

Attachment to RUCO's Brief
RUCO Final Accounting Schedules

Schedule	Description	Pages	Note
	Revenue Requirement Summary Schedules		
A	Calculation of Revenue Deficiency (Sufficiency)	2	Revised
A-1	Gross Revenue Conversion Factor	1	
B	Adjusted Rate Base	1	Revised
B.1	Summary of Adjustments to Rate Base	1	
C	Adjusted Net Operating Income	1	Revised
C.1	Summary of Net Operating Income Adjustments	2	Revised
D	Capital Structure and Cost Rates	2	
	Rate Base Adjustments		
B-1	Construction Work in Progress/Post Test Year Plant	1	
B-2	Customer Advances	1	
B-3	Prepayments	1	
B-4	Cash Working Capital		[A-1]
B-5	Customer Deposits		[A-2]
B-6	Accumulated Deferred Income Taxes	1	
	Net Operating Income Adjustments		
C-1	Gas Retail Revenue	1	
C-2	Depreciation & Property Taxes for CWIP	2	
C-3	Incentive Compensation	1	
C-4	Stock-Based Compensation Expense	1	[B]
C-5	Supplemental Executive Retirement Plan Expense	1	
C-6	American Gas Association Dues	2	
C-7	Outside Services Legal Expense	1	
C-8	Fleet Fuel Expense	3	[C]
C-9	Rate Case Expense	1	
C-10	Interest Synchronization	1	
C-11	Property Tax Expense	1	
C-12	2010 Pay Increase	2	
C-13	Postage Expense Rate Increase	1	[D]
	Total Pages (including Contents page)	33	

[A-1] For the reasons explained in RUCO's direct and surrebuttal testimony a cash working capital allowance no larger than the \$1,600 in UNSG's original filing is recommended

[A-2] For the reasons explained in RUCO's direct testimony, an adjustment to Customer Deposits in rate base should be made, for consistence, if RUCO's adjustment B-3 for Prepayments is not adopted

[B] Contains Company-designated CONFIDENTIAL INFORMATION

[C] Revised in Surrebuttal - See Attachment RCS-7, Schedule C-8 Revised

[D] Added in Surrebuttal - See Attachment RCS-7, Schedule C-13

UNS Gas Inc.
 Computation of Increase in Gross Revenue Requirement

Docket No. G-04204A-08-0571
 Schedule A Revised
 Page 1 of 2

Test Year Ended June 30, 2008

Line No.	Description	Reference	UNS Proposed		RUCO Proposed	
			Original Cost (A)	Fair Value (B)	Original Cost (C)	Fair Value (D)
1	Adjusted Rate Base	Sch. B	\$ 182,293,106	\$ 255,779,939	\$ 179,884,439	\$ 252,877,851
2	Rate of Return	Sch D	9.54%	6.80%	7.55%	5.38%
3	Operating Income Required		\$ 17,390,762	\$ 17,390,762	\$ 13,581,275	\$ 13,604,828
4	Net Operating Income Available	Sch. C	\$ 11,600,004	\$ 11,600,004	\$ 12,831,730	\$ 12,831,730
5	Operating Income Excess/Deficiency		\$ 5,790,758	\$ 5,790,758	\$ 749,545	\$ 773,098
6	Gross Revenue Conversion Factor	Sch. A-1	1.6366	1.6366	1.636582	1.636582
7	Overall Revenue Requirement		\$ 9,477,048	\$ 9,477,048	\$ 1,227,000	\$ 1,265,000
8	Difference between OCRB and FVRB calculations			\$ -		\$ 38,000

Notes and Source

Cols. A & B taken from UNS Gas, Inc. filing, Schedule A-1

8	Gas Retail Revenue	Sch. C	\$ 51,157,763	\$ 51,157,763	\$ 51,673,766	\$ 51,673,766
9	Percentage Increase		18.53%	18.53%	2.37%	2.45%

See page 2 for additional Fair Value calculations RUCO is presenting for the Commission's consideration.
 RUCO's amounts on line 7 are rounded to the nearest thousand.

Test Year Ended June 30, 2008

Line No.	Description	Reference	Fair Value Calculation 1 (A)	Fair Value Calculation 2 (B)	Fair Value Calculation 3 (C)	Fair Value Calculation 4 (D)	RUCO Recommended (E)
1	Adjusted Rate Base	Sch. B	\$ 252,877,851	\$ 252,877,851	\$ 252,877,851	\$ 252,877,851	\$ 252,877,851
2	Rate of Return	Sch D	6.30%	5.05%	5.37%	5.73%	5.38% [a]
3	Operating Income Required		\$ 15,931,305	\$ 12,770,331	\$ 13,579,541	\$ 14,489,901	\$ 13,604,828
4	Net Operating Income Available	Sch. C	\$ 12,831,730	\$ 12,831,730	\$ 12,831,730	\$ 12,831,730	\$ 12,831,730
5	Operating Income Excess/Deficiency		\$ 3,099,575	\$ (61,399)	\$ 747,811	\$ 1,658,171	\$ 773,098
6	Gross Revenue Conversion Factor	Sch. A-1	1.636582	1.636582	1.636582	1.636582	1.636582
7	Overall Revenue Requirement		\$ 5,073,000	\$ (100,000)	\$ 1,224,000	\$ 2,714,000	\$ 1,265,000 [b]
		Evaluation:	way too high	too low	too low	too high	recommendation

Notes and Source

8	Gas Retail Revenue	Sch. C	\$ 51,673,766	\$ 51,673,766	\$ 51,673,766	\$ 51,673,766	\$ 51,673,766
9	Percentage Increase		9.82%	-0.19%	2.37%	5.25%	2.45%

RUCO's amounts on line 7 are rounded to the nearest thousand.

Explanation of Fair Value Calculations (See Schedule D, page 2, for details):

Calculation 1 - Reduce Recommended OCRB-Based Return on Equity for Estimated Inflation

Calculation 2 - Reduce Recommended OCRB-Based Overall Rate of Return for Estimated Inflation

Calculation 3 - With Fair Value Rate Base Increment at Zero Cost

Calculation 4 - With Fair Value Rate Base Increment at 1.25 Percent

[a] Recommended FVROR selected based on informed judgment after reviewing OCRB and FVRB calculations

[b] See page 1 of this schedule for how this recommendation compares with an OCRB-based calculation

UNS Gas, Inc.
 Computation of Gross Revenue Conversion Factor

Docket No. G-04204A-08-0571
 Schedule A-1
 Page 1 of 1

Test Year Ended June 30, 2008

Line No.	Description	Company Proposed (A)	RUCO Proposed (B)
1	Gross Revenue	100.00%	100.00000%
2	Less: Uncollectible Revenue	<u>0.487000%</u>	<u>0.48700%</u>
3	Taxable Income as a Percent	99.51%	99.51300%
4	Less: Federal and State Income Taxes	<u>38.41%</u>	<u>38.41003%</u>
5	Change in Net Operating Income	<u><u>61.10%</u></u>	<u><u>61.10297%</u></u>
6	Gross Revenue Conversion Factor	<u><u>1.6366</u></u>	<u><u>1.636582</u></u>

Notes and Source

Col.A: UNS Gas Inc. Filing, Schedule C-3

7	Combined Income Tax Rate	<u><u>38.5980%</u></u>
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Test Year Ended June 30, 2008

