill.

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The Company believes that Commission approval of a temporary credit adjustment as set forth in this Application is in the public interest. In support hereof, UNS Gas states as follows:

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1. In Decision No. 70011 (November 27, 2007), the Commission set the threshold to trigger a refund from the PGA bank balance at \$10 million. Under UNS Gas' PGA (UNS Gas' Rider RR-1 Purchased Gas Adjustment), the Company must either: (i) file an application for an

1 credit adjustment within 45 days of the Company's monthly information filing that illustrates the  
2 \$10 million threshold has been exceeded, or (ii) justify why a credit adjustment is not in the public  
3 interest.

4 2. During the recent UNS Gas rate hearing, Docket No. G-04204A-11-0158 ("Rate  
5 Case Docket"), the Company indicated that as mitigation to its requested rate increase, it would  
6 file an application for a credit adjustment before it may be required to do so under the \$10 million  
7 threshold. The Company also committed to a credit of no less than \$2.7 million over a twelve  
8 month period, which would fully offset the annual revenue requirement increase agreed to by the  
9 Parties in the Rate Case Docket.

10 3. Currently, the PGA bank balance has reached a surplus of approximately \$7.8  
11 million. Based on current market conditions, UNS Gas projects that its PGA bank balance will  
12 exceed the \$10 million threshold at the end of February of 2012, which would be reflected in a  
13 PGA report filed in April of 2012. Under the PGA, that would trigger a filing date for an  
14 application for a credit adjustment, or justify why a credit adjustment is not in the public interest,  
15 in late June 2012.

16 3. Based on its representations at the UNS Gas rate hearing and further examination  
17 of the projected PGA balance, UNS Gas is filing this Application and proposes a temporary credit  
18 adjustment of 4.5-cents-per-therm beginning May 1, 2012 and continuing through April 30, 2014.  
19 UNS Gas believes a temporary credit adjustment of up to 4.5-cents-per-therm as proposed in this  
20 Application is just and reasonable and in the public interest. This 4.5 cents per therm credit will  
21 provide refunds totaling approximately \$5.1 million per year for two years, well in excess of the  
22 Company's commitment in the Rate Case Docket.

23 4. The Company anticipates the credit will be effective through the proposed term.  
24 Natural gas prices have declined significantly during the past six months. The Permian Basin day-  
25 ahead price on September 1, 2011 was 39-cents-per-therm. The Permian Basin day-ahead price on  
26 February 15, 2012 was 25-cents-per-therm, which represents a decrease of 36 percent. Similarly,  
27 the forward price for the period March 2012 through December 2013 has declined 16-cents-per-  
therm, or 33 percent during the same period. However, this downward trend in natural gas prices

1 may not continue. Indeed, during the last decade, the natural gas market has experienced abrupt  
2 and dramatic reversals in price trends. Most recently, in May and October of 2010, day-ahead and  
3 forward price *increases* of 10-cents-per-therm occurred in less than a two month period.  
4 Therefore, UNS Gas requests the right to evaluate market conditions twelve months after  
5 implementation of the credit, in order to determine whether the PGA bank balance supports  
6 continuation of the credit through April 30, 2014. The Company also requests that the credit be  
7 terminated in the event the bank balance reaches zero at any time during the proposed term.

8           5. In support of this Application, UNS Gas is providing three attachments.  
9 Attachment A is a graph showing the projected levels of the UNS Gas PGA bank balance, both  
10 with and without temporary credit adjustments. Attachment A includes three credit scenarios, all  
11 starting in May 2012, to provide the Commission some perspective with respect to the Company's  
12 proposal: (1) a 4.5-cent-per-therm credit applied for twelve months, (2) a 4.5-cent-per-therm credit  
13 applied for twenty-four months – which is the Company's proposal in this Application, and (3) a  
14 6.0-cent-per-therm credit applied for twenty-four months. Without application of a credit, the  
15 PGA bank balance is projected to be \$17.1 million at the end of April 2014. Application of the  
16 three credit scenarios results in projected April 2014 bank balances of \$12.0 million, \$6.8 million,  
17 and \$3.3 million, respectively.

