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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

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

Arizona Corporation Commission

**DOCKETED**

OCT 30 2007

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IN THE MATTER OF THE APPLICATION OF  
TUCSON ELECTRIC POWER COMPANY FOR A  
FINANCING ORDER AUTHORIZING VARIOUS  
FINANCING TRANSACTIONS.

DOCKET NO. E-01933A-07-0080

DECISION NO. 69946

**OPINION AND ORDER**

DATE OF HEARING:

August 17, 2007

PLACE OF HEARING:

Tucson, Arizona

ADMINISTRATIVE LAW JUDGE:

Jane L. Rodda

APPEARANCES:

Mr. Michael W. Patten, Roshka, DeWulf  
& Patten, PLC, on behalf of Tucson  
Electric Power Company; and

Ms. Janet Wagner, Staff Attorney, Legal  
Division, on behalf of the Utilities  
Division of the Arizona Corporation  
Commission.

**BY THE COMMISSION:**

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the  
Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

**FINDINGS OF FACT**

- On February 2, 2007, Tucson Electric Power Company ("TEP" or "Company") filed an application with the Commission requesting authorization of various financing transactions.
- On April 9, 2007, TEP filed affidavits of publication indicating it published notice of its application in *The Daily Territorial*, the *Arizona Daily Star* and *Tucson Citizen*, newspapers of general circulation in TEP's service territory.
- TEP seeks authority to: (1) have outstanding at any one time, long-term indebtedness

1 not to exceed \$1,000,000,000, excluding capital lease obligations (including current maturities  
2 thereof) and excluding the indebtedness from its previously approved Revolving Credit Facility of  
3 \$150 million; (2) permit through such authorization any redemptions, refinancings, refundings,  
4 renewals, re-issuances and rollovers of any outstanding indebtedness, as well as the incurrence or  
5 issuance of any additional long-term indebtedness, and the amendment or revisions of any terms or  
6 provisions of or relating to any long-term indebtedness in (1) above; (3) provide security for any such  
7 financing transactions by the execution and delivery of one or more supplemental indentures to its  
8 Mortgage and Deed of Trust; and (4) receive capital contributions from TEP's parent company  
9 UniSource Energy Corporation ("UNS"), in an amount of up to \$150 million.

10 4. On June 22, 2007, Commission Utilities Division Staff ("Staff") filed its Staff Report  
11 recommending conditional approval of the various financing transactions. In its Staff Report Staff  
12 recommended increasing TEP's authorized long-term debt threshold to \$1.0 billion subject to the  
13 following conditions:

14 (a) subsequent to any debt issuance pursuant to this authority, TEP maintains  
15 common equity of at least 30 percent of total capital, and a cash coverage ratio ("CCR") equal to or  
16 greater than 1.75;

17 (b) any new long-term capital leases be included as part of the \$1 billion long-term  
18 debt threshold;

19 (c) that the long-term debt levels authorized in this proceeding terminate on December  
20 31, 2010;

21 (d) that the authorizations replace all existing long-term debt authorizations and that  
22 all existing long-term debt authorizations terminate upon the effective date of the authorizations  
23 provided in this proceeding;

24 (e) TEP be authorized to conduct the activities enumerated in the application that are  
25 necessary to secure and maintain the debt;

26 (f) for each individual agreement/transaction or for the aggregate of similar  
27 agreements/transactions with a single entity to incur long-term debt exceeding \$1,000,000 within a  
28 calendar year, that the Company file with Docket Control within 90 days, a description of the

1 transaction and a demonstration that the rates and terms were consistent with those generally  
2 available to comparable entities at the time; and

3 (g) authorization for TEP to receive capital contributions from UNS in an amount up  
4 to \$150 million.

5 5. On July 2, 2007, TEP filed Comments to the Staff Report. TEP objected to the first  
6 three of Staff's recommendations. TEP requested that the Commission reject these three conditions  
7 on the grounds they would impose requirements that are not realistic, would have a significant,  
8 negative impact on the Company's financial flexibility, and would impair rather than authorize, the  
9 Company to take prudent steps to refinance its debt or enter into new financing activities.