Line No.	Description	Original Cost			RCND		
		As Adjusted by UNS (A)	RUCO Adjustments (B)	As Adjusted by RUCO (C)	As Adjusted by UNS (D)	RUCO Adjustments (E)	As Adjusted by RUCO (F)
1	Gross Utility Plant in Service	\$ 318,227,624	\$ (1,527,588)	\$ 316,700,036	\$ 561,025,858	\$ (2,514,427)	\$ 558,511,431
2	Less: Accumulated Depreciation	\$ (87,543,544)	\$ -	\$ (87,543,544)	\$ (152,278,962)	\$ -	\$ (152,278,962)
3	Net Utility Plant in Service	\$ 230,684,080	\$ (1,527,588)	\$ 229,156,492	\$ 408,746,896	\$ (2,514,427)	\$ 406,232,469
4	Southern Union Acquisition Premium	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Less: Accum. Amort. - So. Union Acq. Premium	\$ -	\$ -	\$ -	\$ (3,553)	\$ -	\$ (3,553)
6	Net Southern Union Acquisition Premium	\$ -	\$ -	\$ -	\$ (3,553)	\$ -	\$ (3,553)
7	Citizens Acquisition Discount	\$ (30,709,738)	\$ -	\$ (30,709,738)	\$ (55,126,579)	\$ -	\$ (55,126,579)
8	Less: Accum. Amort. - Citizens Acq. Discount	\$ (3,935,647)	\$ -	\$ (3,935,647)	\$ (6,658,438)	\$ -	\$ (6,658,438)
9	Net Citizens Acquisition Discount	\$ (26,774,091)	\$ -	\$ (26,774,091)	\$ (48,468,141)	\$ -	\$ (48,468,141)
10	Total Net Utility Plant	\$ 203,909,989	\$ (1,527,588)	\$ 202,382,401	\$ 360,275,202	\$ (2,514,427)	\$ 357,760,775
11	Customer Advances for Construction	\$ (11,235,876)	\$ (589,152)	\$ (11,825,028)	\$ (12,759,773)	\$ (589,152)	\$ (13,348,925)
12	Customer Deposits	\$ (2,609,271)	\$ -	\$ (2,609,271)	\$ (2,609,271)	\$ -	\$ (2,609,271)
13	Accumulated Deferred Income Taxes	\$ (10,606,875)	\$ (196,256)	\$ (10,803,131)	\$ (18,474,527)	\$ (196,256)	\$ (18,670,783)
14	Total Deductions	\$ (24,452,022)	\$ (785,408)	\$ (25,237,430)	\$ (33,843,571)	\$ (785,408)	\$ (34,628,979)
15	Allowance for Working Capital	\$ 2,364,921	\$ (95,671)	\$ 2,269,250	\$ 2,364,921	\$ (95,671)	\$ 2,269,250
16	Regulatory Assets	\$ 492,590	\$ -	\$ 492,590	\$ 492,590	\$ -	\$ 492,590
17	Regulatory Liabilities	\$ (22,372)	\$ -	\$ (22,372)	\$ (22,372)	\$ -	\$ (22,372)
18	Total Rate Base	\$ 182,293,106	\$ (2,408,667)	\$ 179,884,439	\$ 329,266,770	\$ (3,395,506)	\$ 325,871,264

Notes and Source

Cols. A and D: UNS Gas Inc. filing, Schedule B-1

Fair Value Calculation (Per Company)

19	Original Cost	\$ 182,293,106	
20	RCND	\$ 329,266,770	
21	Total	\$ 511,559,876	
22	Average (Fair Value)	\$ 255,779,939	See Sch. A

Fair Value Calculation (Per RUCO)

23	Original Cost	\$ 179,884,439	
24	RCND	\$ 325,871,264	
25	Total	\$ 505,755,703	
26	Average (Fair Value)	\$ 252,877,851	See Sch. A

UNS Gas, Inc.
Summary of Rate Base Adjustments

Docket No. G-04204A-08-0571
Schedule B.1
Page 1 of 1

Test Year Ended June 30, 2008

Line No.	Description	RUCO Adjustments	Construction Work in Progress/Post Test Year Plant B-1	Customer Advances B-2	Prepayments B-3	Cash Working Capital B-4	Customer Deposits B-5	Accumulated Deferred Income Taxes B-6
1	Gross Utility Plant in Service	\$ (1,527,588)	\$ (1,527,588)					
2	Less: Accumulated Depreciation	\$ -						
3	Net Utility Plant in Service	<u>\$ (1,527,588)</u>	<u>\$ (1,527,588)</u>	\$ -	\$ -	\$ -	\$ -	\$ -
4	Southern Union Acquisition Premium	\$ -						
5	Less: Accum. Amort. - So. Union Acq. Premium	\$ -						
6	Net Southern Union Acquisition Premium	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
7	Citizens Acquisition Discount	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Less: Accum. Amort. - Citizens Acq. Discount	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9	Net Citizens Acquisition Discount	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
10	Total Net Utility Plant	<u>\$ (1,527,588)</u>	<u>\$ (1,527,588)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
11	Customer Advances for Construction	\$ (589,152)		\$ (589,152)				
12	Customer Deposits	\$ -						
13	Accumulated Deferred Income Taxes	\$ (196,256)						\$ (196,256)
14	Total Deductions	<u>\$ (785,408)</u>	<u>\$ -</u>	<u>\$ (589,152)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (196,256)</u>
15	Allowance for Working Capital	\$ (95,671)			\$ (95,671)			
16	Regulatory Assets	\$ -						
17	Regulatory Liabilities	\$ -						
18	Total Rate Base	<u>\$ (2,408,667)</u>	<u>\$ (1,527,588)</u>	<u>\$ (589,152)</u>	<u>\$ (95,671)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (196,256)</u>

UNS Gas, Inc.
Adjusted Net Operating Income

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Schedule C Revised
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Test Year Ended June 30, 2008

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>As Adjusted</u> <u>by UNS</u> <u>(A)</u>	<u>RUCO</u> <u>Adjustments</u> <u>(B)</u>	<u>As Adjusted</u> <u>by RUCO</u> <u>(C)</u>
Operating Revenues				
1	Gas Retail Revenues	\$ 51,157,763	\$ 516,003	\$ 51,673,766
2	Other Operating Revenues	\$ 1,744,743	\$ -	\$ 1,744,743
3	Total Operating Revenues	<u>\$ 52,902,506</u>	<u>\$ 516,003</u>	<u>\$ 53,418,509</u>
Operating Expenses				
4	Purchased Gas	\$ 397,635	\$ -	\$ 397,635
5	Other O&M Expenses	\$ 24,719,113	\$ (1,187,696)	\$ 23,531,417
6	Depreciation & Amortization	\$ 8,240,005	\$ (58,107)	\$ 8,181,898
7	Taxes Other Than Income Taxes	\$ 4,342,078	\$ (293,405)	\$ 4,048,673
8	Income Taxes	\$ 3,603,671	\$ 823,485	\$ 4,427,156
9	Total Operating Expenses	<u>\$ 41,302,502</u>	<u>\$ (715,723)</u>	<u>\$ 40,586,779</u>
10	Net Operating Income	<u>\$ 11,600,004</u>	<u>\$ 1,231,726</u>	<u>\$ 12,831,730</u>

