ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

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ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

G-04204A

UNS Gas, Inc.
PO Box 711, MS HQE910
Tucson, AZ 85702

☐ **Please click here if pre-printed Company name on this form is not your current Company name or dba name is not included.**

Please list current Company name including dba here:

____

ANNUAL REPORT
Gas

FOR YEAR ENDING

12	31	2024

FOR COMMISSION USE

ANN 02	24

COMPANY INFORMATION

Company Name (Business Name) ___UNS Gas, Inc.____

Mailing Address ____P.O. Box 711, Mailstop HQE910____
(Street)

__Tucson____AZ____________________85702_________
(City) (State) (Zip)

_(520) 965-8404______________________(520) 884-3601____________________N/A________________
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email
Address**__________AWelander@tep.com____________________**_____________________________

Local Office Mailing Address _______ Same as above____
(Street)

____
(City) (State) (Zip)

__(520) 623-7711_________________________________1 (877) 837-4961_______________________
Local Customer Service Phone No. (Include Area Code) (1-800 or other long distance Customer Service Phone No.)

Email Address **_______N/A_______________________** Website address uesaz.com

MANAGEMENT INFORMATION

☐**Regulatory Contact:**

☐**Management Contact:______Amy Welander_______________VP, Gen Council, Corp Sec & CCO__**
(Name) (Title)

__P.O. Box 711, Mailbox HQE 910___________________Tucson____________________________AZ___________85702__________
(Street) (City) (State) (Zip)

(520) 884-3655 (520) 661-4981
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address____

On Site Manager:________Roberto Guevara____
(Name)

861 W Mariposa Rd. Nogales AZ 85621
(Street) (City) (State) (Zip)

(520) 841-0050 (520) 841-0050
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

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

Statutory Agent:_____**Corporation Service Company**_____
(Name)

_7955 S. Priest Dr, Suite 102____ Tempe____ AZ____ 85284____
(Street) (City) (State) (Zip)

_(866) 403-5272____ **N/A**____ **N/A**____
Telephone No. (Include Area Code) Fax No. (Include Area Code Cell No. (Include Area Code)

Attorney:_____**Amy Welander**_____
(Name)

P.O. BOX 71, Mailstop HQE910 **Tucson** **AZ** **85702**
(Street) (City) (State) (Zip)

___(520) 884-3655____ N/A____ N/A____
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address____ N/A____

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:

☐ **STATEWIDE**

☒ **APACHE**	☐ **COCHISE**	☒ **COCONINO**
☐ **GILA**	☐ **GRAHAM**	☐ **GREENLEE**
☐ **LA PAZ**	☐ **MARICOPA**	☒ **MOHAVE**
☒ **NAVAJO**	☐ **PIMA**	☐ **PINAL**
☒ **SANTA CRUZ**	☒ **YAVAPAI**	☐ **YUMA**

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	169,876	
Residential	156,557	
Commercial	13,264	
Industrial	51	*
Irrigation	4	
Resale	0	
Total therms sold	162,671,130 Therms	
Residential	85,123,384	
Commercial	41,493,144	
Industrial	36,046,583	*
Irrigation	8,019	
Resale	0	

*Includes NSP customers.

UTILITY SHUTOFFS/DISCONNECTS

MONTH		Termination without Notice R14-2-509.B	Termination with Notice R14-2-509.C	OTHER
January			226	
February			271	
March			279	
April			307	
May			272	
June			232	
July			168	
August			145	
September			114	
October			124	
November			89	
December			104	
TOTALS →			2,331	

OTHER (description):

FINANCIAL INFORMATION

Attach to this annual report a copy of the company's year-end (Calendar Year 2024) 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.**

UNS Gas, Inc.
FINANCIAL STATEMENTS

December 31, 2024

UniSourceEnergy
SERVICES

Deloitte.

Deloitte & Touche LLP
100 South Mill Avenue
Suite 1800
Tempe, AZ 85281-2804
USA

Tel:+1 602 234 5100
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of UNS Gas, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

February 21, 2025

UNS GAS, INC.
STATEMENTS OF INCOME
(Amounts in thousands)

	Years Ended December 31, 2024	Years Ended December 31, 2023
Operating Revenues	**$ 136,792**	$ 158,643
Operating Expenses		
Purchased Energy	**66,604**	85,994
Increase (Decrease) to Reflect PGA Recovery Treatment	**1,307**	2,736
Total Purchased Energy	**67,911**	88,730
Operations and Maintenance	**33,556**	31,044
Depreciation	**14,801**	13,962
Amortization	**(835)**	(832)
Taxes Other Than Income Taxes	**5,061**	4,856
Total Operating Expenses	**120,494**	137,760
Operating Income (Loss)	**16,298**	20,883
Other Income (Expense)		
Interest Expense	**(6,638)**	(5,920)
Allowance For Borrowed Funds	**33**	228
Allowance For Equity Funds	**(2)**	8
Interest Income	**22**	111
Other, Net	**(446)**	(1,137)
Total Other Income (Expense)	**(7,031)**	(6,710)
Income (Loss) Before Income Tax Expense	**9,267**	14,173
Income Tax Expense (Benefit)	**1,745**	3,147
Net Income (Loss)	**$ 7,522**	$ 11,026

The accompanying notes are an integral part of these financial statements.

UNS GAS, INC.
STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Years Ended December 31, 2024	2023
Cash Flows from Operating Activities		
Net Income (Loss)	**$ 7,522**	$ 11,026
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:		
Depreciation Expense	**14,801**	13,962
Amortization Expense	**(835)**	(832)
Amortization of Debt Issuance Costs	**124**	146
Deferred Income Taxes	**(77)**	583
Pension and Other Postretirement Benefits Expense	**778**	779
Pension and Other Postretirement Benefits Funding	**(1,063)**	(557)
Allowance for Equity Funds Used During Construction	**2**	(8)
Change in Long-Term Regulatory Assets and Liabilities	**(348)**	(52)
Changes in Current Assets and Current Liabilities:		
Accounts Receivable	**2,005**	25,380
Materials and Supplies	**(151)**	(539)
Regulatory Assets	**403**	(763)
Other Current Assets	**(510)**	342
Accounts Payable and Accrued Charges	**1,456**	(34,323)
Regulatory Liabilities	**1,476**	2,728
Other, Net	**539**	669
Net Cash Flows—Operating Activities	**26,122**	18,541
Cash Flows from Investing Activities		
Capital Expenditures	**(33,457)**	(37,289)
Contributions in Aid of Construction	**2,912**	2,209
Net Cash Flows—Investing Activities	**(30,545)**	(35,080)
Cash Flows from Financing Activities		
Proceeds from Borrowings, Revolving Credit Facility	**2,000**	27,000
Repayments of Borrowings, Revolving Credit Facility	**(29,000)**	(15,000)
Proceeds from Issuance, Long-Term Debt	**30,000**	—
Dividend Paid to Parent	**—**	(5,000)
Payment of Debt Issuance Costs	**(418)**	(51)
Other	**1,070**	302
Net Cash Flows—Financing Activities	**3,652**	7,251
Net Increase (Decrease) in Cash and Cash Equivalents	**(771)**	(9,288)
Cash and Cash Equivalents, Beginning of Period	**5,161**	14,449
Cash and Cash Equivalents, End of Period	**$ 4,390**	$ 5,161

The accompanying notes are an integral part of these financial statements.

UNS GAS, INC.
BALANCE SHEETS
(Amounts in thousands, except share data)

	December 31, 2024	December 31, 2023
ASSETS		
Utility Plant		
Plant in Service	**$ 494,130**	$ 469,695
Construction Work in Progress	**4,794**	5,588
Total Utility Plant	**498,924**	475,283
Accumulated Depreciation and Amortization	**(105,574)**	(100,280)
Total Utility Plant, Net	**393,350**	375,003
Current Assets		
Cash and Cash Equivalents	**4,390**	5,161
Accounts Receivable (Net of Allowance for Credit Losses of $392 and $428 as of December 31, 2024 and December 31, 2023, respectively)	**22,638**	24,684
Materials and Supplies	**2,764**	2,613
Regulatory Assets	**9,558**	12,877
Derivative Instruments	**1,504**	2,296
Other	**1,701**	1,189
Total Current Assets	**42,555**	48,820
Regulatory Assets	**7,645**	11,096
Derivative Instruments	**1,163**	657
Lease Assets and Other Noncurrent Assets	**2,560**	2,006
Total Assets	**$ 447,273**	$ 437,582

The accompanying notes are an integral part of these financial statements.

