



ARIZONA CORPORATION COMMISSION

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Commission Approves Credit for Customers of UNS Gas and Semstream Propane

PHOENIX, AZ—The Corporation Commission on Tuesday approved a purchased gas adjustor credit for customers of both UNS Gas and Semstream Propane. UNS Gas is a natural gas utility providing service in the counties of Apache, Coconino, Mohave, Navajo, Santa Cruz and Yavapai. As of July 2009, the Company had approximately 144,516 customers. Semstream provides propane service to approximately 7,500 customers in the Payson area.

Gas companies recover the cost of the gas they purchase, including its transportation costs, through a Purchased Gas Adjustor (PGA) rate. Currently, the PGA rate is calculated based on a twelve-month rolling average, with a set, per therm annual bandwidth. The rolling average and bandwidth are designed to reduce the volatility of gas costs passed on to customers.

Gas utilities are not allowed to make a profit on the cost of the natural gas they provide, but they are permitted to recover the cost of that gas. Differences between the rolling average cost of gas and the actual cost of natural gas are tracked and recorded in the PGA bank balance, so that under-collections can be recovered by the Company and over-collections can be returned to ratepayers.

The Commission approved a surcredit of \$0.08 per therm for UNS Gas to be in effect from November 1, 2009 to October 2010. Under this scenario, the average customer bill would be reduced by an estimated average of \$5.85 during the five highest usage (winter) months and an average of \$1.28 during the five lowest usage (summer) months.

This surcredit of \$0.08 per therm provides a reasonable balance between repaying ratepayers in a timely fashion and setting the surcredit at a level that is unlikely to contribute to an excessive under-collection. Because the price of natural gas can vary dramatically over a short period of time, possibly taking the bank balance to zero sooner than expected, the period of the surcredit is set at 12 months or until the bank balance reaches zero, whichever occurs first.

For Semstream, the Commission approved a Purchased Gas Adjustor credit of \$0.45 per therm beginning on November 1, 2009. While the \$0.45 per therm PGA credit would be projected to last through October 2010, if propane prices move noticeably higher or lower than expected, the PGA bank balance could reach zero either before or after October 2010. Therefore, Staff further recommends that the PGA credit end the first month after June 2010 where the PGA bank balance has reached zero.

An average residential customer using 56 therms in January 2010 will have a projected bill of \$96.49, excluding taxes and assessments, a reduction of \$25.20 or 20.7 percent.

Semstream's over-collected PGA bank balance has continued to grow since the end of April 2009, standing at a total over-collection of \$652,058 as of the end of August 2009. Given current propane market conditions, and prices Semstream has locked in for supplies this winter, it is likely the over-collected bank balance would have continued to grow larger, absent action by the Commission.

In its Order, the Commission also directs Staff to file a petition for an Order to Show Cause if Semstream fails to file in a timely fashion with the Commission if its PGA bank balance threshold is exceeded in the future.

"In this tough economy, it's important for utility companies to rebate monies back to their customers immediately, when it's due to them," **Chairman Kris Mayes** said. "The credits will help make natural gas and propane more affordable this winter."

"Today's Commission action will help ratepayers who are struggling during these difficult economic times," said **Commissioner Sandra Kennedy**. "I was proud to cast a 'yes' vote."

"We all welcome this cost reduction for ratepayers, but must continue to plan ahead for when the cost of natural gas rises again," said **Commissioner Paul Newman**.

"I'm pleased that ratepayers will be receiving a refund from Semstream and UNS Gas," said **Commissioner Bob Stump**. "In this economy, it comes not a moment too soon."

"One salutary aspect of the economic slowdown of 2009 has been the downward pressure on fuel costs," said Commissioner Gary Pierce. "I am happy to see the citizens of Payson, Nogales and Northern Arizona catch somewhat of a reprieve from the high energy costs of yesteryear."

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