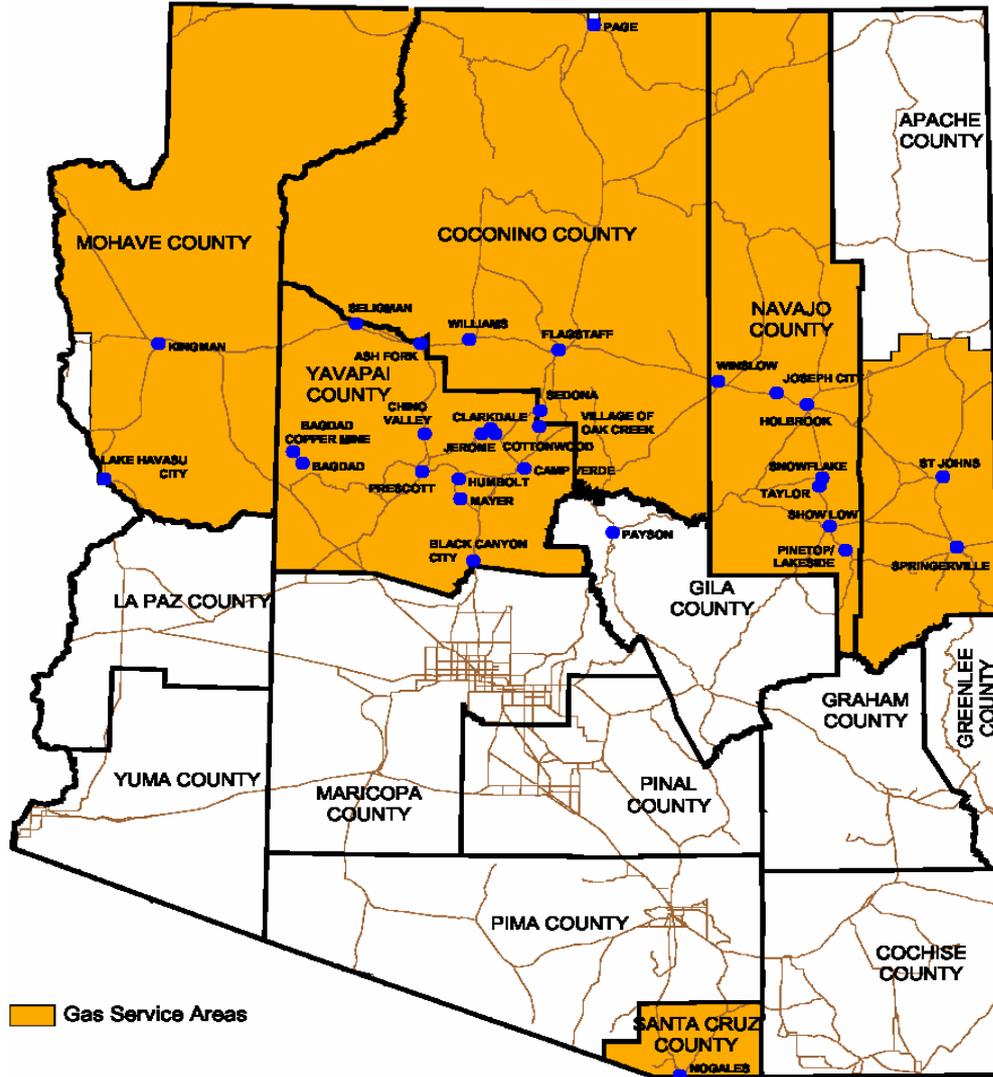




Arizona Corporation Commission Winter Preparedness

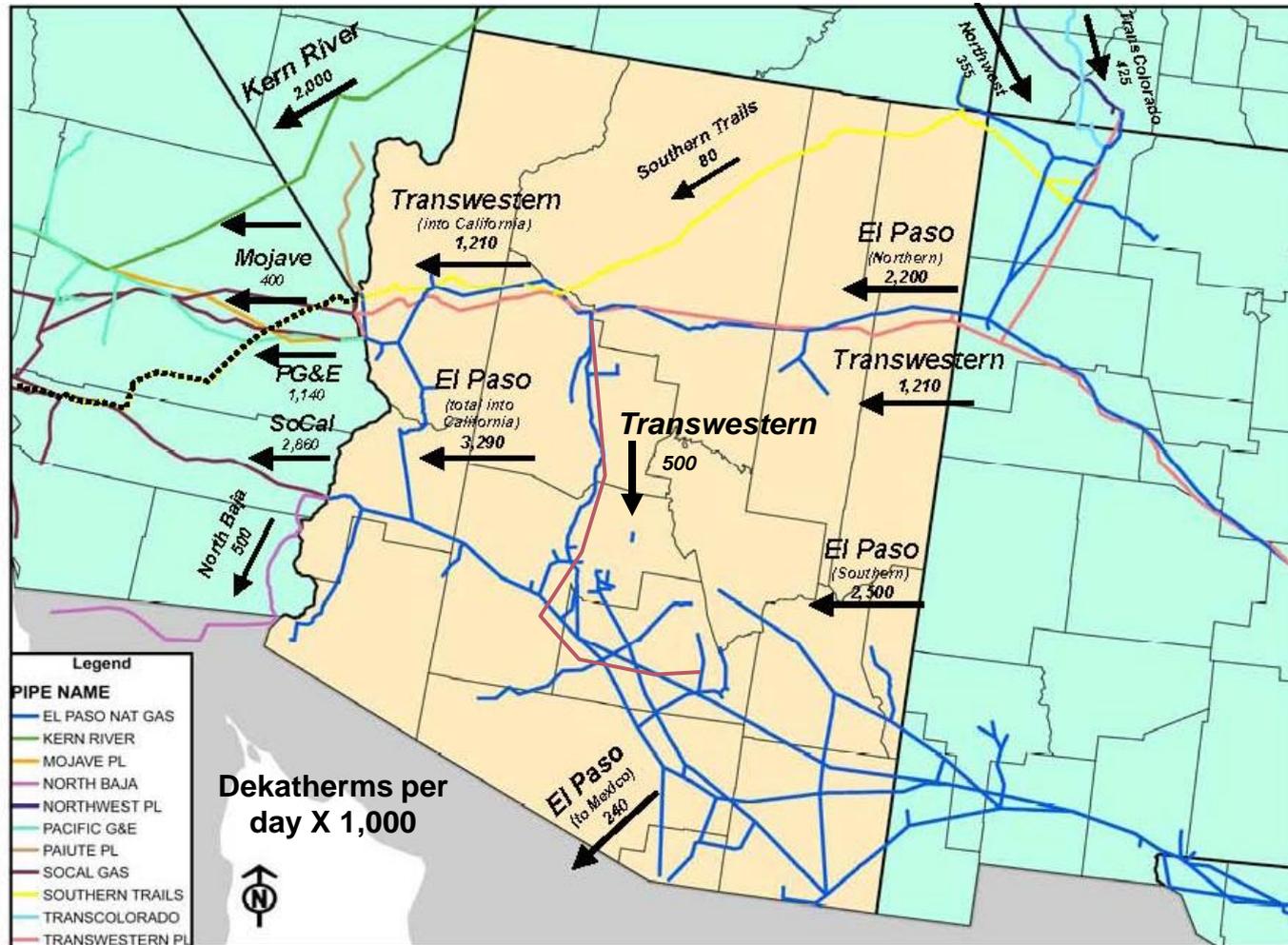
October 28, 2010

UNS Gas Service Territory



- 5 COUNTIES
- 6 DISTRICTS
 - Flagstaff
 - Prescott
 - Verde Valley
 - Show Low
 - Mohave
 - Santa Cruz