10 6. TEP asserts that under the conditions set forth in the Staff Report, TEP could not issue  
11 any debt, including new debt or a refinancing of existing debt because its equity ratio is below 30  
12 percent. TEP states the condition to maintain equity at 30 percent of total capital in order to take  
13 advantage of the general authority will result in unnecessary costs and financial risk to TEP. TEP  
14 explains that a major reason it filed its Application in early February was to take advantage of a  
15 refinancing opportunity that will arise in October 2007, when three different series of tax-exempt  
16 pollution control bonds, aggregating approximately \$131 million, become eligible for refinancing.  
17 TEP states that these bonds, which have an average interest rate of approximately 7 percent, could be  
18 refinanced at approximately 5.5 percent in today's bond market. TEP states that if it cannot refinance  
19 these bonds, TEP and its customers will incur an additional interest cost of \$2 million per year. In  
20 addition, TEP states it has mortgage bonds aggregating \$138 million, which mature in August 2008.  
21 TEP states that if it does not have 30 percent equity when these bonds mature, it would not be  
22 permitted to refinance these mortgage bonds, and would have to rely on its Revolving Credit Facility  
23 and cash on hand to meet this principal payment. TEP believes it unlikely it would have sufficient  
24 cash or availability on its Revolving Credit Facility, and would have to curtail credit spending to meet  
25 its debt obligations under Staff's conditions.

26 7. TEP asserts that if it were able to reach the recommended minimum equity ratio, there  
27 can be no assurance that it would be able to maintain that level of equity in the future. TEP notes that  
28 changes to financial accounting principles occur from time to time that could reduce TEP's equity

1 account. Additionally, TEP states other events outside its control could cause the Company to  
2 recognize a large non-cash charge to earnings or common equity in the future, and in light of these  
3 uncertainties, it would not be in the public interest to hold TEP's financing authority hostage to  
4 events beyond its control.

5 8. In its Comments to the Staff Report, TEP asserts that although it currently exceeds  
6 Staff's recommended minimum CCR of 1.75 percent, this condition could pose a problem in the  
7 future similar to the those problems TEP believes exist with respect to the minimum equity ratio.

8 9. Furthermore, TEP asserts that the recommendation that all existing financing  
9 authorizations be terminated upon approval of the application would, coupled with the minimum  
10 equity ratio requirement, prohibit TEP from borrowing under its existing Revolving Credit Facility.  
11 TEP argues that accessing its Revolving Credit Facility is essential for TEP in order to meet its  
12 reasonable working capital needs and other liquidity requirements. TEP specifically requested that  
13 its \$150 million Revolving Credit Facility, which the Commission authorized in Decision No. 69182  
14 (December 8, 2006), be excluded from its current financing authority request. Although borrowings  
15 under its Revolving Credit Facility are typically repaid quickly and classified a short-term debt on its  
16 balance sheet, borrowing under this facility is not required to be repaid until the end of the term of the  
17 of the Credit Agreement in August 2011, and is considered long-term debt from a contractual  
18 perspective. TEP notes that with its \$821 million of outstanding long-term debt, if the \$150 million  
19 Revolving Credit Facility is included within the new debt authorization, TEP would only be  
20 authorized to issue \$29 million of additional long-term debt pursuant to this Order. Further,  
21 according to TEP, if the Revolving Credit Facility were included in this financing order, TEP would  
22 be required to amend its Credit Agreement for the Revolving Credit Facility to include a new  
23 representation and warranty that it has met the conditions in this order prior to each and every  
24 borrowing under its revolver, that this amendment would need to be approved by its lending group,  
25 and that TEP could not take down a new borrowing under this facility until the amendment had been  
26 approved and TEP had determined that it was in compliance with the new condition.

27 10. Finally, TEP believes that the Staff recommended condition that the long-term debt  
28 authorized in this proceeding be terminated on December 31, 2010 is unclear. TEP proposed that this

1 recommendation be amended to state “that TEP return to the Commission prior to December 31,  
2 2010 with a request to extend, increase, decrease, or otherwise amend, as appropriate, the  
3 authorizations provided herein.”