(Continued)

UNS GAS, INC.
BALANCE SHEETS
(Amounts in thousands, except share data)

	December 31,	
	2024	**2023**
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stock Equity:		
Common Stock (No Par Value, 1,000 Shares Authorized, 1,000 Shares Outstanding as of December 31, 2024 and December 31, 2023)	**$ 67,978**	$ 67,978
Retained Earnings	**87,700**	80,178
Total Common Stock Equity	**155,678**	148,156
Long-Term Debt, Net	**124,317**	94,610
Total Capitalization	**279,995**	242,766
Current Liabilities		
Borrowings Under Credit Agreement	**2,000**	29,000
Accounts Payable	**17,209**	16,189
Accrued Taxes Other Than Income Taxes	**5,393**	5,277
Accrued Employee Expenses	**2,258**	2,195
Accrued Interest	**1,865**	1,829
Regulatory Liabilities	**5,546**	4,070
Customer Deposits	**1,245**	1,352
Derivative Instruments	**9,823**	13,668
Collateral and Other	**4,751**	3,240
Total Current Liabilities	**50,090**	76,820
Deferred Income Taxes, Net	**37,276**	36,572
Regulatory Liabilities	**68,485**	67,642
Customer Advances for Construction	**5,817**	5,130
Pension and Other Postretirement Benefits	**612**	1,116
Derivative Instruments	**3,046**	5,790
Lease Liabilities and Other Noncurrent Liabilities	**1,952**	1,746
Total Liabilities	**167,278**	194,816
Commitments and Contingencies		
Total Capitalization and Liabilities	**$ 447,273**	$ 437,582

The accompanying notes are an integral part of these financial statements.

(Concluded)

UNS GAS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
(Amounts in thousands)

	Common Stock	Retained Earnings	Total Stockholder's Equity
Balances as of December 31, 2022	**$ 67,978**	**$ 74,152**	**$ 142,130**
Net Income		11,026	11,026
Dividends Declared to Parent		(5,000)	(5,000)
Balances as of December 31, 2023	**$ 67,978**	**$ 80,178**	**$ 148,156**
Net Income		7,522	7,522
Balances as of December 31, 2024	**$ 67,978**	**$ 87,700**	**$ 155,678**

The accompanying notes are an integral part of these financial statements.

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

UNS Gas, Inc. (UNS Gas or the Company) is a regulated natural gas distribution company which services approximately 170,000 retail customers in Mohave, Yavapai, Coconino, Navajo, and Santa Cruz counties in Arizona. UNS Gas is a wholly owned subsidiary of UniSource Energy Services, Inc. (UES), an intermediate holding company that is wholly owned by UNS Energy Corporation (UNS Energy). UNS Energy, a utility services holding company, is an indirect wholly owned subsidiary of Fortis Inc. (Fortis).

BASIS OF PRESENTATION

UNS Gas' financial statements and disclosures are presented in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP), including specific accounting guidance for regulated operations. Certain amounts from prior periods have been reclassified to conform to the current year presentation. UNS Gas has reclassified Interest Income from Other, Net in the prior period to a separately disclosed line on the Statements of Income to conform with the current period presentation. These reclassifications had no impact on UNS Gas' results of operation, financial position, or cash flows.

Accounting for Regulated Operations

UNS Gas applies accounting standards that recognize the economic effects of rate regulation. As a result, UNS Gas capitalizes certain costs that would be recorded as expense or in Accumulated Other Comprehensive Income (AOCI) by unregulated companies. The Arizona Corporation Commission (ACC) establishes rates that are designed to allow a regulated utility recovery of its cost of providing services and an opportunity to earn a reasonable return on its investment (Retail Rates). Regulatory assets represent incurred costs that have been deferred because they are probable of future recovery in Retail Rates charged to customers. Regulatory liabilities represent expected future costs that have already been collected from customers or amounts that are expected to be returned to customers through billing reductions in future periods.

Estimates of recovering deferred costs and returning deferred credits are based on specific ratemaking decisions or precedent for each item. Regulatory assets and liabilities are amortized consistent with the treatment in the rate setting process. UNS Gas evaluates regulatory assets and liabilities each period and believes future recovery or settlement is probable. If future recovery of costs ceases to be probable, the assets would be written off as a charge to current period earnings or AOCI. See Note 2 for additional information regarding regulatory matters.

UNS Gas applies regulatory accounting as the following conditions exist:

- an independent regulator sets rates;
- the regulator sets the rates to recover the specific enterprise’s costs of providing service; and
- rates are set at levels that will recover the entity’s costs and can be charged to and collected from ratepayers.

NEW ACCOUNTING STANDARDS ISSUED AND NOT YET ADOPTED

The following new authoritative accounting guidance issued by the Financial Accounting Standards Board (FASB) has not yet been adopted and reflected in UNS Gas' financial statements. Unless otherwise indicated, UNS Gas is assessing the impact such guidance may have on UNS Gas' financial position, results of operations, cash flows, and disclosures.

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued accounting guidance that requires disaggregation of income statement expenses into specified categories in the footnotes to the financial statements. In January 2025, the FASB issued accounting guidance clarifying the effective date of this standard. The amendments are effective for annual periods beginning January 1, 2027, and interim reporting periods beginning after January 1, 2028. The guidance is to be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted.

Income Tax Disclosures

In December 2023, the FASB issued accounting guidance that requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The amendments are effective for annual periods beginning January 1, 2026. The guidance is to be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. UNS Gas does not expect the amendments to have a material impact on its financial position, results of operations, cash flows or disclosures.

USE OF ACCOUNTING ESTIMATES

Management uses estimates and assumptions when preparing financial statements according to GAAP. These estimates and assumptions affect:

- assets and liabilities in the balance sheet at the dates of the financial statements;
- disclosures about contingent assets and liabilities at the dates of the financial statements; and
- revenues and expenses in the income statement during the periods presented.

Because these estimates involve judgments based upon management's evaluation of relevant facts and circumstances, actual results may differ from these estimates.

Contingencies

Reserves for specific legal proceedings are established when the likelihood of an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Significant judgment is required in predicting the outcome of these legal proceedings and claims, many of which take years to complete. UNS Gas identifies certain other legal matters where the Company believes an unfavorable outcome is reasonably possible or no estimate of possible losses can be made. All contingencies are regularly reviewed to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of loss can be made.

CASH AND CASH EQUIVALENTS

UNS Gas considers all highly liquid investments with a remaining maturity of three months or less at acquisition to be cash equivalents.

ALLOWANCE FOR CREDIT LOSSES

UNS Gas records an allowance for credit losses to reduce retail accounts receivable for amounts estimated to be uncollectible. The allowance is estimated based on historical collection patterns, sales, current conditions, and reasonable and supportable forecasts. Accounts receivable are written-off in the period in which the receivable is deemed uncollectible.

INVENTORY

UNS Gas values materials and supplies at the lower of weighted average cost and net realizable value. Materials and supplies consist of transmission and distribution construction and repair materials. The majority of UNS Gas' inventory will be recovered in rates charged to ratepayers. Handling and procurement costs (such as labor, overhead costs, and transportation costs) are capitalized as part of the cost of the inventory.

UTILITY PLANT

Utility plant includes the business property and equipment that supports natural gas services, consisting primarily of distribution facilities. Utility plant is reported at original cost. Original cost includes materials and labor, contractor services, construction overhead (when applicable), and an Allowance for Funds Used During Construction (AFUDC), less contributions in aid of construction.

The cost of repairs and maintenance are expensed to Operations and Maintenance Expense on the Statements of Income as costs are incurred.

When UNS Gas retires a unit of regulated property, accumulated depreciation is reduced by the original cost net of removal costs and any salvage value. There is no impact to the income statement.

AFUDC and Capitalized Interest

AFUDC reflects the cost of debt and equity funds used to finance construction and is capitalized as part of the cost of regulated utility plant. AFUDC amounts are capitalized and amortized through depreciation expense as a recoverable cost in rates. The capitalized interest that relates to debt is recorded in Allowance For Borrowed Funds on the Statements of Income. The capitalized cost for equity funds is recorded in Allowance For Equity Funds on the Statements of Income.

The average AFUDC rates on regulated construction expenditures are included in the table below:

	2024	2023
Average AFUDC Rates	6.38 %	6.30 %

Depreciation

Depreciation is recorded for owned utility plant on a group method straight-line basis, excluding software intangible plant, at depreciation rates based on the economic lives of the assets, including estimates for salvage value and removal costs. The ACC approves the depreciation rates.

Below are the average annual depreciation rates for all utility plant:

	2024	2023
Average Annual Depreciation Rates	2.71 %	2.66 %

Computer Software and Cloud Computing Costs

Costs incurred to purchase and develop internal use computer software and cloud computing arrangements that include a software license are capitalized and amortized over the estimated economic life of the product. Implementation costs incurred in a cloud computing arrangement that is a service contract are included in Lease Assets and Other Noncurrent Assets on the Balance Sheets and amortized over three to five years. Amortization of implementation costs is presented in Operations and Maintenance Expense on the Statements of Income. If the associated software is impaired, the carrying value is reduced and recorded as an expense in the income statement.

