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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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GARY PIERCE
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SANDRA D. KENNEDY
BOB STUMP

2009 JUL 29 P 4: 18

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. G-04204A-08-0571
 UNS GAS, INC. FOR THE ESTABLISHMENT)
 OF JUST AND REASONABLE RATES AND)
 CHARGES DESIGNED TO REALIZE A)
 REASONABLE RATE OF RETURN ON THE) **NOTICE OF ERRATA**
 FAIR VALUE OF THE PROPERTIES OF UNS)
 GAS, INC. DEVOTED TO ITS OPERATIONS)
 THROUGHOUT THE STATE OF ARIZONA.)

UNS Gas, Inc., through undersigned counsel, hereby files a Notice of Errata regarding the July 8, 2009, Rebuttal Testimony of Mr. David G. Hutchens. The following pages have been revised: Table of Contents, Pages 1, 2, 13 through 16. These pages clarify that although three UNS Gas lobbies will no longer accept bill payments, they will continue to be open to provide other customer services. The revised pages are attached, both in redlined and clean versions.

RESPECTFULLY SUBMITTED this 29th day of July 2009.

UNS Gas, Inc.

By 
Philip J. Dion, Jr.
UniSource Energy Services
One South Church Avenue
Tucson, Arizona 85701

and

Michael W. Patten
ROSHKA DEWULF & PATTEN, PLC.
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Attorneys for UNS Gas, Inc.

Arizona Corporation Commission

DOCKETED

JUL 29 2009

DOCKETED BY 

1 Original and 13 copies of the foregoing
2 filed this 29th day of July, 2009, with:

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

7 Copy of the foregoing hand-delivered/mailed
8 this 29th day of July, 2009, to:

9 Chairman Kristen K. Mayes
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

13 Commissioner Gary Pierce
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007

17 Commissioner Sandra D. Kennedy
18 Arizona Corporation Commission
19 1200 West Washington Street
20 Phoenix, Arizona 85007

21 Commissioner Paul Newman
22 Arizona Corporation Commission
23 1200 West Washington Street
24 Phoenix, Arizona 85007

25 Commissioner Bob Stump
26 Arizona Corporation Commission
27 1200 West Washington Street
Phoenix, Arizona 85007

Nicholas J. Enoch
Jarrett J. Haskovec
Lubin & Enoch, P.C.
349 North Fourth Avenue
Phoenix, Arizona 85003

Daniel W. Pozefsky
Chief Counsel
Residential Utility Consumer Office
1110 West Washington, Suite 220
Phoenix, Arizona 85007

25
26
27

1 Cynthia Zwick
1940 East Luke Avenue
2 Phoenix, Arizona 85016

3 Dwight Nodes, Esq.
Assistant Chief Administrative Law Judge
4 Hearing Division
Arizona Corporation Commission
5 1200 West Washington Street
Phoenix, Arizona 85007

6 Robin Mitchell, Esq.
7 Kevin Torrey, Esq.
Legal Division
8 Arizona Corporation Commission
1200 West Washington Street
9 Phoenix, Arizona 85007

10 Ernest Johnson
Director, Utilities Division
11 Arizona Corporation Commission
1200 West Washington Street
12 Phoenix, Arizona 85007

13

14 By *Mary Appolita*
15

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CORRECTED PAGES

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I. INTRODUCTION.

Q. Please state your name and address.

A. My name is David G. Hutchens. My business address is One South Church Avenue, Tucson, Arizona 85701.

Q. Did you file Direct Testimony in this proceeding?

A. Yes, I did. In addition to my Direct Testimony, I will be adopting the Direct Testimony of Gary A. Smith in this case. Accordingly, my Rebuttal Testimony also addresses issues that arose in connection with Mr. Smith's Direct Testimony.

