



Transportation Service Using Dedicated Transmission Facilities (T-2)

AVAILABILITY

This tariff is only available to any qualifying Customer for transportation of natural gas by the Company from dedicated interconnects between the Company and upstream pipelines (herein called Receipt Point) to the Delivery Point(s) on the Company's transmission system throughout its certificated Arizona Gas Service Area under the following conditions:

1. The Company has or will have available capacity to render the requested service utilizing facilities dedicated to the requirements of the Customer, except as provided under Facility Additions hereof;
2. The Customer has demonstrated to the Company's satisfaction the assurance of natural gas supplies and third-party transportation agreements with quantities and for a term compatible with the service being requested from the Company;
3. The Customer and the Company have executed a Transportation Agreement, and the Customer is to be the End-User;
4. The Customer's requirement for gas to be transported is greater than 1,000 therms per day or 120,000 therms per year; and
5. The Customer is not taking service through dedicated facilities under the provisions of a special contract approved by the Arizona Corporation Commission ("ACC").
6. The Customer is classified as a utility that produces electricity.

APPLICABILITY

This tariff shall apply to gas transported by the Company for Customer pursuant to the executed service agreement.

1. The basic transportation service rendered under this tariff shall consist of:
 - (a) The receipt by the Company for the account of the Customer of the Customer's gas at the Receipt Point;
 - (b) The transportation of gas through the Company's gas system for the account of the Customer; and
 - (c) The delivery of gas after transportation by the Company for the account of the Customer at the Delivery Point(s).
2. Transportation: Service is firm and uninterrupted except for the following:

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- (a) Curtailment in accordance with the Company's curtailment priority procedures;
 - (b) When the Company determines it has insufficient capacity on its system or from its upstream pipeline; or
 - (c) Customer's gas supply to the Company is insufficient to meet its requirement.
3. Any Customer served under this tariff is ineligible to obtain sales service without executing a special contract approved by the ACC.

RATES

A monthly net bill at the following rates plus any adjustments incorporated herein:

Customer Charge per month: \$225.00 per meter

Volume Charge: An amount equal to the applicable unit transportation rate for each therm of Customer-secured gas metered and delivered to the Customer. The unit rates shall be as set forth in the currently effective Tariff Summary. The volume charge will consist of the following:

- (a) An amount to fund the Company's low income rate program equal to the portion of the applicable unit sales margin for each therm included in rates as set forth in the Customer's otherwise applicable sales tariff for each meter.
- (b) An amount to reflect lost and unaccounted for gas as determined by the differential between the gas cost on a sales basis and gas cost on a purchase basis determined in the development of the currently effective Purchased Gas Adjustment ("PGA"), Rate Rider No. R-1. The Company at its sole option may allow lost and unaccounted for gas to be paid in kind.
- (c) Any applicable imbalance charges as specified in Payment For Excess Quantities of this tariff.
- (d) Any charges from upstream pipeline transporters or suppliers which have been incurred by the Company in excess of those specified in section (c) above and are deemed by the Company to be applicable to the transportation service rendered for the Customer under this tariff.

Reservation Charge: An annual charge to be billed in twelve (12) equal monthly installments equal to the fully allocated costs to provide the dedicated facilities necessary to serve the Customer as described more fully in Rates herein.



Determined on the basis of a fully allocated cost study filed with and approved by the ACC in the context of a general rate case except when the request for service is non-coincident with a rate filing. In the latter case, the Reservation Charge will be computed by the Company including the following elements:

- (a) Return and income taxes at the rate of return approved by the ACC in the Company's last general rate case computed on the basis of the installed costs of the dedicated facilities plus an allocation of other rate base items including, as appropriate: intangible, general and common plant investment, less any applicable accumulated depreciation and deferred taxes, an allowance for working capital and materials and supplies;
- (b) Operations expense including all operating and maintenance expenses, depreciation and amortization expense, taxes other than income related to the dedicated facilities and allocated rate base;
- (c) Allocated indirect expense including an appropriate portion of customer accounting, sales and information, and administrative and general expenses; and
- (d) Any other allocated costs incurred either directly or indirectly to provide the requested service.

Special Surcharge: An annual charge to be computed on the basis of the twelve (12) months ending September of the prior year and billed beginning in January in equal monthly installments, computed as the sum of the following charges:

- (a) The revenue requirements for any additional investments required to provide the service requested by Customer subsequent to the establishment of the currently effective Reservation Charge,
- (b) Any non-recurring operating and maintenance expenses associated with the facilities dedicated to the Customer in the previous year, and
- (c) Any extraordinary expenses incurred by the Company on behalf of the Customer not included in (a) or (b) above.

