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**BEFORE THE
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AZ CORP COMMISSION
DOCKET CONTROL

**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**
)
)

**SUPPLEMENTAL
DIRECT TESTIMONY
OF
STEPHEN J. BARON**

**ON BEHALF OF THE
KROGER CO.**

**J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA**

June 2008

Arizona Corporation Commission
DOCKETED
JUN 10 2008

DOCKETED BY **NR**

1 A. I will be presenting brief testimony in support of the Proposed Rate Settlement
2 Agreement of May 29, 2008 ("Settlement Agreement"). Kroger Company is a
3 signatory to this agreement and fully supports the settlement for the reasons that I
4 will discuss below. Kroger did not present testimony on the overall level of TEP's
5 revenue requirement increase or on the alternative ratemaking methodology issues.
6 Our testimony was limited to the allocation of the overall approved revenue increase
7 to rate classes ("rate spread") and to specific rate design issues affecting general
8 service rates. Consistent with this prior testimony, my Supplemental Direct
9 testimony will only address these issues within the context of the Settlement
10 Agreement. Notwithstanding this, Kroger supports the entire settlement and
11 believes that it will result in reasonable rates.

12

13 **Q. Have you specifically reviewed the provisions of the Settlement Agreement**
14 **regarding rate spread?**

15

16 A. Yes. The Settlement Agreement requires a uniform 6.1% revenue increase to each
17 rate schedule. Based on my review of the Company's filed class cost of service
18 study, I believe that this is a reasonable settlement result.

19

20 **Q. Have you reviewed the proposed settlement rate design for general service and**
21 **large general service rate schedules?**

22

1 A. Yes. Based on my review of the proposed tariffs and the issues that I
2 addressed in my Direct Testimony in this case, I believe that the proposed
3 settlement is reasonable and consistent with the underlying cost of service. I
4 therefore fully support and recommend approval of the Settlement
5 Agreement.

6

7 **Q. Are there additional reasons why you believe that the Commission**
8 **should approve the Settlement Agreement?**

9

10 A. Yes. The rate case moratorium provision, freezing base rates until
11 December 31, 2012 is likely to be of significant benefit to all of the
12 Company's ratepayers.

13

14 **Q. Does that complete your testimony?**

15

16 A. Yes.