Q. What is the purpose of your Rebuttal Testimony in this proceeding?

A. My Rebuttal Testimony addresses several areas. First, I provide an overview of UNS Gas' response to the Direct Testimony of Arizona Corporation Commission ("Commission") Staff, the Residential Utility Consumer Office ("RUCO") and the Arizona Community Action Association ("ACAA"). In particular, I will address our substantial concerns with the inadequate revenue requirements proposed by Commission Staff and RUCO. Second, I respond to the Direct Testimony of Commission Staff witness Ms. Rita R. Beale concerning gas procurement practices. Third, I respond to the Direct Testimony of Cynthia Zwick concerning the previous use of pay day loan offices as an option for paying customer bills. Specifically, I provide information regarding the transition to the use of Walmart stores for customer payments. Fourth, I discuss that the three UNS Gas office lobbies will no longer accept customer bill payments at those locations. Fifth, I discuss the Federal and State requirements for training of natural gas personnel, Pipeline Safety Manuals, Policies & Procedures, recordkeeping, and operations and maintenance for natural gas facilities. Finally, I request the Commission to grant the relief requested in

1 Docket No. G-04204A-08-0050 regarding current restrictions on the Company's use of
2 certain third-party contractors. That relief will result in reduced expenses in the future.

3
4 **II. REVENUE REQUIREMENT CONCERNS.**

5
6 **Q. What is UNS Gas' response to the revenue requirements proposed by Commission
7 Staff and RUCO?**

8 A. The revenue requirement proposals of Commission Staff and RUCO are significantly
9 lower than the revenue requirement requested by UNS Gas. Upon review of Commission
10 Staff's and RUCO's testimony, we conclude that this lower number is, in part, due to their
11 deployment of calculations and methodologies that deviate from those recently approved
12 and ordered by the Commission.

13
14 We have determined that if Commission Staff and RUCO had calculated UNS Gas'
15 revenue requirement adhering to the methodologies approved by the Commission, their
16 recommendations would be approximately \$9 million and \$5.4 million, respectively. The
17 current recommendations of Commission Staff's and RUCO's consultants are not justified,
18 are unreasonable and, if adopted by the Commission, will not allow UNS Gas an
19 opportunity to earn a reasonable return on its investment.

20
21 **Q. Please provide an example of how Commission Staff's and RUCO's
22 recommendations differ from recent Commission decisions.**

23 A. A good example is the "fair value" rate of return proposed by Commission Staff and
24 RUCO. This issue has been thoroughly debated in a number of cases, and has resulted in
25 at least two court appeals of Commission decisions. Rather than relitigate this issue, UNS
26 Gas proposed a "fair value" rate of return calculation taken directly from a recent
27 Commission decision based on Commission Staff's testimony in that proceeding.

1 charging to process payments, effective July 1, 2009. Also effective July 1, 2009, UNS
2 Gas has discontinued its payment of the fees the Company was covering associated with
3 payments made at check cashing centers and/or other outside payment locations. UNS Gas
4 chose this cut-off date because it wanted to provide customers sufficient notice of the
5 payment change and to have a trial period to make sure the Walmart arrangement worked
6 as anticipated.

7
8 **V. UPCOMING UNS GAS LOBBY OPERATIONAL CHANGES.**

9
10 **Q. Could you please discuss certain upcoming operational changes regarding UNS**
11 **Gas' office lobbies?**

12 A. Yes. On October 1, 2009, UNS Gas will no longer accept customer bill payments at its
13 lobbies located in Nogales, Kingman and Lake Havasu. However, those lobbies will still
14 provide other customer services, such as assisting with billing questions or account
15 inquiries. UNS Gas customers located in these areas will be notified of the change via
16 bill inserts that will be included with customers' September bills. Additionally, signs will
17 posted beginning September 1, 2009, at the Nogales, Kingman and Lake Havasu office
18 lobbies, notifying customers of the change as of October 1st. UNS Gas will also notify
19 Walmart stores of the possibility that customer traffic at Walmart for bill payments may
20 increase as a result.