Minimum Charge: The minimum charge will be the sum of the Basic Customer Charge per Month, the monthly Reservation Charge and any monthly Special Surcharge.



ADMINISTRATIVE PROCEDURES

1. Processing Requests for Transportation Service: Requests for transportation hereunder shall be made by, and shall be deemed to be complete upon, the Customer providing the following information to the Company:
 - (a) Gas Quantities: The Maximum Daily Quantity applicable to the receipt point and the Maximum Daily Quantity applicable to each delivery point, and estimated total quantities to be received and transported monthly over the delivery period should be stated individually in terms for each receipt point.
 - (b) Delivery Point(s): Point(s) of delivery by the Company to the Customer.
 - (c) Term of Service:
 - i. Date service requested to commence;
 - ii. Date service requested to terminate, if known; and
 - iii. Minimum term for transportation service shall be twelve (12) months.
 - (d) Performance: A statement from the Customer certifying that the Customer has or will have title to the gas to be delivered to the Company for transportation and has entered into or will enter into those arrangements necessary to assure all upstream transportation will be in place prior to the commencement of service under a Transportation Agreement. The Customer's Agent, if any, must be named.

Upon receipt of all of the information specified above, the Company shall prepare and tender to the Customer for execution a Transportation Agreement. If the Customer fails to execute the Transportation Agreement within thirty (30) days of the date tendered, the Customer's request shall be deemed null and void.

2. Construction Requirements: In the event that the Customer's request for service requires the construction of additional transmission facilities not otherwise addressed in section Payment For Excess Quantities herof, Extension of Lines, in the Company's current Rules and Regulations, the following additional provisions may apply:
 - (a) The Company may request an advance for engineering and design services based on the Company's estimate of the anticipated costs related to the requested dedicated facilities;
 - (b) Any advance for engineering and design will be refunded to the Customer on commencement of service;
 - (c) Actual engineering and design costs will be included in the dedicated facilities' costs and recovered as a part of the Reservation Charge;

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- (d) If the dedicated facilities are not placed in service for any reason, the Company may retain the advance;
- (e) Prior to the initiation of construction of the dedicated facilities, the Company will provide an estimate of the total costs and resulting annual costs to Customer;
- (f) The Company shall not be liable for any differences between actual construction costs and estimated costs;
- (g) Customer may withdraw the request for service prior to initiation of construction; and
- (h) The Customer may request that construction cease prior to completion. However, if the dedicated facilities are not completed or placed in service, the Customer is liable for service under the terms of this tariff as if the facilities had been completed, based on the total construction costs expended on behalf of the Customer.

OPERATING PROCEDURES

1. Nominating and Scheduling of Gas Receipts and Deliveries: The Customer shall be responsible for contacting the upstream pipelines to arrange for the nominating and scheduling of receipts and deliveries hereunder, provided, that the Customer may designate one (1) other party to serve as his agent for such purpose.

The Customer or Customer's Agent shall be responsible for submitting nominations to the upstream pipeline and notifying the Company's designated representative in writing no later than one (1) hour prior to the upstream pipeline's nomination deadlines set forth in their FERC approved tariff. Such communication shall occur prior to the first of the month and within the month if there are changes to the nominations. The Customer is responsible for confirming the timely receipt of this information by the Company. The Company will confirm whether it has sufficient operational capacity to deliver all or a portion of the Customer's gas.

2. Operating Information and Estimates: Upon request of the Company, the Customer shall from time to time submit its best estimates of the daily, monthly and annual volumes of gas to be transported; including peak day requirements, together with such other operating data as the Company may require in order to schedule its operations.
3. The Company may require large Customers whose contractually allowed maximum daily quantity exceeds 10,000 therms per day, whose usage is not predictable based on weather, and whose ratio of high to low daily usage exceeds ten (10) to inform the Company within 2 hours of any initiation or termination of gas usage exceeding an hourly rate of 1,000 therms per hour.
4. Quantities: All quantities referred to under Operating Procedures shall be provided as dekatherms ("DTH") (one million British Thermal Units).

