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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

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AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission

DOCKETED

SEP 11 2006

DOCKETED BY [Signature]

IN THE MATTER OF THE APPLICATION OF
UNS GAS, INC. FOR ESTABLISHMENT OF JUST
AND REASONABLE RATES AND CHARGES
DESIGNED TO REALIZE A REASONABLE
RATE OF RETURN ON THE FAIR VALUE OF
THE PROPERTIES OF UNS GAS, INC. DEVOTED
TO ITS OPERATIONS THROUGHOUT THE
STATE OF ARIZONA.

DOCKET NO. G-04204A-06-0463

IN THE MATTER OF THE APPLICATION OF UNS
GAS, INC. TO REVIEW AND REVISE ITS
PURCHASED GAS ADJUSTOR.

DOCKET NO. G-04204A-06-0013

IN THE MATTER OF THE INQUIRY INTO THE
PRUDENCE OF THE GAS PROCUREMENT
PRACTICES OF UNS GAS, INC.

DOCKET NO. G-04204A-05-0831

PROCEDURAL ORDER

BY THE COMMISSION:

On November 10, 2005, the Arizona Corporation Commission ("Commission") opened an inquiry (Docket No. G-04204A-05-0831) into the prudence of the gas procurement practices of UNS Gas, Inc. ("UNS" or "Company") ("Prudence Case").

On January 10, 2006, UNS filed an application (Docket No. G-04204A-06-0013) with the Commission seeking review and revision of the Company's Purchased Gas Adjustor ("PGA Case").

On July 13, 2006, UNS filed an application with the Commission (Docket No. G-04204A-06-0463) for an increase in its rates throughout the State of Arizona ("Rate Case").

On July 20, 2006, UNS filed separate Motions to Consolidate in each of the above-captioned dockets. UNS asserts that consolidation is warranted because the three dockets involve issues that are substantially the same, and the PGA Case and Prudence Case contain issues that are traditionally addressed in rate cases. No opposition to the Company's consolidation request was filed in any of the dockets.

1 On August 14, 2006, the Commission's Utilities Division ("Staff") filed a Letter of
2 Sufficiency indicating that the Company's Rate Case application met the sufficiency requirements
3 outlined in A.A.C. R14-2-103, and classifying the Company as a Class A utility.

4 On August 18, 2006, the Residential Utility Consumer Office ("RUCO") filed an Application
5 to Intervene.

6 Pursuant to A.A.C. R14-3-101, the Commission now issues this Procedural Order to govern
7 the preparation and conduct of this proceeding.

8 IT IS THEREFORE ORDERED that the Motion to Consolidate is granted and, accordingly,
9 **the Rate Case (Docket No. G-04204A-06-0463), PGA Case (Docket No. G-04204A-06-0013), and**
10 **Prudence Case (Docket No. G-04204A-05-0831) shall be consolidated for purposes of hearing**
11 **and decision.**

12 IT IS FURTHER ORDERED that RUCO's Application to Intervene is hereby granted in this
13 consolidated proceeding.

14 IT IS FURTHER ORDERED that the **hearing** in the above-captioned matter shall commence
15 on **April 16, 2007, at 10:00 a.m.**, or as soon thereafter as is practical, at the Commission's offices,
16 1200 West Washington Street, Arizona 85007.

17 IT IS FURTHER ORDERED that a **pre-hearing conference** shall be held on **April 9, 2007,**
18 **at 10:00 a.m.**, at the Commission's offices, for the purpose of scheduling witnesses and the conduct
19 of the hearing.

20 IT IS FURTHER ORDERED that the **Staff Report and/or any direct testimony and**
21 **associated exhibits** to be presented at hearing on behalf of Staff shall be reduced to writing and filed
22 on or before **February 9, 2007.**

23 IT IS FURTHER ORDERED that any **direct testimony and associated exhibits to be**
24 **presented at hearing on behalf of intervenors** shall be reduced to writing and filed on or before
25 **February 9, 2007.**

26 IT IS FURTHER ORDERED that any **rebuttal testimony and associated exhibits to be**
27 **presented at hearing by the Company** shall be reduced to writing and filed on or before **March 9,**
28 **2007.**

1 IT IS FURTHER ORDERED that any **surrebuttal testimony and associated exhibits to be**
2 **presented by the Staff or intervenors** shall be reduced to writing and filed on or before **March 30,**
3 **2007.**

4 IT IS FURTHER ORDERED that any **rejoinder testimony and associated exhibits to be**
5 **presented at the hearing on behalf of the Company** shall be reduced to writing and filed on or
6 before **April 6, 2007.**

7 IT IS FURTHER ORDERED that **all filings shall be made by 4:00 p.m. on the date the**
8 **filing is due, unless otherwise indicated.**

9 IT IS FURTHER ORDERED that any **objections to any testimony or exhibits** which have
10 been prefiled as of April 9, 2007, shall be made before or at the April 9, 2007 pre-hearing conference.