EVALUATION OF ASSETS FOR IMPAIRMENT

Long-lived assets and investments are evaluated for impairment whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. If estimated future undiscounted cash flows are less than the carrying amount, the Company estimates the fair value and records an impairment for the amount by which the carrying value exceeds the fair value. For these estimates, UNS Gas may consider data from multiple valuation methods, including data from market participants. The Company exercises judgment to: (i) estimate the future cash flows and the useful lives of long-lived assets; and (ii) determine the Company's intent to use the assets. UNS Gas' intent to use or dispose of assets is subject to re-evaluation and can change over time.

DEFERRED FINANCING COSTS

Costs to issue debt are deferred and amortized to interest expense on a straight-line basis over the life of the debt. Deferred debt issuance costs are presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. These costs include underwriters' commissions, discounts or premiums, and other costs such as legal, accounting, regulatory fees, and filing costs.

UNS Gas accounts for debt issuance costs related to credit facility arrangements as an asset.

The gains and losses on reacquired debt associated with regulated operations are deferred and amortized to interest expense over the life of the original debt.

OPERATING REVENUES

UNS Gas earns the majority of its revenues from the sale of natural gas to retail customers based on regulator-approved rates. Most of the Company's contracts have a single performance obligation, the delivery of natural gas. UNS Gas satisfies the performance obligation over time as natural gas is delivered and control is transferred to the customer. The Company bills for natural gas sales based on the reading of meters on a systematic basis throughout the month. In general, UNS Gas' contracts have payment terms of 10 to 20 days from the date the bill is rendered. UNS Gas considers any payment not received by the due date past due and charges the customer a late payment fee, except during service disconnection moratoriums. No component of the transaction price is allocated to unsatisfied performance obligations.

LEASES

When a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, a right-of-use asset and lease liability are recognized. UNS Gas measures the right-of-use asset and lease liability at the present value of future lease payments, excluding variable payments based on usage or performance. UNS Gas calculates the present value using the rate implicit in the lease or a lease-specific secured interest rate based on the lease term. UNS Gas has lease agreements with lease components (e.g., rent, real estate taxes and insurance costs) and non-lease components (e.g. common area maintenance costs), which are accounted for as a single lease component. UNS Gas includes options to extend a lease in the lease term when it is reasonably certain that the option will be exercised. Leases with an initial term of twelve months or less are not recorded in the balance sheet.

UNS Gas has operating leases for office facilities that are included in the balance sheet as follows:

	December 31,	
(in thousands)	2024	2023
Lease Assets		
Lease Assets and Other Noncurrent Assets	$ 2,167	$ 1,779
Lease Liabilities		
Current Liabilities, Other	454	328
Lease Liabilities and Other Noncurrent Liabilities	1,816	1,524

As of December 31, 2024, UNS Gas' future minimum operating lease payments, excluding payments to lessors for variable costs, are $0.6 million in each of 2025 through 2028 and $0.1 million in 2029.

PURCHASED GAS ADJUSTMENT CLAUSE

UNS Gas recovers actual natural gas costs incurred through a Purchased Gas Adjustor (PGA) mechanism that adjusts monthly. Natural gas cost over-recoveries are deferred as regulatory liabilities, and cost under-recoveries are deferred as regulatory assets.

PENSION AND OTHER POSTRETIREMENT BENEFITS

UES sponsors a noncontributory, defined benefit pension plan for substantially all employees of UES hired before January 1, 2025. Benefits are based on years of service and average compensation. The Company also provides limited healthcare and life insurance benefits for certain retirees. Non-bargaining unit employees and certain bargaining unit employees who commence service or are rehired on or after January 1, 2025, are not eligible to receive the defined benefit pension.

UES recognizes an asset for a defined benefit plan's overfunded status or a liability for a plan's underfunded status in the balance sheet. The funded status is measured as the difference between the fair value of plan assets and the projected benefit obligation for the pension plans or accumulated postretirement obligation for the other postretirement benefit plan. UES records changes in its pension and other postretirement benefit plans, not yet reflected in net periodic benefit costs, as a regulatory asset or liability, when such amounts are probable of future recovery or refund in rates charged to retail customers over the estimated service lives of employees.

Pension and other postretirement benefit expenses are determined by actuarial valuations based on assumptions that the Company evaluates annually.

FAIR VALUE

As defined under GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or in the most advantageous market when no principal market exists. Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets in order to estimate fair value. Different valuation techniques may be appropriate under the circumstances to determine the value that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Market participants are assumed to be independent, knowledgeable, able and willing to transact an exchange, and not under duress. Nonperformance or credit risk is considered in determining fair value. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized in a current or future market exchange.

DERIVATIVE INSTRUMENTS

The Company uses various physical and financial derivative instruments, including forward contracts, financial swaps, and call and put options, to: (i) meet forecasted load and reserve requirements; and (ii) reduce exposure to energy commodity price volatility. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. Derivative instruments that do not meet the normal purchase or normal sale scope exception are recognized as either assets or liabilities in the balance sheet and are measured at fair value. The cash impacts of settled derivatives are recorded in Cash Flows from Operating Activities on the Statements of Cash Flows. Commodity derivatives used in normal business operations that are settled by physical delivery, among other criteria, are eligible for, and may be designated as, normal purchases or normal sales. Normal purchases or normal sales contracts are not recorded at fair value and settled amounts are recognized as cost of energy on the income statement.

For derivatives not designated as hedging contracts, the settled amount is generally included in regulated rates. Accordingly, the net unrealized gains and losses associated with interim price movements on contracts that are accounted for as derivatives and probable of inclusion in regulated rates are recorded as regulatory assets and liabilities.

TAXES OTHER THAN INCOME TAXES

UNS Gas acts as a conduit or collection agent for sales taxes, utility taxes, franchise fees, and regulatory assessments. Trade receivables are recorded as the Company bills customers for these taxes and assessments. Simultaneously, liabilities payable to governmental agencies are recorded in the balance sheet for these taxes and assessments. These amounts are not reflected in the income statement.

INCOME TAXES

Due to the difference between GAAP and income tax laws, many transactions are treated differently for income tax purposes than for financial statement presentation purposes. Temporary differences are accounted for by recording deferred income tax assets and liabilities in the balance sheet. These assets and liabilities are recorded using enacted income tax rates expected to be in effect when the deferred tax assets and liabilities are realized or settled. UNS Gas reduces deferred tax assets by a valuation allowance when, in the opinion of management, it is more likely than not that some portion, or the entire deferred income tax asset, will not be realized.

Tax benefits are recognized when it is more likely than not that a tax position will be sustained upon examination by the tax authorities based on the technical merits of the position. The tax benefit recorded is the largest amount that is more than 50% likely to be realized upon ultimate settlement with the tax authority, assuming full knowledge of the position and all relevant facts. Interest expense accruals relating to income tax obligations are recorded in Interest Expense on the Statements of Income.

UNS Gas records income tax liabilities based on its taxable income as reported in the consolidated tax return of FortisUS Inc., a Fortis intermediate holding company (FortisUS).

SUBSEQUENT EVENTS

UNS Gas evaluates events or transactions that occur after the balance sheet date but before the financial statements are issued for potential recognition or disclosure in the financial statements. UNS Gas has evaluated subsequent events through February 20, 2025, the date the financial statements were issued.

NOTE 2. REGULATORY MATTERS

The ACC and the Federal Energy Regulatory Commission (FERC) each regulate portions of the utility accounting practices and rates of UNS Gas. The ACC regulates rates charged to retail customers, the issuance of securities, transactions with affiliated parties, and other utility matters. The ACC also enacts other regulations and policies that can affect the Company's business decisions. The FERC regulates the terms and rates of wholesale transport and purchases of natural gas for UNS Gas.

RATE CASE MATTERS

2024 Rate Case

In November 2024, UNS Gas filed a general rate case with the ACC based on a test year ended June 30, 2024 (2024 Rate Case). Key proposals of the 2024 Rate Case are described below:

- a retail revenue increase of $17.6 million over test year retail revenues;
- a 7.98% return on original cost rate base of $290.3 million, which includes a return on equity of 10.25% and an average cost of debt of 5.15%;
- a capital structure for rate making purposes of approximately 56% common equity and 44% long term debt;
- a Tax Expense Adjustor Mechanism (TEAM) rate that will be updated for income tax changes that materially affect UNS Gas' authorized revenue requirement; and

- a new System Improvement Benefit (SIB) adjustor that is designed to provide more timely recovery of UNS Gas' distribution infrastructure investments.

Additionally, UNS Gas proposed an Annual Rate Adjustment Mechanism (ARAM). The ARAM is a formula rate adjustor that would update rates annually based on historical changes in UNS Gas' revenue requirement, subject to an earnings test. If adopted, the ARAM would eliminate the proposed TEAM and SIB adjustor and phase out the Lost Fixed Cost Recovery (LFCR) mechanism. The ARAM is expected to improve rate stability for customers, reduce regulatory lag, and reduce administrative burden.