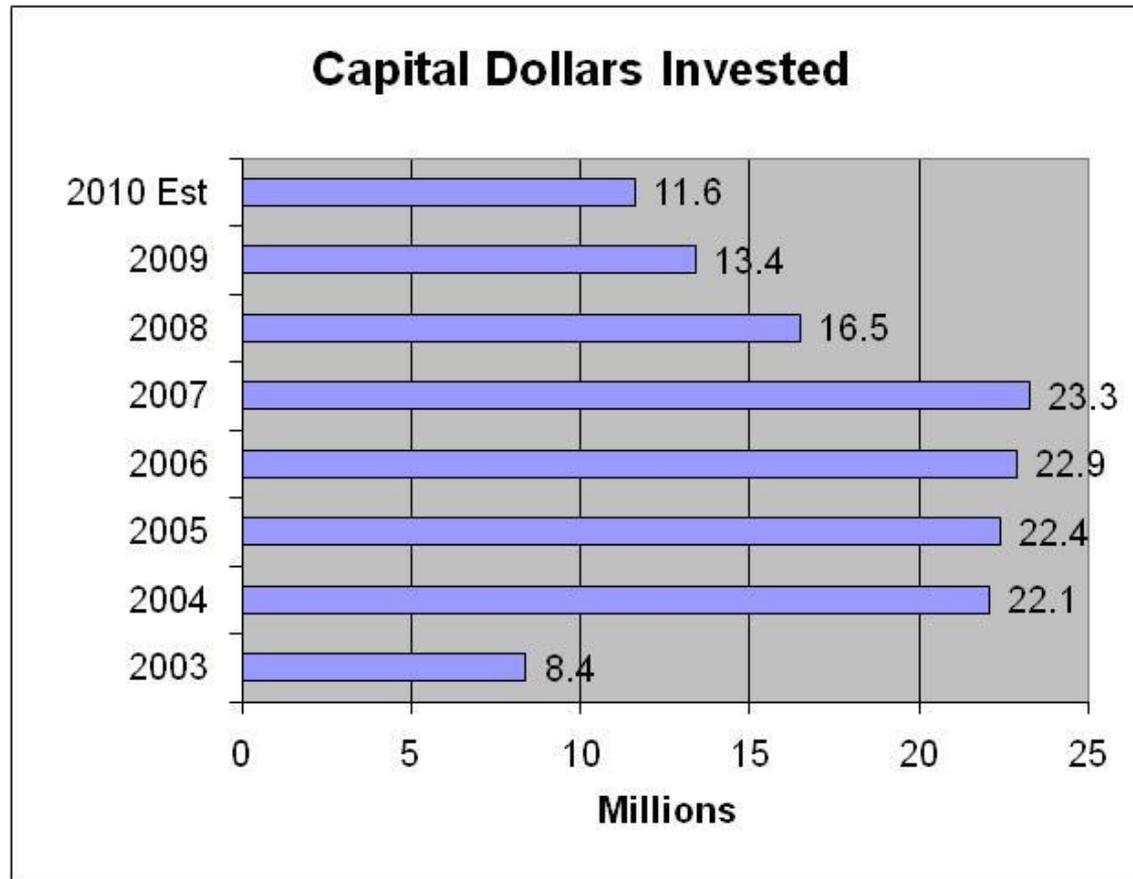
Major Pipelines in Arizona and Surrounding States



Source: Energy and Environmental Analysis, Inc.

Capital Investment

Over \$140 Million in system investments since acquisition in 2003.