21
22 **Q. How will UNS Gas customers be able to make payments after the lobby operational**
23 **changes?**

24 A. UNS Gas customers have multiple ways in which they can make payments, including via
25 (i) US mail; (ii) the Company's drop boxes, located in certain grocery stores; (iii) the
26 internet; (iv) SNAP (Sure No-hassle Automated Payment); (v) Walmart (cash and debit);
27

1 (vi) a customer service representative; (vii) IVR (Interactive Voice Response); and (viii)
2 independent payment processors (such as America's Cash Express and Western Union).
3

4 **VI. REGULATORY OPERATIONAL MANDATES.**

5
6 **Q. Is UNS Gas inspected by both the Federal and State Pipeline Safety Inspectors?**

7 A. No. The Commission receives an annual Federal Certification from the U. S. Department
8 of Transportation Pipeline and Hazardous Materials Safety Administration (“PHMSA”) to
9 act on behalf of PHMSA in the enforcement of Federal Pipeline Safety Regulations. The
10 Commission has received a certification to enforce these regulations on both interstate and
11 intrastate pipeline operators within the State of Arizona. The Commission has legislative
12 authority to enforce Federal Pipeline Safety Laws pursuant to A.R.S. § 40-441 and 40-442.
13

14 **Q. How is UNS Gas impacted by these requirements?**

15 A. A very stringent set of Federal and State Pipeline Safety regulations dictate how UNS Gas
16 must operate its facilities. UNS Gas must have Operations and Maintenance Procedures,
17 Emergency Manuals, Construction Standards, Materials Manuals and Procedures,
18 Employee Training Standards and Operator Qualification Training Programs. UNS Gas
19 must devote substantial resources to complying with these extensive requirements.
20

21 **Q. Has UNS Gas ever been assessed a penalty for violation of the Pipeline Safety
22 Regulations during an inspection by the Commission?**

23 A. No, we take these requirements very seriously – compliance is a top priority. UNS Gas
24 has never been penalized for violating the Pipeline Safety regulations.
25
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27

1 **Q. Is the cost incurred by UNS Gas (i) to train its employees, and (ii) to maintain existing**
2 **operation and maintenance, emergency and recordkeeping, required by the**
3 **Commission Pipeline Safety regulations?**

4 A. Yes.

5

6 **VII. REQUEST FOR PROPOSED ORDER REGARDING THIRD PARTY**
7 **CONTRACTORS.**

8

9 **Q. Do have any further testimony or requests you would like considered by the**
10 **Commission?**

11 A. Yes. On January 25, 2008, UNS Gas filed a request in Docket No. G-04204A-08-0050
12 for the Commission to waive the following requirements placed on the Company by
13 Decision No. 66028: (i) refrain from the use of contract personnel for the performance of
14 operation and maintenance functions, such as leak surveys and valve maintenance; and
15 (ii) independently inspect all new construction work performed by contractor personnel
16 regarding the installation of new service lines and main extensions. In its Application,
17 UNS Gas noted that other local distribution companies use contract personnel in Arizona
18 and that the Company's predecessor, Citizens, benefited from that practice as well.

19

20 Regarding the independent inspection of work performed by contractor personnel, UNS
21 Gas states that since the acquisition it has entered into a sole contractor partnership with
22 Northern Pipeline ("NPL") to comply more efficiently with the requirement; prior to the
23 acquisition, Citizens was utilizing four (4) different pipeline contractors. Moreover, from
24 its inception after Decision No. 66028, UNS Gas' Pipeline Safety Inspection Audits for
25 the past five (5) years have been excellent. We anticipate that the elimination of the
26 independent inspection requirement will help reduce operating expenses in the future.

27

1 Commission Staff responded to UNS Gas' Application on February 14, 2008. In its
2 report, Commission Staff recommended that the Application for the waiver be approved.
3 Citing UNS Gas' safety record, the progress of the Company beyond the transitional
4 period of operations following the acquisition, and its operating history, Commission
5 Staff stated that it believes these requirements are no longer necessary. Commission
6 Pipeline Safety Staff has also reviewed, and supports, the Company's request for a
7 waiver. However, the Commission has not yet taken action on those recommendations.

8
9 UNS Gas respectfully requests that the Commission approve a waiver of these
10 requirements as part of its order in this case.

11
12 **Q. Does this conclude your Rebuttal Testimony?**

13 **A.** Yes, it does.

CORRECTED PAGES

**(REDLINED
VERSION)**

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A. Yes, it does.