

ORIGINAL

Arizona Corporation Commission  
DOCKETED



0000144691

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

MAY 3 2013

**UniSourceEnergy**  
**SERVICES**

DOCKETED IN  
JIM

RECEIVED

2013 MAY -3 P 3:46

May 3, 2013

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

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

Re: Notice of Filing – UNS Gas, Inc.’s Transportation Agreement Compliance Report  
Decision No. 70186, Docket Nos. G-04204A-~~04204A~~-07-0696 and E-04230A-07-0696

In Commission Decision 70186 (February 27, 2008), UNS Gas, Inc. (“UNS Gas” or “Company”) was ordered to file a summary report regarding the gas transportation agreement between UNS Gas and UniSource Energy Development, Inc. (“UED”). Specifically, UNS Gas was ordered to evaluate the potential reallocation of unrecovered capital costs to UED, or any successor companies. Since that order, UED has been succeeded in the gas transportation agreement by UNS Electric, Inc. (“UNS Electric”).

The Golden Valley pipeline, located in Kingman, Arizona, was originally built to serve the Black Mountain Generating Station, an Arizona State prison, to provide service in the area, and to other potential customers. Under the gas transportation agreement, UNS Gas is receiving a transportation fee of \$47,380 monthly, based on the capital costs of \$4,357,974 for a contract period of 20 years. This represents 80.691% of the total original capital expenditure of \$5,400,836 to construct the 16” pipeline.

The remainder of the pipeline’s original cost (\$1,042,862) has subsequently been included within the rate base of UNS Gas. Gas sales to the prison (the only retail customer at this time) via the Golden Valley pipeline have more than doubled since the 2008 completion of line construction. The prison’s use of gas from the pipeline has increased from 173,157 therms in 2008 to 406,886 therms in 2012.

Based on Company’s evaluation, using a forecasted revenue requirement model, no true-up or change to the existing agreement between UNS Gas and UNS Electric is necessary. The current usage levels of the one existing retail customer (the prison) along with anticipated conservative rate increase assumptions over the remaining life of the pipeline will provide for a return on and return of the pipeline investment being recovered through the base rates of UNS Gas. In addition, it is the Company’s opinion that its evaluation is very conservative. As the economic conditions of the Kingman area improve, it is anticipated that additional retail customers will be served by the pipeline at some time in the future.

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

Best regards,

Jessica Bryne  
Regulatory Services

cc: Compliance Section, Commission