System Reinforcements

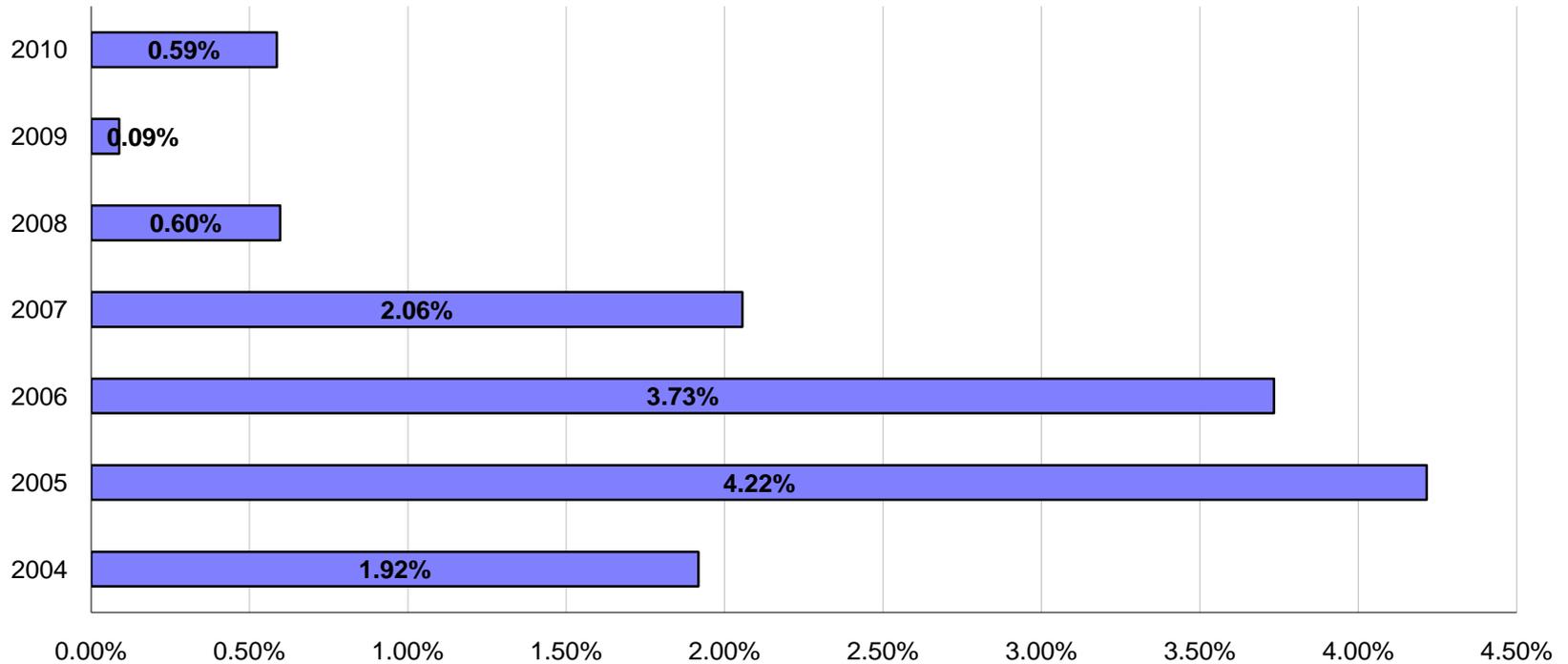
- **Prescott**
 - Reinforced supply lines and systems:
 - 4/09
 - Completed interconnection with Transwestern/El Paso Natural Gas supply
 - 8/09
 - Completed \$3.5 million Wilkinson / Airport line reinforcement
 - 10/10
 - Completed the \$2 million reinforcement to the Prescott high pressure supply line “the backbone”
- **Santa Cruz**
 - 10/09
 - Completed the Tubac regulator station upgrade

