

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

G-04204A
UNS Gas, Inc.
Attn: David Couture
PO Box 711, MS UE201
Tucson, AZ 85702

u

ANNUAL REPORT

FOR YEAR ENDING

12	31	2008
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FOR COMMISSION USE

ANN 02	08
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PROCESSED BY

4-16-09

SCANNED

COMPANY INFORMATION

Company Name (Business Name) <u>UNS Gas, Inc.</u>			
Mailing Address <u>PO Box 711, Mail Stop UE201</u>			
(Street)			
<u>Tucson</u>	<u>AZ</u>	<u>85702</u>	
(City)	(State)	(Zip)	
<u>520-884-3752</u>	<u>520-884-3601</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address <u>dcouture@tep.com</u>			
Local Office Mailing Address <u>PO Box 711, Mail Stop UE201</u>			
(Street)			
<u>Tucson</u>	<u>AZ</u>	<u>85702</u>	
(City)	(State)	(Zip)	
<u>520-884-3752</u>	<u>520-884-3601</u>	<u>N/A</u>	
Local Office Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address <u>dcouture@tep.com</u>			

MANAGEMENT INFORMATION

Management Contact: <u>David Couture</u>		<u>Director of Regulatory Services</u>	
(Name)		(Title)	
<u>One South Church Avenue, Mail Stop UE201</u>	<u>Tucson</u>	<u>AZ</u>	<u>85702</u>
(Street)	(City)	(State)	(Zip)
<u>520-884-3752</u>	<u>520-884-3601</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address <u>dcouture@tep.com</u>			
On Site Manager: <u>Gary Smith</u>		<u>Vice President and General Manager</u>	
(Name)		(Title)	
<u>2901 W. Shamrell Blvd., Suite 110</u>	<u>Flagstaff</u>	<u>AZ</u>	<u>86001</u>
(Street)	(City)	(State)	(Zip)
<u>928-226-2233</u>	<u>928-226-2203</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address <u>gsmith@uesaz.com</u>			

Statutory Agent: Diana Durako

(Name)

One S. Church Avenue, UE201

(Street)

Tucson

(City)

AZ

(State)

85701

(Zip)

520-571-4000 ext. 3652

Telephone No. (Include Area Code)

520-884-3601

Fax No. (Include Area Code)

N/A

Cell No. (Include Area Code)

Attorney: Raymond Heyman

(Name)

P.O. Box 711

(Street)

Tucson

(City)

AZ

(State)

85702

(Zip)

520-571-4000

Telephone No. (Include Area Code)

520-884-3612

Fax No. (Include Area Code)

N/A

Cell No. (Include Area Code)

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|--|
| <input type="checkbox"/> Sole Proprietor (S) | <input checked="" type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input checked="" type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input type="checkbox"/> MARICOPA | <input checked="" type="checkbox"/> MOHAVE |
| <input checked="" type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input checked="" type="checkbox"/> SANTA CRUZ | <input checked="" type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

SERVICES AUTHORIZED TO PROVIDE

Check the following boxes for the services that you are authorized to provide:

Electric

- Investor Owned Electric
- Rural Electric Cooperative
- Utility Distribution Company
- Electric Service Provider
 - Transmission Service Provider
 - Meter Service Provider
 - Meter Reading Service Provider
 - Billing and Collection
 - Ancillary Services
 - Generation Provider
 - Aggregator/Broker

Telecommunications

- Incumbent Local Exchange Carrier
- Interexchange Carrier
- Competitive Local Exchange Carrier
- Reseller
- Alternative Operator Service Provider

