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BEFORE THE ARIZONA CORPORATION CC

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COMMISSIONERS

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

2007 APR 24 1P 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 24th day of April 2007.

Arizona Corporation Commission
DOCKETED
APR 24 2007

DOCKETED BY MR


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

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1 Original and Seventeen (17) copies
2 of the foregoing filed this 24th 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 24th 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

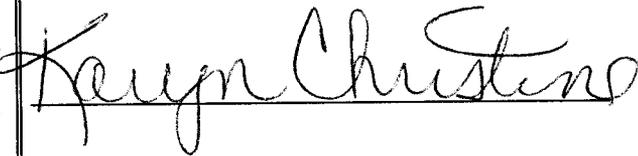
11 Scott S. Wakefield
12 RUCO
13 1110 West Washington Street
14 Suite 220
15 Phoenix, Arizona 85007

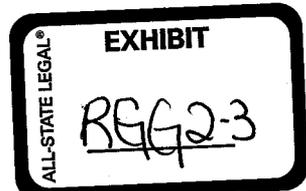
14 Raymond S. Heyman
15 Michelle Livengood
16 UniSource Energy Services
17 One South Church Avenue
18 Suite 1820
19 Tucson, Arizona 85701

18 Copies of the foregoing mailed
19 this 24th day of April 2007 to:

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

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

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MEMORANDUM

TO: Ernest Johnson
Director of Utilities

FROM: Robert Miller
Pipeline Safety Supervisor

Robert E. Miller

THROUGH: David Raber
Director, Safety Division

David Raber

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.