Notes and Source

Col. A: UNS Gas Inc. filing, Schedule C-1

Col. B: Staff Schedule C.1

UNS Gas, Inc.
Summary of Net Operating Income Adjustments

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Schedule C.1 Revised
Page 1 of 2

Test Year Ended June 30, 2008

Line No.	Description	RUCO Adjustments	Gas Retail	Depreciation & Property	Incentive	Stock-Based	Supplemental	American Gas
			Revenue	Taxes for CWIP	Compensation	Compensation Expense	Executive Retirement Plan Expense	Association Dues
			C-1	C-2	C-3	C-4	C-5	C-6
Operating Revenues								
1	Gas Retail Revenues	\$ 516,003	\$ 516,003					
2	Other Operating Revenues	\$ -						
3	Total Operating Revenues	\$ 516,003	\$ 516,003	\$ -	\$ -	\$ -	\$ -	
Operating Expenses								
4	Purchased Gas	\$ -						
5	Other O&M Expenses	\$ (1,187,696)		\$ (11,351)	\$ (140,484)	\$ (266,399)	\$ (101,021)	\$ (16,762)
6	Depreciation & Amortization	\$ (58,107)		\$ (58,107)				
7	Taxes Other Than Income Taxes	\$ (293,405)		\$ (25,584)	\$ (12,027)			
9	PRE-TAX OPERATING EXPENSES	\$ (1,539,208)	\$ -	\$ (95,042)	\$ (152,511)	\$ (266,399)	\$ (101,021)	\$ (16,762)
10	PRE-TAX OPERATING INCOME	\$ 2,055,211	\$ 516,003	\$ 95,042	\$ 152,511	\$ 266,399	\$ 101,021	\$ 16,762
11	Income Taxes	\$ 823,485	\$ 199,167	\$ 36,684	\$ 58,866	\$ 102,825	\$ 38,992	\$ 6,470
11	TOTAL OPERATING EXPENSES	\$ (715,723)	\$ 199,167	\$ (58,358)	\$ (93,645)	\$ (163,574)	\$ (62,029)	\$ (10,292)
12	OPERATING INCOME	\$ 1,231,726	\$ 316,836	\$ 58,358	\$ 93,645	\$ 163,574	\$ 62,029	\$ 10,292

Notes and Source

Combined Effective Tax Rate 38.5980%

Test Year Ended June 30, 2008

Line No.	Description	Surreb-Revised					Surrebuttal	
		Outside Services Legal Expense	Fleet Fuel Expense	Rate Case Expense	Interest Synchronization	Property Tax Expense	2010 Pay Increase	Postage Expense Rate Increase
		C-7	C-8	C-9	C-10	C-11	C-12	C-13
		Revised						
	Operating Revenues							
1	Gas Retail Revenues							
2	Other Operating Revenues							
3	Total Operating Revenues		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Operating Expenses							
4	Purchased Gas							
5	Other O&M Expenses	\$ (217,674)	\$ (71,963)	\$ (158,333)			\$ (225,740)	\$ 22,031
6	Depreciation & Amortization							
7	Taxes Other Than Income Taxes					\$ (230,913)	\$ (24,881)	
9	PRE-TAX OPERATING EXPENSES	\$ (217,674)	\$ (71,963)	\$ (158,333)	\$ -	\$ (230,913)	\$ (250,621)	\$ 22,031
10	PRE-TAX OPERATING INCOME	\$ 217,674	\$ 71,963	\$ 158,333	\$ -	\$ 230,913	\$ 250,621	\$ (22,031)
11	Income Taxes	\$ 84,018	\$ 27,776	\$ 61,113	\$ 30,215	\$ 89,128	\$ 96,735	\$ (8,504)
11	TOTAL OPERATING EXPENSES	\$ (133,656)	\$ (44,187)	\$ (97,220)	\$ 30,215	\$ (141,785)	\$ (153,886)	\$ 13,527
12	OPERATING INCOME	\$ 133,656	\$ 44,187	\$ 97,220	\$ (30,215)	\$ 141,785	\$ 153,886	\$ (13,527)

Notes and Source

Combined Effective Tax Rate 38.5980%

Test Year Ended June 30, 2008

Line No.	Capital Source	Capitalization		Cost Rate	Weighted Avg. Cost of Capital
		Amount	Percent		
		(A)	(B)	(C)	(D)
I. UNS Gas - Proposed					
1	Short-Term Debt	n/a	n/a	3.95%	n/a
2	Long-Term Debt	\$ 99,265	50.01%	6.49%	3.25%
3	Common Stock Equity	\$ 99,242	49.99%	11.00%	5.50%
4	Total Capital	<u>\$ 198,507</u>	<u>100.00%</u>		8.75%
5	Fair Value Adjustment				0.79%
6	UNS Gas Proposed Return				<u>9.54%</u>
II. UNS Gas Proposed to Show Equivalent Requested ROE					
7	Short-Term Debt	\$ -	0.00%	3.95%	n/a
8	Long-Term Debt	\$ 99,265	50.01%	6.49%	3.25%
9	Common Stock Equity	\$ 99,242	49.99%	12.58%	6.29%
10	Total Capital	<u>\$ 198,507</u>	<u>100.00%</u>		<u>9.54%</u>
III. RUCO - Proposed Rate of Return for Original Cost Rate Base					
11	Short-Term Debt	n/a	n/a	3.95%	n/a
12	Long-Term Debt	\$ 99,265	50.01%	6.49%	3.25%
13	Common Stock Equity	\$ 99,242	49.99%	8.61%	4.30%
14	Total Capital	<u>\$ 198,507</u>	<u>100.00%</u>		<u>7.55%</u>
15	Difference				<u>-1.99%</u>
16	Weighted Cost of Debt				<u>3.25%</u>

Notes and Source

Lines 1-4 taken from UNS Gas Inc. filing, Schedule D-1

Lines 5&6: UNS Gas filing, Schedule A

Lines 11-14: RUCO witness William Rigsby

Test Year Ended June 30, 2008

Line No.	Capital Source	Capitalization		Cost Rate	Weighted Avg. Cost of Capital
		Amount (A)	Percent (B)		
Calculation 1 - Reduce Recommended OCRB-Based Return on Equity for Estimated Inflation					
1	Short-Term Debt	n/a	n/a	3.95%	n/a
2	Long-Term Debt	\$ 99,265	50.01%	6.49%	3.25%
3	Common Stock Equity	\$ 99,242	49.99%	6.11% [a]	3.05%
4	Total Capital	<u>\$ 198,507</u>	<u>100.00%</u>		<u>6.30%</u>
Calculation 2 - Reduce Recommended OCRB-Based Overall Rate of Return for Estimated Inflation					
5	Short-Term Debt	\$ -	0.00%	3.95%	n/a
6	Long-Term Debt	\$ 99,265	50.01%	6.49%	3.25%
7	Common Stock Equity	\$ 99,242	49.99%	8.61%	4.30%
8	Total Capital	<u>\$ 198,507</u>	<u>100.00%</u>		<u>7.55%</u>
9	Fair Value Adjustment				<u>-2.50%</u> [b]
10	UNS Gas Proposed Return				<u>5.05%</u>
Calculation 3 - With Fair Value Rate Base Increment at Zero Cost					
11	Short-Term Debt	\$ -	0.00%	3.95%	0.00%
12	Long-Term Debt	\$ 89,952,641	35.57%	6.49%	2.31%
13	Common Stock Equity	\$ 89,931,798	35.56%	8.61%	3.06%
14	Capital financing OCRB	\$ 179,884,439			
15	Appreciation above OCRB not recognized on utility's books	\$ 72,993,413	28.87%	0% [c]	0.00%
16	Total capital supporting FVRB	<u>\$ 252,877,852</u>	<u>100.00%</u>		<u>5.37%</u>
Calculation 4 - With Fair Value Rate Base Increment at 1.25 Percent					
17	Short-Term Debt	\$ -	0.00%	3.95%	0.00%
18	Long-Term Debt	\$ 89,952,641	35.57%	6.49%	2.31%
19	Common Stock Equity	\$ 89,931,798	35.56%	8.61%	3.06%
20	Capital financing OCRB	\$ 179,884,439			
21	Appreciation above OCRB not recognized on utility's books	\$ 72,993,413	28.87%	1.25% [d]	0.36%
22	Total capital supporting FVRB	<u>\$ 252,877,852</u>	<u>100.00%</u>		<u>5.73%</u>