18           6. Attachment B is a graph showing the trend of the anticipated PGA factors (the total  
19 per therm cost of the actual gas commodity), including the credit, for all scenarios through April  
20 2014.

21           7 Attachment C is a table showing the relative residential bill charges for five  
22 scenarios. All charges shown are calculated using 46 therms per month (which is the average  
23 annual usage divided by 12) as follows:

- 24           a. Column A provides a bill impact for a residential customer at current non-fuel rates  
25            (and using the February 2012 PGA (fuel) rate of \$0.6435).
- 26           b. Column B provides a bill impact using the non-fuel rates proposed by Staff in the  
27            Rate Case Docket (proposed rates) and the February 2012 PGA rate. This results in

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a non-fuel charge increase of 3% and an overall total bill increase of 1.43% from the February 2012 bill calculated in Column A.

c. Column C calculates a bill impact at proposed non-fuel rates and uses an estimated May 2012 PGA rate of \$0.6048, which produces an overall *decrease* to an average residential customer bill of 1.86% when compared to the February bill calculated in Column A.

d. Column D calculates a bill impact at proposed non-fuel rates with the May 2012 PGA rate discounted by \$0.045 per therm This results in the total *current bill decreasing* by \$3.09 per month, or 5.62%, from the February 2012 bill calculated in Column A. **This Column reflects the Company's proposal in this Application.**


e. Column E calculates a bill impact at proposed non-fuel rates with the May 2012 PGA rate discounted by \$0.06 per therm, This results in the total bill *decreasing* by \$3.78 per month, or 6.88%, from the February 2012 bill calculated in Column A.

7. UNS Gas requests expedited treatment of this Application to ensure that the credit adjustment is effective as May 1, 2012. This will allow the credit to go into effect at the time of the anticipated effective date of the new rates proposed in the Rate Case Docket and to offset the proposed rate increases therein.

WHEREFORE, UNS Gas respectfully requests that the Commission issue an order approving a temporary credit adjustment to the PGA rate of 4.5-cents-per-therm beginning May 1, 2012.

RESPECTFULLY SUBMITTED this 29<sup>th</sup> day of February 2012.

UNS GAS, INC.

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and

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Attorneys for UNS Gas, Inc.

Original and 13 copies of the foregoing  
filed this 29<sup>th</sup> day of February 2012 with:

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

Copy of the foregoing hand-delivered/mailed  
this 29<sup>th</sup> day of February 2012 to:

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1200 West Washington Street  
Phoenix, Arizona 85007

