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BEFORE THE ARIZONA CORPORATION COMMISSION

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- MIKE GLEASON - Chairman
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- KRISTIN K. MAYES
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DEC 28 2007

Arizona Corporation Commission 2007 DEC 28 P 12:02
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IN THE MATTER OF THE FILING BY TUCSON)
 ELECTRIC POWER COMPANY TO AMEND)
 DECISION NO. 62103.)

DOCKET NO. E-01933A-05-0650

IN THE MATTER OF THE APPLICATION OF)
 TUCSON ELECTRIC POWER COMPANY FOR)
 THE ESTABLISHMENT OF JUST AND)
 REASONABLE RATES AND CHARGES)
 DESIGNED TO REALIZE A REASONABLE)
 RATE OF RETURN ON THE FAIR VALUE OF)
 ITS OPERATIONS THROUGHOUT THE STATE)
 OF ARIZONA.)

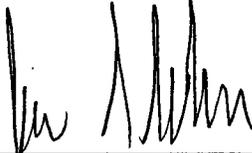
DOCKET NO. E-01933A-07-0402

**NOTICE OF FILING
 AFFIDAVITS OF PUBLICATION
 AND MAILING**

Tucson Electric Power Company, through its undersigned counsel, hereby submits the attached affidavits of publication and mailing.

RESPECTFULLY SUBMITTED this 28th day of December 2007.

TUCSON ELECTRIC POWER COMPANY

By 

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and

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Original and 15 copies of the foregoing
filed this 28th day of December 2007 with:

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

Copy of the foregoing hand-delivered/mailed
this 28th day of December 2007 to:

Chairman Mike Gleason
Arizona Corporation Commission
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Phoenix, Arizona 85007

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Arizona Corporation Commission
1200 West Washington Street
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AFFIDAVIT OF PUBLICATION

STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

Jamie Macias, being first duly sworn, deposes and says that she is the **Legal Advertising Manager** of **THE DAILY TERRITORIAL**, a daily newspaper printed and published in the County of Pima, State of Arizona, and of general circulation in the City of Tucson, County of Pima, State of Arizona and elsewhere, and the hereto attached:

PUBLIC NOTICE
NO. E-01933A-07-0402 ET AL

was printed and published correctly in the regular and entire issue of said **THE DAILY TERRITORIAL** for 1 issues; that was first made on the 21ST day of November 2007 and the last publication thereof was made on the 21ST day of November 2007; that said publication was made on each of the following days, to-wit:

11/21/07

at the Request of:

Tucson Electric Power
The Daily Territorial

By *Jamie C. Macias* Legal Advertising Manager
Subscribed and sworn to before me this 26th day of November 2007.



ROBBIE JONES
Notary Public - Arizona
Pima County
Expires 11/01/08

Robbie Jones
Notary Public in and for the County of Pima, State of Arizona
My Commission Expires: 11-01-08

Public Notices
(continued)

**PUBLIC NOTICE
OF HEARING
ON THE RATE
APPLICATION OF
TUCSON
ELECTRIC
POWER
COMPANY
DOCKET NO.
E-01933A-07-0402
ET AL**

Summary

On July 2, 2007, Tucson Electric Power Company ("TEP" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for a rate increase to become effective January 1, 2009. TEP's filing includes three alternative methods for determining TEP's rates. Under the "Market Methodology" alternative, the unbundled generation service rate would be set at a market-based rate using the Market Generation Credit in TEP's tariff as established by Commission Decision Nos. 62103 and 65751, and all other rates would be set under cost-of-service principles. Under this approach the rates customers pay for generation would fluctuate based on an index for the cost of power in the wholesale market. TEP estimates that the Market Methodology initially would produce a rate increase of approximately 21.9 percent over TEP's current retail rates based on Company projections for wholesale market power prices. The "Cost-of-Service Methodology" alternative would have TEP's retail rates based on cost-of-service principles for distribution, transmission and generation services. This proposed methodology includes regulatory assets for the purported costs associated with the transition of generation service from a regulated monopoly to a competitive scheme and then back to a regulated monopoly; would implement a purchased power and fuel adjustment clause ("PPFAC") to recover TEP's power supply costs; and would restore the exclusivity of the Company's Certificate of Convenience and Necessity. TEP estimates the Cost-of-Service Methodology initially will produce a rate increase of approximately 23.0 percent over

TEP's current retail rates based on its projections for future power supply costs. The implementation of a PPFAC would cause the generation portion of a customer's bill to fluctuate based on power and fuel supply costs. The third proposed alternative is the "Hybrid Methodology" under which TEP's retail rates would be based on cost-of-service principles for distribution, transmission and generation, but some of TEP's generation assets would be excluded from rate base and designated as wholesale assets. The Hybrid Methodology incorporates a regulatory asset and includes a PPFAC. TEP expects the Hybrid Methodology initially to produce a rate increase of approximately 14.9 percent over current retail rates based on the Company's projections for future power supply costs.

The actual increase for each customer would vary, based on the type and quantity of service provided. Customers may contact TEP to inquire about the effect of the Company's proposal on their individual bill.