Notes and Source

- [a] Per RUCO witness William Rigsby, inflation to remove from OCRB-based ROE: -2.50%
- [b] Per RUCO witness Rigsby, inflation to remove from OCRB-based Overall Rate of Return: -2.50%
- [c] The appreciation of Fair Value over Original Cost has not been recognized on the utility's books. Such off-book appreciation has not been financed by debt or equity capital recorded on the utility's books. The appreciation over Original Cost book value is therefore recognized for cost of capital purposes at zero cost.
- [d] Approximates the mid-point of a range from zero to 2.5 percent, with 2.5 percent representing an approximate real risk-free rate of return

Lines 11-22, Col.A:

Fair Value Rate Base	\$ 252,877,851	Schedule A
Original Cost Rate Base	\$ 179,884,439	Schedule A
Difference	<u>\$ 72,993,413</u>	

Difference is appreciation of Fair Value over Original Cost that is not recognized on the utility's books.

UNS Gas, Inc.
Construction Work in Progress/Post Test Year Plant

Docket No. G-04204A-08-0571
Schedule B-1
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Test Year Ended June 30, 2008

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference</u>
1	Remove Construction Work in Progress	<u>\$ (1,527,588)</u>	A&B

Notes and Source

A: UNS Gas Filing, Schedule B-2, page 2, line 1

B: Testimony of RUCO witness Ralph Smith

UNS Gas, Inc.
Customer Advances

Docket No. G-04204A-08-0571
Schedule B-2
Page 1 of 1

Test Year Ended June 30, 2008

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference</u>
1	Use Test Year End Balance	<u>\$ (589,152)</u>	A&B

Notes and Source

A: UNS Gas Filing, Schedule B-2, page 3, Line 11

B: Testimony of RUCO witness Ralph Smith

UNS Gas, Inc.
Prepayments

Docket No. G-04204A-08-0571
Schedule B-3
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Test Year Ended June 30, 2008

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference</u>
1	Use Test Year End Balance	<u>\$ (95,671)</u>	A&B

Notes and Source

A: UNS Gas Filing, Schedule B-5, page 2, line 3

B: Testimony of RUCO witness Ralph Smith

Test Year Ended June 30, 2008

Line No.	Description	Per UNS Gas (A)	Per RUCO (B)	Adjustment (C)
Account 190				
1	CIAC	\$ 2,436,909	\$ 2,436,909	\$ -
2	Customer Advances	\$ 4,402,955	\$ 4,402,955	\$ -
3	Customer Advances - CWIP	\$ (227,413)		\$ 227,413
4	Dividend Equivalents	\$ 17,952		\$ (17,952)
5	Restricted Stock	\$ 24,316		\$ (24,316)
6	Restricted Stock - Directors	\$ 55,281		\$ (55,281)
7	Stock Options	\$ 155,708		\$ (155,708)
8	Vacation	\$ 169,367		\$ (169,367)
9	Total Account 190	<u>\$ 7,035,076</u>	<u>\$ 6,839,864</u>	<u>\$ (195,211)</u>
Account 282				
10	Net Plant ADIT	<u>\$ (17,452,856)</u>	<u>\$ (17,452,856)</u>	<u>\$ -</u>
Account 283				
11	CARES Reg Asset	\$ (190,140)	\$ (190,140)	\$ -
12	Pension	\$ 1,045		\$ (1,045)
13	Total Account 283	<u>\$ (189,095)</u>	<u>\$ (190,140)</u>	<u>\$ (1,045)</u>
14	Net ADIT	<u><u>\$ (10,606,875)</u></u>	<u><u>\$ (10,803,131)</u></u>	<u><u>\$ (196,256)</u></u>

Notes and Source

A: UNS Gas workpaper UNSG0571/02839

B: Testimony of RUCO witness Ralph Smith

UNS Gas, Inc.
Adjustment to Annualize Gas Retail Revenue

Docket No. G-04204A-08-0571
Schedule C-1
Page 1 of 1

Test Year Ended June 30, 2008

<u>Line</u> <u>No.</u>	<u>Description</u>	<u>Amount</u>	<u>Reference</u>
1	UNS Gas Adjustment to Annualize Gas Retail Revenue	\$ (516,003)	A
2	RUCO Recommended Adjustment to Annualized Gas Retail Revenue	\$ -	B
3	Adjustment to Annualize Gas Retail Revenue	<u>\$ 516,003</u>	L2 - L1

Notes and Source

A: UNS Gas Filing, Schedule C-2, page 1, line 1

B: See testimony

FERC 480/481/482

UNS Gas, Inc.
 Remove Depreciation & Property Taxes for CWIP

Docket No. G-04204A-08-0571
 Schedule C-2
 Page 1 of 2

Test Year Ended June 30, 2008

Line No.	Description	Account	Amount	Reference
1	CWIP Related Depreciation Expense	403	\$ (58,107)	See page 2
2	Transportation Equip Depreciaton Charged to O&M	various	\$ (11,351)	See page 2
3	CWIP Related Property Taxes	408	\$ (25,584)	A
4	Total Adjustments		<u>\$ (95,042)</u>	

Notes and Source

A: Testimony of RUCO witness Ralph Smith

5	CWIP included in Plant in Service Full Cash Value		\$ (1,527,588)	Schedule B-1
6	Assessment Ratio		22.0%	Schedule C-11
7	Taxable Value		\$ (336,069)	
8	Average Tax Rate		7.6127%	Schedule C-11
9	Property Tax		<u>\$ (25,584)</u>	

