

PUBLIC NOTICE OF HEARING ON UNS GAS, INC.'S APPLICATION FOR THE ESTABLISHMENT OF A JUST AND REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA AND FOR RELATED APPROVALS (DOCKET NO. G-04204A-24-0237)

Summary

On November 15, 2024, UNS Gas, Inc. ("UNSG" or "Company") filed an Application with the Arizona Corporation Commission ("Commission") requesting an increase of approximately \$17.6 million in retail revenues, which includes the elimination of the Tax Cuts and Jobs Act ("TCJA") Tax Adjustment credit and \$0.4 million for a proposed Customer Energy Management Mechanism Surcharge. UNSG's requested retail revenues represent an overall net increase of approximately 14.3% over adjusted test year revenues. The Application uses a test year ending June 30, 2024. UNSG's current rates were set in 2012 based on a 2010 test year. UNSG states that the increased retail revenue requested is necessary to cover UNSG's investments to upgrade and reinforce its system and facilities over the past 12 years to maintain safe, reliable service to nearly 170,000 customers. In addition, the increase reflects changes to the depreciation rates currently applied to UNSG's utility plant and 12 months of post-test year investments in plant. The Application proposes a return on equity of 10.25%, a 7.98% weighted average cost of capital, and a return on fair value increment of 0.90%, resulting in a proposed fair value rate of return of 5.34% on a proposed fair value rate base of \$463 million.

Adjuster Mechanisms and Formula Rates

UNSG proposes adoption of an Annual Rate Adjustment Mechanism ("ARAM"), in accordance with the Commission's Policy on Formula Rate Plans which is discussed in Commission Decision No. 79647 (December 31, 2024), that is designed to promote rate gradualism for customers and provide more timely cost recovery for the Company. Formula rates have been used at the federal level for a long time but UNSG's application is the first at the Commission to request their use. If the ARAM is not approved by the Commission, adoption of:

- A System Improvement Benefit Mechanism ("SIB") that would support the Company's infrastructure improvements necessary for safe and reliable service;
- A Customer Energy Management Mechanism ("CEM") and related surcharge, which will provide energy efficiency support that is focused on schools, low-income customers and other entities that can benefit the most from reduction in usage; and
- A Tax Expense Adjustor Mechanism ("TEAM") similar to mechanisms that the Commission has approved for other utilities.

Rate Design Changes

UNSG is seeking to modify the rate design for several of its rate offerings. It is also seeking to increase the monthly Basic Service Charge ("BSC") by \$5.00 (from \$10 to \$15) for residential customers. In conjunction with the proposed BSC increase, UNSG is also proposing to modify the monthly Customer Assistance Residential Energy

Support ("CARES") Discount for low-income customers which should result in an increase in the discount in most instances, particularly during times of higher usage. UNSG proposes to replace the current \$3 monthly discount plus a \$0.15-per therm seasonal discount with a \$5 monthly discount plus a year-round 40% discount to gas costs included in its Purchased Gas Adjustment (PGA) surcharge.

Bill Impacts

Under the rates proposed by the Company, the current average monthly bill for a typical UNSG Residential Service customer based on 45 therms of average monthly consumption will increase by \$6.13, or 13.7%, from \$44.72 to \$50.85. A typical January bill for Residential customers using the average monthly consumption of 101 therms will see an increase of \$7.51 or 8.6%. A typical July bill for Residential customers using the average of 14 therms per month will see an increase of \$5.35 or 25.9%. Current CARES Program participants will see smaller average monthly bill increases due to the proposed changes to the CARES Program.

**IMPACT OF APPROVED CHARGES ON A CUSTOMER'S BILL
DEPENDS ON THE MONTHLY ENERGY CONSUMPTION.
CUSTOMERS USING LESS OR MORE THAN THE AVERAGE WOULD
EXPERIENCE A SMALLER OR LARGER INCREASE.**

Additional Requests

UNSG is also seeking approval for modifications to its Tariffs and Rules and Regulations, and other related matters.

The Commission's Utilities Division ("Staff") is in the process of reviewing and analyzing the Application and has not yet made recommendations regarding UNSG's request. The Commission will determine the appropriate rate relief to be granted based on the evidence of record in this proceeding.