Gas

- Natural Gas
- Propane

Other (Specify) _____

STATISTICAL INFORMATION

GAS UTILITIES ONLY

Total number of customers (at 12-31-08)	<u>145,742</u>
Residential	<u>133,089</u>
Commercial	<u>11,523</u>
Industrial	<u>24</u>
Irrigation	<u>5</u>
Public Authority	<u>1,084</u>
Negotiated Sales Program/Other Special Sales Contracts (1)	<u>17</u>
Total therms sold	144,196,163 therms
Residential	<u>72,093,430</u>
Commercial	<u>30,902,313</u>
Industrial	<u>1,824,003</u>
Irrigation	<u>87,507</u>
Public Authority	<u>7,062,314</u>
Negotiated Sales Program/Other Special Sales Contracts (1)	<u>32,226,596</u>

(1) Under the Company's Negotiated Sales Program tariff, it may compete for the gas commodity business of its transportation customers. This line includes those transportation customers for which we also provide their gas commodity.

COMPANY NAME: _____

UTILITY SHUTOFFS / DISCONNECTS

MONTH	Termination without Notice R14-2-311.B	Termination with Notice R14-2-311.C	OTHER
JANUARY		434	
FEBRUARY		535	
MARCH		730	
APRIL		911	
MAY		633	
JUNE		512	
JULY		610	
AUGUST		547	
SEPTEMBER		363	
OCTOBER		422	
NOVEMBER		253	
DECEMBER		327	
TOTALS →		6,277	

OTHER (description):

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

<small>COUNTY OF (COUNTY NAME)</small>
Pima
<small>NAME (OWNER OR OFFICIAL) TITLE</small>
Karen G. Kissinger, VP - Controller & CCO
<small>COMPANY NAME</small>
UNS Gas, Inc.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

<small>MONTH</small>	<small>DAY</small>	<small>YEAR</small>
12	31	2008

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2008 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)
\$ <u>189,026,140</u>

(THE AMOUNT IN BOX ABOVE INCLUDES \$15,055,592 IN SALES AND FRANCHISE TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

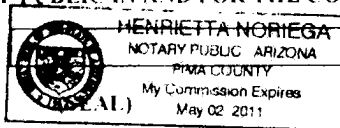

SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER _____

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS



DAY OF

<small>COUNTY NAME</small>	<u>Pima</u>	
<small>MONTH</small>	<u>April 14</u>	<u>2009</u>


SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES May 2, 2011

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME) Pima	
NAME (OWNER OR OFFICIAL) Karen G. Kissinger	TITLE VP - Controller & CCO
COMPANY NAME UNS Gas, Inc.	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2008

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.


SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2008 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES \$ 107,577,948
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(THE AMOUNT IN BOX AT LEFT INCLUDES \$ 9,036,272 IN SALES AND FRANCHISE TAXES BILLED, OR COLLECTED)

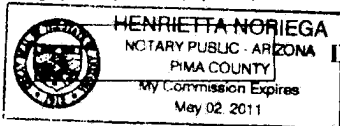
*RESIDENTIAL REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED.

x 
SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER _____

SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS
(SEAL)



DAY OF

MY COMMISSION EXPIRES May 2, 2011

NOTARY PUBLIC NAME Henrietta Noriega	
COUNTY NAME Pima	
MONTH April 14	YEAR 2009

x 
SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the companies' year-end (Calendar Year 2008) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**



PricewaterhouseCoopers LLP
One North Wacker
Chicago, IL 60606
Telephone (312) 298-2000
Facsimile (312) 298-2001
www.pwc.com

Report of Independent Auditors

To the Board of Directors and Stockholder of
UNS Gas, Inc.:

In our opinion, the accompanying balance sheets and statements of capitalization and the related statements of income, cash flows, changes in stockholder's equity and comprehensive income present fairly, in all material respects, the financial position of UNS Gas, Inc. (the "Company") at December 31, 2008 and December 31, 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chicago, Illinois
April 8, 2009

