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**THIS AMENDMENT:**

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2006 MAR 13 P 2:15

**UTILITIES DIVISION STAFF PROPOSED AMENDMENT NO. 2**

AZ CORP COMMISSION  
DOCUMENT CONTROL

TIME/DATE PREPARED: 3/13/06 at 10:45 a.m.

COMPANY: Tucson Electric Power Company

AGENDA ITEM NO. 6

DOCKET NO. E-01933A-05-0654

OPEN MEETING DATE: 03/15-16/06

Page 1

Line 24 and 25:

DELETE "... which would result in a loss of at least \$59 million ..."

Page 2

Line 14 at end of line:

INSERT "on a variable rate basis. Alternatively, TEP anticipates that it can obtain similar savings and long-term benefits by obtaining long-term fixed rate financing to extend the lease debt for fifteen years to the expiration of the lease debt. Although the initial rate under a fixed-rate option may be slightly higher than the floating rate option, the long-term fixed rate option would eliminate refinancing risks and costs over the time of the lease."

Page 2

Line 20 thru 22:

DELETE: "TEP had a December 31, 2004 times interest earned ratio ("TIER") of 1.54, a debt service coverage ratio ("DSC") of 1.69 and a cash coverage ratio ("CCR") of 2.28. The result of the proposed lease refinancings would be a TIER of 1.56, a DSC of 1.71 and a CCR of 2.32."

INSERT: "TEP had a December 31, 2004 times interest earned ratio ("TIER") of 1.32, a debt service coverage ratio ("DSC") of 1.76 and a cash coverage ratio ("CCR") of 2.38. The result of the proposed lease refinancings would be a TIER of 1.34, a DSC of 1.78 and a CCR of 2.42."

Page 3

Line 20:

DELETE: "described herein."

INSERT: "proposed by the Company."