Test Year Ended June 30, 2008

Line No.	Description	FERC Acct	Adjustment (A)	Depreciation Rate (B)	Depreciation Expense (C)
I. Adjustment to Depreciation Expense					
1	Mains - Replacements & Public Improvements	376	\$ (817,127)	2.07%	\$ (16,915)
2	Services - Replacements	380	\$ (271,433)	2.82%	\$ (7,654)
3	Structures and Improvements	390	\$ (39,408)	4.89%	\$ (1,927)
4	Office Furniture	391	\$ (12,493)	4.55%	\$ (568)
5	Office Furniture	391	\$ (5,548)	20.00%	\$ (1,110)
6	Transportation Equipment Class 1	392	\$ (10,744)	14.71%	\$ (1,580)
7	Transportation Equipment Class 2	392	\$ (34,232)	17.87%	\$ (6,117)
8	Transportation Equipment Class 3	392	\$ (17,568)	22.68%	\$ (3,984)
9	Transportation Equipment Class 4	392	\$ (15,608)	13.04%	\$ (2,035)
10	Transportation Equipment Class 5	392	\$ (14,770)	11.83%	\$ (1,747)
11	Tools & Shop Equipment	394	\$ (9,431)	4.00%	\$ (377)
12	Laboratory Equipment	395	\$ (186,174)	11.11%	\$ (20,684)
13	Power Operated Equipment	396	\$ (69,759)	10.49%	\$ (7,318)
14	Communication Equipment	397	\$ (23,293)	6.67%	\$ (1,554)
15	TOTAL		<u>\$ (1,527,589)</u>		<u>\$ (73,571)</u>
16	Less Transportation Equipment		<u>\$ 92,922</u>		<u>\$ 15,465</u>
17	Plant Adjustment Other than Transportation Equipment		<u>\$ (1,434,667)</u>		
18	Depreciation Expense Adjustment				<u>\$ (58,107)</u>
II. Adjustment to O&M Expense for Depreciation on Transportation Equipment					
19	Depreciation on Transportation Equipment	Line 16			\$ (15,465)
20	Transportation Equipment Charged to O&M				73.40%
21	Adjustment to O&M Expense				<u>\$ (11,351)</u>

Source:

Company Depreciation Workpaper UNSG0571/02244 and related Excel file

UNS Gas, Inc.
Incentive Compensation

Docket No. G-04204A-08-0571
Schedule C-3
Page 1 of 1

Test Year Ended June 30, 2008

Line No.	Description	Amount	Reference
1	Adjustment to Incentive Compensation Expense	<u>\$ (140,484)</u>	A
2	Adjustment to Taxes Other Than Income	<u>\$ (12,027)</u>	A

Notes and Source

A: Per Company's workpapers showing calculation of Incentive Compensation adjustment (except where noted)

FERC Acct	FERC Account Description	Company Amount	Disallowance Percentage	RUCO Adjusted Amount
870	Transportation Operation Supervision and Engineering	\$ 26,217	50%	\$ (13,109)
874	Distribution - Mains & Services Expense	\$ 48,980	50%	\$ (24,490)
878	Distribution - Meter Expense	\$ -	50%	\$ -
880	Distribution Other Expenses	\$ 31,315	50%	\$ (15,658)
887	Distribution - Maintenance of Mains	\$ 35,188	50%	\$ (17,594)
903	Customer Records/Collections Expense	\$ -	50%	\$ -
920	Administrative & General Salaries	<u>\$ 139,268</u>	50%	<u>\$ (69,634)</u>
		<u>\$ 280,968</u>		<u>\$ (140,484)</u>
408	Taxes Other Than Income Taxes	<u>\$ 24,054</u>	50%	<u>\$ (12,027)</u>

UNS Gas, Inc.
 Stock-Based Compensation Expense

Docket No. G-04204A-08-0571
 Schedule C-4
 Page 1 of 1

Test Year Ended June 30, 2008

Line No.	Description	Amount	Reference
1	Stock Based Compensation Expense	<u>\$ (266,399)</u>	A
2	Adjustment to Taxes Other Than Income	<u>N/A</u>	B

Notes and Source

A Supplemental Response to RUCO 1.46

FERC Acct	Description	Company Amount	Disallowance Percentage	RUCO Adjustment Amount
	BEGIN UNSG CONFIDENTIAL	CONFIDENTIAL INFO HAS BEEN REDACTED		

END UNSG CONFIDENTIAL

Total \$ 266,399 \$ (266,399)

UNS Gas, Inc.
Supplemental Executive Retirement Plan Expense

Docket No. G-04204A-08-0571
Schedule C-5
Page 1 of 1

Test Year Ended June 30, 2008

Line No.	Description	Amount	Reference
1	Supplemental Executive Retirement Plan Expense	<u>\$ (101,021)</u>	A

Notes and Source

A Response to Staff data request TF 6.64

FERC Account 926

UNS Gas, Inc.
American Gas Association Dues

Docket No. G-04204A-08-0571
Schedule C-6
Page 1 of 2

Test Year Ended June 30, 2008

Line No.	Description	RUCO Adjustment (A)	Company Adjustment (B)	Net RUCO Adjustment (C)	Reference
1	Test Year AGA Dues Per Filing	\$ 46,694	\$ 46,694		A
2	Recommended AGA Dues	\$ 28,016	\$ 44,779		B
3	Recommended disallowance	\$ (18,678)	\$ (1,915)	\$ (16,762)	C

Notes and Source

A: Response to TF 6.54, UNS Gas Workpaper UNSG0571/02500, RUCO 1.48

2007 Invoice	\$ 45,508	50%	\$ 22,754
2008 Invoice	\$ 47,879	50%	\$ 23,940
			\$ 46,694

	Per RUCO	Per UNS Gas
B: 2007 AGA Dues Per Filing	\$ 46,694	\$ 46,694
Recommended disallowance	\$ (18,678)	\$ (1,915)
Recommended AGA Dues	\$ 28,016	\$ 44,779

	Per RUCO	Per UNS Gas
C: 2007 AGA Dues Per Filing	\$ 46,694	\$ 47,879
Recommended disallowance %	40% D	4%
Recommended disallowance	\$ (18,678)	\$ (1,915)
		\$ (16,762)

D: See testimony and page 2 of this schedule

UNS Gas, Inc.
American Gas Association
Schedule of Expenses by NARUC Category

Docket No. G-04204A-08-0571
 Schedule C-6
 Page 2 of 2

Line No.	NARUC Operating Expense Category	March 2005 NARUC Audit Report for Year Ended 12/31/02		AGA 2007 Budget			AGA 2008 Budget		
		% of Dues (A)	Recommended Disallowance (B)	% of Dues (C)	With G&A Allocated (D)	Recommended Disallowance (E)	% of Dues (F)	With G&A Allocated (G)	Recommended Disallowance (H)
1	Public Affairs	24.13%	24.13%	23.29%	28.67%	28.67%	24.44%	30.63%	30.63%
2	Advertising			1.39%	1.71%	1.71%	1.18%	1.48%	1.48%
3	Communications	15.53%							
4	Corporate Affairs and International	10.54%	10.54%	8.44%	10.39%	10.39%	9.14%	11.46%	11.46%
5	General Counsel & Corp Secretary	5.20%	2.60%	4.09%	5.04%	2.52%	4.17%	5.23%	2.62%
6	Regulatory Affairs	15.51%							
7	Policy Planning & Regulatory Affairs			14.76%	18.17%		15.78%	19.78%	
8	Marketing Department	2.37%	2.37%						
9	Operating & Engineering Services	15.85%		24.11%	29.68%		21.71%	27.21%	
10	Policy & Analysis	12.94%							
11	Industry Finance & Admin. Programs	4.75%		5.16%	6.35%		3.36%	4.21%	
12	General & Administrative			18.77%			20.22%		
13	Total Expenses	<u>106.82%</u>	<u>39.64%</u>	<u>100.01%</u>	<u>100.01%</u>	<u>43.29%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>46.19%</u>
14	Lobbying per IRC Section 162			<u>2%</u>			<u>4%</u>		

