

ORIGINAL

NEW APPLICATION



0000173305

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

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COMMISSIONERS

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ANDY TOBIN

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. G-04204A-16-
UNSGAS, INC. FOR APPROVAL OF A)
TEMPORARY CUSTOMER CREDIT) G-04204A-16-0319
ADJUSTMENT FOR THE PERIOD OF)
NOVEMBER 1, 2016 THROUGH April 30, 2017) APPLICATION
Expedited Consideration Requested

UNSGas, Inc. ("UNSGas" or "Company"), through undersigned counsel, hereby requests that the Arizona Corporation Commission ("Commission") approve a temporary Purchased Gas Adjustor ("PGA") credit adjustment of \$0.03 per therm for the period of November 1, 2016 through April 30, 2017.¹ The Company believes that Commission approval of a new temporary credit adjustment as set forth in this Application is in the public interest. In support thereof, UNSGas states as follows:

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 UNSGas' PGA (UNSGas' Rider RR-1 Purchased Gas Adjustment), the Company must either: (i) file an application for a credit adjustment within 45 days of the Company's monthly information filing that illustrates the \$10 million threshold has been exceeded, or (ii) justify why a credit adjustment is not in the public interest.

2. Since May 2016, when the Company's last PGA credit expired, natural gas commodity prices have remained at historically low levels and the current PGA balance has reached a surplus of approximately \$9.1 million.

¹ The Company filed a similar application last year in Docket No. G-04204A-15-0307 that the Commission approved on October 27, 2015 in Decision No. 75300.

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3. Though the PGA bank balance has not reached the mandatory credit threshold of \$10.0 million, UNS Gas proposes to implement a temporary PGA credit of \$0.03 per therm for the period of November 1, 2016 through April 30, 2017. If the Company's proposal is accepted, the average total bill for residential customers will decrease by \$2.16 per month, or 3.23% from the current average projected total bill.

4. The Company believes that the proposed term for the credit is appropriate given the estimated impact on the PGA bank balance. However, while natural gas prices have remained at historically low levels, the natural gas markets are prone to periods of unforeseen volatility. An increase of \$1.00 per dekatherm in the cost of natural gas would increase the cost of service for UNS Gas customers by more than \$8.9 million in the winter months alone. Therefore, the Company also requests permission to terminate the temporary credit in the event the PGA bank balance reaches zero at any time during the proposed term.

5. In support of this Application, UNS Gas is providing three attachments.

- **Attachment A** is a graph showing the estimated PGA bank balance, both with and without the temporary credit adjustment. Attachment A includes three scenarios, all starting in November 2016, to provide the Commission some perspective with respect to the Company's proposal: (1) a \$0.01 per therm credit applied for 6 months; (2) a \$0.03 per therm credit applied for 6 months; and (3) a \$0.05 per therm credit applied for 6 months. Without application of a credit, the PGA bank balance is projected to be \$6.6 million at the end of April 2017. Application of the three credit scenarios results in projected April 2017 bank balances of \$5.7 million, \$4.0 million and \$2.2 million, respectively.
- **Attachment B** is a graph showing the trend of anticipated PGA factors (the total per therm cost of actual natural gas commodity), including the recommended \$0.03 per therm credit, for all scenarios through April 2017.

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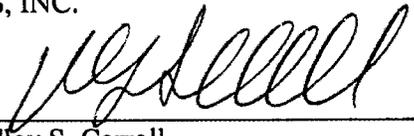
- **Attachment C** is a table showing the average monthly residential bill (usage of 72 therms) under each PGA credit scenario.

6. UNS Gas requests expedited treatment of this Application to ensure that the adjustment is effective as of November 1, 2016. UNS Gas believes implementing a temporary PGA credit during the upcoming winter is necessary to effectively address the PGA bank balance surplus. It also provides significant bill impact relief for its customers.

WHEREFORE, UNS Gas respectfully requests that the Commission issue an order approving a temporary credit adjustment to the PGA rate of \$0.03 per therm beginning November 1, 2016 through April 30, 2017.

RESPECTFULLY SUBMITTED this 13th day of September 2016.

UNS GAS, INC.

By 

Bradley S. Carroll
UNS Gas, Inc.
88 East Broadway, MS HQE910
P.O. Box 711
Tucson, Arizona 85702
Phone: (520) 884-3679
Email: bcarroll@tep.com

and

Michael W. Patten
Snell & Wilmer L.L.P.
One Arizona Center
400 East Van Buren Street
Phoenix, Arizona 85004-2202
Phone: (602) 382-6339
Email: mpatten@swlaw.com

Attorneys for UNS Gas, Inc.