The Commission's Utilities Division Staff is in the process of auditing and analyzing TEP's records and has not yet made a recommendation regarding the proposed methodologies or the rate increase. The Residential Utility Consumer Office, among others, is also a party to this proceeding. The Commission will determine the appropriate rate adjustment to be granted based on the evidence of record in the proceeding. The Commission is not bound by the proposals made by the Company, Staff, or any intervenors and therefore, the final rates approved may be higher or lower than the rates proposed by the Company.

How You Can View or Obtain a Copy of the Rate Proposal

Copies of the application and proposed rates are available upon request by contacting TEP at **Tucson Electric Power, Corporate Communications, P.O. Box 711, Tucson, Arizona 85702, 520/884-3742, corpcomm@tep.com**. Copies of the application are also available at the Commission's offices at 1200 West Washington, Phoenix, Arizona, or 400 West Congress, Suite 218, Tucson, Arizona for public inspection during regular business hours and on the internet via the Commission website (www.azcc.gov) using the e-docket function.

Arizona Corporation Commission Public Hearing Information

The Commission will hold a hearing on this matter beginning **May 12, 2008** at 10:00 a.m., or as soon thereafter as is practical, at the Commission's offices, 400 West Congress, Room 222, Tucson, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted via email, or by mailing a letter referencing Docket Number E-01933A-07-0402 to: Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007 (visit http://www.azcc.gov/divisions/util/forms/public_comment.pdf for a form and instructions). If you require assistance, you may contact the

Consumer Services Section of the Commission at 1-800-222-7000.

About Intervener Status

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you desire to intervene, you must file a written motion to intervene with the Commission no later than **February 15, 2008**. You must send a copy of the motion to intervene to the Company or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number and the name, address and telephone number of any party upon whom service of documents is to be made if not yourself.
2. A short statement of your interest in the proceeding (e.g., a customer of the Company, a shareholder of the Company, etc.).
3. A statement certifying that you have mailed a copy of the motion to intervene to the Company or its counsel and to all parties of record in the case.

The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case. You will not receive any further notice of this proceeding unless you request it.

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Linda Hogan, at LHogan@azcc.gov, voice phone number 602/542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.

PUBLISHED: The Daily Territorial
November 21, 2007
E-01933A-07-0402 et al

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TUCSON'S NEWSPAPERS

Tucson, Arizona

STATE OF ARIZONA)
COUNTY OF PIMA)

Debbie Capanear, being first duly sworn deposes and says: that she is the Legal Advertising Representative of the **TUCSON'S NEWSPAPERS COMPANY**, a corporation organized and existing under the laws of the State of Arizona, and that the said **TUCSON'S NEWSPAPERS PUBLISHING COMPANY** prints and publishes the Arizona Daily Star and Tucson Citizen, daily newspapers printed and published in the City of Tucson, Pima County, State of Arizona, and having a general circulation in said City, County, State and elsewhere, and that the attached

Legal Notice

was printed and published correctly in the entire issue of the said Arizona Daily Star and Tucson Citizen on each of the following dates, to-wit:

Nov. 21, 2007

Debbie Capanear

Subscribed and sworn to before me this *4th* day of
Dec, 2007

Silvia H. Valdez
Notary Public



SILVIA H. VALDEZ
Notary Public - Arizona
Pima County
Expires 12/15/09

My commission expires _____

TNI AD NO. *5951372*

PUBLIC NOTICE OF HEARING ON THE RATE APPLICATION OF TUCSON ELECTRIC POWER COMPANY DOCKET NO. E-01933A-07-0402 ET AL

Summary

On July 2, 2007, Tucson Electric Power Company ("TEP" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for a rate increase to become effective January 1, 2009. TEP's filing includes three alternative methods for determining TEP's rates. Under the "Market Methodology" alternative, the unbundled generation service rate would be set at a market-based rate using the Market Generation Credit in TEP's tariff as established in Commission Decision Nos. 62103 and 65751, and all other rates would be set under cost-of-service principles. Under this approach the rates customers pay for generation would fluctuate based on an index for the cost of power in the wholesale market. TEP estimates that the Market Methodology initially would produce a rate increase of approximately 21.9 percent over TEP's current retail rates based on Company projections for wholesale market power prices. The "Cost-of-Service Methodology" alternative would have TEP's retail rates based on cost-of-service principles for distribution, transmission and generation services. This proposed methodology includes regulatory assets for the purported costs associated with the transition of generation service from a regulated monopoly to a competitive scheme and then back to a regulated monopoly; would implement a purchased power and fuel adjustment clause ("PPFAC") to recover TEP's power supply costs; and would restore the exclusivity of the Company's Certificate of Convenience and Necessity. TEP estimates the Cost-of-Service Methodology initially will produce a rate increase of approximately 23.0 percent over TEP's current retail rates based on its projections for future power supply costs. The implementation of a PPFAC would cause the generation portion of a customer's bill to fluctuate based on power and fuel supply costs. The third proposed alternative is the "Hybrid Methodology" under which TEP's retail rates would be based on cost-of-service principles for distribution, transmission and generation, but some of TEP's generation assets would be excluded from rate base and designated as wholesale assets. The Hybrid Methodology incorporates a regulatory asset and includes a PPFAC. TEP expects the Hybrid Methodology initially to produce a rate increase of approximately 14.9 percent over current retail rates based on the Company's projections for future power supply costs.