UNS GAS, INC.
STATEMENTS OF INCOME

	Years Ended December 31,	
	2008	2007
	- Thousands of Dollars -	
Operating Revenues		
Gas Revenue	\$ 171,490	\$ 148,657
Other Revenues	2,751	2,296
Total Operating Revenues	174,241	150,953
Operating Expenses		
Purchased Gas	118,817	101,529
Other Operations and Maintenance	24,989	26,849
Depreciation and Amortization	6,869	7,649
Taxes Other than Income Taxes	2,898	2,982
Total Operating Expenses	153,573	139,009
Operating Income	20,668	11,944
Other Income (Deductions)		
Interest Income	263	858
Other	(113)	676
Total Other Income	150	1,534
Interest Expense		
Long-Term Debt	6,426	6,422
Allowance for Funds Used During Construction	43	(254)
Other	171	637
Total Interest Expense	6,640	6,805
Income Before Income Taxes	14,178	6,673
Income Taxes	5,640	2,679
Net Income	\$ 8,538	\$ 3,994

See Notes to Financial Statements.

UNS GAS, INC.
BALANCE SHEETS

	December 31, 2008	December 31, 2007
	- Thousands of Dollars -	
ASSETS		
Utility Plant		
Plant in Service	\$ 233,846	\$ 217,212
Construction Work in Progress	6,877	9,618
Total Utility Plant	240,723	226,830
Less Accumulated Depreciation and Amortization	(8,562)	(4,878)
Total Utility Plant - Net	232,161	221,952
Current Assets		
Cash and Cash Equivalents	7,148	19,305
Accounts Receivable - Retail and Other	9,276	11,774
Unbilled Accounts Receivable	16,600	18,015
Allowance for Doubtful Accounts	(1,120)	(1,011)
Accounts Receivable - Due from Affiliates	1,732	28
Collateral Posted	7,500	-
Regulatory Assets - Derivative Instruments	7,463	-
Materials and Supplies	2,119	2,022
Deferred Income Taxes - Current	524	546
Energy Contracts - Derivative Instruments	330	14
Regulatory Assets - Other	205	-
Income Tax Receivable	-	448
Interest Receivable - Other	16	-
Other	68	117
Total Current Assets	51,861	51,258
Other Assets		
Regulatory Assets - Derivative Instruments	5,711	-
Regulatory Assets - Pension and Other Postretirement Benefits	2,864	642
Regulatory Assets - Other	973	852
Unamortized Debt Discount and Expense	652	817
Energy Contracts - Derivative Instruments	28	68
Other	(4)	(4)
Total Other Assets	10,224	2,375
Total Assets	\$ 294,246	\$ 275,585

See Notes to Financial Statements.

UNS GAS, INC.
BALANCE SHEETS

	December 31, 2008	December 31, 2007
- Thousands of Dollars -		
CAPITALIZATION AND OTHER LIABILITIES		
Capitalization		
Common Stock Equity	\$ 96,684	\$ 88,265
Long-Term Debt	100,000	100,000
Total Capitalization	196,684	188,265
Current Liabilities		
Accounts Payable - Purchased Power	14,787	19,213
Accounts Payable	1,208	1,451
Accounts Payable - Due from Affiliates	2,345	2,150
Energy Contracts - Derivative Instruments	7,790	-
Accrued Taxes Other than Income Taxes	4,940	4,703
Regulatory Liability - Over Recovered Purchased Energy Costs	4,896	13,084
Customer Deposits	2,687	3,090
Interest Accrued	2,378	2,462
Accrued Employee Expenses	1,278	979
Income Taxes Payable	87	-
Regulatory Liabilities - Other	-	27
Other	130	129
Total Current Liabilities	42,526	47,288
Deferred Credits and Other Liabilities		
Regulatory Liability - Net Cost of Removal for Interim Retirements	19,211	17,318
Deferred Income Taxes	14,107	10,451
Customer Advances for Construction	11,894	10,397
Energy Contracts - Derivative Instruments	5,739	-
Deferred Employee Benefits	4,061	1,787
Regulatory Liabilities - Other	23	73
Other	1	6
Total Deferred Credits and Other Liabilities	55,036	40,032
Total Capitalization and Liabilities	\$ 294,246	\$ 275,585

See Notes to Financial Statements.