Notes and Source

Col.A: March 2005 Annual Audit Report on the Expenditures of the American Gas Association for the 12 month period ended December 31, 2002
 Col.C: From Docket No. G-01551A-07-0504, Southwest Gas' Response to Staff data request STF-6-52; also see UNSG0571/07347
 Col.F: From Docket No. G-01551A-07-0504, Southwest Gas' Response to Staff data request STF-6-50(b); also see UNSG0571/07348

UNS Gas, Inc.
 Outside Services Legal Expense

Docket No. G-04204A-06-0463
 Schedule C-7
 Page 1 of 1

Test Year Ended June 30, 2008

Line No.	Description	Amount	Reference
1	UNS Gas Request for Non-Rate Case Legal Expense	\$ 389,539	A
2	RUCO recommendation	\$ 171,865	B
3	Adjustment to Outside Services Legal Expense	<u>\$ (217,674)</u>	

Notes and Source

A	UNS Gas Workpapers including UNSG0571/02563 - 02574		
B	Amount of past El Paso Gas legal expense included in UNS Gas' request:		
4	2005	\$ 361,233	
5	2006	\$ 395,247	
6	2007	\$ 196,203	
7	Total	<u>\$ 952,683</u>	
8	Three-Year Average	\$ 317,561	
9	Test Year Amount	\$ 99,887	
10	Company request for past El Paso Gas legal expense over test year actual	<u>\$ 217,674</u>	
11	Company Normalized Amount without past El Paso Gas Legal Cost	\$ 71,978	
12	Increase over Test Year Actual for Past El Paso Gas Legal Expense	\$ 217,674	
13	Test Year Actual without Legal Expense for 2006 Rate Case	\$ 83,555	
14	Amount over Test Year to Normalize other legal costs (not El Paso Gas)	\$ 88,310	
15	Recommended normalized level	<u>\$ 171,865</u>	

UNS GAS, INC.
FLEET FUEL EXPENSE
Updated Adjustment

Docket No. G-04204A-08-0571
Attachment RCS-7
Schedule C-8 Revised
Page 1 of 3

Line No.	Description	2006 (A)	2007 (B)	2008 (C)	YTD June 2009 (D)	Normalized Based Upon Average (E)	Test Yr. (F)	Pro Forma Fuel Adjustment (G)
<u>I. Per UNSG Rebuttal</u>								
1	Gallons	221,734	228,106	221,120		223,653	228,369	
2	Miles Driven	3,607,551	3,607,551	2,314,954		3,176,685	2,960,186	
3	Fuel Cost	\$608,781	\$664,365	\$779,691		\$684,279	\$753,931	
4	Cost per Gallon	\$2.73	\$2.92	\$3.50		\$3.06	\$3.30	
5	Percentage Allocated to O&M	73.4%	73.4%	73.4%		73.4%	73.4%	
6	Expense Level	\$ 446,845	\$ 487,644	\$ 572,293		\$ 502,261	\$ 553,519	\$ (51,258)
<u>II. Per RUCO Surrebuttal</u>								
7	Gallons	221,734	228,106	221,120	107,241	222,343	228,369	
8	Miles Driven	3,607,551	3,607,551	2,314,954	1,132,843	3,046,543	2,960,186	
9	Fuel Cost	\$ 608,781	\$ 664,365	\$ 779,691	\$ 243,414	\$ 656,071	\$ 753,931	
10	Cost per Gallon	\$ 2.75	\$ 2.91	\$ 3.53	\$ 2.27	\$ 2.95	\$ 3.30	
11	Percentage Allocated to O&M	73.4%	73.4%	73.4%	73.4%	73.4%	73.4%	
12	Expense Level	\$ 446,845	\$ 487,644	\$ 572,293	\$ 178,666	\$ 481,556	\$ 553,519	\$ (71,963)
13	Difference					\$ (20,705)		\$ (20,705)

Notes and Source

Per UNSG: Response to RUCO 10.1 - Income - Fleet Fuel Expense (Excel file)

Line 4: Per UNSG workpaper provided in response to RUCO 10.1; difference between this and results of Line 3 / Line 1 attributable to UNSG showing a simple average, rather than a weighted average

Line 10: Line 9 / Line 7

Col.D: UNSG response to RUCO 11-36 - see summary at page 2 of this Schedule

Col.E: Sum of Columns A-D / 3.5 years

UNS GAS, INC.
CALENDAR YEAR 2006
RUCO 1.94 DATA - CORRECTED

Docket No. G-04204A-08-0571
Attachment RCS-7
Schedule C-8 Revised
Page 2 of 3

Fleet Fuel Expense by Month, January 2006 through June 2009

Included in "RUCO 10.1 - Income - Fleet Fuel Expense.xls" as backup for Dukes rebuttal testimony

Month	Amount	\$/Gal	Gallons	Miles
Jan-06	\$52,838.48	\$2.51	21,019	
Feb-06	\$42,722.90	\$2.51	17,029	
Mar-06	\$49,847.40	\$2.59	19,210	
Apr-06	\$54,739.50	\$2.94	18,609	
May-06	\$61,607.25	\$3.13	19,672	
Jun-06	\$57,594.59	\$3.02	19,066	
Jul-06	\$58,480.84	\$3.01	19,439	
Aug-06	\$58,787.62	\$2.98	19,698	
Sep-06	\$52,430.22	\$2.67	19,618	
Oct-06	\$44,502.16	\$2.46	18,113	
Nov-06	\$42,569.04	\$2.47	17,257	
Dec-06	\$32,660.68	\$2.51	13,004	
Totals	\$608,780.68	\$2.73	221,734	0

Supplemental Response to RUCO 1.94

The "Miles" column in the Excel file RUCO 1.94 2006 was left blank when submitted to RUCO, without explanation. The reason this column is blank is that in 2006 the UNS Gas vehicles had not been fully loaded into the Tucson Electric Power Fleet Management system. UNS Gas is unable to give an accurate mileage account for 2006. The miles traveled in 2007 should be close to what was traveled in 2006.

Jan-07	\$47,254.96	\$2.43	19,413	287,170
Feb-07	\$43,322.76	\$2.48	17,468	286,775
Mar-07	\$56,357.48	\$2.74	20,549	315,877
Apr-07	\$55,147.78	\$2.99	18,445	332,610
May-07	\$60,392.52	\$3.09	19,551	273,648
Jun-07	\$58,311.73	\$3.07	18,999	357,882
Jul-07	\$62,799.71	\$3.00	20,954	310,803
Aug-07	\$58,317.27	\$2.85	20,436	352,954
Sep-07	\$52,494.63	\$2.85	18,441	281,905
Oct-07	\$58,071.08	\$3.00	19,349	299,792
Nov-07	\$58,494.37	\$3.26	17,947	328,348
Dec-07	\$53,400.33	\$3.23	16,554	179,787
Totals	\$664,364.62	\$2.92	228,106	3,607,551

Jan-08	\$74,435.43	\$3.17	23,502	216,237
Feb-08	\$62,546.23	\$3.26	19,215	220,381
Mar-08	\$67,434.32	\$3.58	18,843	207,156
Apr-08	\$73,497.80	\$3.73	19,685	178,971
May-08	\$79,282.01	\$4.05	19,568	200,136
Jun-08	\$66,565.85	\$4.35	15,302	183,716
Jul-08	\$83,015.15	\$4.32	19,234	171,416
Aug-08	\$73,090.59	\$3.97	18,392	210,901
Sep-08	\$70,153.68	\$3.78	18,552	166,329
Oct-08	\$61,567.95	\$3.24	18,993	217,413
Nov-08	\$39,643.15	\$2.50	15,859	147,355
Dec-08	\$28,458.38	\$2.04	13,975	194,943
Totals	\$779,690.54	\$3.50	221,120	2,314,954