UNS Gas requested new rates to be implemented by February 1, 2026. UNS Gas cannot predict the timing or outcome of this proceeding.

FEDERAL TAX LEGISLATION

Arizona Corporation Commission

Beginning in 2018, UNS Gas began returning savings from the reduction in the federal corporate income tax rate and Excess Deferred Income Taxes (EDIT) amortization under the Tax Cuts and Jobs Act (TCJA) to its customers through a combination of bill credits and a regulatory liability deferral (ACC Refund Order). The bill credit was designed to return the refund amount to customers based on forecasted therm sales for the calendar year. Any over or under collected amounts are deferred to a regulatory liability or asset and are used to adjust the following year's bill credit amounts.

The table below summarizes the regulatory asset (liability) over or under collected balance related to the ACC Refund Order:

(in thousands)	Years Ended December 31, 2024	2023
Beginning of Period	$ 932	$ 158
ACC Refund (Reduction in Operating Revenues)	(3,349)	(3,149)
Amount Returned to Customers Through Bill Credits	2,604	3,923
End of Period	$ 187	$ 932

In October 2024, UNS Gas filed a compliance filing with the ACC to establish 2025 TCJA customer refunds of $3.7 million.

COST RECOVERY MECHANISMS

UNS Gas has received regulatory decisions that allow for timely recovery of certain costs through recovery mechanisms. The difference between costs recovered through rates and actual costs is deferred. UNS Gas defers over-recovered costs as a regulatory liability to return to customers and defers under-recovered costs as a regulatory asset to recover from customers in the future. Cost recovery mechanisms that have a material impact on UNS Gas' operations or financial results are described below.

Purchased Gas Adjustor

The PGA mechanism allows UNS Gas to adjust Retail Rates to recover fluctuations in natural gas costs. UNS Gas records deferrals for recovery or refund to the extent actual natural gas costs vary from the PGA rate. The PGA rate reflects a weighted, 12-month rolling average of the natural gas costs incurred by UNS Gas. The PGA rate automatically adjusts monthly but is restricted from rising or falling more than $0.15 per therm in a 12-month period. UNS Gas is required to request a credit or notify the ACC if the PGA balance is over-collected by $10.0 million or more.

The table below summarizes the PGA regulatory asset (liability) balance:

(in thousands)	Years Ended December 31, 2024	2023
Beginning of Period	$ (4,070)	$ (1,342)
Deferred Purchased Natural Gas Costs	56,944	65,481
PGA Recoveries	(58,420)	(68,209)
End of Period	$ (5,546)	$ (4,070)

Lost Fixed Cost Recovery Mechanism

The LFCR mechanism provides for recovery of certain non-fuel costs that would go unrecovered between rate cases due to reduced retail therm sales as a result of implementing ACC-approved energy efficiency programs. The LFCR mechanism is adjusted in each rate case when the ACC approves new base rates. UNS Gas records a regulatory asset and recognizes LFCR revenues based on an estimate of lost therm sales during the period. UNS Gas is required to make an annual filing with the ACC requesting recovery of LFCR revenues recognized in the prior year. The recovery is subject to a year-over-year increase cap of 1% of UNS Gas' applicable retail revenues.

REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities recorded on the balance sheet are summarized in the table below:

(in thousands)	December 31, 2024	2023
Regulatory Assets		
Derivatives (Note 11)	$ 10,409	$ 16,578
Pension and Other Postretirement Benefits (Note 9)	4,202	4,626
Income Taxes Recoverable through Future Rates [(1)]	1,057	1,208
Other Regulatory Assets	1,535	1,561
Total Regulatory Assets	17,203	23,973
Less Current Portion	9,558	12,877
Total Non-Current Regulatory Assets	$ 7,645	$ 11,096
Regulatory Liabilities		
Net Cost of Removal [(2)]	$ 43,630	$ 41,855
Income Taxes Payable through Future Rates [(1)]	24,855	25,787
Purchased Gas Adjustor	5,546	4,070
Total Regulatory Liabilities	74,031	71,712
Less Current Portion	5,546	4,070
Total Non-Current Regulatory Liabilities	$ 68,485	$ 67,642

(1) Primarily amortized over the regulatory lives of the assets. See Note 1 and Note 12 for additional information regarding income taxes.

(2) Represents an estimate of the future cost of retirement, net of salvage value. These are amounts collected through revenue for transmission, distribution, and general plant which are not yet expended.

UNS Gas does not earn a return on regulatory assets. UNS Gas pays a return on the majority of its regulatory liability balances.

IMPACTS OF REGULATORY ACCOUNTING

If UNS Gas determines that it no longer meets the criteria for continued application of regulatory accounting, UNS Gas would be required to write off its regulatory assets and liabilities related to those operations not meeting the regulatory accounting requirements. Discontinuation of regulatory accounting could have a material impact on UNS Gas' financial statements.

NOTE 3. UTILITY PLANT

The following table shows Plant in Service on the Balance Sheets by major class:

($ in thousands)	Annual Depreciation Rate [3]	Average Remaining Life in Years [3]	December 31, 2024	December 31, 2023
Plant in Service				
Distribution	2.37%	27	$ 419,353	$ 399,079
Transmission	1.54%	40	17,429	17,429
General Plant	4.38%	0	56,033	52,856
Intangible Plant, Software Costs, and Other [1]	Various	Various	(3)	(3)
Plant Held for Future Use	—	—	1,318	334
Total Plant in Service [2]			$ 494,130	$ 469,695

(1) Primarily represents miscellaneous intangible assets which are amortized over an average service life of 15 to 25 years and have an average remaining life of less than one year.

(2) Includes plant acquisition adjustments of $(48.1) million as of December 31, 2024 and 2023.

(3) Based on the 2011 depreciation study available for the major classes of Plant in Service, effective May 2012, as approved by the ACC as part of the 2012 ACC Rate Order.

NOTE 4. REVENUE

UNS Gas earns most of its revenues from the sale of natural gas to retail customers based on regulator-approved tariff rates. The Company's contracts have a single performance obligation, the delivery of natural gas.

DISAGGREGATION OF REVENUES

The following table presents the disaggregation of UNS Gas' Operating Revenues on the Statements of Income by type of service:

(in thousands)	Years Ended December 31, 2024	Years Ended December 31, 2023
Retail	$ 129,615	$ 145,549
Other Services	995	1,014
Revenues from Contracts with Customers	130,610	146,563
Alternative Revenues	184	186
Other	5,998	11,894
Total Operating Revenues	$ 136,792	$ 158,643

Retail Revenues

UNS Gas' tariff-based sales to residential, commercial, and industrial customers are regulated by the ACC and recognized when natural gas is delivered at the amount of consideration that the Company expects to receive in exchange. Retail revenues include an estimate for unbilled revenues from service that has been provided but not billed by the end of an accounting period. At the end of the month, amounts of natural gas delivered since the last meter reading are estimated and the corresponding unbilled revenue is calculated using anticipated Retail Rates. Unbilled revenues are dependent upon a number of factors that require management's judgment including estimates of retail sales, customer usage patterns, and pricing. Unbilled revenues primarily increase during the fall and winter months and decrease during the spring and summer months due to the seasonal fluctuations of UNS Gas' actual load. The timing of revenue recognition, billings, and cash collections results in billed and unbilled accounts receivable balances. See Note 5 for components of Accounts Receivable, Net on the Balance Sheets.

Other Services Revenues

Other Services Revenues primarily includes miscellaneous service connection fees and revenue from gas transportation services.

Alternative Revenues

Alternative revenue programs allow utilities to adjust future rates in response to past activities or completed events if certain criteria established by a regulator are met. UNS Gas has identified its LFCR mechanism as an alternative revenue. See Note 2 for additional information regarding this cost recovery mechanism.

Other Revenues

Other Revenues primarily includes derivative revenue and related party revenue. See Note 6 for information regarding revenue from related parties and Note 11 for information regarding derivative instruments.

NOTE 5. ACCOUNTS RECEIVABLE

The following table presents the components of Accounts Receivable, Net on the Balance Sheets:

	December 31,	
(in thousands)	2024	2023
Retail	$ 11,712	$ 11,445
Retail, Unbilled	9,633	11,418
Retail, Allowance for Credit Losses	(392)	(428)
Due from Affiliates (Note 6)	1,258	1,745
Other	427	504
Accounts Receivable, Net	$ 22,638	$ 24,684

ALLOWANCE FOR CREDIT LOSSES

UNS Gas separately evaluates retail and other accounts receivable for credit losses and has not recorded an allowance for credit losses for non-retail accounts receivable. The allowance is estimated based on historical collection patterns, sales, current conditions, and reasonable and supportable forecasts. The following table presents the change in the balance of Retail, Allowance for Credit Losses included in Accounts Receivable, Net on the Balance Sheets:

	Years Ended December 31,	
(in thousands)	2024	2023
Beginning of Period	$ (428)	$ (374)
Credit Loss Expense	(293)	(325)
Write-offs	358	304
Recoveries	(29)	(33)
End of Period	$ (392)	$ (428)

NOTE 6. RELATED PARTY TRANSACTIONS

UNS Gas engages in various transactions with Fortis, UNS Energy, and affiliated subsidiaries of UNS Energy, including Tucson Electric Power Company (TEP) and UNS Electric, Inc. (UNS Electric) (collectively UNS Energy Affiliates). These transactions include: (i) the sale and purchase of natural gas and transportation services; (ii) common cost allocations; and (iii) the provision of corporate and other labor-related services.