4 11. By Procedural Order dated July 11, 2007, the matter was set for hearing on August 17,  
5 2007.

6 12. On August 3, 2007, TEP filed affidavits of publication indicating that it had notice of  
7 the hearing published in *The Daily Territorial*, the *Arizona Daily Star* and *Tucson Citizen*,  
8 newspapers of general circulation in TEP’s service area, as directed in the July 11, 2007, Procedural  
9 Order.

10 13. On August 13, 2007, TEP filed the testimony of Kevin P. Larson, TEP’s Senior Vice  
11 President, Chief Financial Officer and Treasurer.

12 14. On August 13, 2007, Staff filed the testimony of Gordon L. Fox. In his testimony, Mr.  
13 Fox clarifies that Staff did not intend to terminate the Revolving Credit Facility, and Staff modified  
14 its recommendation to recognize that the Revolving Credit Facility should be excluded from the  
15 authority granted in this proceeding and remain valid as initially authorized by the Commission.  
16 Similarly, Staff recommends the existing capital lease obligations should be excluded from the  
17 authorized \$1.0 billion long-term debt threshold. Staff argues that with these modifications, TEP’s  
18 other objections to Staff’s recommendations are not valid. Staff argued its recommendations do not  
19 preclude the Company from applying for any future specific financing authorization that the  
20 Company deems appropriate. In addition, in response to TEP’s comments concerning future changes  
21 in Generally Accepted Accounting Principals (“GAAP”) potentially having an adverse affect on  
22 equity, Staff recommends that any incremental obligations be exempt from the equity and cost  
23 coverage ratio tests until the Commission makes a determination, provided that TEP makes a filing  
24 with the Commission within 30 days after the Company files its quarterly Form 10Q or its annual  
25 report Form 10K following the end of the fiscal quarter in which the GAAP change occurs. In such  
26 filing TEP would request a Commission decision regarding whether the effects of the GAAP change  
27 should be included in the tests.

28 15. Staff’s revised recommendations which are intended to supersede those in the June

1 2007, Staff Report are as follows:

2 (a) Increasing TEP's authorized debt threshold to \$1.0 billion (exclusive of existing  
3 capital lease obligations and the \$150 million Revolving Credit Facility authorized in Decision No.  
4 69282) subject to the following conditions: (i) subsequent to any debt issuance, common equity  
5 represents at least 30 percent of total capital (common equity, referred stock, capital leases, long-term  
6 debt and short-term debt), and (ii) subsequent to any debt issuance, the cash coverage ratio is equal to  
7 or greater than 1.75. If TEP's equity is greater than 40 percent of total capital, Staff recommends that  
8 TEP maintains a CCR of 1.0.

9 (b) That any new capital leases be included as part of the \$1 billion long-term debt  
10 threshold.

11 (c) That the long-term debt levels authorized in this proceeding terminate on  
12 December 31, 2010.

13 (d) That the authorizations to incur long-term debt obligations provided in this  
14 proceeding replace all existing long-term debt authorizations (excluding the Revolving Credit Facility  
15 authorized in Decision No. 69182), that those existing long-term debt authorizations terminate upon  
16 the effective date of the authorizations provided in this proceeding, and that all existing obligations  
17 incurred under lawful authorizations remain valid.

18 (e) Authorization for TEP to conduct the activities enumerated in the application that  
19 are necessary to secure and main debt.

20 (f) That when TEP enters into a single agreement/transaction exceeding \$1,000,000  
21 (or an amendment(s) to an existing agreement) or an aggregate of similar agreements/transactions  
22 (including any amendment(s) thereto) exceeding \$1,000,000 with a single entity within a calendar  
23 year, that TEP file with Docket Control within 90 days of the individual qualifying transaction or  
24 within 90 days of the end of the calendar year of the qualifying aggregate transactions, a description  
25 of the transaction(s) and a demonstration that the rates and terms were consistent with those generally  
26 available to comparable entities at the time.