Jan-09	\$43,261.78	\$2.12	20,439	191,693
Feb-09	\$36,315.38	\$2.20	16,500	163,407
Mar-09	\$37,587.88	\$2.12	17,693	204,036
Apr-09	\$41,342.35	\$2.32	17,794	190,434
May-09	\$42,135.68	\$2.28	18,506	182,493
Jun-09	\$42,770.81	\$2.62	16,309	200,780
Totals	\$243,413.88	\$2.28	107,241	1,132,843

UNS GAS, INC.
FLEET FUEL EXPENSE
 Updated Adjustment
 Allocation to FERC Expense Accounts

Docket No. G-04204A-08-0571
 Attachment RCS-7
 Schedule C-8 Revised
 Page 3 of 3

Line No.	FERC Account	Percent	Allocation	Allocation	Difference
			UNSG Reb. Adjustment	RUCO Surreb. Adjustment	
		(A)	(B)	(C)	(D)
1	0807	0.08%	\$ (41)	\$ (58)	\$ (17)
2	0856	0.15%	\$ (75)	\$ (105)	\$ (30)
3	0870	3.28%	\$ (1,682)	\$ (2,362)	\$ (680)
4	0874	15.18%	\$ (7,779)	\$ (10,922)	\$ (3,142)
5	0875	2.14%	\$ (1,098)	\$ (1,542)	\$ (444)
6	0876	1.97%	\$ (1,012)	\$ (1,421)	\$ (409)
7	0877	0.31%	\$ (160)	\$ (224)	\$ (64)
8	0878	14.28%	\$ (7,321)	\$ (10,278)	\$ (2,957)
9	0879	5.55%	\$ (2,844)	\$ (3,993)	\$ (1,149)
10	0880	7.11%	\$ (3,646)	\$ (5,118)	\$ (1,473)
11	0885	2.69%	\$ (1,377)	\$ (1,934)	\$ (556)
12	0887	5.83%	\$ (2,989)	\$ (4,196)	\$ (1,207)
13	0889	0.17%	\$ (85)	\$ (119)	\$ (34)
14	0891	0.03%	\$ (15)	\$ (21)	\$ (6)
15	0892	4.77%	\$ (2,443)	\$ (3,430)	\$ (987)
16	0893	1.51%	\$ (773)	\$ (1,085)	\$ (312)
17	0894	0.09%	\$ (48)	\$ (67)	\$ (19)
18	0901	0.55%	\$ (283)	\$ (397)	\$ (114)
19	0902	8.97%	\$ (4,598)	\$ (6,455)	\$ (1,857)
20	0903	11.20%	\$ (5,740)	\$ (8,058)	\$ (2,318)
21	0905	0.03%	\$ (13)	\$ (19)	\$ (5)
22	0908	1.01%	\$ (520)	\$ (729)	\$ (210)
23	0921	-0.28%	\$ 146	\$ 205	\$ 59
24	0921	13.20%	\$ (6,767)	\$ (9,500)	\$ (2,733)
25	0930	0.01%	\$ (3)	\$ (4)	\$ (1)
26	0932	0.19%	\$ (96)	\$ (134)	\$ (39)
27	Totals	100.00%	\$ (51,260)	\$ (71,965)	\$ (20,705)
28	Total Adjustment from page 1		\$ (51,258)	\$ (71,963)	\$ (20,705)

Notes and Source

Per UNSG: Response to RUCO 10.1 - Income - Fleet Fuel Expense (Excel file)

Line 27: difference between amount on line 21 and amount from page 1 due to rounding

UNS Gas, Inc.
Rate Case Expense

Docket No. G-04204A-08-0571
Schedule C-9
Page 1 of 1

Test Year Ended June 30, 2008

Line No.	Description	Amount	Reference
I. Normalized Allowance for Rate Case Cost			
1	UNS Gas Rate Case Expense per Company Filing	\$ 200,000	A
2	RUCO Recommended Rate Case Expense	\$ 100,000	B
3	Adjustment for Normalized Rate Case Expense Allowance	<u>\$ (100,000)</u>	L.2 - L.1
II. Remove Prior Rate Case Cost from Test Year			
4	Remove Prior Rate Case Cost from Test Year	<u>\$ (58,333)</u>	C
III. Total Adjustment to UNS Gas' Proposed Rate Case Expense			
5	Total Adjustment to UNS Gas' Proposed Rate Case Expense	<u><u>\$ (158,333)</u></u>	L.3 + L.4

Notes and Source

A: UNS Gas filing, Schedule C-2, page 3, line 5

B: RUCO Recommended Annual Allowance for Normalized Rate Case Expense

6	Recommended Total Allowance for Current Rate Case	\$ 300,000
7	Normalized Over Three Years	3
8	Normalized Annual Allowance for Rate Case Expense	<u><u>\$ 100,000</u></u>

C: Response to Staff data request TF 6.68

UNS Gas, Inc.
Interest Synchronization

Docket No. G-04204A-06-0463
Schedule C-10
Page 1 of 1

Test Year Ended June 30, 2008

Line No.	Description	Amount	Reference
1	Adjusted rate base	\$ 179,884,439	Schedule B
2	Weighted cost of debt	3.25%	Schedule D
3	Synchronized interest deduction	\$ 5,846,244	Line 1 x Line 2
4	Synchronized interest deduction per UNS Gas	\$ 5,924,526	Note A
5	Difference (decreased) increased interest deduction	\$ (78,282)	Line 3 - Line 4
6	Combined federal and state income tax rates	38.598%	B
7	Increase (decrease) to income tax expense	\$ 30,215	

Notes and Source

- A UNS Gas filing, Schedule B-5, page 3 of 3, line 18
B Schedule A-1

Test Year Ended June 30, 2008

Line No.	Description	Amount	Reference
1	UNS Gas Proposed Increase to Property Tax Expense	\$ 1,354,074	A
2	RUCO Proposed Increase to Property Tax Expense	\$ 1,123,161	B
3	Adjustment to Property Tax Expense	<u>\$ (230,913)</u>	L2 - L1

Notes and Source

A: UNS Gas Filing, Schedule C-2, page 4, line 7

B: Amounts taken from Company workpapers used to calculate its property tax expense adjustment