The following table presents the components of related party balances included in Accounts Receivable, Net and Accounts Payable on the Balance Sheets:

	December 31,	
(in thousands)	2024	2023
Receivables from Related Parties		
UNS Energy	$ 451	$ 715
TEP	406	639
UNS Electric	401	391
Total Due from Related Parties	$ 1,258	$ 1,745
Payables to Related Parties		
TEP	$ 1,906	$ 1,741
UNS Electric	207	165
UNS Energy	—	8
Total Due to Related Parties	$ 2,113	$ 1,914

The following table presents the components of related party transactions included in the Statements of Income:

	Years Ended December 31,	
(in thousands)	2024	2023
Goods and Services Provided by UNS Gas to Affiliates		
Sale and Transportation of Gas, UNS Electric (1)	$ 3,535	$ 6,390
Capacity Charges, TEP (2)	1,065	1,854
Corporate Services, UNS Energy Affiliates (3)	543	595
Capacity Charges, UNS Electric (2)	257	349
Goods and Services Provided by Affiliates to UNS Gas		
Common Costs, TEP (4)	10,554	9,998
Corporate Services, UNS Energy Affiliates (3)	4,093	3,363
Corporate Services, UNS Energy (5)	1,653	1,442

(1) UNS Gas charges UNS Electric for natural gas and transportation to Black Mountain Generating Station (BMGS) and Valencia Generating Station. See Note 8 for detail of costs related to certain agreements.

(2) UNS Gas charges TEP and UNS Electric for natural gas capacity used to supply Gila River Generating Station.

(3) Costs for corporate services (e.g. finance, accounting, tax, legal, and information technology) and other labor services for UNS Energy Affiliates are directly assigned to the benefiting entity at a fully burdened cost when possible.

(4) Common costs (information systems, facilities, etc.) are allocated on a cost-causative basis. The method of allocation is deemed reasonable by management and is reviewed by the ACC as part of the rate case process.

(5) Corporate Services, UNS Energy includes legal and audit, and Fortis' management fees. Costs for corporate services provided by UNS Energy are allocated to its subsidiaries using the Massachusetts Formula, an industry accepted method of allocating common costs to affiliated entities. UNS Gas' allocation is approximately 6% of UNS Energy's allocated costs. UNS Gas' share of Fortis' management fees was $0.5 million in 2024 and 2023.

SHARE-BASED COMPENSATION

2024 Fortis Executive Omnibus Equity Plan

The Fortis Board of Directors ratified the Fortis Executive Omnibus Equity Plan (2024 Omnibus Plan) effective January 2024. Under the 2024 Omnibus Plan, certain executive management of Fortis and its subsidiaries may be granted Performance Share Units (PSUs) and time-based Restricted Share Units (RSUs) annually. Each PSU and RSU granted is valued based on one share of Fortis common stock traded on the New York Stock Exchange. UNS Energy allocates the obligation and expense for this plan to its subsidiaries based on the Massachusetts Formula. Fortis accounts for forfeitures as they occur.

The following table represents PSUs and RSUs awarded by Fortis for UNS Energy:

	2024
PSUs	65,385
RSUs	32,693

The awards are initially classified as liability awards because: (i) the participants have the option to elect settlement in cash or shares; and (ii) this election is contingent upon an event within the participants' control. The liability awards may be reclassified as equity awards if the participants elect the share settlement feature on the modification date. Liability awards are measured at their fair value at the end of each reporting period and will fluctuate based on the price of Fortis' common stock. The awards are payable on the third anniversary of the grant date. UNS Gas' allocated share of probable payout was $0.3 million as of December 31, 2024.

UNS Gas' allocated portion of compensation expense is recognized in Operations and Maintenance expense on the Statements of Income. Compensation expense associated with unvested PSUs and RSUs is recognized on a straight-line basis over the minimum required service period in an amount equal to the fair value on the measurement date. UNS Gas recorded $0.1 million in 2024 based on its share of Fortis' compensation expense.

2020 Fortis Restricted Stock Unit Plan

The Fortis Board of Directors ratified the 2020 Restricted Stock Unit Plan (2020 Plan) effective January 2020. Under the 2020 Plan, certain executive management of Fortis and its subsidiaries may be granted time-based RSUs annually, which may be settled in cash or shares. Each RSU granted is valued based on one share of Fortis common stock traded on the Toronto Stock Exchange, converted to U.S. dollars. UNS Energy allocates the obligation and expense for this plan to its subsidiaries based on the Massachusetts Formula. Fortis accounts for forfeitures as they occur.

The following table represents RSUs awarded by Fortis for UNS Energy:

	2024	2023
RSUs [1]	—	26,980

[1] Effective January 2024, certain executive management RSU awards are issued through the 2024 Omnibus Plan.

The awards are initially classified as liability awards because: (i) the participants have the option to elect settlement in cash or shares; and (ii) this election is contingent upon an event within the participants' control. The liability awards may be reclassified as equity awards if the participants elect the share settlement feature on the modification date. Liability awards are measured at their fair value at the end of each reporting period and will fluctuate based on the price of Fortis' common stock. The awards are payable on the third anniversary of the grant date. UNS Gas' allocated share of probable payout was $0.1 million and $0.2 million as of December 31, 2024 and 2023, respectively.

UNS Gas' allocated portion of compensation expense is recognized in Operations and Maintenance expense on the Statements of Income. Compensation expense associated with unvested RSUs is recognized on a straight-line basis over the minimum required service period in an amount equal to the fair value on the measurement date. UNS Gas recorded less than $0.1 million in 2024 and $0.1 million in 2023 based on its share of Fortis' compensation expense.

2015 Share Unit Plan

The UNS Energy Human Resources and Governance Committee approved and UNS Energy's Board of Directors ratified the 2015 Share Unit Plan (2015 Plan) effective January 2015. Under the 2015 Plan, key employees may be granted PSUs and time-based RSUs annually. Each PSU and RSU granted prior to 2024 is valued based on one share of Fortis common stock traded on the Toronto Stock Exchange, converted to U.S. dollars. Each PSU and RSU granted in 2024 and thereafter is valued based on one share of Fortis common stock traded on the New York Stock Exchange. UNS Energy allocates the obligation and expense for this plan to its subsidiaries based on the Massachusetts Formula. UNS Energy accounts for forfeitures as they occur.

The following table represents PSUs and RSUs awarded by UNS Energy:

	2024	2023
PSUs [(1)]	4,660	58,237
RSUs [(1)]	2,327	2,146

(1) Effective January 2024, certain executive management PSU and RSU awards are issued through the 2024 Omnibus Plan. Certain key employees will continue to be awarded PSUs and RSUs through the 2015 Plan.

The awards are classified as liability awards based on the cash settlement feature. Liability awards are measured at their fair value at the end of each reporting period and will fluctuate based on the price of Fortis' common stock as well as the level of achievement of the financial performance criteria. The awards are payable on the third anniversary of the grant date. UNS Gas' allocated share of probable payout was $0.4 million as of December 31, 2024 and 2023.

UNS Gas' allocated portion of compensation expense is recognized in Operations and Maintenance expense on the Statements of Income. Compensation expense associated with unvested PSUs and RSUs is recognized on a straight-line basis over the minimum required service period in an amount equal to the fair value on the measurement date. UNS Gas recorded $0.1 million in 2024 and $0.2 million in 2023 based on its share of UNS Energy's compensation expense.

NOTE 7. DEBT AND CREDIT AGREEMENT

DEBT

Long-term debt matures more than one year from the date of debt issuance. The following table presents the components of Long-Term Debt, Net on the Balance Sheets:

($ in thousands)	Interest Rate	Maturity Date	December 31, 2024	December 31, 2023
Notes				
2011 Senior Notes	5.39%	2026	$ 50,000	$ 50,000
2024 Senior Notes	5.60%	2036	30,000	—
2015 Senior Notes	4.00%	2045	45,000	45,000
Total Long-Term Debt [(1)]			125,000	95,000
Less Debt Issuance Costs			683	390
Total Long-Term Debt, Net			$ 124,317	$ 94,610

(1) As of December 31, 2024 and 2023, all of UNS Gas' debt is unsecured.