11 IT IS FURTHER ORDERED that all testimony filed shall include a table of contents listing
12 the issues discussed.

13 IT IS FURTHER ORDERED that any substantive corrections, revisions, or supplements to
14 pre-filed testimony shall be reduced to writing and filed no later than five days before the witness is
15 scheduled to testify.

16 IT IS FURTHER ORDERED that the parties shall prepare a brief, written summary of the
17 pre-filed testimony of each of their witnesses and shall file each summary at least two working days
18 before the witness is scheduled to testify.

19 IT IS FURTHER ORDERED that copies of summaries shall be served upon the
20 Administrative Law Judge, the Commissioners, the Commissioners' aides, and the parties of record.

21 IT IS FURTHER ORDERED that **intervention** shall be in accordance with A.A.C. R14-3-
22 105, except that all motions to intervene must be filed on or before **February 9, 2007.**

23 IT IS FURTHER ORDERED that discovery shall be as permitted by law and the rules and
24 regulations of the Commission, except that: any objection to discovery requests shall be made within
25 7 days¹ of receipt and responses to discovery requests shall be made within 10 days of receipt; the
26
27

28 ¹ "Days" means calendar days.

1 response time may be extended by mutual agreement of the parties involved if the request requires an
2 extensive compilation effort. No discovery requests shall be served after April 9, 2007.

3 IT IS FURTHER ORDERED that, in the alternative to filing a written motion to compel
4 discovery, any party seeking discovery may telephonically contact the Commission's Hearing
5 Division to request a date for a procedural hearing to resolve the discovery dispute; that upon such a
6 request, a procedural hearing will be convened as soon as practicable; and that the party making such
7 a request shall contact all other parties to advise them of the hearing date and shall at the procedural
8 hearing provide a statement confirming that the other parties were contacted.²

9 IT IS FURTHER ORDERED that any motions filed in this matter that are not ruled upon by
10 the Commission within 10 days of the filing date of the motion shall be deemed denied.

11 IT IS FURTHER ORDERED that any responses to motions shall be filed within five days of
12 the filing date of the motion.

13 IT IS FURTHER ORDERED that any replies shall be filed within five days of the filing date
14 of the response.

15 IT IS FURTHER ORDERED that the Company shall provide public notice of the hearing in
16 this matter, in the following form and style, with the heading in no less than 24 point bold type and
17 the body in no less than 10 point regular type:

18 **PUBLIC NOTICE OF CONSOLIDATED HEARING ON THE APPLICATION**
19 **FOR RATE INCREASE OF UNS GAS, INC. (DOCKET NO. G-04204A-06-0463);**
20 **APPLICATION FOR REVISION OF UNS GAS, INC.'S PURCHASED GAS ADJUSTOR**
(DOCKET NO. G-04204A-06-0013); AND PRUDENCE INQUIRY OF GAS PROCUREMENT
21 **PRACTICES OF UNS GAS, INC. (DOCKET NO. G-04204A-05-0831)**

22 On July 13, 2006, UNS Gas, Inc. ("UNS" or "Company") filed an application (Docket
23 No. G-04204A-06-0463) with the Arizona Corporation Commission ("Commission")
24 for an approximately 21 percent increase (\$9,646,901) over adjusted test year revenues
25 ("Rate Case"). **Under the Company's proposal, the monthly customer charge for**
26 **residential customer bills (Rate Schedule R-10) would be increased from the**
27 **current rate of \$7.00 per month to \$20.00 per month from April through**
December through March. However, UNS proposes that the commodity charge
(cost of gas used) would be reduced from its current level as a means of lessening

28 ² The parties are encouraged to attempt to settle discovery disputes through informal, good-faith negotiations before seeking Commission resolution of the controversy.

1 **the impact on customers with higher gas usage during winter months. As a**
2 **result, the actual percentage rate increase for individual customers will vary**
3 **depending on the type and quantity of service provided.** The Commission's
4 Utilities Division Staff has not yet made a recommendation regarding the Company's
5 rate increase proposal, and the Commission will determine the appropriate rate relief
6 to be granted based on the evidence presented during the hearing in this matter. The
7 Commission is not bound by the proposals made by the Company, Staff, or any
8 intervenors and, therefore, the final rates approved in this docket may be lower or
9 higher than the rates described above. Copies of the application and proposed tariffs
10 are available at the Company's offices [**insert address and telephone number**] and
11 the Commission's offices at 1200 West Washington, Phoenix, Arizona, for public
12 inspection during regular business hours and on the internet via the Commission
13 website (www.azcc.gov) using the e-docket function.

9 On November 10, 2005, the Commission opened an inquiry (Docket No. G-04204A-
10 05-0831) into the prudence of the gas procurement practices of UNS Gas, Inc.
11 ("Prudence Case"). On January 10, 2006, UNS filed an application (Docket No. G-
12 04204A-06-0013) with the Commission seeking review and revision of the
13 Company's Purchased Gas Adjustor ("PGA Case"). Because the PGA Case and the
14 Prudence Case contain issues that are similar to those raised in Company's Rate Case,
15 the Commission has consolidated all three dockets for purposes of conducting a
16 hearing and rendering a decision.

