

Schedule No. B-1

POTENTIAL BYPASS/STANDBY GAS SERVICE

APPLICABILITY

Applicable to natural gas transportation service to customers whose requirements may be served at rates lower than the Utility's currently effective rates. As a condition precedent to qualifying for this service, the customer must establish that bypass is economically, operationally, and physically feasible and imminent, or that the customer has installed facilities capable of burning alternate fuels or energy or otherwise capable of demonstrating competitive alternatives to service at the customer's otherwise applicable rate.

AVAILABILITY

This schedule is available for the following gas services:

1. POTENTIAL BYPASS GAS SERVICE

This service is available only for customers who have applied for sales and/or transportation service from a gas pipeline and have received a formally quoted and written rate for such service or have installed facilities capable of burning alternate fuels or energy. Both the economics and feasibility of such service are subject to verification by the Utility before qualifying for service under this schedule. Bypass gas service is available only if the Utility provides the customer's full actual gas requirements in a manner similar to that which would otherwise be provided under Schedule No. T-1.

2. STANDBY OR EMERGENCY GAS SERVICE

This service is available to provide standby gas service for customers who have contracted for their own gas supply and completed arrangements for direct delivery by their pipeline transporter to their own facilities or are burning alternate fuels or energy, but will continue to remain connected to the service facilities of the Utility.

TERRITORY

Throughout the certificated area served by the Utility in the communities as set forth on A.C.C. Sheet No. 8 of this Arizona Gas Tariff.

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POTENTIAL BYPASS/STANDBY GAS SERVICE
(Continued)

RATES

1. POTENTIAL BYPASS GAS SERVICE

The basic service charge and the charge per therm may vary from customer to customer based on value of the service. These charges may be revised from time to time as costs and conditions change. In no event shall the charge per therm be less than the variable cost.

The minimum charge is the sum of the fixed monthly charges as set forth in the customer's service agreement.

2. STANDBY OR EMERGENCY GAS SERVICE

Basic Service Charge: The basic service charge shall be that set forth in the customer's service agreement.

Reservation Charge: The reservation charge per month shall be the maximum daily therms sold to the customer during the most recent 12-month period or those set forth in the customer's service agreement (hereinafter referred to as "maximum daily quantity") applicable to this rate schedule at an individual rate negotiated and agreed upon by customer and the Utility, not to exceed \$.06 per therm times 30 days. This charge shall not be less than costs incurred by the Utility to provide this service.

If, on any day, the customer exceeds the "maximum daily quantity" by an amount over 3 percent of such quantity, the customer will pay for such excess volumes at the above negotiated reservation charge rate. The customer's total purchased volumes for that day shall establish a new maximum daily quantity, until such time as a substitute quantity may be negotiated between customer and the Utility.

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POTENTIAL BYPASS/STANDBY GAS SERVICE*(Continued)*RATES *(Continued)*

Commodity Charge: In the event gas is taken under this schedule, the commodity rate contained in the customer's otherwise applicable sales schedule shall apply. The commodity rates may be revised from time to time as gas costs and conditions change. In no event shall the commodity charge per therm be less than the variable commodity cost of gas purchased by the Utility.

The minimum charge is the sum of the fixed monthly charges as set forth in the customer's service agreement.

SPECIAL CONDITIONS

1. Prior to the establishment of service under this schedule, the customer shall execute a service agreement. If subsequently the customer should add facilities that would increase capacity demands upon the Utility's system or exceed quantities of gas deliveries by the Utility as previously mutually agreed upon, then the customer will notify the Utility so that a revised service agreement can be executed.
2. The charges specified for this schedule are subject to adjustment for the applicable proportionate part of any taxes or governmental impositions which are assessed on the basis of the gross revenues of the Utility.
3. Nothing herein shall prevent the Utility from transferring customers served hereunder back to their otherwise applicable sales or optional schedule if costs or conditions change so as to make that customer no longer eligible for service hereunder. However, if any customer is able to qualify for service under more than a single rate schedule, the customer may select the schedule which the customer reasons as the most advantageous for gas service by the Utility.

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Issued by
 Edward S. Zub
 Senior Vice President

Effective September 1, 1997
 Decision No. 60352

Schedule No. B-1

POTENTIAL BYPASS/STANDBY GAS SERVICE*(Continued)*SPECIAL CONDITIONS *(Continued)*

4. In the event any customer served by the Utility who chooses to become its own gas supplier elects to discontinue all service, including service under this schedule, provided by the Utility and is disconnected from the Utility's distribution system, the Utility shall not be obligated to take such customer back under the terms, conditions and rates normally available to customers under this Arizona Gas Tariff. Such customer may reapply for gas service and shall receive gas service only after the execution of a service agreement under terms, conditions and rates which ensure that the Utility and its customers on the regulated distribution system are compensated for costs associated with the restoration of service to such customer. The Utility shall file the executed service agreement with the Commission prior to initiating gas service to such customer.

5. The Utility will calculate any costs or charges, which the Utility determines have been incurred because of the customer's prior actions while a sales customer of the Utility or because of the transportation of gas for the customer's account hereunder. The Utility on a customer case-by-case basis will submit to the Commission, for its consideration, the aforementioned costs or charges. The customer will reimburse the Utility those costs and charges that the Commission determines should be borne by the customer.

RULES AND REGULATIONS

The standard Rules and Regulations of the Utility as authorized by the Commission shall apply where consistent with this schedule.

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 Senior Vice President

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Arizona Gas Tariff No. 7

Original A.C.C. Sheet No. 81-86
Canceling _____ A.C.C. Sheet No. _____

HELD FOR FUTURE USE

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