**THE COMMISSION IS NOT BOUND BY THE PROPOSALS OF UNSG,
STAFF, OR ANY INTERVENORS. THE COMMISSION WILL DETERMINE
THE APPROPRIATE RELIEF TO BE GRANTED IN RESPONSE TO
UNSG'S APPLICATION BASED ON THE EVIDENCE PRESENTED IN
THIS MATTER.**

**THE FINAL RATES APPROVED BY THE COMMISSION MAY BE
HIGHER, LOWER, OR DIFFERENT THAN THE RATES PROPOSED BY
UNSG OR BY OTHER PARTIES.**

If you have any questions concerning how the Application may affect your bill or other substantive questions about the Application, you may contact UNSG at: **UNSG Gas, Inc., 88 E. Broadway Blvd. HQE 808, Tucson, Arizona 85701, or by phone (520) 884-3742, or email corpcomm@tep.com.**

How You Can View or Obtain a Copy of the Application

Copies of the Application and proposed tariffs are available from UNSG on the Internet via UNSG's website (www.uesaz.com) and at various libraries within the following service territories: Cottonwood, Flagstaff, Kingman, Lake Havasu City, Nogales, Prescott and Show Low. The name and address of the libraries may be found on our website. The application may also be found at the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, Arizona, and the Commission's office at 400 West Congress Street, Suite 218, Tucson, Arizona, during regular business hours; and on the Commission website (www.azcc.gov) using the e-Docket function and the Docket Number shown above.

Public Comment Meetings at Commission Offices

The Commission will hold the following public comment meetings:

September 23, 2025, TELEPHONIC ONLY, 5:30 – 7:00 p.m. or until the last caller is heard, whichever comes first.

October 6, 2025, TELEPHONIC AND IN-PERSON, beginning at 10:00 a.m. at the Commission's Tucson offices, Room 222, 400 West Congress Street, Tucson, Arizona 85701.

To provide **telephonic** public comments, call **1-877-309-3457** and enter passcode **24601833204##**.

Written public comments may be submitted by mailing a letter referencing **Docket No. G-04204A-24-0237** to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by submitting comments on the Commission's website (www.azcc.gov) by clicking on "Divisions" then "Hearing" and "eFiling Services" and clicking on "Make a Public Comment in a Docket." If you require assistance, you may contact the Consumer Services Section at 602-542-4251 or 1-800-222-7000.

The Commission will impose a **3-minute time limit per speaker** to ensure that everyone who desires to speak has an opportunity to do so.

Commission Public Hearing Information

The Commission will hold a hearing on this matter beginning **October 6, 2025, at 10:00 a.m.**, at the Commission's Tucson offices, Room 222, 400 West Congress Street, Tucson, Arizona 85701.

If you do not intervene in this proceeding, you will receive no further notice of the proceedings in this docket unless you sign up to Follow the Docket. However, all documents filed in this docket are available online (usually within 24 hours after docketing) at the Commission's website (www.azcc.gov) using the e-Docket function. **Information on how to Follow a Docket is available on the Commission's website by clicking on "Divisions", then "Hearing" and "Following a Docket."**

About Intervention

The law provides for an open public hearing at which, under appropriate circumstances, interested persons may intervene. An interested person may be granted intervention if the outcome of the case will directly and substantially impact the person, and the person's intervention will not unduly broaden the issues in the case. Intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other parties' witnesses. **Intervention is not required for you to appear at the hearing and**

provide public comment, to file written comments in the record of the case, or to receive emailed notice of each filing made in the case by following the docket.

Information about what intervention means, including an explanation of the rights and responsibilities of an intervenor, is available on the Commission's website (www.azcc.gov) by clicking on "**Cases and Open Meetings**" and then clicking on "**Intervene in a Case.**" The information includes a Sample Intervention Request and a Fillable Intervention Request Form.

To request intervention, you must file a written request to intervene, either (a) by a filing a hard copy request (meeting filing requirements) with Docket Control (Docket Control, 1200 West Washington, Phoenix, AZ 85007), or (b) by **eFiling** the request. Your request **must be filed or eFiled no later than May 9, 2025.** Instructions and restrictions for eFiling are available on the Commission's website at <http://azcc.gov/hearing/efile-for-utilities-instruction>. You also **must** serve a copy of the request to intervene on each party of record, on the same day that you file the request to intervene with the Commission.

Your request to intervene **must** contain the information below:

1. Your name, address, and telephone number;
2. The docket number for the case in which you are requesting to intervene;
3. A short statement explaining:
 - a. Your interest in the proceeding (e.g., a customer of the regulated company involved, a property owner in an area to be affected by the case, etc.),
 - b. How you will be directly and substantially affected by the outcome of the case, and
 - c. Why your intervention will not unduly broaden the issues in the case;
4. A statement certifying that you have sent a copy of your request to intervene to the regulated company or its attorney and to all other parties of record in the case; and
5. If you are not represented by an attorney who is an active member of the Arizona State Bar, and you are not representing yourself as an individual, sufficient information and any appropriate documentation to demonstrate compliance with Arizona Supreme Court Rules 31.1, 31.2, 31.3, 38, 39, and 42, as applicable. This only applies if you are NOT representing yourself and you are not a licensed attorney.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before **May 9, 2025.**

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator for the Hearing Division, E-mail HearingDivision@azcc.gov, voice phone number 602-542-4250. Requests should be made as early as possible and no later than 48 hours in advance of the event to allow time to arrange the accommodation.

Para leer este aviso en español, visite www.uesaz.com/propuesta.