Pipeline Safety for 2010

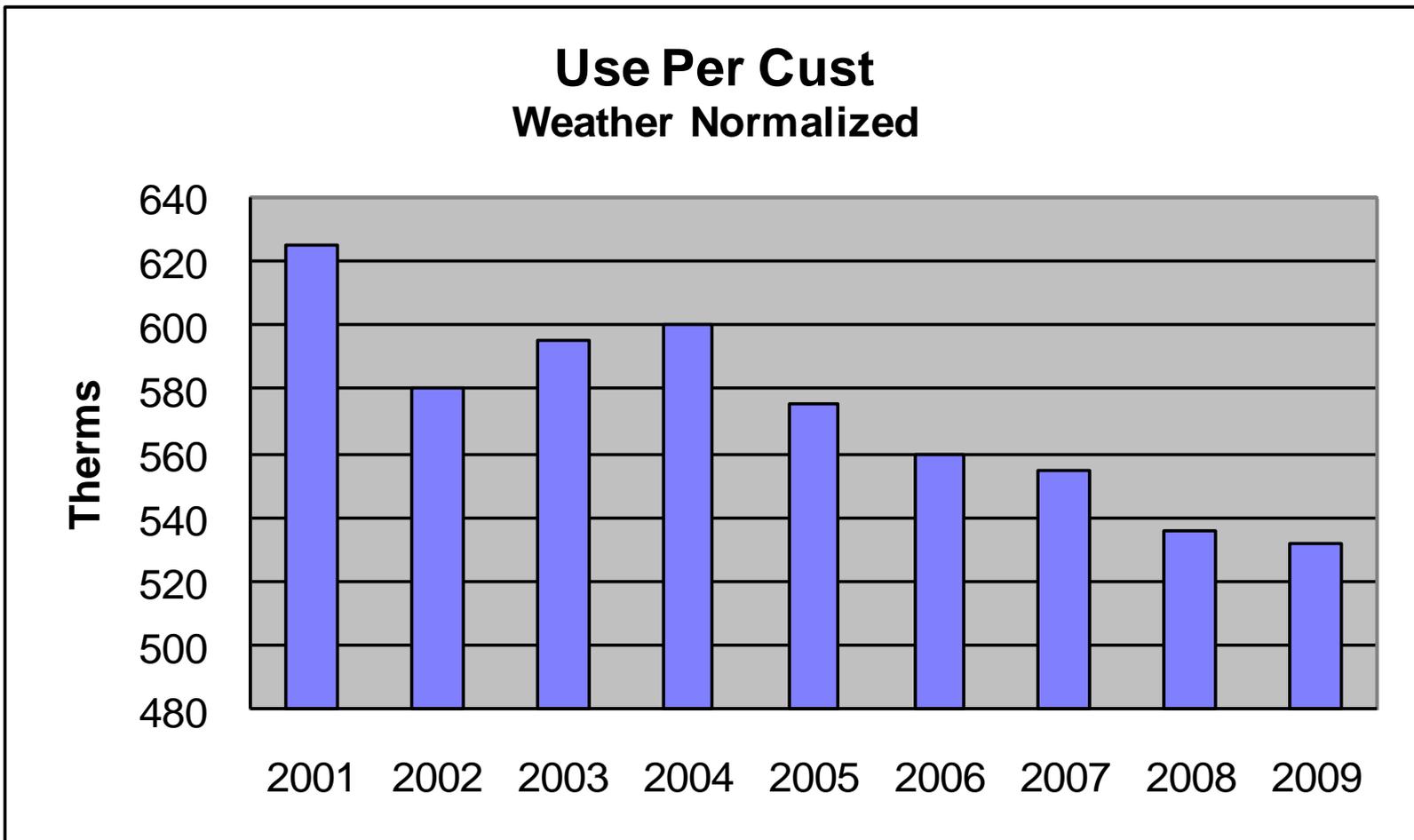
- **ACC Annual Audit**
 - UNS Gas achieved an excellent safety record
- **Reinforcement & Planning**
 - UNS Gas has had no customer service interruptions or gas outages and averages a 17 minute response time to emergency calls
- **Pipeline Safety**
 - Scheduled to implement new Federal Distribution Integrity Management Plan guidelines by August 2011
 - Continuing to expand and promote public awareness and prevention activities
- **Operator Qualification Training Program**
 - New and existing employee training is a top priority