27 (g) TEP be authorized to receive capital contributions form UNS in an amount up to  
28 \$150 million; and

1 (h) That future changes in GAAP that have the affect of lowering TEP's equity be  
2 exempted from the equity and cost coverage ratio tests until the Commission makes a determination,  
3 provided that TEP makes a filing with the Commission within 30 days after the Company files its  
4 quarterly Form 10-Q or its annual report Form 10-K with the Securities and Exchange Commission  
5 following the end of the fiscal quarter in which the GAAP change occurs.

6 16. The hearing convened as scheduled before a duly authorized Administrative Law  
7 Judge. Mr. Larson testified for the Company, and Mr. Fox testified on behalf of Staff.

8 17. As of December 31, 2006, TEP had outstanding long-term debt of \$821,170,000.  
9 Based on year end 2006 figures, approving a debt cap of \$1 billion, would allow TEP to borrow an  
10 additional \$179 million in long-term debt.

11 18. Mr. Larson testified that during the next five years investment in distribution,  
12 transmission and generation assets will exceed \$1 billion and additional debt will be needed to fund  
13 capital investments during periods when internal cash flows are not sufficient to cover investment  
14 levels. TEP argues that the increased borrowing authority will allow TEP flexibility to act in a timely  
15 fashion when favorable financing (and refinancing) opportunities present themselves. TEP believes  
16 that the requested financing authority will result in lower capital costs, providing tangible benefit to  
17 its customers.

18 19. Staff's financial analysis indicates that for the fiscal year ending December 31, 2006,  
19 TEP had a 3.10 CCR, and 1.7 Times Interest Earned Ratio ("TIER")<sup>1</sup> before recognition of any  
20 additional debt. Under Staff's pro forma analysis, assuming a \$178,830,000 increase in long-term  
21 debt (with a 20 year amortizing loan at 6.0 percent interest) TEP would have a TIER of 1.57 and  
22 CCR of 2.86. Based on its analysis, Staff concludes that the pro forma CCR indicates TEP would  
23 have sufficient operating cash flow to be able to meet interest expense under this authorization.

24 20. At the hearing TEP accepted Staff's recommended minimum CCR of 1.75 if equity is  
25 at least 30 percent of total capital and 1.0 if equity exceeds 40 percent.

26 <sup>1</sup> CCR represents the number of times internally generated cash covers required interest payments on short-term and long-  
27 term debt. A CCR greater than 1.0 means that operating cash flow is greater than interest expense. TIER represents the  
28 number of times earnings cover interest expense on long-term debt. A TIER greater than 1.0 means that operating income  
is greater than interest expense. A TIER less than 1.0 is not sustainable in the long-term but does not mean that debt  
obligations cannot be met in the short-term.

1           21.    In addition, at the hearing, TEP requested a short-term exception to the \$1 billion total  
2 cap when debt is being refinanced. Mr. Larson explained that often new bonds are issued 30 to 60  
3 days in advance of the redemption of the existing bonds being paid-off. Thus, there might be times,  
4 when on an interim basis, the total outstanding debt would exceed the \$1 billion.

5           22.    At the hearing TEP continued to oppose Staff's recommended condition that TEP  
6 main a minimum equity ratio of 30 percent. TEP argued that requiring TEP to increase its equity  
7 before it can refinance debt imposes a penalty on TEP and would prevent TEP from refinancing the  
8 bonds that become eligible for refinance in October 2007. TEP argued that refinancing debt does not  
9 change TEP's equity ratio, and that Staff's recommendations are not needed when there are other  
10 protections imposed by the Commission and TEP's lenders.