Debt Issuance

In May 2024, UNS Gas issued and sold $30.0 million aggregate principal amount of 5.60% senior unsecured notes due June 2036. The notes are callable prior to maturity with a make-whole premium plus accrued interest.

CREDIT AGREEMENT

In October 2021, UNS Gas and UNS Electric entered into a shared unsecured credit agreement that provides for revolving credit commitments with swingline and Letter of Credit (LOC) sublimits, with an original maturity date in October 2026 (2021 Credit Agreement). In October 2024, the maturity date was extended one year to October 2027. The 2021 Credit Agreement provides for one additional one-year extension if certain conditions are satisfied.

Amounts borrowed under the credit agreement are used for working capital and other general corporate purposes and are recorded in Borrowings Under Credit Agreements on the Balance Sheets. Maximum borrowings outstanding at any one time for UNS Gas or UNS Electric under their shared agreement may not exceed 80% of the aggregate of the commitments, and each entity is liable for only their own individual borrowings. Interest rates and fees are based on a pricing grid tied to the respective entity's credit ratings.

LOCs are issued from time to time to support energy procurement, hedging transactions, and other business activities.

Terms are as follows:

($ in thousands)	Capacity	Sub-Limit Swingline [1]	Sub-Limit LOC	Borrowed[2]	Available	Weighted Average Interest Rate	Pricing [3]
				December 31, 2024			
Agreement	$125,000	$ 10,000	$ 50,000	$ 24,000	$101,000	5.67 %	SOFR+ADJ 0.10%+1.00% or ABR+0.00%
($ in thousands)				December 31, 2023			
Agreement	$125,000	$ 10,000	$ 50,000	$ 29,000	$96,000	6.46 %	SOFR+ADJ 0.10%+1.00% or ABR+0.00%

(1) Alternate Base Rate (ABR) pricing would apply to swingline loans.

(2) UNS Gas had $2.0 million and $29.0 million in outstanding borrowings as of December 31, 2024, and 2023, respectively. UNS Electric had $17.0 million in outstanding borrowings as of December 31, 2024, and had no outstanding borrowings as of December 31, 2023. The borrowed amount includes a $5.0 million LOC at a rate of 1.00% per annum issued by UNS Electric in October 2024 to support an interconnection request. The LOC expires in October 2025.

(3) Pricing terms include Secured Overnight Financing Rate (SOFR) and SOFR Rate Spread Adjustment (ADJ).

As of February 20, 2025, there was $115.0 million available under the 2021 Credit Agreement. UNS Gas had no outstanding borrowings.

NOTE 8. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

As of December 31, 2024, UNS Gas had the following commitments:

(in thousands)	2025	2026	2027	2028	2029	Thereafter	Total
Minimum Purchase Commitments							
Fuel, Including Transportation	$ 19,406	$ 13,206	$ 12,295	$ 12,295	$ 10,998	$191,840	$260,040

The cost of natural gas purchases is recoverable from customers through the PGA. See Note 2 for information on ACC approved cost recovery mechanisms.

Minimum Purchase Commitments

Fuel, Including Transportation

UNS Gas has natural gas commodity purchase agreements that expire through 2025 at a fixed price per million British thermal units (MMBtu). The commitment amounts included in the table above are based on projected market prices as of December 31, 2024.

UNS Gas has firm natural gas transportation agreements with capacity sufficient to meet its load requirements. These agreements expire in various years between 2026 and 2048.

UNS Gas has related party agreements for natural gas transportation and pipeline capacity with UNS Electric for BMGS through 2028. UNS Electric's commitment under these contracts totaled $2.7 million and does not reduce the balance in the table above. Natural gas is supplied as needed to meet UNS Electric’s load requirements. See Note 6 for more information on UNS Gas' related party transactions.

CONTINGENCIES

UNS Gas is party to a variety of legal actions arising out of the normal course of business. Plaintiffs occasionally seek punitive or exemplary damages. The Company believes such normal and routine litigation will not have a material impact on its operations or financial results.

NOTE 9. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT PENSION PLAN

UNS Gas does not maintain a separate defined benefit pension plan. The plan maintained by UES covers the majority of UNS Gas' employees. UNS Gas and UNS Electric fund the plan by contributing at least the minimum amount required under Internal Revenue Service (IRS) regulations. UES allocates net periodic benefit cost based on service cost for participating employees. UNS Gas recognizes its share of the overfunded or underfunded status of the UES defined benefit pension plan as an asset or a liability, respectively, on the balance sheet.

In December 2024, UES amended its pension plan. As a result, non-bargaining unit employees and certain bargaining unit employees who commence service or are rehired on or after January 1, 2025, are not eligible to receive the defined benefit pension.

OTHER POSTRETIREMENT BENEFITS PLAN

UNS Gas provides other postretirement medical benefits for certain retirees. UNS Gas' active employees are not eligible for retiree medical benefits.

REGULATORY RECOVERY

UNS Gas records its share of changes in the pension and other postretirement benefit plans, not yet reflected in net periodic benefit cost, as a regulatory asset or liability, as such amounts are probable of future recovery or refund in rates charged to retail customers.

The following table presents pension and other postretirement benefit amounts (excluding tax balances) included in the balance sheet:

	Pension Benefits		Other Postretirement Benefits	
	December 31,			
(in thousands)	2024	2023	2024	2023
Regulatory Assets	$ 3,151	$ 3,558	$ 1,051	$ 1,068
Lease Assets and Other Noncurrent Assets	198	—	—	—
Accrued Employee Expenses	—	—	(93)	(99)
Pension and Other Postretirement Benefits	—	(425)	(612)	(691)
Net Amount Recognized	$ 3,349	$ 3,133	$ 346	$ 278

OBLIGATIONS AND FUNDED STATUS

The Company measured the actuarial present values of all defined benefit pension and other postretirement benefit obligations as of December 31, 2024 and 2023. The table below presents the status of the UES pension plan as a whole and UES' share of the TEP other postretirement benefits plan.

	Pension Benefits		Other Postretirement Benefits	
	Years Ended December 31,			
(in thousands)	2024	2023	2024	2023
Change in Benefit Obligation				
Beginning of Period	$ 40,511	$ 34,996	$ 1,237	$ 1,417
Actuarial (Gain) Loss	(1,902)	3,789	123	60
Interest Cost	2,107	1,936	58	71
Service Cost	1,833	1,665	—	—
Participant Contributions	—	—	22	26
Benefits Paid	(3,359)	(1,875)	(406)	(337)
End of Period (1)	39,190	40,511	1,034	1,237
Change in Fair Value of Plan Assets				
Beginning of Period	39,627	35,594	2	2
Actual Return on Plan Assets	1,615	5,058	—	—
Benefits Paid	(3,359)	(1,875)	(23)	(26)
Employer Contributions (2)	1,700	850	—	—
Participant Contributions	—	—	22	26
End of Period	39,583	39,627	1	2
Funded Status at End of Period	$ 393	$ (884)	$ (1,033)	$ (1,235)

(1) The decrease in pension benefit obligation was primarily due to an increase in the discount rate and the results of an experience study conducted in 2024.

(2) UNS Gas expects to contribute $1.1 million to the pension plan in 2025.

As of December 31, 2024, UNS Gas' proportionate share of the pension plan's total funded status was approximately 50%.

The pension plan had plan assets in excess of the projected benefit obligation as of December 31, 2024 and projected benefit obligation in excess of the plan assets as of December 31, 2023. The projected benefit obligation balance decreased due to an increase in the discount rate and the results of an experience study conducted in 2024. The Other Postretirement Benefit plan had an accumulated postretirement benefit obligation in excess of plan assets for each period presented.

The following table provides the components of UES' regulatory assets that have not been recognized as components of net periodic benefit cost as of the dates presented:

	Pension Benefits		Other Postretirement Benefits	
	Years Ended December 31,			
(in thousands)	2024	2023	2024	2023
Net Loss	$ 7,248	$ 8,203	$ 1,655	$ 1,737

The accumulated benefit obligation for the pension plan was $32.8 million and $33.9 million as of December 31, 2024 and 2023, respectively. The pension plan had assets in excess of the accumulated benefit obligation as of December 31, 2024 and 2023.

The Company measures service and interest costs by applying the specific spot rates along the yield curve to the plans' liability cash flows. UES' net periodic benefit plan cost includes the following components:

	Pension Benefits		Other Postretirement Benefits	
	Years Ended December 31,			
(in thousands)	2024	2023	2024	2023
Service Cost	$ 1,833	$ 1,665	$ —	$ —
Non-Service Cost				
Interest Cost	2,107	1,936	58	71
Expected Return on Plan Assets	(2,942)	(2,616)	—	—
Amortization of Net Loss	380	340	204	222
Net Periodic Benefit Cost	$ 1,378	$ 1,325	$ 262	$ 293
Percent recognized by UNS Gas based on relative employee participation	46 %	46 %	55 %	58 %

The non-service components of net periodic benefit cost are included in Other, Net on the Statements of Income. UNS Gas capitalized 38% in 2024 and 36% in 2023 of service cost as a cost of construction.

