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AZ CORP COMMISSION
DOCKET CONTROL

Subject: In The Matter Of The Filing Of Tucson Electric Power Company To Amend Decision No.62103, Arizona Corporation Commission Docket No. E-01933A-05-650; AND 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, Arizona Corporation Commission Docket No. E-01933A-07-0402.

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 proceedings and the Company's Renewable Energy Standard Tariff Implementation Plan (REST) in Docket No. E-01933A-07-0594. This Testimony is filed on behalf of the Department of Defense in the subject proceeding and in the REST proceeding.

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 NR

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 17th Drive,
3 Phoenix, Arizona. I am President of Neidlinger & Associates, Ltd., a consulting firm
4 specializing in utility rate economics.

5

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

9 A. Yes. I filed direct testimony on cost of service and rate design issues on March 14,
10 2008.

11

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

14 A. The purpose of this supplemental testimony is to comment on TEP’s partial
15 requirements service (“PRS”) tariffs as they relate to the instant proceedings and the
16 Company’s Renewable Energy Standard & Tariff (“REST”). There are currently three
17 experimental PRS tariffs that were approved in 2003: PRS-10, PRS-13 and PRS-14. The

1 Company did not file revised PRS tariffs in this proceeding to replace the current
2 experimental tariffs.

3

4 **Q. HOW MANY CUSTOMERS TAKE SERVICE UNDER THE CURRENT**
5 **PRS TARIFFS?**

6 A. There are two PRS-13 customers and one PRS-14 customer; there are no customers
7 on PRS-10.¹

8

9 **Q. DOES THE COMPANY PROPOSE TO PLACE THESE CUSTOMERS ON**
10 **TOU RATES?**

11 A. No.

12

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

16 A. Yes. The current tariffs would apply if the energy produced from renewable DG
17 technologies exceeds 10% of the customer’s total energy requirements.²

18

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

¹Response to DOD Data Request 7.2

²Response to DOD Data Request 7.3

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

4

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

6 A. Yes. In response to DOD Data Request 7.1, TEP stated: "The Company intends to
7 file a comprehensive PRS tariff that is supportive of, and consistent with, the REST
8 programs during 2008" It did not mention a proposed filing timetable or whether the
9 revised PRS tariff would be incorporated as part of its REST filing in Docket E-01933A-
10 07-0594.

11

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

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

15

16 **Q. SHOULD A HEARING BE CONDUCTED WITH RESPECT TO TEP'S**
17 **REVISED PRS TARIFFS?**

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

22

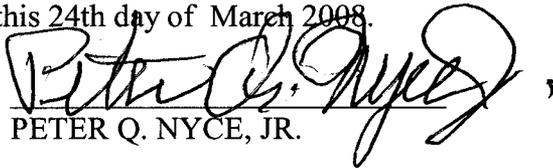
23 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL DIRECT**
24 **TESTIMONY?**

25 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.

Service List
AZ Corporation Commission
Docket Nos. E-01933A-05-0650 and
E-01933A-07-0402
Consolidated

Jane L. Rodda
Administrative Law Judge
Arizona Corporation Commission
400 West Congress
Tucson, Arizona 85701

Raymond S. Heyman
Michelle Livengood
Tucson Electric Power Company
One South Church Street, Suite 200
Tucson, Arizona 85701

Lyn Farmer
Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Michael W. Patten
J. Matthew Derstine
Roshka DeWulf & Patten, PLC
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Christopher Kempley, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Nicholas J. Enoch
Lubin & Enoch, P.C.
349 North Fourth Avenue
Phoenix, Arizona 85003

Ernest Johnson, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Timothy Hogan
Arizona Center for Law in the
Public Interest
202 East McDowell Road, Suite 153
Phoenix, Arizona 85004

Gary Yaquinto, President & CEO
Arizona Investment Council
2100 N. Central Avenue, Suite 210
Phoenix, Arizona 85004

Michael M. Grant
Gallagher & Kennedy, P.A.
2575 East Camelback Road
Phoenix, Arizona 85016-9225

C. Webb Crockett
Fennemore Craig, P.C.
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012-2913

Greg Patterson, Director
Arizona Competitive Power Alliance
916 West Adams, Suite 3
Phoenix, Arizona 85007

Barbara Klemstine
Brian Brumfield
Arizona Public Service
P.O. Box 53999
Mail Station 9708
Phoenix, Arizona 85072-3999

Thomas L. Murnaw
Deborah R. Scott
Pinnacle West Capital Corporation
P.O. Box 53999
Mail Station 8695
Phoenix, Arizona 85072

Robert J. Metli
Snell & Wilmer L.L.P.
One Arizona Center
400 East Van Buren
Phoenix, Arizona 85004-2202

Daniel D. Haws
OSJA
Attn: ATS-JAD
USA Intelligence Center & Fort
Huachuca
Fort Huachuca, AZ 857613-6000

Peter Q. Nyce, Jr.
Regulatory Law Office
U.S. Army Legal Services Agency
901 N. Stuart Street, Suite 713
Arlington, VA 22203-1837

Christopher Hitchcock
Law Offices of Christopher
Hitchcock
P.O. Box AT
Bisbee, AZ 85603-0115

David Berry
Western Resource Advocates
P.O. Box 1064
Scottsdale, AZ 85252-1064

Jeff Schlegel
SWEEP
1167 W. Samalayuca Dr.
Tucson, AZ 85704-3224

Lawrence V. Robertson, Jr.
Theodore Roberts
P.O. Box 1448
Tubac, Arizona 85646

S. David Childers
Low & Childers PC
2999 N. 44th Street, Suite 250
Phoenix, Arizona 85018

Dan Neidlinger
Neidlinger & Assoc.
3020 N. 17th Drive
Phoenix, AZ 85015

Michael J. Kurtz
Kurt J. Boehm
Boehm, Kurtz & Lowry
36 E. Seventh Street, Suite 1510
Cincinnati, Ohio 45202

Billy L. Burtnett, P.E.
3351 N. Riverbend Circle East
Tucson, AZ 85750-2509

John E. O'Hare
3975 North Tucson blvd.
Tucson, AZ 95716

Scott S. Wakefield, Chief Counsel
Residential Utility Consumer Office
1110 West Washington, Suite 220
Phoenix, Arizona 85007

Cynthia Zwick
1940 E. Luke Avenue
Phoenix, Arizona 85016