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BEFORE THE ARIZONA CORPORATION CO

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COMMISSIONERS

MIKE GLEASON, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
KRISTIN K. MAYES  
GARY PIERCE

2007 APR 24 P 1:57

AZ CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF  
UNS GAS, INC. FOR THE 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  
CORPORATION COMMISSIONON.

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

**STAFF'S NOTICE OF FILING  
SUPPLEMENTAL TESTIMONY**

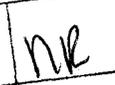
Staff of the Arizona Corporation Commission ("Staff") hereby files the Supplemental  
Testimony of Robert G. Gray of the Utilities Division in the above-referenced matter.

RESPECTFULLY SUBMITTED this 24<sup>th</sup> day of April 2007.

  
Maureen A. Scott, Senior Staff Counsel  
Keith A. Layton, Attorney  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007  
(602) 542-3402

Arizona Corporation Commission  
**DOCKETED**

APR 24 2007

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1 Original and Seventeen (17) copies  
2 of the foregoing filed this 24<sup>th</sup> day  
3 of April 2007 with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
6 Phoenix, Arizona 85007

6 Copies of the foregoing e-mailed/  
7 mailed this 24<sup>th</sup> day of April  
8 2007 to:

8 Michael W. Patten  
9 Roshka DeWulf & Patten PLC  
10 One Arizona Center  
11 400 East Van Buren Street  
12 Suite 800  
13 Phoenix, Arizona 85004

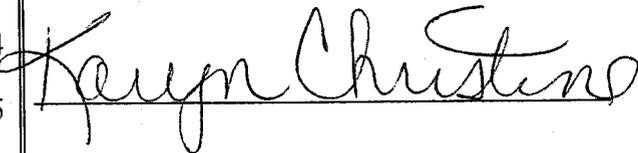
11 Scott S. Wakefield  
12 RUCO  
13 1110 West Washington Street  
14 Suite 220  
15 Phoenix, Arizona 85007

14 Raymond S. Heyman  
15 Michelle Livengood  
16 UniSource Energy Services  
17 One South Church Avenue  
18 Suite 1820  
19 Tucson, Arizona 85701

18 Copies of the foregoing mailed  
19 this 24<sup>th</sup> day of April 2007 to:

19 Cynthia Zwick, Executive Director  
20 ACAA  
21 2700 North 3<sup>rd</sup> Street, Suite 3040  
22 Phoenix, Arizona 85004

22 Marshall Magruder  
23 Post Office Box 1267  
24 Tubac, Arizona 85646

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EXHIBIT  
REG 2-3

MEMORANDUM

**TO:** Ernest Johnson  
Director of Utilities

**FROM:** Robert Miller *Robert E. Miller*  
Pipeline Safety Supervisor

**THROUGH:** David Raber *David Raber*  
Director, Safety Division

**DATE:** April 24, 2007

**RE:** UNISOURCE RATE CASE

The Pipeline Safety Section conducts an Annual Code Compliance Audit of Unisource once each calendar year. The most recent audit was completed on June 16, 2006 and conducted by Ryan Weight. The Audit resulted in 5 noncompliance issues including:

1. Failed to follow Quality Assurance Plan.
2. Discovery of inaccessible emergency valves.
3. Inadequate pipe jointing qualification of contractor personnel.
4. Testing of cathodic protection exceeding maximum time intervals.
5. Procedures failed to specify that the interval between manual reviews is not to exceed 15 months.

As of today, the Pipeline Safety Section has verified that the above issues have been corrected and there are no outstanding compliance issues with Unisource.

In addition, I have reviewed the Unisource testimony listing construction build-out projects and associated cost. I have no issues or reasons to disagree with the testimony provided by Unisource.

Please contact me if you have additional questions about this matter.