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BEFORE THE ARIZONA CORPORATION COMMISSION

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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 TUCSON ELECTRIC POWER COMPANY'S SUMMARIES OF WITNESSES' TESTIMONY

Tucson Electric Power Company, through undersigned counsel, hereby files the summaries of James S. Pignatelli, David G. Hutchens and Dallas J. Dukes in the above-captioned docket.

RESPECTFULLY SUBMITTED this 7th day of July 2008.

TUCSON ELECTRIC POWER COMPANY

By [signature]

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Summary of the
Testimony of James S. Pignatelli
in Support of the Settlement Agreement
Docket Nos. E-01933A-07-0402/E-01933A-05-0650

Mr. Pignatelli is the Chairman of the Board, President and Chief Executive Officer of Tucson Electric Power Company ("TEP" or the "Company").

Mr. Pignatelli's Testimony in support of the proposed Settlement Agreement addresses the procedural aspects and primary terms of the Settlement Agreement.

The settlement process was open and transparent to all parties on all the issues. Even parties who indicated that they were not likely to sign onto the settlement were invited and included throughout the process. All parties were notified of all negotiation meetings, were invited to attend and were provided the opportunity to participate on any issue that was being discussed. Participants were provided with settlement documentation including drafts of the Settlement Agreement and related exhibits for review and comment. Participants who so desired also involved their experts and consultants in each step in the settlement process.

The Settlement Agreement reflects a compromise of the signatories' positions in this docket. The Settlement Agreement balances the interests of the signatories and TEP's customers, employees and shareholders. The Settlement Agreement resolves difficult issues related to the 1999 Settlement Agreement and avoids potentially protracted litigation. TEP will receive some regulatory certainty and an improved ability to maintain its financial integrity. Eligible low-income customers will be held harmless from the rate increases adopted by the Settlement Agreement.

The primary terms of the Settlement Agreement include:

1. A base rate increase of approximately 6%.

2. The implementation of a Purchased Power and Fuel Adjustment Clause ("PPFAC"), that includes certain credits from TEP's wholesale operations that will act to reduce the charge to our customers.

3. Eligible low-income customers are held harmless from 6% base rate increase and the PPFAC rate.

4. A moratorium on base rate increases until 2013 except with respect to certain emergency circumstances.

5. Cost-of-Service ratemaking for TEP, including its generation assets.

6. Adoption of new depreciation rates for TEP and related resolution of the salvage cost issue for TEP's generation assets.

7. Adoption of a cost of equity of 10.25% and a capital structure of 57.5% debt and 42.5% equity.

8. Adoption of rate design and tariffs that encourage and facilitate demand-side management and conservation.

9. Adoption of adjustor charges for demand-side management and renewable energy programs.

10. Adoption of (i) partial requirement tariffs that will facilitate development of renewable resources; (ii) a demand response program tariff; and (iii) a line extension tariff that excludes the free footage allowance.

11. Retention of the status quo of retail competition within TEP's CC&N, including the continuation of unbundled rates, subject to a new returning customer direct access charge and to the outcome of a future generic docket on retail competition.

12. The Signatories have agreed to waive any claims against each other under the 1999 Settlement Agreement because the new Settlement Agreement supersedes the 1999 Settlement Agreement.

The settlement balances the interests of the interested parties, provides significant benefits to TEP, its customers and employees and is in the public interest. The settlement provides a reasonable rate increase (the first increase in over twelve years) and rate stability for the next five years. The Company will enjoy some level of regulatory certainty and will be better positioned to maintain its financial integrity, all of which inure to the benefits of its customers, employees and shareholders. The settlement also avoids the potential protracted and complex litigation over the 1999 Settlement Agreement.

Two key issues were not resolved by the Settlement Agreement: (i) the treatment of the Fixed CTC True Up Revenues created by Decision No. 69568 and (ii) the effective date of the new rates under the Settlement Agreement. Mr. Pignatelli explains why it is equitable for TEP to retain the Fixed CTC True-up Revenues. He also testifies that all the signatories have agreed that TEP is currently under-earning and is entitled to a rate increase. Therefore, the new rates provided under the Settlement Agreement should go into effect upon approval of the Settlement Agreement – they should not be delayed until January 1, 2009. Moreover, there are many elements of the Settlement Agreement that benefit TEP's customers that should go into effect sooner rather than later.

