



**ORIGINAL**  
DEPARTMENT OF THE ARMY  
UNITED STATES ARMY LEGAL SERVICES AGENCY  
901 NORTH STUART STREET  
ARLINGTON VA 22202-1837



47

March 28, 2007

REPLY TO  
ATTENTION OF

Regulatory Law Office  
U 4142

Subject: In The Matter Of The Filing By Tucson Electric Power Company To Amend Decision No. 62103, Arizona Corporation Commission Docket No. E-01933A-05-0650.

Arizona Corporation Commission  
Docket Control  
1200 West Washington Street  
Phoenix, Arizona 85007

Enclosed for filing with the Arizona Corporation Commission are the original and thirteen copies of the Comments of the Department of Defense (DOD) On The March 16, 2007 Proposed Recommended Opinion And Order filed by Tucson Electric Company in the subject proceeding.

Copies of these Comments have sent in accordance with the attached Certificate of Service. Inquiries concerning this matter may be directed to the undersigned at (703) 696-1644.

Sincerely,

Peter Q. Nyce Jr.  
General Attorney  
Regulatory Law Office

Enclosure

Arizona Corporation Commission  
**DOCKETED**  
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**ARIZONA CORPORATION COMMISSION**

**TUCSON ELECTRIC POWER COMPANY ("TEP")  
DOCKET NO. E-01933A-05-0650**

**COMMENTS OF THE DEPARTMENT OF DEFENSE ("DOD") ON THE MARCH 16,  
2007 PROPOSED RECOMMENDED OPINION AND ORDER ("ROO")**

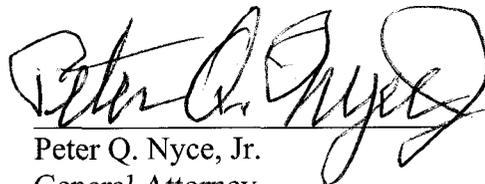
The comments of the DOD on the proposed ROO in the above referenced docket are as follows:

1. The Findings of Fact section of the ROO is silent with respect to the opinions and recommendations of the parties other than those of TEP. Findings 36 and 47 imply that the other parties merely lacked any understanding of the Company's market and cost of service proposals. To the contrary, the other parties presented rather extensive testimony on these issues. Accordingly, the DOD suggests that a summary of the testimony positions of each of the parties be included in the Findings of Fact section of the ROO.
2. The DOD agrees with the stable-rate objective discussed in Finding 49. However, it does not agree with Findings 50 and 51.
3. The modifications to the MGC discussed in Finding 50 are not necessary since the MGC does not affect current Standard Offer rate levels. The finding should simply state that Standard Offer rates will remain unchanged until a final order is issued and that the disposition of accumulated fixed CTC revenue credits will be dealt with in the upcoming Rate Proposal Docket.
4. The DOD believes that TEP's customers should be entitled to recover all of the CTC revenues collected by TEP from the time that the fixed CTC expires (May 2008) until the time new rates are approved under the Rate Proposal Docket. Finding 51 states that 100% recovery of these collections will occur only if the Commission agrees, at the conclusion of the Rate Proposal Docket, TEP should be allowed to set generation rates using the MGC. If other ratemaking approaches are adopted by the Commission, TEP would be permitted to retain part or all of the fixed CTC revenues collected. As earlier stated, the DOD would not support this latter result.
5. Finding 51 prescribes a 24 month period for crediting accumulated CTC revenues. The DOD suggests that it is premature to define a specific refunding mechanism or refunding period since this issue can more intelligently be decided in the upcoming Rate Proposal Docket.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the Comments of the Department of Defense On The March 16, 2007 Proposed Recommended Opinion And Order filed by Tucson Electric Company was sent electronically and by first-class U.S. mail, to all parties on the attached service list.

Dated this 28th day of March 2007 at Arlington County, Virginia.

A handwritten signature in black ink, appearing to read "Peter Q. Nyce, Jr.", written in a cursive style.

Peter Q. Nyce, Jr.  
General Attorney  
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