1 Original and 13 copies of the foregoing
filed this 13th day of September 2016, with:

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

5 Copies of the foregoing hand-delivered/mailed
this 13th day of September 2016, to:

6 Dwight D. Nodes
7 Chief Administrative Law Judge
Hearing Division
8 Arizona Corporation Commission
1200 West Washington
9 Phoenix, Arizona 85007

10 Janice M. Alward
Chief Counsel
11 Legal Division
Arizona Corporation Commission
12 1200 West Washington
Phoenix, Arizona 85007

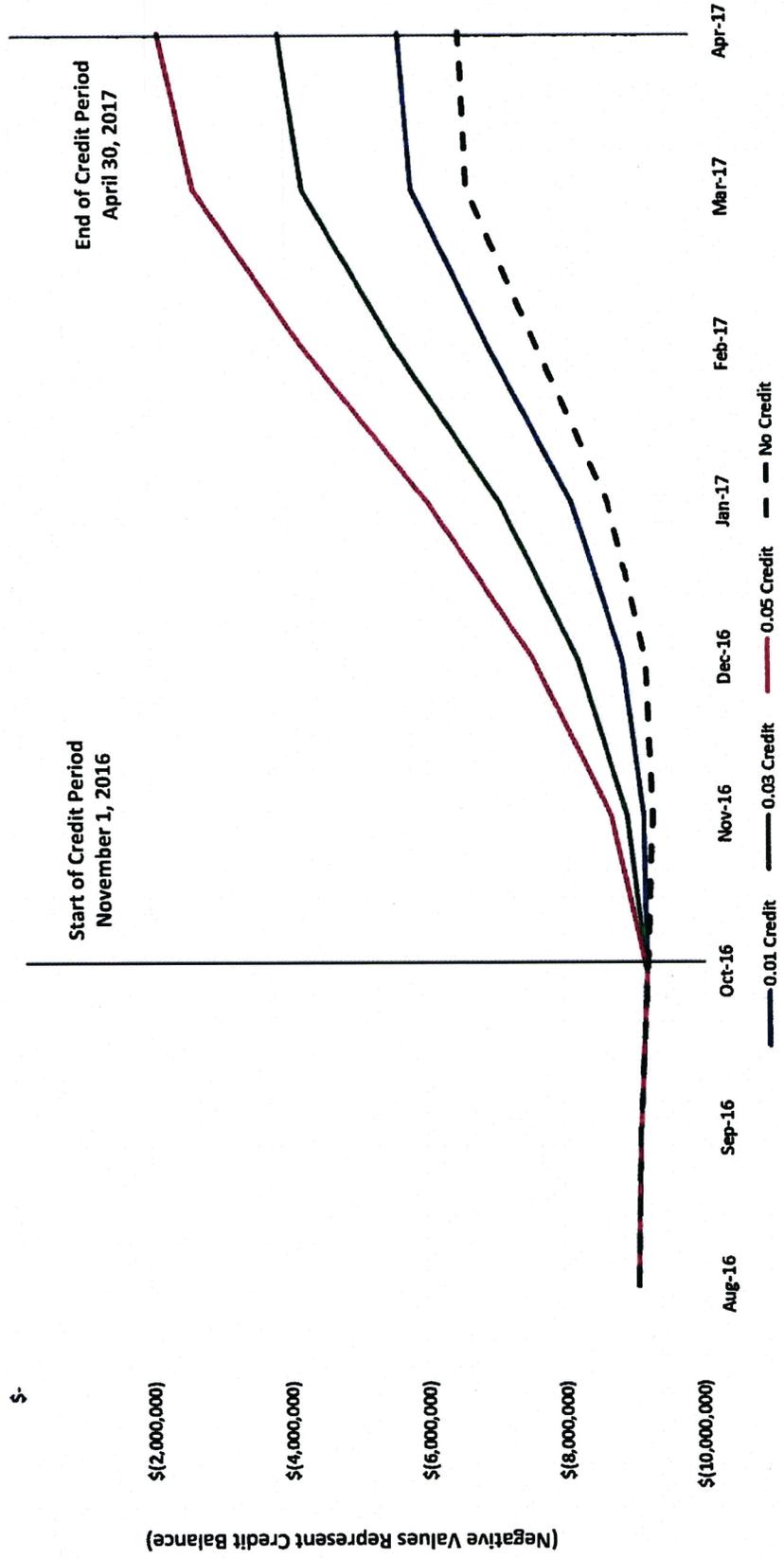
13 Tom Broderick, Director
14 Utilities Division
Arizona Corporation Commission
15 1200 West Washington
Phoenix, Arizona 85007

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17 By Jaclyn Howard
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PGA Credit Attachment A