	Transmission	Distribution	General/ Intangible	Total	
Utility Plant in Service Taxes					
4	Total Net Plant in Service - Rate Base	\$ 12,465,045	\$ 177,788,678	\$ 13,656,266	\$ 203,909,989
5	Less: Licensed Transportation in Rate Base			\$ (3,786,247)	\$ (3,786,247)
6	Less: Land Cost & Rights of Way in Rate Base	\$ (55,514)	\$ (171,343)	\$ (332,698)	\$ (559,555)
7	Less: Environmental Property in Rate Base	\$ (539,039)	\$ (3,264,648)	\$ (238,708)	\$ (4,042,395)
8	Plus: Land FCV Per Arizona Dept. of Revenue		\$ 966,162	\$ 93,000	\$ 1,059,162
9	Plus: Materials & Supplies in Rate Base		\$ 2,010,060		\$ 2,010,060
10	Plant in Service Full Cash Value	\$ 11,870,492	\$ 177,328,909	\$ 9,391,613	\$ 198,591,014
11	Assessment Ratio*	22.0%	22.0%	22.0%	
12	Taxable Value	\$ 2,611,508	\$ 39,012,360	\$ 2,066,155	\$ 43,690,023
13	Average Tax Rate	7.6127%	7.6127%	7.6127%	
14	Property Tax	\$ 198,806	\$ 2,969,894	\$ 157,290	\$ -
15	Environmental Property in Rate Base	\$ 539,039	\$ 3,264,648	\$ 238,708	
16	Statutory Full Cash Value Adjustment	50%	50%	50%	
17	Environmental Full Cash Value	\$ 269,520	\$ 1,632,324	\$ 119,354	\$ -
18	Assessment Ratio*	22.0%	22.0%	22.0%	22.0%
19	Taxable Value	\$ 59,294	\$ 359,111	\$ 26,258	\$ -
20	Average Tax Rate	7.6127%	7.6127%	7.6127%	
21	Property Tax	\$ 4,514	\$ 27,338	\$ 1,999	\$ -
22	Total Property Taxes	\$ 203,320	\$ 2,997,232	\$ 159,289	\$ 3,359,841
23	Property Taxes on Leased Property	\$ -	\$ -	\$ 19,325	\$ 19,325
24	Total Property Tax Expense	\$ 203,320	\$ 2,997,232	\$ 178,614	\$ 3,379,166
25	Less: Recorded Property Taxes Excluding Call Center	\$ (167,683)	\$ (1,981,552)	\$ (106,770)	\$ (2,256,005)
26	Property Tax Expense Adjustment	<u>\$ 35,637</u>	<u>\$ 1,015,680</u>	<u>\$ 71,844</u>	<u>\$ 1,123,161</u>

a: Property Tax for Leases calculated as follows (amounts taken from Company workpaper)

	Primary Value	Secondary Value	Total
Cottonwood Lease			
27	Full Cash Value	\$ 962,504	\$ 1,145,159
28	Assessment Ratio*	22.0%	22.0%
29	Taxable Value	\$ 211,751	\$ 251,935
30	Tax Rate	5.6883%	1.3479%
31	Property Tax	<u>\$ 12,045</u>	<u>\$ 3,396</u>
Nogales Lease			
32	Full Cash Value	\$ 432,493	
33	Assessment Ratio*	22.0%	
34	Taxable Value	\$ 95,148	
35	Tax Rate	10.2038%	
36	Property Tax	\$ 9,709	
37	Percentage Allocated to UNS Gas	40%	
38	Property Taxes Allocated	<u>\$ 3,884</u>	<u>\$ 3,884</u>
39	Total Lease Taxes		<u>\$ 19,325</u>

* 2009 Arizona Statutory Assessment Ratio 22.0%

UNS Gas, Inc.
Payroll and Payroll Tax Expense

Docket No. G-04204A-08-0571
Schedule C-12
Page 1 of 2

Test Year Ended June 30, 2008

Line No.	Description	Amount (A)	Reference
1	Total Adjusted O&M Payroll Expense Including Overtime Per Filing	\$ 7,750,405	A
2	RUCO Recommended Adjusted O&M Payroll Expense Including Overtime	\$ 7,524,665	B
3	RUCO Adjustment to Adjusted O&M Payroll Expense	\$ (225,740)	L2 - L1
4	Total Pro Forma Payroll Tax Expense Per Filing	\$ 888,084	page 2
5	RUCO Recommended Pro Forma Payroll Tax Expense	\$ 863,202	page 2
6	RUCO Adjustment to Payroll Tax Expense	\$ (24,882)	L5 - L4

Notes and Source

Company workpaper UNSG0571/02586 and related Excel file

A: Amount from Company workpaper UNSG0571/02586 calculated from the following amounts:

7	2009 & 2010 Wage Increase	\$ 6,034,999
8	Adjusted Overtime	\$ 914,247
9	Estimate Allocated from CLR Accounts	\$ 801,159
10	Total Adjusted O&M Payroll Expense Including Overtime Per Filing	\$ 7,750,405

B: RUCO recommended amount calculated as follows:

11	2009 Wage Increase (reflects removal of 3% wage increase for 2010)	\$ 5,859,222
12	Adjusted Overtime	\$ 887,618
13	Estimate Allocated from CLR Accounts	\$ 777,824
14	RUCO Recommended Adjusted O&M Payroll Expense Including Overtime	\$ 7,524,665

Test Year Ended June 30, 2008

Line No.	Description	Per UNS Gas (A)	Per RUCO (B)	RUCO Adjustment (C)
Medicare				
1	Total Adjusted Payroll Including Overtime	\$ 11,166,981	\$ 10,841,729	
2	Medicare Tax Rate	1.45%	1.45%	
3	Pro Forma Medicare Tax Per Filing	\$ 161,921	\$ 157,205	\$ (4,716)
OASDI				
4	Total Adjusted Payroll Including Overtime	\$ 11,166,981	\$ 10,841,729	
5	Less: Wages in Excess of \$102,000	\$ (99,577)	\$ (99,577)	
6	OASDI Tax Base	\$ 11,067,404	\$ 10,742,152	
7	OASDI Tax Rate	6.20%	6.20%	
8	Pro Forma OASDI Tax	\$ 686,179	\$ 666,013	\$ (20,166)
Federal/State Unemployment Tax				
Number of Employees				
9	UNSG Classified	118	118	
10	UNSG Unclassified	86	86	
11	Total Employees	204	204	
12	Taxable Wages	\$ 7,000	\$ 7,000	
13	Tax Base	\$ 1,428,000	\$ 1,428,000	
14	Tax Rate	2.80%	2.80%	
15	Pro Forma FUI/SUI	\$ 39,984	\$ 39,984	\$ -
16	Total Pro Forma Payroll Tax Expense	\$ 888,084	\$ 863,202	\$ (24,882)

Notes and Source

Col. A: Amounts from Company workpaper UNSG0571/02608

Col. B: Total adjusted payroll including overtime on Line 1 reflects 3% increase for 2009 only

Line No.	Description	Amount	Reference
1	Number of Customer Bills - Unadjusted	1,739,076	Co. Schedule H-2
2	Increase in Postage Rates '09	\$0.02	
3	09 increase in postage rates/Unadjusted customers	\$ 34,782	Line 1 * Line 2
4	UNSG Customer Annualization		UNSG Schedule H2 P1
5	RUCO Customer Annualization Postage	\$ -	Line 4 * .44
6	Postage Expense Adjustment - Increase Expense	\$ 34,782	Line 3 + Line 5
7	Less: UNSG Postage Expense Adjustment As Filed (Bates Nos. UNSG0571/02494 & UNSG0571/02555 - 02562)	<u>\$12,750</u>	Misc Expenses Pro Forma
8	Incremental RUCO Postage Expense Adjustment	<u><u>\$ 22,031</u></u>	Line 6 - Line 7

Notes and Source

UNSG's response to RUCO 11-46

Line 4: RUCO recommends rejection of UNSG's proposed Customer Annualization, which would decrease test year revenue.