11           23.    At the hearing, Staff concurred with the Company that it is reasonable and in the  
12 public interest for TEP to refinance the \$131 million in pollution control bonds that become eligible  
13 for refinancing in October 2007. Thus, Staff recommends authorizing this particular refinance  
14 request even though currently the Company's equity is less than 30 percent of total capital. Staff,  
15 however, continued to recommend the condition that new debt, including new capital leases and other  
16 refinancings under the \$1 billion cap be subject to the condition that TEP's equity comprise at least  
17 30 percent of total capital. (TR at 45-46) Staff noted that if TEP's capital is less than 30 percent,  
18 TEP can still file an application for specific authority, and can request expedited approval if TEP  
19 believes time is of the essence. (TR at 46-47)

20           24.    Staff believes that not all debt refinancing at lower interest rates should automatically  
21 be the preferable course of action. (TR at 50) Mr. Fox testified that if the alternative to refinancing is  
22 that the debt is retired, and more equity is brought into the firm, then, depending on circumstances at  
23 the time, a company may be better off not refinancing the debt, even at a lower rate. (TR at 55)

24           25.    TEP's secured debt has been rated investment grade by Moody's Credit Service,  
25 Standard & Poor's and Fitch. Of the three credit rating agencies, only Moody's considers TEP's  
26 unsecured debt to be investment grade. (TR at 14-15)

27           26.    Staff's recommendation concerning the minimum equity ratio would only apply to  
28 TEP's ability to issue new debt or refinance under the general authority being sought in this

1 application, and would not restrict TEP's ability to file a separate specific finance application.

2       27. As of June 30, 2007, TEP's equity was approximately 29 percent of its total capital.  
3 (Ex A-2, Larson pre-filed testimony at p 10; TR at 51) Pro forma calculations show that the issuance  
4 of \$179 million of new debt (up to \$1 billion in total long-term debt), would all else being equal,  
5 reduce equity to 26.5 percent. (Ex A-2 at p. 10) However, the pro forma calculation shows the  
6 capital structure at a single point in time and does not account for reductions in debt as payments are  
7 made, the Company posts earnings, or as infusions of equity from UNS occur. Based on June 30,  
8 2007 balances, assuming an additional \$179 million in long-term debt plus the addition of \$150  
9 million of equity contributions would result in an equity ratio of 31.2 percent.

10       28. TEP's request for general authority to increase long-term debt up to \$1 billion would  
11 provide the Company with increased financial flexibility by enabling it to take advantage of attractive  
12 financing opportunities which may occur on short notice. In the last 15 years, TEP has been able to  
13 increase its equity position substantially, and has demonstrated the financial expertise and  
14 management integrity to make positive financial decisions. While the Commission appreciates the  
15 benefits that TEP can achieve under the general financing authority it seeks, the Commission must  
16 balance those benefits with the risks that may accompany advance approval under a general financing  
17 authority. In essence, TEP is asking the Commission to trust that TEP will continue to make  
18 financial decisions that are in the public interest. We find that the risks inherent in the request can be  
19 mitigated by means of conditions on that authority.

20       29. We find that Staff's recommended conditions are reasonable. The primary point of  
21 contention in this proceeding was Staff's recommendation that TEP can only exercise its authority  
22 under this general grant of borrowing authority if it maintains an equity ratio of 30 percent following  
23 the debt issuance. Currently, TEP's equity ratio is lower than for the industry in general, and TEP  
24 acknowledges that increasing its equity remains a priority. (Ex A-2 at 3) Thus, while there may not  
25 be a magic number for the ideal equity ratio, all parties agree that TEP's capital structure should be  
26 better balanced. Having equity in a range closer to 40 percent would give TEP increased financial  
27 strength to weather temporary cash flow crunches. Increased equity should improve its credit ratings  
28 and allow it to attract capital at attractive rates. Staff's recommended condition would not prevent

1 TEP from seeking specific financing authority if its capital is below 30 percent. Staff testified that  
2 even if TEP's capital ratio remains below 30 percent, Staff would not necessarily oppose the  
3 financing. Rather, in such event, the Commission would evaluate whether the specific financing  
4 would be in the public interest under the existing circumstances. Although this condition does not  
5 give TEP as much flexibility as it sought, we believe it is a good balance between allowing TEP to  
6 take advantage of attractive market conditions in a timely manner, and the Commission's obligation  
7 pursuant to A.R.S. §40-301 and §40-302 to ensure that TEP's issuance of long-term debt is in the  
8 public interest.

