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AZ CORP COMMISSION  
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Regulatory Law Office  
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Subject: In The Matter Of The Application Of Tucson Electric Power Company For Approval Of Its Renewable Energy Standard And Tariff Implementation Plan, Arizona Corporation Commission Docket No. E-01933A-07-0594.

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

Enclosed for filing with the Arizona Corporation Commission are the original and fifteen copies of the Supplemental Direct Testimony of Dan L. Neidlinger on Tucson Electric Power Company's partial requirement service (PRS) tariffs as they relate to the subject proceeding. This Testimony is filed on behalf of the Department of Defense in the subject proceeding and in the Consolidated Rate Cases, Docket Nos. E-01933A-05-0650 and E-01933A-0-0402.

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

Arizona Corporation Commission  
**DOCKETED**

MAR 25 2008

DOCKETED BY *ne*

Sincerely,

Peter Q. Nyce Jr.  
General Attorney  
Regulatory Law Office

Enclosure

**ARIZONA CORPORATION COMMISSION  
TUCSON ELECTRIC POWER COMPANY  
DOCKET NOS. E-01933A-05-0650 & E-01933A-07-0402 AND  
DOCKET NO E-01933A-07-0594**

**Supplemental Direct Testimony of Dan L. Neidlinger**

1 **Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.**

2 A. My name is Dan L. Neidlinger. My business address is 3020 North 17<sup>th</sup> Drive, Phoenix,  
3 Arizona. I am President of Neidlinger & Associates, Ltd., a consulting firm specializing in  
4 utility rate economics.

5

6 **Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN CONSOLIDATED**  
7 **DOCKETS 05-0650 AND 07-0402 ON BEHALF OF THE DEPARTMENT OF DEFENSE**  
8 **(“DOD”)?**

9 A. Yes. I filed direct testimony on cost of service and rate design issues on March 14, 2008.

10

11 **Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENTAL DIRECT TESTIMONY?**

12 A. The purpose of this supplemental testimony is to comment on TEP’s partial requirements  
13 service (“PRS”) tariffs as they relate to the instant proceedings and the Company’s Renewable  
14 Energy Standard & Tariff (“REST”). There are currently three experimental PRS tariffs that  
15 were approved in 2003: PRS-10, PRS-13 and PRS-14. The Company did not file revised PRS  
16 tariffs in this proceeding to replace the current experimental tariffs.

17

1 **Q. HOW MANY CUSTOMERS TAKE SERVICE UNDER THE CURRENT PRS**  
2 **TARIFFS?**

3 A. There are two PRS-13 customers and one PRS-14 customer; there are no customers on  
4 PRS-10.<sup>1</sup>

5

6 **Q. DOES THE COMPANY PROPOSE TO PLACE THESE CUSTOMERS ON TOU**  
7 **RATES?**

8 A. No.

9

10 **Q. ARE THE CURRENT EXPERIMENTAL PRS TARIFFS APPLICABLE TO**  
11 **RENEWABLE DISTRIBUTED GENERATION (“DG”) ON CUSTOMERS’ PREMISES?**

12 A. Yes. The current tariffs would apply if the energy produced from renewable DG  
13 technologies exceeds 10% of the customer’s total energy requirements.<sup>2</sup>

14

15 **Q. ARE THE CURRENT PRS TARIFFS COMPATIBLE WITH DG PROJECTS THAT**  
16 **PROVIDE OVER 10% OF A CUSTOMER’S POWER REQUIREMENTS?**

17 A. In my view, they are not. Fort Huachuca is evaluating a renewable DG project that would  
18 generate much more than 10% of its energy needs. The current PRS tariffs would place  
19 extremely large economic barriers to this project.

20

21 **Q. DOES THE COMPANY PLAN TO FILE REVISED PRS TARIFFS?**

22 A. Yes. In response to DOD Data Request 7.1, TEP stated: “The Company intends to file a  
23 comprehensive PRS tariff that is supportive of, and consistent with, the REST programs during

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<sup>1</sup>Response to DOD Data Request 7.2

<sup>2</sup>Response to DOD Data Request 7.3

1 2008” It did not mention a proposed filing timetable or whether the revised PRS tariff would be  
2 incorporated as part of its REST filing in Docket E-01933A-07-0594.

3

4 **Q. HAS THE DOD INTERVENED IN DOCKET 07-0594?**

5 A. Yes. Copies of this supplemental testimony have also been filed with the Commission  
6 under that docket.

7

8 **Q. SHOULD A HEARING BE CONDUCTED WITH RESPECT TO TEP’S REVISED**  
9 **PRS TARIFFS?**

10 A. Yes. The ACC should conduct a hearing on these new tariffs similar to the one held in  
11 connection with the adoption of the current experimental PRS tariffs. A hearing is needed to  
12 insure that the revised tariffs are truly in harmony with TEP’s REST programs.

13

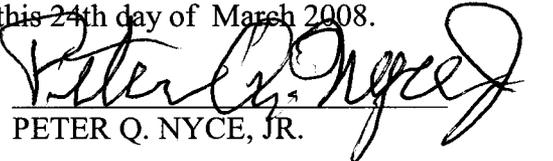
14 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

15 A. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Supplemental Direct Testimony of Dan L. Neidlinger on behalf of the United States Department of Defense was sent to the parties on the attached service list either by United Parcel Service Next Day Air or by first class mail, postage prepaid on March 24, 2008

Dated at Arlington County, Virginia, this 24th day of March 2008.

  
PETER Q. NYCE, JR.

P

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DOCKET NO. E-01933A-07-0594

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