

**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

**ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY**

G-04204A  
UNS Gas, Inc.  
Attn: Jessica Bryne  
P.O. Box 711, Mailstop HQE910  
Tucson, Arizona 85702

RECEIVED

APR 16 2014

ACC UTILITIES DIRECTOR

**ANNUAL REPORT**  
**Gas**

**FOR YEAR ENDING**

<b>12</b>	<b>31</b>	<b>2013</b>
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FOR COMMISSION USE

<b>ANN 02</b>	<b>13</b>
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5-1-14

## COMPANY INFORMATION

<b>Company Name (Business Name):</b> <u>UNS, Gas, Inc.</u>			
<b>Mailing Address:</b> <u>P.O. Box 711, Mailstop HQE910</u>			
(Street)			
<u>Tucson</u>	<u>Arizona</u>	<u>85702</u>	
(City)	(State)	(Zip)	
Telephone No. (Include Area Code)		Fax No. (Include Area Code)	Cell No. (Include Area Code)
<b>Email Address:</b> _____			
<b>Local Office Mailing Address:</b> <u>same as above</u>			
(Street)			
(City)	(State)	(Zip)	
Local Office Telephone No. (Include Area Code)		Fax No. (Include Area Code)	Cell No. (Include Area Code)
<b>Email Address:</b> _____			

## MANAGEMENT INFORMATION

<input checked="" type="checkbox"/> <b>Regulatory Contact:</b>			
<input checked="" type="checkbox"/> <b>Management Contact:</b> <u>Jo Smith</u> <u>Director, Regulatory Services</u>			
(Name) (Title)			
<u>P.O. Box 711, Mailstop HQE910</u>	<u>Tucson</u>	<u>Arizona</u>	<u>85702</u>
(Street)	(City)	(State)	(Zip)
<u>(520) 884-3650</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)	
<b>Email Address:</b> <u>JoSmith@uns.com</u>			
<b>On Site Manager:</b> <u>Nathan Shelley</u>			
(Name)			
<u>2901 W. Shamrell Blvd., Suite 110</u>	<u>Flagstaff</u>	<u>Arizona</u>	<u>86001</u>
(Street)	(City)	(State)	(Zip)
<u>(928) 226-2266</u>	<u>(520) 779-5338</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
<b>Email Address:</b> <u>nshelley@uesaz.com</u>			

**Statutory Agent:** Diana K. Durako  
(Name)

P.O. Box 711, Mailstop HQE910      Tucson      Arizona      85702  
(Street)      (City)      (State)      (Zip)

(520) 884-3652      (520) 884-3601      N/A  
Telephone No. (Include Area Code)      Fax No. (Include Area Code)      Cell No. (Include Area Code)

**Attorney:** Todd C. Hixon  
(Name)

P.O. Box 711, Mailstop HQE910      Tucson      Arizona      85702  
(Street)      (City)      (State)      (Zip)

(520) 884-3667      (520) 884-3601      N/A  
Telephone No. (Include Area Code)      Fax No. (Include Area Code)      Cell No. (Include Area Code)

**Email Address:** THixon@tep.com

**OWNERSHIP INFORMATION**

Check the following box that applies to your company:

Sole Proprietor (S)       C Corporation (C) (Other than Association/Co-op)

Partnership (P)       Subchapter S Corporation (Z)

Bankruptcy (B)       Association/Co-op (A)

Receivership (R)       Limited Liability Company

Other (Describe) \_\_\_\_\_

**COUNTIES SERVED**

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

APACHE       COCHISE       COCONINO

GILA       GRAHAM       GREENLEE

LA PAZ       MARICOPA       MOHAVE

NAVAJO       PIMA       PINAL

SANTA CRUZ       YAVAPAI       YUMA

STATEWIDE

## SERVICES AUTHORIZED TO PROVIDE

Check the following box(es) for the services that you are authorized to provide:

Gas

Natural Gas

Propane

Other (Specify) \_\_\_\_\_

## STATISTICAL INFORMATION

### GAS UTILITIES ONLY

Total number of customers	150,303	
Residential	137,632	
Commercial	12,623	
Industrial	23	
Irrigation	4	
Resale	21	
Total therms sold	142,679,096	therms
Residential	75,720,848	
Commercial	37,850,359	
Industrial	2,330,291	
Irrigation	53,790	
Resale	26,723,808	

COMPANY NAME: UNS Gas, Inc.