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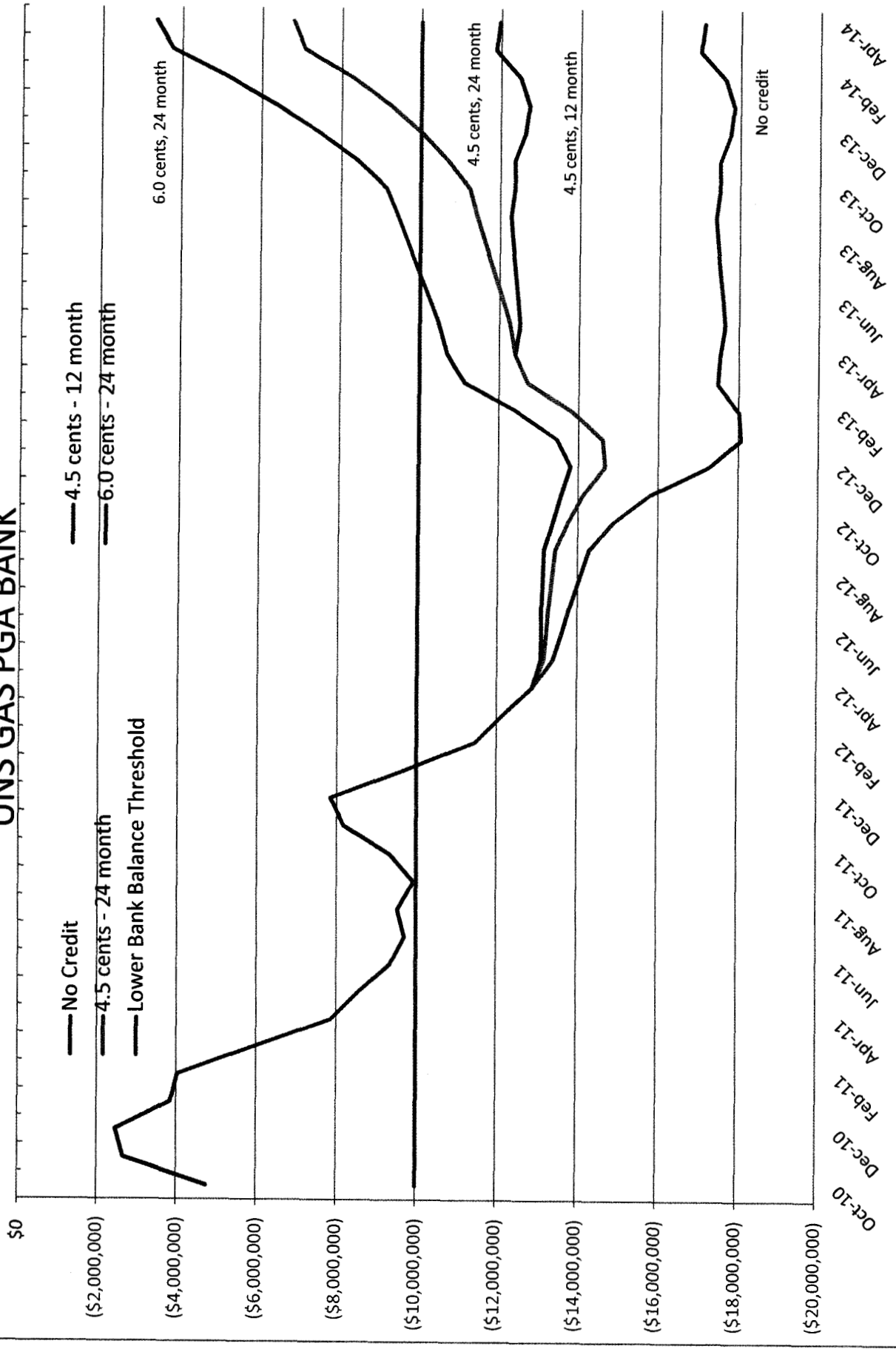
Steve Olea  
Director, Utilities Division  
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By Mary Spolito

# ATTACHMENT

"A"