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5. Deliverability: The Company shall not be liable for its failure to deliver gas when such failure is due to unavailability of gas supply or interruption of third party transportation services.
6. Other Operating Procedures: The Company may require additional information or enforce other operating procedures as deemed necessary in the Company's sole judgment, in order to coordinate gas volumes and the movement of gas through the upstream pipeline system to the Company's Arizona Gas Service Area. These additional operating procedures may be enforced upon verbal notice to each Customer or the Customer's Agent with twenty-four (24) hour notice of implementation.
7. Balancing: Balancing of thermally equivalent volumes of gas received and delivered shall be achieved as nearly as feasible on a daily basis, taking into account the Customer's right, subject to prior Company approval, to vary receipts and deliveries across the Company Distribution System. Customer monthly imbalances are defined as the difference between the Customer's total monthly metered quantities and the Customer's total scheduled transportation quantity. Customers are provided a monthly operating window, under which the Customer's cumulative imbalances must be within plus or minus 5 percent (+/- 5%) of the month's total of daily scheduled transportation quantities, plus any Company-approved imbalance adjustment quantity, or 1,500 therms, whichever is greater. Imbalances established in excess of the applicable monthly operating window will be subject to imbalance charges as specified under Payment For Excess Quantities of this tariff. However, if the Customer has an imbalance outside this limit and contacts the Company before the end of the last business day of the month, the Customer will have a "cure period" of an additional 30 days to bring its imbalance within the limits before any imbalance charges specified under Payment For Excess Quantities are applied. Customer is then ineligible for a "cure period" for the following month. If in the Company's sole good faith judgment and operating conditions permit, the Company will increase the monthly operating window. Any imbalance (plus or minus) carried forward shall be considered first through the meter during the next daily or monthly period, as applicable.
8. Upon Customer request, the Company will permit electronic read-only access to the telemetering facilities described under Facility Additions or provide daily meter reads each calendar day.
9. Adjustments: Periodically, volume adjustments may be made by the upstream pipelines or the Customer's agent. Therefore, actual daily volumes invoiced will be compared with daily nominated volumes. Should adjustments to the nominated volumes become necessary, such adjustments will be applied to the nomination for the month in which the volumes were delivered to the Customer for the purposes of determining the applicability of the provisions of this tariff.
10. Customer Default: The Company shall not be required to perform or continue service on behalf of any Customer that fails to comply with the terms contained in this tariff and the terms of the Customer's Transportation Service Agreement with the Company. The Company shall have the right to waive any one or more specific defaults by any Customer under any provision of this tariff or the service agreement, provided, however, that no such waiver shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or different character.

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11. Operational Curtailment: The Company reserves the right to impose, at any time, any reasonable operating conditions upon the transportation of the Customer's gas which the Company, in its sole good faith judgment, deems necessary to maintain safe and efficient operation of its distribution system, or to make the operating terms and conditions of service hereunder compatible with those of its upstream pipelines. Under such circumstances, the following conditions shall apply:
12. Any Customer that does not comply with a notice of operational curtailment shall be subject to, in addition to any otherwise applicable charges, a penalty of \$10.00 per DTH for all unauthorized quantities during the curtailment period.
13. The Company shall endeavor to provide notice of such operational curtailment forty-eight (48) hours prior to the commencement of the delivery of gas.
14. Notwithstanding condition (b), the Company may impose an operational curtailment on the current gas day. In the event an operational curtailment is imposed on the current gas day, a minimum one-hour grace period will be allowed before penalties begin to apply.

PAYMENT FOR EXCESS QUANTITIES

1. Customers will be assessed imbalance charges if an imbalance exists in excess of the applicable monthly operating window under the conditions set forth under Balancing described as part of Operating Procedures herein. The portion of any imbalance quantity established by a Customer in excess of the applicable monthly operating window is defined as an excess imbalance quantity. The imbalance charge will be based on the Company's short term purchases, where short term purchases are defined as gas for which the price is determined in the calendar month of use. In addition to the charges payable under this tariff, any monthly excess quantity shall be billed as follows:

(a) Positive Excess Imbalance

A positive excess imbalance exists when the Customer's scheduled transportation quantity exceeds the Customer's metered quantity by more than the applicable monthly operating window. The excess imbalance shall be retained by the Company and eliminated after the Customer's bill is credited as follows:

- (i) The price of the positive imbalance gas for the applicable month shall be calculated as the weighted average cost per therm of the Company's least expensive short term purchases (including all upstream pipeline fuel and variable costs) for the aggregate positive imbalance volume associated with all T-2 customers. This weighted average cost per therm will be multiplied by the Customer's positive imbalance volume and the percentage associated with the Customer's "Percentage Excess Imbalance" in the "Positive" column in Table 1 below.