**UTILITY SHUTOFFS / DISCONNECTS**

<b>MONTH</b>	<b>Termination without Notice R14-2-311.B</b>	<b>Termination with Notice R14-2-311.C</b>	<b>OTHER</b>
<b>JANUARY</b>	0	237	0
<b>FEBRUARY</b>	0	363	0
<b>MARCH</b>	0	447	0
<b>APRIL</b>	0	490	0
<b>MAY</b>	0	439	0
<b>JUNE</b>	0	399	0
<b>JULY</b>	0	358	0
<b>AUGUST</b>	0	427	0
<b>SEPTEMBER</b>	0	397	0
<b>OCTOBER</b>	0	295	0
<b>NOVEMBER</b>	0	236	0
<b>DECEMBER</b>	0	181	0
<b>TOTALS →</b>	0	4,269	0

OTHER (description):

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**VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only**

RECEIVED  
**'APR 16 2014**  
ACC UTILITIES DIRECTOR

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <b>Pima</b>
NAME (OWNER OR OFFICIAL) TITLE <b>Frank P. Marino, VP &amp; Controller</b>
COMPANY NAME <b>UNS Gas, Inc.</b>

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

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2013

**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 2013 WAS:**

Arizona Intrastate Gross Operating Revenues Only (\$)
<b>\$ 145,952,761</b>

**(THE AMOUNT IN BOX ABOVE INCLUDES \$ 13,224,988 IN SALES 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)**

*Frank P. Marino*  
\_\_\_\_\_  
SIGNATURE OF OWNER OR OFFICIAL

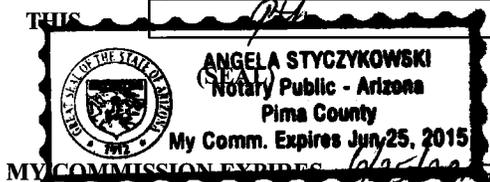
520-745-3448  
\_\_\_\_\_  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS \_\_\_\_\_ DAY OF

COUNTY NAME <i>Pima</i>	
MONTH <i>April</i>	, 2014



*Angela Styczkowski*  
\_\_\_\_\_  
SIGNATURE OF NOTARY PUBLIC

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

RECEIVED  
**'APR 16 2014**  
ACC UTILITIES DIRECTOR

STATE OF ARIZONA  
I, THE UNDERSIGNED  
OF THE

COUNTY OF (COUNTY NAME) <b>Pima</b>	
NAME (OWNER OR OFFICIAL) <b>Frank P Marino</b>	TITLE <b>VP &amp; Controller</b>
COMPANY NAME <b>UNS Gas, Inc.</b>	

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

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2013

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 2013 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES  <b>\$ <u>114,406,133</u></b>
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(THE AMOUNT IN BOX AT LEFT INCLUDES \$ 10,366,503 IN SALES TAXES BILLED, OR COLLECTED)

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

  
SIGNATURE OF OWNER OR OFFICIAL  
  
520-745-3448  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME  
A NOTARY PUBLIC IN AND FOR THE COUNTY OF  
THIS 9th DAY OF

NOTARY PUBLIC NAME <b>ANGELA STYCZYKOWSKI</b>	
COUNTY NAME <b>Pima</b>	
MONTH <b>April</b>	20 <b>14</b>

(SEAL)  
MY COMMISSION ON  **ANGELA STYCZYKOWSKI**  
Notary Public - Arizona  
Pima County  
My Comm. Expires Jun 25, 2015

  
SIGNATURE OF NOTARY PUBLIC

## **FINANCIAL INFORMATION**

Attach to this annual report a copy of the companies' year-end (Calendar Year 2013) 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.**

Please see the attached Statements of Income, Statements of Cash Flows, Balance Sheets, Statements of Capitalization, and Changes in Equity for the fiscal year ended December 31, 2013 from the audited financial statements of UNS Gas, Inc.