The changes in plan assets and benefit obligations recognized as regulatory assets were as follows:

	Pension Benefits		Other Postretirement Benefits	
(in thousands)	2024	2023	2024	2023
Current Year Actuarial Loss (Gain)	$ (575)	$ 1,347	$ 122	$ 61
Amortization of Net Loss	(380)	(340)	(204)	(222)
Total Recognized Loss (Gain)	$ (955)	$ 1,007	$ (82)	$ (161)

UNS Gas amortizes prior service costs on a straight-line basis over the average remaining service period of employees expected to receive benefits under the plan.

Net periodic benefit cost is subject to various assumptions and determinations, such as the discount rate, the rate of compensation increase, and the expected return on plan assets. Changes that may arise over time regarding these assumptions and determinations will change amounts recorded in the future as net periodic benefit cost.

UNS Gas uses a combination of sources in selecting the expected long-term rate-of-return-on-assets assumption, including an investment return model. The model used provides a “best-estimate” range over 20 years from the 25th percentile to the 75th percentile. The model, used as a guideline for selecting the overall rate-of-return-on-assets assumption for all asset classes, is based on forward-looking return expectations only.

The following table includes the weighted average assumptions used to determine benefit obligations:

	Pension Benefits		Other Postretirement Benefits	
	2024	2023	2024	2023
Discount Rate	5.9%	5.4%	5.7%	5.2%
Rate of Compensation Increase	3.3%	3.0%	N/A	N/A

The following table includes the weighted average assumptions used to determine net periodic benefit costs:

	Pension Benefits		Other Postretirement Benefits	
	2024	2023	2024	2023
Discount Rate, Service Cost	5.6%	5.9%	5.3%	5.7%
Discount Rate, Interest Cost	5.3%	5.6%	5.2%	5.5%
Rate of Compensation Increase	3.0%	2.9%	N/A	N/A
Expected Return on Plan Assets	7.5%	7.5%	N/A	N/A

Healthcare cost trend rates are assumed to decrease gradually from next year to the year the ultimate rate is reached:

	December 31, 2024	December 31, 2023
Next Year (Pre-65)	6.8%	7.3%
Next Year (Post-65)	5.3%	5.8%
Ultimate Rate Assumed (Pre-65 and Post-65)	4.5%	4.5%
Year Ultimate Rate is Reached (Pre-65)	2034	2034
Year Ultimate Rate is Reached (Post-65)	2028	2028

PENSION PLAN ASSETS

UES calculates the fair value of plan assets on December 31, the measurement date. Asset allocations, by asset category, on the measurement date were as follows:

	December 31, 2024	December 31, 2023
Asset Category		
Equity Securities	60 %	57 %
Fixed Income Securities	40 %	43 %
Total	100 %	100 %

The following tables present the fair value measurements of UES' pension plan assets by level within the fair value hierarchy:

(in thousands)	Level 2 December 31, 2024
Asset Category	
Equity Securities	
United States Large Cap	$ 7,969
United States Small Cap	2,255
Non-United States	6,715
Global	6,661
Fixed Income	15,983
Total	$ 39,583

(in thousands)	December 31, 2023
Asset Category	
Equity Securities	
United States Large Cap	$ 7,218
United States Small Cap	2,437
Non-United States	6,496
Global	6,589
Fixed Income	16,887
Total	$ 39,627

Level 2 investments comprise amounts held in commingled equity funds, United States bond funds, and real estate funds. Valuations are based on active market quoted prices for assets held by each respective fund.

Pension Plan Investments

Investment Goals

Asset allocation is the principal method for achieving each pension plan’s investment objectives while maintaining appropriate levels of risk. UNS Gas considers the projected impact on benefit security of any proposed changes to the current asset allocation policy. The expected long-term returns and implications for pension plan sponsor funding are reviewed in selecting policies to ensure that current asset pools are projected to be adequate to meet the expected liabilities of the pension plan. UNS

Gas expects to use asset allocation policies weighted most heavily to equity and fixed income funds, while maintaining some exposure to real estate and opportunistic funds. Within the fixed income allocation, long-duration funds may be used to partially hedge interest rate risk.

Risk Management

UNS Gas recognizes the difficulty of achieving investment objectives considering the uncertainties and complexities of the investment markets. The Company recognizes some risk must be assumed to achieve a pension plan's long-term investment objectives. In establishing risk tolerances, the following factors affecting risk tolerance and risk objectives will be considered: (i) plan status; (ii) plan sponsor financial status and profitability; (iii) plan features; and (iv) workforce characteristics. UNS Gas determined that the pension plan can tolerate some interim fluctuations in market value and rates of return to achieve long-term objectives. UNS Gas tracks the pension plan's portfolio relative to the benchmark through quarterly investment reviews. The reviews consist of a performance and risk assessment of all investment categories and on the portfolio. Investment managers for the pension plan may use derivative financial instruments for risk management purposes or as part of their investment strategy. Currency hedges may also be used for defensive purposes.

Relationship between Plan Assets and Benefit Obligations

The overall health of the plan will be monitored by comparing the value of plan obligations (both Accumulated Benefit Obligation and Projected Benefit Obligation) against the fair value of assets and tracking the changes in each. The frequency of this monitoring will depend on the availability of plan data, but will be no less frequent than annually via actuarial valuation.

Target Allocation Percentages

The current target allocation percentages for the major asset categories of the plan follow. The plan allows a variance of +/- 2% from targets before funds are automatically rebalanced:

	December 31, 2024
Equity Securities:	
United States Large Cap	18%
United States Small Cap	6%
Global Equity	31%
Global Infrastructure	3%
Fixed Income	42%
Total	100%

Pension Fund Descriptions

For each type of asset category selected by the Pension Committee, UNS Gas' investment consultant assembles a group of third-party fund managers and allocates a portion of the total investment to each fund manager.

ESTIMATED FUTURE BENEFIT PAYMENTS

UES expects the following benefit payments to be made by the plans, which reflect future service, as appropriate:

(in thousands)	2025	2026	2027	2028	2029	2030-2034
Pension Benefits	$ 2,387	$ 2,897	$ 2,981	$ 3,480	$ 3,128	$ 17,846
Other Postretirement Benefits	152	145	136	126	117	424

DEFINED CONTRIBUTION PLAN

UNS Gas offers a defined contribution savings plan to all eligible employees. The plan meets the IRS required standards for 401(k) qualified plans. Participants direct the investment of contributions to certain funds in their account. The Company matches part of a participant's contributions to the plan. Beginning January 1, 2025, the Company will make non-elective employer contributions for certain newly hired or rehired employees in addition to matching part of all participants' contributions to the plan. UNS Gas made matching contributions to the plan of $0.4 million in 2024 and $0.3 million in 2023.

NOTE 10. SUPPLEMENTAL CASH FLOW INFORMATION

CASH TRANSACTIONS

	Years Ended December 31,	
(in thousands)	2024	2023
Interest Paid, Net of Amounts Capitalized	$ 6,230	$ 5,420

NON-CASH TRANSACTIONS

Other significant non-cash investing and financing activities that resulted in recognition of assets and liabilities but did not result in cash receipts or payments were as follows:

	Years Ended December 31,	
(in thousands)	2024	2023
Net Cost of Removal Increase (1)	$ 1,775	$ 1,608
Accrued Capital Expenditures	2,369	1,601
Operating Leases (2)	823	—

(1) Represents an accrual for future cost of retirement net of salvage values that does not impact earnings.

(2) In 2024, UNS Gas amended and extended an existing lease and modified the related right of use asset.

NOTE 11. FAIR VALUE MEASUREMENTS AND DERIVATIVE INSTRUMENTS

UNS Gas categorizes financial instruments into the three-level hierarchy based on inputs used to determine the fair value. Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in an active market. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices in non-active markets, and pricing models whose inputs are observable, directly or indirectly. Level 3 inputs are unobservable and supported by little or no market activity. UNS Gas has no financial instruments categorized as Level 1 or Level 3.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE ON A RECURRING BASIS

The following tables present UNS Gas' Level 2 assets and liabilities accounted for at fair value through net income on a recurring basis classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

(in thousands)	Level 2 December 31, 2024
Assets	
Energy Derivative Contracts, Regulatory Recovery [1]	$ 1,562
Energy Derivative Contracts, No Regulatory Recovery [1]	1,105
Total Assets	2,667
Liabilities	
Energy Derivative Contracts, Regulatory Recovery [1]	(11,972)
Energy Derivative Contracts, No Regulatory Recovery [1]	(897)
Total Liabilities	(12,869)
Total Assets (Liabilities), Net	$ (10,202)

(in thousands)	December 31, 2023
Assets	
Energy Derivative Contracts, Regulatory Recovery [1]	$ 935
Energy Derivative Contracts, No Regulatory Recovery [1]	2,018
Total Assets	2,953
Liabilities	
Energy Derivative Contracts, Regulatory Recovery [1]	(17,512)
Energy Derivative Contracts, No Regulatory Recovery [1]	(1,946)
Total Liabilities	(19,458)
Total Assets (Liabilities), Net	$ (16,505)

[1] Energy Derivative Contracts include gas swap agreements entered into to reduce exposure to energy price risk, and certain customer supply contracts. These contracts are included in Derivative Instruments on the Balance Sheets.

