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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
DOCKET CONTROL

COMMISSIONERS

MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

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

Arizona Corporation Commission
DOCKETED

OCT 17 2007

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COMMENTS ON PROPOSED FORM OF NOTICE

As requested by the Administrative Law Judge at the October 1, 2007 Procedural Conference, Tucson Electric Power Company has reviewed the form of public notice set forth in the October 5, 2007 Procedural Order and proposes the following revisions to the first paragraph of the notice (additions shown by underline, deletions shown by strike through):

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

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1 market-based rate using the by a current Market Generation Credit in TEP's
2 tariff and all other rates would be set under cost-of-service principles. Under this
3 approach the rates paid for generation would fluctuate based on an index for the
4 cost of power in the wholesale market. TEP estimates that the Market
5 Methodology initially would produce a rate increase of approximately 21.9
6 percent over TEP's current retail rates based on ~~current~~ projections for wholesale
7 market power prices. The "Cost-of Service Methodology" alternative would have
8 TEP's retail rates based on cost-of service principles for distribution, transmission
9 and generation services. This proposed methodology includes regulatory assets for
10 the purported costs associated with the transition of generation service from a
11 regulated monopoly to a competitive scheme and then back to a regulated
12 monopoly; would implement a purchased power and fuel adjustment clause
13 ("PPFAC") to recover TEP's power supply costs, and would restore the exclusivity
14 of the Company's Certificate of Convenience and Necessity. TEP estimates the
15 Cost-of-Service Methodology initially will produce a rate increase of
16 approximately 23.0 percent over "TEP's current retail rates based on ~~current~~
17 ~~expectations-projections~~ for future power supply costs. The implementation of a
18 PPFAC would cause the generation portion of a customer's bill to fluctuate based
19 on power and fuel supply costs. The third proposed alternative is the "Hybrid
20 Methodology" under which TEP's retail rates would be based on cost-of-service
21 principles for distribution, transmission and generation, but some of TEP's
22 generation assets would be excluded from rate base and designated as wholesale
23 assets. The Hybrid Methodology incorporates a regulatory asset and includes a
24 PPFAC. TEP expects the Hybrid Methodology initially to produce a rate increase
25 of approximately 14.9 percent over current retail rates based on ~~current~~
26 ~~expectations-projections~~ for future power supply costs.

27 ...

1 RESPECTFULLY SUBMITTED this 17th day of October 2007.

2 TUCSON ELECTRIC POWER COMPANY

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4 By 

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17 Original and 15 copies of the foregoing
18 filed this 17th day of October 2007 with:

19 Docket Control
20 Arizona Corporation Commission
21 1200 West Washington Street
22 Phoenix, Arizona 85007

23 Copy of the foregoing hand-delivered/mailed
24 this 17th day of October 2007 to:

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