9 30. We find that Staff's additional recommendations as contained in Mr. Fox's August 13,  
10 2007 testimony, are reasonable, and should be adopted, with the exception of the proposed procedure  
11 for addressing GAAP changes that affect the equity balance.

12 31. For the purposes of this Order, the equity and cash coverage ratios shall be determined  
13 on a pro forma basis after giving effect to the issuance of the long-term debt to be issued pursuant to  
14 this authority and the discharge of any long-term debt being refunded or refinanced thereby. For the  
15 purposes of this Order, the equity ratio shall be the ratio of (a) common stock equity to (b) total  
16 capitalization, using the most recently audited financial statements as adjusted for capital  
17 contributions, distributions, and issuances, repayment or purchases of debt or equity occurring after  
18 the most recently audited financial statements. For the purposes of this Order, total capitalization  
19 shall be defined as the sum of common stock equity, long-term debt (including current maturities  
20 thereof), capital lease obligations (including current obligations under capital leases), less the  
21 Company's investments in capital lease debt. For the purposes of this Order, the cash coverage ratio  
22 shall be the ratio of (a) the sum of operating income, depreciation and amortization expense for the  
23 twelve month period ending on the last day of the period covered by the most recently audited  
24 financial statements, (b) interest expense for the twelve month period ending on the last day of such  
25 period minus interest expense for such period for any indebtedness being refinanced or refunded with  
26 proceeds of the long-term debt being issued plus interest expenses for twelve months on the  
27 indebtedness being issued (calculated, in the case of indebtedness bearing a floating rate of interest, at  
28 the rate initially in effect on the date of the issuance thereof).

1           32. Under Staff's proposal, in the quarter following a GAAP change that affects TEP's  
2 equity capital balances, TEP would be required to file a request with the Commission for a ruling  
3 whether such accounting change should factor into the financial tests for its finance authority. In  
4 making this recommendation, Staff was attempting to address an issue raised by the Company about  
5 how GAAP changes could affect TEP's ability to operate under the general authority. Testimony at  
6 the hearing, however, indicates that it is likely that TEP's lenders would not lend to TEP in advance  
7 of a Commission ruling on the GAAP change in any event, and thus, TEP would not derive a real  
8 benefit from Staff's proposal. We find that that in the event that a GAAP change affects TEP's  
9 ability to operate under the general authority as conditioned herein, TEP should seek an accounting  
10 order from the Commission that would clarify TEP's authority. Again, in such circumstance, TEP  
11 may file a specific financing request.

12           33. Staff agreed that the Company's request that it be allowed a short term exception, of  
13 up to 60 days, to the \$1 billion cap, to cover the period between the issuance of the new bonds the  
14 retirement of the bonds they are intended to repay, is reasonable. We concur that such short-term  
15 exception to the limit of the authority may be necessary to achieve the goals of the refinancing.

16           34. Because neither the Company nor the Commission knows in advance the purpose of  
17 future loan proceeds that might occur under the general authority, we find that in addition to Staff's  
18 recommendations, it is reasonable and prudent to require that TEP use the proceeds from any  
19 financing under the financing authority granted herein for distribution, transmission or generation  
20 assets, or equipment related thereto, other assets relating to the electric utility business or for  
21 refinancing existing debt of the Company, and to specify that TEP is expressly required to use the  
22 proceeds for these purposes.

23           35. In addition to recommending conditional approval of the general financing authority,  
24 Staff recommends approving in this Order specific authority for TEP to refinance approximately  
25 \$131 million in tax-exempt pollution control bonds that become eligible for refinancing in October  
26 2007. Although testimony indicates that TEP's equity is only 29 percent of total capital, refinancing  
27 the tax-exempt bonds is expected to allow TEP to save a substantial amount of interest expense,  
28 which will assist the Company's efforts to build its retained earnings.





