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BEFORE THE ARIZONA CORPORATION CO

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2007 APR 23 A 11: 36

AZ CORP COMMISSION  
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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**

**Notice of Filing of**

**Summary Testimony of  
Marshall Magruder,  
Intervenor**

**23 April 2007**

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**

As directed in the Procedural Order of 8 September 2006, modified on 10 January 2007 and 15 February 2007, the Summary Testimony of Marshall Magruder is submitted to all Parties two days prior to oral testimony planned for 25 April 2007.

Respectfully submitted on this 23<sup>rd</sup> day of April 2007 to all parties.

Arizona Corporation Commission  
**DOCKETED**  
APR 23 2007

MARSHALL MAGRUDER

By Marshall Magruder

Marshall Magruder

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**Marshall Magruder  
Summary Testimony  
23 April 2007**

As my Motion to Intervene, Direct Testimony, Surrebuttal and this Summary Testimony, the issues have evolved, some deleted, during these hearings. Briefly these and recommendations are:

- a. Proposed rate structure – Flawed, unfair, significantly reduces Company and shareholder risk, increases customer cost. RUCO and Staff propose acceptable, realistic rate structures.
- b. Proposed \$17 Monthly Service Cost – Not reasonable. Recommend either RUCO or Staff Cost of Service rate between \$8.33 and \$8.50 for commercial/residential and \$7 for CARES.
- c. Proposed Rates Adjusted for Location factors, – Not recommended as one rate schedule is for all in same rate category without cross-subsidies based on cold/warm climate locations,
- d. Proposed Volumetric (TAM) mechanism – Not recommended having all volumetric costs in Cost of Service charge and move risk of seasonal weather to customers.
- e. Proposed Mandatory Seasonal Rates – Not recommended as annual levelized rates exist.
- f. Proposed Schedules – Not recommended to give greatest savings to higher consuming customers are expense of lower consuming customers.
- g. Proposed Acquisition Adjustments – Not recommended, the Citizens-UniSource Settlement Agreement protects ratepayers.
- h. Potential for “double recovery” – Staff has indicated this issue has not been fully resolved.
- i. Proposed Billing Schedule – Not recommended to increase revenue to Company for late payments and re-connect fees that will be collected with much tighter billing schedule.
- j. Proposed Rule & Regulation to Permit Cutoff without Notification – Do not change rule.
- k. Proposed Price Stability Policy for ACC Approval – Reasonable policy, unreasonable for ACC to assume purchase gas risk in order to delete Prudency Audits in future rate cases.
- l. Executive Severance Compensation at Retirement – A company, not customer cost.
- m. Under-funding of CARES – About 15,000 low income ratepayers are not participating in UNS Gas CARES programs. Thus, a more vigorous program is required for funding.
- n. UNS Demand Side Management Program – Fully support policy but proposed plan misses important DSM actions, participants and funding to meet society environmental factors and consider utility, customer and total resource cost-benefit in the Goals and Objectives for each DSM Program. Recommend conceptual program approval with a DSM Adjustor and go-head only for the proposed study. Each DSM program must to be planned detail, based on results of survey and budgeted with real, not “placeholders,” as the customer will pay and submitted to ACC Staff and RUCO prior to Commission decision at an Open Meeting within 75 days of filing.