All energy derivative contracts, other than customer supply contracts, are subject to legally enforceable master netting arrangements to mitigate credit risk. UNS Gas presents derivatives on a gross basis in the balance sheet. The tables below present the potential offset of counterparty netting and cash collateral:

		Gross Amount Not Offset in the Balance Sheets		
	Gross Amount Recognized in the Balance Sheets	Counterparty Netting of Energy Contracts	Cash Collateral Received/Posted [1]	Net Amount
(in thousands)	December 31, 2024			
Derivative Assets				
Energy Derivative Contracts	$ 2,667	$ 1,869	$ —	$ 798
Derivative Liabilities				
Energy Derivative Contracts	(12,869)	(1,869)	—	(11,000)
(in thousands)	December 31, 2023			
Derivative Assets				
Energy Derivative Contracts	$ 2,953	$ 1,001	$ —	$ 1,952
Derivative Liabilities				
Energy Derivative Contracts	(19,458)	(1,001)	—	(18,457)

[1] UNS Gas records cash collateral received related to energy derivative contracts in Collateral and Other on the Balance Sheets. As of February 20, 2025, UNS Gas had no cash held or posted as collateral to provide credit enhancement.

DERIVATIVE INSTRUMENTS

UNS Gas enters into various derivative and non-derivative contracts to reduce exposure to energy price risk associated with its natural gas purchase requirements. The objectives for entering into such contracts include: (i) creating price stability; (ii) meeting load and reserve requirements; and (iii) reducing exposure to price volatility that may result from delayed recovery under the PGA mechanism.

UNS Gas primarily applies the market approach for recurring fair value measurements. When UNS Gas has observable inputs for substantially the full term of the asset or liability or uses quoted prices in an inactive market, it categorizes the instrument in Level 2. UNS Gas categorizes derivatives in Level 3 when an aggregate pricing service or published prices that represent a consensus reporting of multiple brokers is used.

For natural gas prices, UNS Gas obtains quotes from brokers, major market participants, exchanges, or industry publications and relies on its own price experience from active transactions in the market. UNS Gas primarily uses one set of quotations for natural gas and then validates those prices using other sources. UNS Gas believes that the market information provided is reflective of market conditions as of the time and date indicated.

UNS Gas also considers the impact of counterparty credit risk using current and historical default and recovery rates, as well as its own credit risk using credit default swap data.

The inputs and UNS Gas' assessments of the significance of a particular input to the fair value measurements require judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. UNS Gas evaluates the assumptions underlying its price curves monthly.

Energy Derivative Contracts, Regulatory Recovery

UNS Gas enters into energy contracts that are considered derivatives and qualify for regulatory recovery. The realized gains and losses on these energy contracts are recovered through the PGA mechanism and the unrealized gains and losses are deferred as a regulatory asset or liability. The table below presents the unrealized gains and losses recorded to a regulatory asset or liability in the balance sheet:

	Years Ended December 31,	
(in thousands)	2024	2023 [(1)]
Unrealized Net Gain (Loss)	$ 6,169	$ (78,794)

(1) Unrealized net loss on regulatory recoverable derivative contracts was primarily due to the settlement of contracts held as of December 31, 2022, and decreases in forward market prices of natural gas.

Derivative Volumes

As of December 31, 2024, UNS Gas had energy contracts that will settle on various expiration dates through 2027. The following table presents volumes associated with the energy contracts:

	December 31,	
	2024	2023
Gas Contracts BBtu	20,477	19,814

CREDIT RISK

The use of contractual arrangements to manage the risks associated with changes in energy commodity prices creates credit risk exposure resulting from the possibility of non-performance by counterparties pursuant to the terms of their contractual obligations. UNS Gas enters into contracts for the physical delivery of natural gas which contain remedies in the event of non-performance by the supply counterparties. In addition, volatile natural gas prices can create significant credit exposure from natural gas market receivables and subsequent measurements at fair value.

UNS Gas has contractual agreements for energy procurement and hedging activities that contain provisions requiring UNS Gas and its counterparties to post collateral under certain circumstances. These circumstances include: (i) exposures in excess of unsecured credit limits due to the volume of trading activity; (ii) changes in natural gas prices; (iii) credit rating downgrades; or (iv) unfavorable changes in parties' assessments of each other's credit strength. If such credit events were to occur, UNS Gas, or its counterparties, could have to provide certain credit enhancements in the form of cash, LOCs, or other acceptable security to collateralize exposure beyond the allowed amounts.

UNS Gas considers the effect of counterparty credit risk in determining the fair value of derivative instruments that are in a net asset position, after incorporating collateral posted by counterparties, and then allocates the credit risk adjustment to individual contracts. UNS Gas also considers the impact of its credit risk on instruments that are in a net liability position, after considering the collateral posted, and then allocates the credit risk adjustment to individual contracts.

The fair value of all derivative and non-derivative instruments in net liability positions under contracts with credit risk-related contingent features, including contracts under the normal purchase normal sale exception, was $21.0 million as of December 31, 2024, compared with $27.8 million as of December 31, 2023. UNS Gas had no cash posted as collateral to provide credit enhancement as of December 31, 2024, and December 31, 2023. UNS Gas would have been required to post an additional $21.0 million and $27.8 million of collateral if the credit risk contingent features had been triggered on December 31, 2024, and December 31, 2023, respectively. UNS Gas had $10.0 million and $9.3 million in outstanding net payable balances for settled positions as of December 31, 2024, and December 31, 2023, respectively.

FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The fair value of a financial instrument is the market price to sell an asset or transfer a liability at the measurement date. Due to the short-term nature of borrowings under revolving credit facilities approximating fair value, they have been excluded from the table below.

The use of different estimation methods and/or market assumptions may yield different estimated fair value amounts. The following table includes the net carrying value and estimated fair value of UNS Gas' long-term debt:

		Net Carrying Value		Fair Value	
		December 31,			
(in thousands)	Fair Value Hierarchy	2024	2023	2024	2023
Liabilities					
Long-Term Debt, including Current Maturities	Level 2	$ 124,317	$ 94,610	$ 115,528	$ 87,888

NOTE 12. INCOME TAXES

Income Tax Expense included on the Statements of Income consists of the following:

	Years Ended December 31,	
(in thousands)	2024	2023
Current Income Tax Expense		
Federal	$ 1,576	$ 2,196
State	246	367
Total Current Income Tax Expense	1,822	2,563
Deferred Income Tax Expense		
Federal	(243)	289
State	166	295
Total Deferred Income Tax Expense	(77)	584
Total Income Tax Expense	$ 1,745	$ 3,147

The significant components of deferred income tax assets and liabilities consist of the following:

	December 31,	
(in thousands)	2024	2023
Gross Deferred Income Tax Assets		
Customer Advances	$ 1,446	$ 1,276
Contributions in Aid of Construction	5,806	5,431
Income Taxes Payable Through Future Rates	6,181	6,413
Other	650	601
Total Gross Deferred Income Tax Assets	14,083	13,721
Gross Deferred Income Tax Liabilities		
Plant, Net	(50,189)	(49,231)
Income Taxes Recoverable Through Future Rates	(263)	(300)
Other	(907)	(762)
Total Gross Deferred Income Tax Liabilities	(51,359)	(50,293)
Deferred Income Taxes, Net	$ (37,276)	$ (36,572)

UNS Gas recorded no valuation allowance against deferred income tax assets as of December 31, 2024 and 2023. Management believes that based on the historical pattern of taxable income, UNS Gas will produce sufficient taxable income in the future to realize its deferred tax assets.

Included in Accounts Receivable, Net and Accounts Payable are current income taxes receivable and payable that are due from and to affiliates, respectively. UNS Gas’ net intercompany income taxes were a receivable of $0.4 million and $0.7 million as of December 31, 2024 and 2023, respectively.

UNS Gas recorded no interest expense in 2024 and 2023 related to uncertain tax positions. In addition, UNS Gas had no interest payable and no penalties accrued as of December 31, 2024 and 2023.

UNS Gas has been audited by the IRS through tax year 2010. The Company's 2014 to 2023 tax years are open for audit by federal and state tax agencies.