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THIS AMENDMENT:

Passed _____ Passed as amended by _____

Failed _____ Not Offered _____

Withdrawn _____

Arizona Corporation Commission

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2007 NOV -5 P 4: 11

DOCKETED

AZ CORP COMMISSION
DOCKET CONTROL

GLEASON PROPOSED AMENDMENT #2

NOV 05 2007

DATE PREPARED: November 5, 2007

DOCKETED BY: *MJC*

COMPANY: UNs Gas, Inc.

DOCKET NOS: G-04204A-06-0463, G-04204A-06-0013 and G-04204A-05-0831

OPEN MEETING DATES: November 8, 2007 AGENDA ITEM: U-2

Page 8, STRIKE lines 1 through 16, INSERT:

"The record in this case clearly demonstrates the cash flow problem UNS is experiencing because of growth. For example, in 2006 UNS added \$17 million in net plant, which resulted in an additional \$3 million in fixed costs. However, new customers added in 2006 provided only \$1.8 million in new revenues, resulting in a net loss of \$1.2 million for UNS associated with serving growth in 2006 (Co. Ex. 28 at 10, Attach. KCG-10). In view of the exceptional growth characteristic of UNS' service territory, we find that including \$6.8 million in rate base, to account for post-test-year plant that was in service within twelve months after the test year, is justified to help maintain the Company's financial integrity."

Page 31, lines 23 and 24

STRIKE: "Given our denial of the CWIP and post-test year plant proposals, Staff's adjustments are adopted."

INSERT: "Because we have adopted UNS' post-test-year plant proposal, we will not adopt Staff's adjustment removing the Company's proposed pro forma amounts for depreciation and property taxes related to post-test-year plant."

Page 83, line 11, INSERT a new Finding of Fact to read:

"17. The Company's proposal to include post-test-year plant in rate base is justified under the circumstances of this case, and we will adopt it."

Re-number Findings of Fact to conform

Page 85, line 27, INSERT a new Conclusion of Law to read:

"3. The inclusion of post-test-year plant in rate base as approved herein is legally permissible and in the public interest."

Re-number Conclusions of Law to conform

Make all conforming changes