**UNS GAS, INC.**  
**STATEMENTS OF INCOME**

	Years Ended December 31,	
	2013	2012
	Thousands of Dollars	
<b>Operating Revenues</b>		
Gas Retail Sales	\$ 130,849	\$ 128,053
Other Revenues	3,175	5,049
<b>Total Operating Revenues</b>	<b>134,024</b>	<b>133,102</b>
<b>Operating Expenses</b>		
Purchased Energy	72,279	71,868
Increase (Decrease) to Reflect PGA Recovery Treatment	(1,984)	2,091
<b>Total Fuel and Purchased Energy</b>	<b>70,295</b>	<b>73,959</b>
Operations and Maintenance	26,037	25,303
Depreciation	9,500	9,096
Amortization	(616)	(614)
Taxes Other Than Income Taxes	3,992	3,533
<b>Total Operating Expenses</b>	<b>109,208</b>	<b>111,277</b>
<b>Operating Income</b>	<b>24,816</b>	<b>21,825</b>
<b>Other Income (Deductions)</b>		
Interest Income	24	9
Other Income	61	36
Other Expense	(730)	(675)
<b>Total Other Income (Deductions)</b>	<b>(645)</b>	<b>(630)</b>
<b>Interest Expense</b>		
Long-Term Debt	5,984	5,976
Other Interest Expense	125	146
Interest Capitalized	(40)	(21)
<b>Total Interest Expense</b>	<b>6,069</b>	<b>6,101</b>
<b>Income Before Income Taxes</b>	<b>18,102</b>	<b>15,094</b>
Income Tax Expense	7,226	5,987
<b>Net Income</b>	<b>\$ 10,876</b>	<b>\$ 9,107</b>

See Notes to Financial Statements.

**UNS GAS, INC.**  
**STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2013	2012
	Thousands of Dollars	
<b>Cash Flows from Operating Activities</b>		
Cash Receipts from Gas Retail Sales	\$ 144,537	\$ 146,914
Cash Receipts from Gas Wholesale Sales	2,751	1,578
Customer Deposits Received	1,936	2,019
Income Tax Refunds Received	509	294
Interest Received	5	12
Other Cash Receipts	3,800	283
Purchased Energy Costs Paid	(76,222)	(72,097)
Taxes Other Than Income Taxes Paid, Net of Amounts Capitalized	(17,154)	(17,788)
Payment of Affiliate Charges	(9,524)	(9,519)
Payment of Operations and Maintenance Costs	(7,481)	(8,646)
Wages Paid, Net of Amounts Capitalized	(7,008)	(6,980)
Interest Paid, Net of Amounts Capitalized	(5,884)	(5,959)
Income Taxes Paid	(2,141)	(1,650)
Other Cash Payments	(838)	(983)
<b>Net Cash Flows—Operating Activities</b>	<b>27,286</b>	<b>27,478</b>
<b>Cash Flows from Investing Activities</b>		
Capital Expenditures	(16,714)	(15,739)
Contribution in Aid of Construction Receipts	1,439	957
Other Cash Receipts	84	244
<b>Net Cash Flows—Investing Activities</b>	<b>(15,191)</b>	<b>(14,538)</b>
<b>Cash Flows from Financing Activities</b>		
Dividends Paid to UniSource Energy Services	(10,000)	(20,000)
Customer Advance Refunds	(253)	(304)
Customer Advance Receipts	209	482
<b>Net Cash Flows—Financing Activities</b>	<b>(10,044)</b>	<b>(19,822)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2,051</b>	<b>(6,882)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>30,630</b>	<b>37,512</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 32,681</b>	<b>\$ 30,630</b>

See Notes to Financial Statements.

**UNS GAS, INC.  
BALANCE SHEETS**

	December 31,	
	2013	2012
	Thousands of Dollars	
<b>ASSETS</b>		
<b>Utility Plant</b>		
Plant in Service	\$ 291,426	\$ 277,740
Construction Work in Progress	767	1,587
<b>Total Utility Plant</b>	<b>292,193</b>	<b>279,327</b>
Less Accumulated Depreciation and Amortization	(42,256)	(34,702)
<b>Total Utility Plant—Net</b>	<b>249,937</b>	<b>244,625</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	32,681	30,630
Accounts Receivable—Customer	11,366	8,960
Unbilled Accounts Receivable	10,245	12,598
Allowance for Doubtful Accounts	(867)	(874)
Accounts Receivable—Affiliates	260	1,882
Materials and Supplies	1,529	2,127
Deferred Income Taxes—Current	392	218
Regulatory Assets—Current	390	3,720
Derivative Instruments	1,089	54
Other	521	158
<b>Total Current Assets</b>	<b>57,606</b>	<b>59,473</b>
<b>Regulatory and Other Assets</b>		
Regulatory Assets—Noncurrent	2,297	4,789
Derivative Instruments	678	337
Other Assets	507	854
<b>Total Regulatory and Other Assets</b>	<b>3,482</b>	<b>5,980</b>
<b>Total Assets</b>	<b>\$ 311,025</b>	<b>\$ 310,078</b>

See Notes to Financial Statements.