(b) Negative Excess Imbalance

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A negative excess imbalance exists when the sum of the Customer's scheduled transportation quantity is less than the metered quantity by more than the applicable monthly operating window. The excess imbalance shall be eliminated after the Customer is billed as follows:

- (i) The price of the negative imbalance gas for the applicable month shall be calculated as the weighted average cost per therm of the Company's most expensive short term purchases (including all upstream pipeline fuel, variable and capacity costs, at a 100% load factor) for the aggregate negative imbalance volume associated with all T-2 customers. This weighted average cost per therm will be multiplied by the Customer's negative imbalance volume and the percentage associated with the Customer's "Percentage Excess Imbalance" in the "Negative" column in Table 1 below.

Table 1

Percentage Excess Imbalance	Positive	Negative
Equal to or less than 5%	100%	100%
Over 5% and less than or equal to 15%	90%	110%
Over 15% and less than or equal to 20%	80%	120%
Over 20% and less than or equal to 30%	70%	130%
Over 30%	60%	140%

- 2. Should the Customer cease to utilize transportation service under this tariff, the entire remaining imbalance shall be settled pursuant to section Payment For Excess Quantities herein. For purposes of this settlement, no operating window applies.
- 3. Under no circumstances shall the section Payment For Excess Quantities above be considered as giving the Customer any right to take excess quantity gas, other than as provided in Operating Procedures hereof, nor shall the section Payment For Excess Quantities or payment thereunder be considered as a substitute for any other remedy available to the Company against the offending Customer for failure to respect its obligation to stay within its authorized quantities.



FACILITY ADDITIONS

Any facilities which must be installed by the Company to serve the Customer will be constructed in accordance with the Rules of Service as approved from time to time by the ACC. Telemetering facilities on each meter will be installed at the Customer's expense. Customers requiring telemetering facilities shall provide, at the Customer's expense, a dedicated telephone line for the Company's use in communicating with the telemetering facilities and will pay any and all costs associated with that phone line. Further, any existing special surcharges or minimum bill provisions designed to recover the cost of facilities for any Customer shall remain in effect and may serve to increase maximum allowable transportation rate levels pursuant to this tariff.

THIRD PARTY CHARGES

The Customer shall reimburse the Company for any charges rendered or billed to the Company by its upstream pipelines and by any other upstream transporter and gas gatherers, either before or after termination of the Transportation Agreement, which the Company, in its sole good faith judgment, determines have been incurred because of the transportation of Customer's gas hereunder and should, therefore, appropriately be borne by the Customer. Such charges, whether levied in dollars or gas, may include, but shall not be limited to, standby charges or reservation fees, prepayments, applicable taxes, applicable fuel reimbursement, shrinkage, lost and unaccounted for volumes, Gas Research Institute surcharges, penalty charges, and filing fees.

The Customer will reimburse the Company for all such charges incurred by the Company as rendered, irrespective of the actual quantities of natural gas delivered to the Customer.

CONDITIONS FOR CONVERTING TO T-2 SERVICE

Any qualified Customer converting from gas sales service to service under this tariff is subject to the following conditions and requirements:

1. T-2 service will commence at the beginning of the first calendar month following the end of five (5) days after receipt of the customer service change request or completion of any required facilities, whichever is later.
2. Customer will be billed or credited the Customer's pro rata share of the balance in the PGA bank accumulated while served under the Company's sales tariff, calculated as follows:
 - (a) Starting from the later of the month of initiation of gas sales service by the Customer, or the date of initiation of the current PGA bank, through the Customer's last month of sales service, the Customer's actual therm usage will be multiplied, on a month-by-month basis, by the difference between the Company's actual commodity cost per therm and the Cost of Natural Gas Charge ("CNGC"). The CNGC shall be subject to increases or decreases by the amount of the purchased gas adjustment for the billing month computed in accordance with the provisions of Rider R-1.
 - (b) The sum of these monthly calculated values equals the Customer's charge or credit due for conversion to service under this tariff;

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- (c) Customer charge or credit will be paid in twelve (12) equal monthly payments, including interest equal to the carrying charge rate applicable to the PGA bank at the time of conversion to service under this tariff.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file from time to time with the ACC shall apply where not inconsistent with this tariff.

CONDITIONS

1. Transportation of Customer owned natural gas hereunder shall be limited to natural gas of equal or higher quality than natural gas currently available from the Company's supplier(s). All gas delivered by the Company to the Customer shall be deemed to be the same quality as that gas received by the Company for transportation.
2. With respect to the Company's capacity to deliver gas at any particular time, the curtailment priority of any Customer served under this tariff shall be the same as the curtailment priority established for other Customers served pursuant to the Company's tariff, which would otherwise be applicable to such Customer.

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