UNS Gas Customer Growth

% CUSTOMER GROWTH



Residential Customer Usage

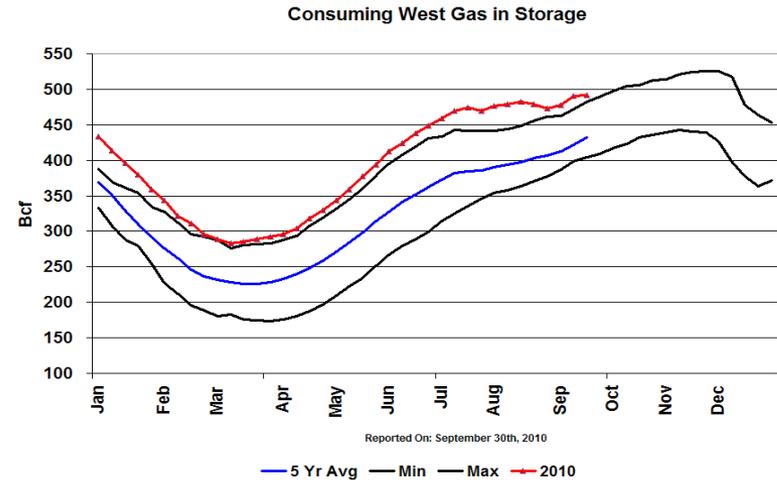
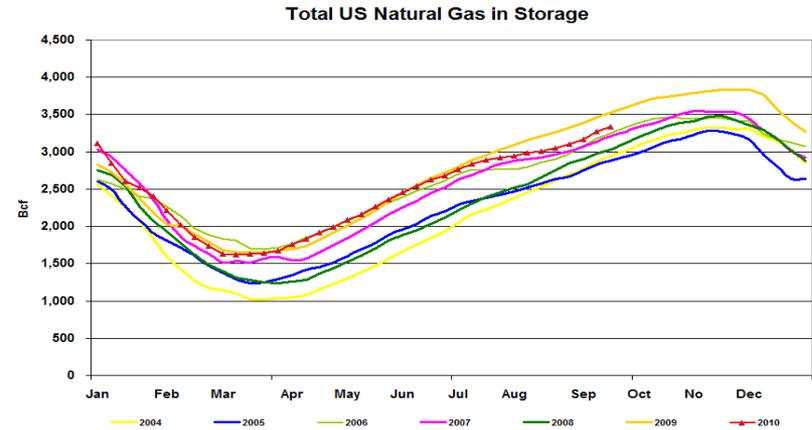
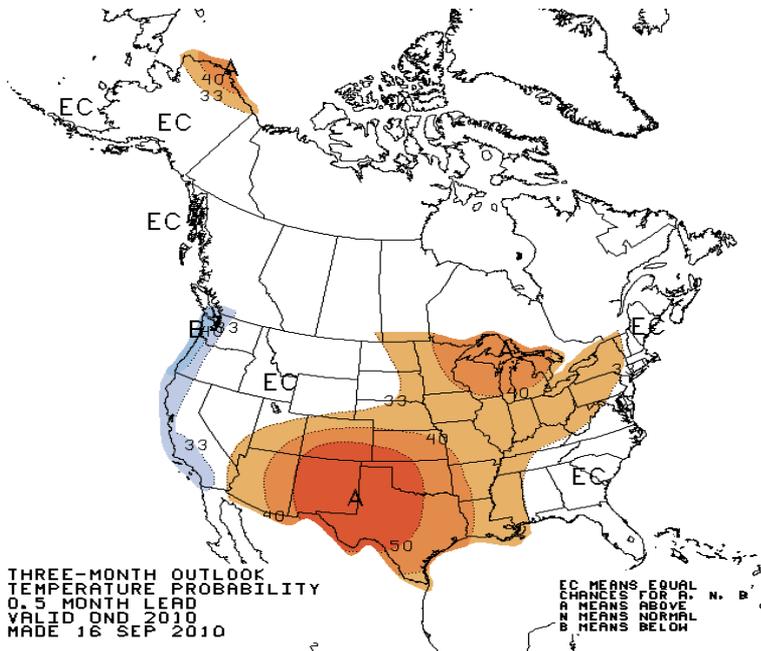


Winter Preparedness for 2010

- **Conducted the Annual Winter Planning Meeting with Interstate Pipelines**
 - **Held on September 16, 2010 at the UNS Gas Flagstaff office**
 - **Attendees:**
 - **Transwestern Pipeline Operations and Marketing**
 - **El Paso Natural Gas Operations and Marketing**
 - **Conducted an Annual Outage Plan Review**

Winter Supply Outlook

- Nationwide average storage levels for 2009 were slightly lower
- Above average storage in the west
- Slightly above normal weather is expected in the southwest



Natural Gas Supply/Transportation Summary

- **Transportation:**
 - Firm agreements with El Paso Natural Gas (EPNG) and Transwestern Pipeline (TW) with combined capacity sufficient to meet load requirements.
 - EPNG Serves:
 - Flagstaff, Prescott, Kingman, Show Low, Nogales, Cottonwood/Sedona, and Lake Havasu City
 - TW Serves:
 - Flagstaff, Prescott, and Kingman
- **Gas Supply:**
 - 100% expected supply secured

Commissioner Kennedy Inquiry

1. **Reaction to the possible causes of the San Bruno incident (if known at the present time of the workshop)?**
 - a. Unknown at this time.

2. **The age of the oldest lines you have in your gas system?**
 - a. The oldest line was installed in 1961 and is approximately 23 miles long.

3. **How do you prioritize which lines in your gas system in Arizona are in need of replacement due to age and/or condition?**
 - a. UNS Gas has 8 pipelines comprising approximately 30 miles that it monitors continuously. Any line in need of replacement would be immediately replaced. Given the small size of the system, prioritizing is not an issue.

4. **Possibility of the same type of incident occurring on your gas system in Arizona?**
 - a. Very remote; UNS Gas has no lines located in a High Consequence Area.

5. **What is your company doing to prevent this type of incident from occurring on your gas system in Arizona?**
 - a. UNS Gas continually evaluates its lines for potential hazards, including third-party damage, corrosion, ground movement, and physical design.