(Continued)

**UNS GAS, INC.  
BALANCE SHEETS**

	December 31,	
	2013	2012
	Thousands of Dollars	
<b>CAPITALIZATION AND OTHER LIABILITIES</b>		
<b>Capitalization</b>		
Common Stock Equity	\$ 93,082	\$ 92,206
Long-Term Debt	100,000	100,000
<b>Total Capitalization</b>	<b>193,082</b>	<b>192,206</b>
<b>Current Liabilities</b>		
Accounts Payable—Trade	13,764	13,026
Accounts Payable—Due to Affiliates	2,556	2,228
Regulatory Liabilities—Current	15,995	17,249
Accrued Taxes Other than Income Taxes	4,559	4,407
Customer Deposits	3,067	3,068
Accrued Employee Expenses	1,608	1,589
Accrued Interest	2,183	2,181
Derivative Instruments	748	3,230
Other	2,736	2,448
<b>Total Current Liabilities</b>	<b>47,216</b>	<b>49,426</b>
<b>Deferred Credits and Other Liabilities</b>		
Deferred Income Taxes—Noncurrent	37,408	33,213
Regulatory Liabilities—Noncurrent	26,916	26,032
Customer Advances for Construction	2,832	4,021
Pension and Other Retiree Benefits	2,960	4,755
Derivative Instruments	463	358
Other	148	67
<b>Total Deferred Credits and Other Liabilities</b>	<b>70,727</b>	<b>68,446</b>
<b>Commitments and Contingencies (Note 6)</b>		
<b>Total Capitalization and Other Liabilities</b>	<b>\$ 311,025</b>	<b>\$ 310,078</b>

See Notes to Financial Statements.

(Concluded)

**UNS GAS, INC.**  
**STATEMENTS OF CAPITALIZATION**

		December 31,	
		2013	2012
		Thousands of Dollars	
<b>COMMON STOCK EQUITY</b>			
Common Stock-No Par Value		\$ 67,978	\$ 67,978
	<u>2013</u>	<u>2012</u>	
Shares Authorized	1,000	1,000	
Shares Outstanding	1,000	1,000	
Retained Earnings		25,104	24,228
<b>Total Common Stock Equity</b>		<b>93,082</b>	<b>92,206</b>
<b>LONG-TERM DEBT</b>			
	<u>Maturity</u>	<u>Interest Rate</u>	
Senior Unsecured Notes - Series A	8/10/26	5.39%	50,000
Senior Unsecured Notes - Series B	8/11/15	6.23%	50,000
<b>Total Long-Term Debt</b>			<b>100,000</b>
<b>Total Capitalization</b>			<b>\$ 193,082</b>
			<b>\$ 192,206</b>

See Notes to Financial Statements.

**UNS GAS, INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**

	Common Shares Outstanding		Common Stock		Retained Earnings		Total Stockholder's Equity
	Thousands of Shares				Thousands of Dollars		
<b>Balances at December 31, 2011</b>	<b>1,000</b>	\$	<b>67,978</b>	\$	<b>35,121</b>	\$	<b>103,099</b>
Net Income					9,107		9,107
Dividends Declared					(20,000)		(20,000)
<b>Balances at December 31, 2012</b>	<b>1,000</b>	\$	<b>67,978</b>	\$	<b>24,228</b>	\$	<b>92,206</b>
Net Income					10,876		10,876
Dividends Declared					(10,000)		(10,000)
<b>Balances at December 31, 2013</b>	<b>1,000</b>	\$	<b>67,978</b>	\$	<b>25,104</b>	\$	<b>93,082</b>

We describe limitations on our ability to pay dividends in Note 10.

See Notes to Consolidated Financial Statements.