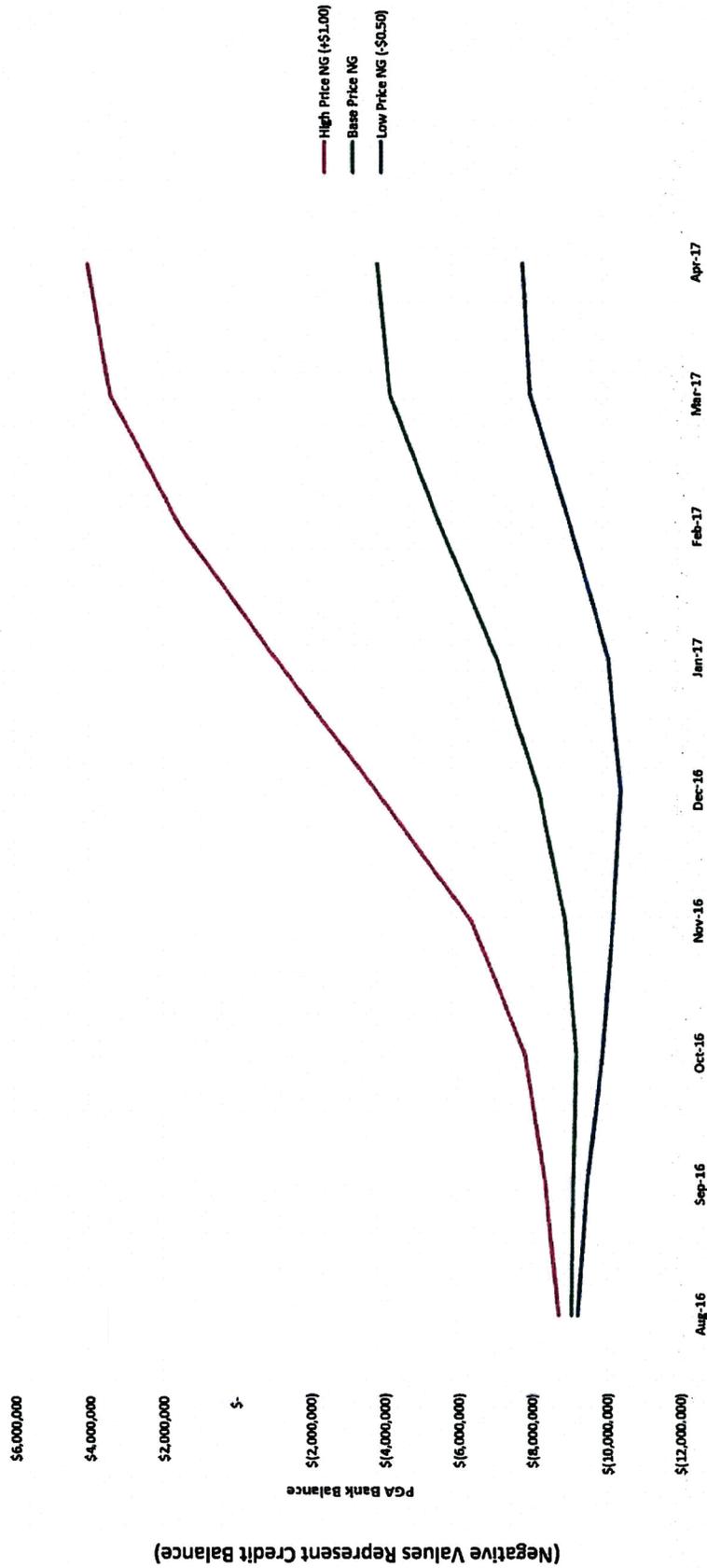
Customer Credit Impact

PGA Bank Ending Balance



PGA Credit Attachment B

Natural Gas Price Variation
\$0.03 Credit



1. Forward natural gas prices assumptions on shown on PGA Supplement C

PGA Credit Attachment C

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

Line No.	(A) Existing Rates	(B) Existing Rates with Proposed Discounts
1	Customer Charge \$10.00	\$10.00
2	Delivery Charge per Therm \$0.3434	\$0.3434
3	DSM \$0.0000	\$0.0000
4		\$0.4451
5	PGA September 2016 \$.01 Discount	\$0.4351
6	PGA September 2016 \$.03 Discount	\$0.4151
7	PGA September 2016 \$.05 Discount	\$0.3951

Line No.	Existing Rates & PGA as of September 2016	Existing Rates & PGA as of September 2016 with \$.01 Discount	Existing Rates & PGA as of September 2016 with \$.03 Discount	Existing Rates & PGA as of September 2016 with \$.05 Discount
8				
9				
10	Average Winter Therm	72	72	72
11				
12	Customer Charge	\$10.00	\$10.00	\$10.00
13	Delivery Charge	24.72	24.72	24.72
14		\$34.72	\$34.72	\$34.72
15				
16	PGA	\$31.33	\$29.89	\$28.45
17	DSM	\$0.04	\$0.04	\$0.04
18	Total Bill	\$66.81	\$64.65	\$63.21
19				
20				
21	Total Monthly Bill Change from Existing September Rates (\$)	(\$0.72)	(\$2.16)	(\$3.60)
22	Total Monthly Bill Change from Existing September Rates (%)	-1.08%	-3.23%	-5.38%