14 The Commission will hold a hearing on these consolidated cases beginning **April 16,**
15 **2007, at 10:00 a.m.,** at the Commission's offices, 1200 West Washington, Phoenix,
16 Arizona. Public comments will be taken on the first day of the hearing. Written
17 public comments may be submitted via e-mail (visit
18 <http://www.cc.state.az.us/utility/cons/index.htm> for instructions), or by mailing a letter
19 referencing Docket No. G-04204A-06-0463 to: Arizona Corporation Commission,
20 Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007. If you have
21 any questions or concerns about this application, you may contact the applicant at
22 [**insert telephone number**]. If you wish to file written comments on the application
23 or want further information on intervention you may contact Consumer Services
24 Section of the Commission by calling 1-800-222-7000.

20 The law provides for an open public hearing at which, under appropriate
21 circumstances, interested parties may intervene. Intervention shall be permitted to any
22 person entitled by law to intervene and having a direct and substantial interest in the
23 matter. Persons desiring to intervene must file a written motion to intervene with the
24 Commission, which motion must be sent to the Company or its counsel and to all
25 parties of record, and must contain the following:

- 23 1. The name, address, and telephone number of the proposed intervenor
24 and of any party upon whom service of documents is to be made if
25 different from the intervenor.
- 26 2. A short statement of the proposed intervenor's interest in the
27 proceeding (e.g., a customer of the Company, a shareholder of the
28 Company, etc.).

- 1 3. A statement certifying that a copy of the motion to intervene has been
2 mailed to the Company or its counsel and to all parties of record in the
3 case.

4 The granting of intervention, among other things, entitles a party to present sworn
5 evidence at the hearing and to cross-examine other witnesses. The granting of
6 motions to intervene shall be governed by A.A.C. R14-13-105, except that **all motions**
7 **to intervene must be filed on or before February 9, 2007.** For information about
8 requesting intervention, visit the Arizona Corporation Commission's webpage at
9 <http://www.cc.state.az.us/utility/cons/index.htm>. However, failure to intervene will
10 not preclude any interested person or entity from appearing at the hearing and
11 providing public comment on the application or from filing written comments in the
12 record of the case.

13 The Commission does not discriminate on the basis of disability in admission to its
14 public meetings. Persons with a disability may request a reasonable accommodation
15 such as a sign language interpreter, as well as request this document in an alternative
16 format, by contacting the ADA Coordinator, Linda Hogan, at LHogan@azcc.gov,
17 voice phone number 602/542-3931. Requests should be made as early as possible to
18 allow time to arrange the accommodation.

19 IT IS FURTHER ORDERED that the Company shall **mail to each of its customers** a copy of
20 the above notice as a bill insert beginning **with the first billing cycle in December, 2006**, and shall
21 cause the above notice to be published at least once in a newspaper of general circulation in all of its
22 service territories, with **publication to be completed no later than December 15, 2006.**

23 IT IS FURTHER ORDERED that the Company shall file certification of mailing/publication
24 as soon as practical after the mailing/publication has been completed.

25 IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing/publication
26 of same, notwithstanding the failure of an individual customer to read or receive the notice.

27 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized
28 Communications) applies to this proceeding and shall remain in effect until the Commission's
Decision in this matter is final and non-appealable.

IT IS FURTHER ORDERED that all parties must comply with Rule 38 of the Rules of the
Arizona Supreme Court with respect to practice of law and admission *pro hac vice*.

IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance
with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Rule 42 of the
Rules of Arizona Supreme Court). Representation before the Commission includes to appear at all
hearings and procedural conferences, as well as all Open Meetings for which the matter is scheduled
for discussion, unless counsel has previously been granted permission to withdraw by the

1 Administrative Law Judge or the Commission the obligation

2 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,
3 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at
4 hearing.

5 Dated this 8th day of September, 2006

7 

8 DWIGHT D. NODES
9 ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE

10 Copies of the foregoing mailed/delivered
this 8th day of September, 2006 to:

11 Michael W. Patten
12 ROSHKA DEWULF & PATTEN, PLC
13 One Arizona Center
400 East Van Buren St., Suite 800
Phoenix, AZ 85004

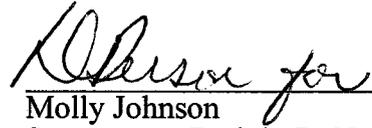
14 Raymond S. Heyman
Michelle Livengood
15 UniSource Energy Services
One South Church Avenue, Ste. 1820
16 Tucson, AZ 85701

17 Scott S. Wakefield
RUCO
18 1110 West Washington Street, Ste. 220
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19 Christopher Kempsey, Chief Counsel
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21 1200 West Washington Street
Phoenix, AZ 85007

22 Ernest G. Johnson, Director
23 Utilities Division
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24 1200 West Washington
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25 ARIZONA REPORTING SERVICE, INC.
26 2627 N. Third Street, Ste. Three
27 Phoenix, Arizona 85004-1126

By: 
Molly Johnson
Secretary to Dwight D. Nodes