# UNS GAS PGA BANK

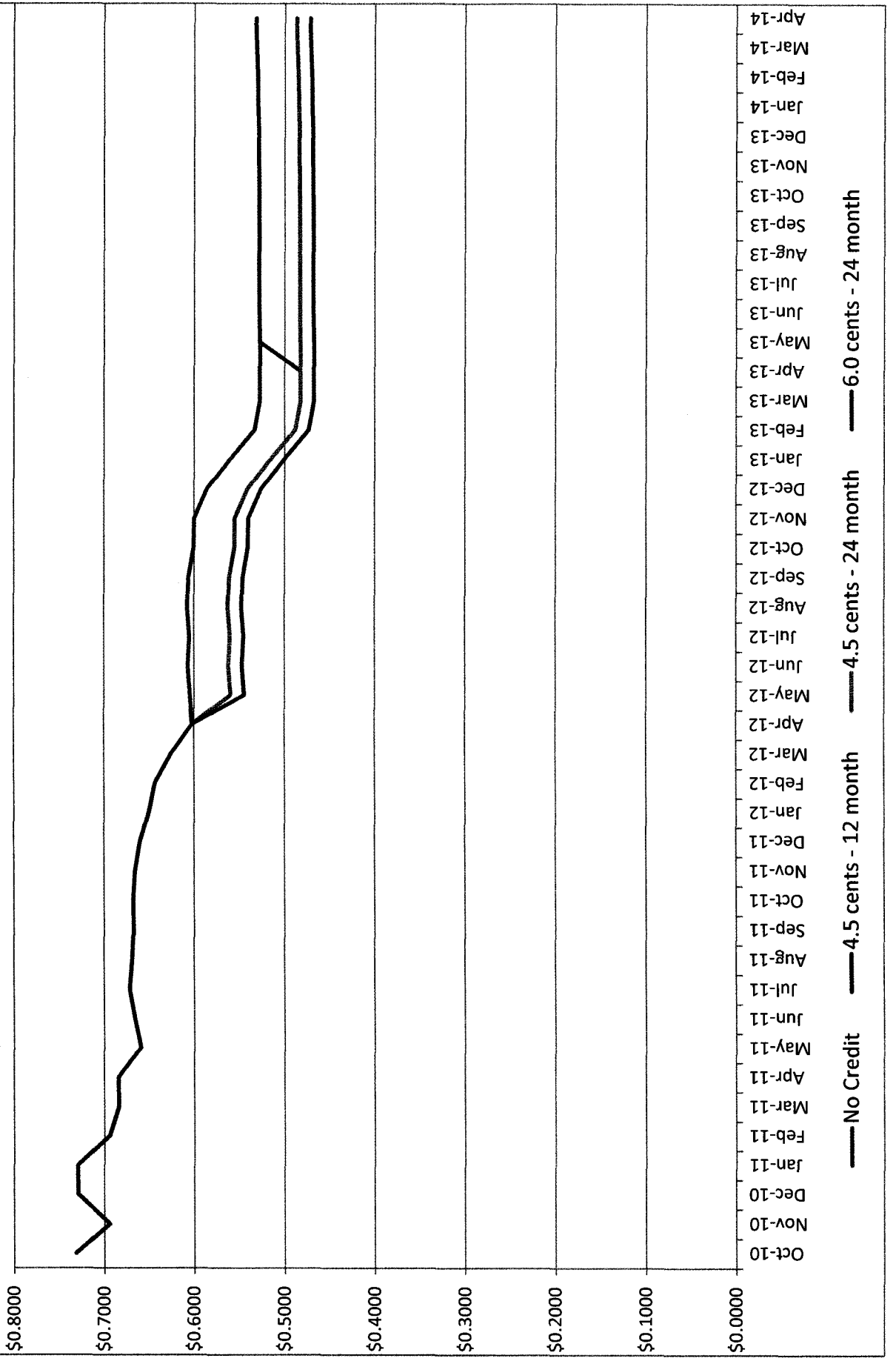


# ATTACHMENT

"B"



# UNS GAS PGA FACTOR



# ATTACHMENT

"C"

**UNS GAS, INC.  
BILL IMPACTS - PGA RATE UPDATE  
Residential Service R-10**

Line No.	(A) Current Rate	(B) Proposed Rate	(C)	(D)	(E)
1	Customer Charge	\$10.00			
2	Delivery Charge per Therm	\$0.3270			
3	DSM	\$0.0084			
4	PGA February 2012	\$0.6435			
5	PGA May 2012	\$0.6048			
6	PGA May \$ .045 Discount	\$0.5598			
7	PGA May \$ .06 Discount	\$0.5448			
8					
9					
10					
11	<b>Average Therm</b>				
12		46		46	46
13					
14	Customer Charge	\$10.00	Proposed Rates & PGA as of February 2012	Proposed Rates & PGA as of May 2012 with \$4.5 Cent Discount	Proposed Rates & PGA as of May 2012 with \$6.0 Cent Discount
15	Delivery Charge	15	\$10.00	\$10.00	\$10.00
16		\$25.04	16	16	16
17			\$25.80	\$25.80	\$25.80
18	Percent Increase on Delivery		3.02%		
19					
20	PGA	\$29.60	\$29.60	\$27.82	\$25.06
21	DSM	\$0.39	\$0.39	\$0.39	\$0.39
22	Total Bill	\$55.03	\$54.00	\$51.93	\$51.24
23					
24	<b>Total Bill Dollar Change from Existing Feb 1 Rates</b>		\$0.79	(\$3.09)	(\$3.78)
25	<b>Total Bill Percent Change from Existing Feb 1 Rates</b>		1.43%	-5.62%	-6.88%