1 Company.

2 IT IS FURTHER ORDERED that except as to the authority to refinance the pollution control  
3 bonds that become eligible for redemption in October, Tucson Electric Power Company's authority  
4 to issue new long-term debt or refinance existing long-term debt under the general financing  
5 authority approved herein is conditioned upon Tucson Electric Power Company having equity equal  
6 to at least 30 percent of its total capital and a cash coverage ratio of at least 1.75 when equity is  
7 between 30 and 40 percent of total capital, or a cash coverage ratio of 1.0 if equity is 40 percent or  
8 higher of total capital. The equity ratio and cash coverage ratio shall be calculated as described in the  
9 Findings of Facts set forth herein.

10 IT IS FURTHER ORDERED that the authorization to issue long-term debt granted herein  
11 shall terminate on December 31, 2010; however, any debt issued on or before December 31, 2010,  
12 pursuant to the authority granted herein shall remain valid and authorized.

13 IT IS FURTHER ORDERED that the authorization to incur long-term debt herein shall  
14 replace all existing long-term debt authorizations (excluding the debt authorized in Decision No.  
15 69182), that those existing long-term debt authorizations terminate upon the effective date of the  
16 authorizations provided in this proceeding, and that all existing obligations incurred under lawful  
17 authorizations shall remain valid.

18 IT IS FURTHER ORDERED that Tucson Electric Power Company is hereby authorized to  
19 engage in any transactions and to execute or cause to be executed any documents or modifications to  
20 existing documents to effectuate the authorization granted herein, including notes and bonds  
21 evidencing or securing the indebtedness authorized herein.

22 IT IS FURTHER ORDERED that in the event Tucson Electric Power Company enters into a  
23 single debt issuance exceeding \$1,000,000 in principal amount (or an amendment(s) to an existing  
24 agreement) or an aggregate of similar debt issuances (including any amendment(s) thereto) exceeding  
25 \$1,000,000 with a single entity within a calendar year, it shall file with Docket Control, as a  
26 compliance item in this docket, within 90 days of the individual qualifying debt issuance or within 90  
27 days of the end of the calendar year of the qualifying aggregate debt issuances, a description of the  
28 debt issuance(s) and a demonstration that the rates and terms were consistent with those generally

1 available to comparable entities at the time.

2           IT IS FURTHER ORDERED that Tucson Electric Power Company shall file with Docket  
3 Control, as a compliance item in this docket, copies of all executed financing documents within 60  
4 days after the date of execution.

5           IT IS FURTHER ORDERED that any new financing or refinancing transaction pursuant to  
6 this authority shall be subject to review for ratemaking purposes in the first Tucson Electric Power  
7 Company rate case after the completion of the transaction.

8           IT IS FURTHER ORDERED that Tucson Electric Power Company is expressly required to  
9 use the proceeds as set forth herein.

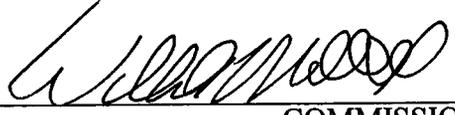
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1 IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not  
2 constitute or imply approval or disapproval by the Commission of any particular expenditure of the  
3 proceeds derived thereby for purposes of establishing just and reasonable rates.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

6  
7   
8 CHAIRMAN

  
9 COMMISSIONER

10   
COMMISSIONER

COMMISSIONER

  
COMMISSIONER

11  
12 IN WITNESS WHEREOF, I, DEAN S. MILLER, Interim  
13 Executive Director of the Arizona Corporation Commission,  
14 have hereunto set my hand and caused the official seal of the  
Commission to be affixed at the Capitol, in the City of Phoenix,  
this 30<sup>th</sup> day of Oct., 2007.

15   
16 DEAN S. MILLER  
17 INTERIM EXECUTIVE DIRECTOR

18 DISSENT \_\_\_\_\_

19  
20 DISSENT \_\_\_\_\_

1 SERVICE LIST FOR:

TUCSON ELECTRIC POWER COMPANY

2 DOCKET NO.:

DOCKET NO. E-01933A-07-0080

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13 Ernest Johnson, Director  
14 Utilities Division  
15 ARIZONA CORPORATION COMMISSION  
16 1200 West Washington Street  
17 Phoenix, Arizona 85007

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