Mr. Pignatelli also filed Rebuttal Testimony in support of the proposed Settlement Agreement that addresses: (1) TEP's estimate of the impact on average retail rates, (2) the errors and mischaracterizations in RUCO's testimony that undermine its basis for opposing the Settlement Agreement and (3) the testimony filed by SWEEP and a restatement of the Company's commitment to demand-side management programs.

Mr. Pignatelli testifies that TEP currently estimates that the PPFAC surcharge could result in a 3-4% increase to TEP customers' bills. Accordingly, effective April 2009, TEP estimates that the average customer bill for all customer classes could increase 9-10% over the current average bill attributable to the combination of the base rate increase and PPFAC rate. However, Mr. Pignatelli also testifies that, given the proposed rate design and the inverted block rates, the electric bill of a residential customer with average use could increase less than 9-10%. In fact, given the rate design, over 50% of residential customers could see a significantly lower overall increase.

Mr. Pignatelli testifies that RUCO's Responsive Direct Settlement Testimony should be rejected because (1) it attempts to criticize selected provisions of the Settlement Agreement without acknowledging that terms and conditions of the Settlement Agreement were negotiated as a whole, integrated agreement (2) RUCO has not performed any analysis regarding TEP's financial condition, TEP's ability to insure service reliability or the consequences to residential consumers if the Commission does not approve the Settlement Agreement, or new rates by January 1, 2009 (3) it fails to acknowledge the many customer benefits that are included in the Settlement, (4) RUCO's claim of a 21.5% rate increase is simply not true, (5) it ignores that each adjustment is justified and documented in testimony, (6) it erroneously labels the fixed CTC as a "temporary surcharge" when it was a carve out of TEP's then existing rates and (7) it lacks an understanding of the Company and the proposed PPFAC.

Finally, Mr. Pignatelli notes that SWEEP does not oppose the Settlement Agreement, and he testifies that TEP continues to actively support demand side management programs.

Summary of the Testimony of David G. Hutchens in Support of the Settlement Agreement Docket Nos. E-01933A-07-0402/E-01933A-05-0650

Mr. Hutchens is the Vice President, Wholesale Energy for Tucson Electric Power Company ("TEP" or the "Company").

In support of the Settlement Agreement, Mr. Hutchens' testimony addresses: (1) TEP's need for a Purchased Power and Fuel Adjustment Clause ("PPFAC") at this time given the volatility of the fuel and purchased power markets and TEP's increasing dependence on the these markets to meet its increasing system demand; (2) the structure and operation of the PPFAC adopted in the settlement agreement; (3) the credits TEP will apply to the PPFAC that will have the effect of reducing the PPFAC rate; and (4) the benefits, both to the Company and its customers, that will result from the proposed PPFAC. Mr. Hutchens also refers to the PPFAC Plan of Administration ("POA"). The POA provides that TEP will make very detailed monthly filings about its procurement practices with the Commission, that the Commission must approve the PPFAC rate each year before it goes into effect and that the Commission can audit the Company's procurement practices at any time and disallow recovery of costs deemed imprudent. Mr. Hutchens concludes his testimony by explaining that the PPFAC is in the public interest.

Summary of the
Testimony of Dallas J. Dukes
in Support of the Settlement Agreement
Docket Nos. E-01933A-07-0402/E-01933A-05-0650

Mr. Dukes is the Manager of Rates and Revenue Requirements for Tucson Electric Power Company ("TEP" or the "Company").

In support of the Settlement Agreement, Mr. Dukes discusses changing the rate design as delineated in the Settlement Agreement, eliminating the free footage allowance in the Company's Rules and Regulations and the transition plan necessary to allow for that elimination. With regard to the rate design issues, Mr. Dukes explains that the Settlement Agreement provides, among other things that: (1) the 6.1% base rate increase is spread evenly across all of TEP's customers, except for the low-income residential customers (2) low-income residential customers are held harmless from the base rate increase and the PPFAC rate and (3) the rate design sends a pro-conservation message through the expansion of time-of-use tariffs for residential and commercial customers and the adoption of an inclining block rate structure for residential and small general service customers.

Mr. Dukes also testifies about TEP's commitment to propose a partial requirements tariff that will not impede renewable self-generation, devise a viable interruptible tariff and TEP's commitment to a demand response program.