The actual increase for each customer would vary, based on the type and quantity of service provided. Customers may contact TEP to inquire about the effect of the Company's proposal on their individual bill.

The Commission's Utilities Division Staff is in the process of auditing and analyzing TEP's records and has not yet made a recommendation regarding the proposed methodologies or the rate increase. The Residential Utility Consumer Office, among others, is also a party to this proceeding. The Commission will determine the appropriate rate adjustment to be granted based on the evidence of record in the proceeding. The Commission is not bound by the proposals made by TEP, Staff, or any intervenors and therefore, the final rates approved may be higher or lower than the rates proposed by the Company.

How You Can View or Obtain a Copy of the Rate Proposal

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PUBLIC NOTICE OF HEARING ON THE RATE APPLICATION OF TUCSON ELECTRIC POWER COMPANY DOCKET NO. E-01933A-07-0402 ET AL

Summary

On July 2, 2007, Tucson Electric Power Company ("TEP" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for a rate increase to become effective January 1, 2009. TEP's filing includes three alternative methods for determining TEP's rates. Under the "Market Methodology" alternative, the unbundled generation service rate would be set at a market-based rate using the Market Generation Credit in TEP's tariff as established by Commission Decision Nos. 62103 and 65751, and all other rates would be set under cost-of-service principles. Under this approach the rates customers pay for generation would fluctuate based on an index for the cost of power in the wholesale market. TEP estimates that the Market Methodology initially would produce a rate increase of approximately 21.9 percent over TEP's current retail rates based on Company projections for wholesale market power prices. The "Cost-of-Service Methodology" alternative would have TEP's retail rates based on cost-of-service principles for distribution, transmission and generation services. This proposed methodology includes regulatory assets for the purported costs associated with the transition of generation service from a regulated monopoly to a competitive scheme and then back to a regulated monopoly; would implement a purchased power and fuel adjustment clause ("PPFAC") to recover TEP's power supply costs; and would restore the exclusivity of the Company's Certificate of Convenience and Necessity. TEP estimates the Cost-of-Service Methodology initially will produce a rate increase of approximately 23.0 percent over TEP's current retail rates based on its projections for future power supply costs. The implementation of a PPFAC would cause the generation portion of a customer's bill to fluctuate based on power and fuel supply costs. The third proposed alternative is the "Hybrid Methodology" under which TEP's retail rates would be based on cost-of-service principles for distribution, transmission and generation, but some of TEP's generation assets would be excluded from rate base and designated as wholesale assets. The Hybrid Methodology incorporates a regulatory asset and includes a PPFAC. TEP expects the Hybrid Methodology initially to produce a rate increase of approximately 14.9 percent over current retail rates based on the Company's projections for future power supply costs.

The actual increase for each customer would vary, based on the type and quantity of service provided. Customers may contact TEP to inquire about the effect of the Company's proposal on their individual bill.

The Commission's Utilities Division Staff is in the process of auditing and analyzing TEP's records and has not yet made a recommendation regarding the proposed methodologies or the rate increase. The Residential Utility Consumer Office, among others, is also a party to this proceeding. The Commission will determine the appropriate rate adjustment to be granted based on the evidence of record in the proceeding. The Commission is not bound by the proposals made by the Company, Staff, or any intervenors and therefore, the final rates approved may be higher or lower than the rates proposed by the Company.

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The Commission will hold a hearing on this matter beginning **May 12, 2008** at 10:00 a.m., or as soon thereafter as is practical, at the Commission's offices, 400 West Congress, Room 222, Tucson, Arizona. Public comments will be taken on the first day of the hearing. Written public comments may be submitted via email, or by mailing a letter referencing Docket Number E-01933A-07-0402 to: Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007 (visit http://www.azcc.gov/divisions/util/forms/public_comment.pdf for a form and instructions). If you require assistance, you may contact the Consumer Services Section of the Commission at 1-800-222-7000.

About Intervener Status

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Any person or entity entitled by law to intervene and having a direct and substantial interest in the matter will be permitted to intervene. If you desire to intervene, you must file a written motion to intervene with the Commission no later than **February 15, 2008**. You must send a copy of the motion to intervene to the Company or its counsel and to all parties of record. Your motion to intervene must contain the following:

1. Your name, address, and telephone number and the name, address and telephone number of any party upon whom service of documents is to be made if not yourself.
2. A short statement of your interest in the proceeding (e.g., a customer of the Company, a shareholder of the Company, etc.).
3. A statement certifying that you have mailed a copy of the motion to intervene to the Company or its counsel and to all parties of record in the case.

The granting of intervention, among other things, entitles a party to present sworn evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person or entity from appearing at the hearing and providing public comment on the application or from filing written comments in the record of the case. You will not receive any further notice of this proceeding unless you request it.

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator, Linda Hogan, at LHogan@azcc.gov, voice phone number 602/542-3931. Requests should be made as early as possible to allow time to arrange the accommodation.