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AUG 30 1999

DOCKET NO. E-01933A-98-0471

DOCKETED BY [Signature]

IN THE MATTER OF THE APPLICATION)
OF TUCSON ELECTRIC POWER COMPANY)
FOR APPROVAL OF ITS STRANDED COST)
RECOVERY.)

DOCKET NO. E-01933A-97-0772

IN THE MATTER OF THE FILING OF)
TUCSON ELECTRIC POWER COMPANY OF)
UNBUNDLED TARIFFS PURSUANT TO)
A.A.C. R14-2-1601 et seq.)

DOCKET NO. RE-00000C-94-165

IN THE MATTER OF COMPETITION IN)
THE PROVISIONS OF ELECTRIC)
SERVICES THROUGHOUT THE STATE OF)
ARIZONA.)

RUCO'S CLOSING BRIEF

The Residential Utility Consumer Office ("RUCO") supports the Settlement Agreement between Tucson Electric Power Company, ("TEP"), RUCO, Arizonans for Electric Choice and Competition ("AECC"), and the Arizona Community Action Association ("ACAA"). The Settlement Agreement is in the public interest and should be approved by the Arizona Corporation Commission ("Commission") without delay.

The Settlement Agreement should be Approved based upon the Information in the Current Docket.

Commonwealth Energy Corporation ("Commonwealth") has attempted to discredit the Settlement Agreement by using Dr. Rosen's illustrative examples in the February 1998 generic

1 hearing on stranded cost calculation methodologies (Docket No. RE-0000-C-94-0165) to
2 further its arguments in this case. As discussed during the hearing, Dr. Rosen's examples
3 were simply estimates that were not intended to be used to determine final numbers for TEP's
4 stranded cost calculation. Tr. at 183. The examples were only to serve as an example of the
5 implementation of the methodology that RUCO proposed and that was rejected by the
6 Commission in both Decision No. 60977 and Decision No. 61677. TEP Late-filed exhibit,
7 August 19, 1999, Tr. at 1961, in which Dr. Rosen states that he did a stranded cost analysis for
8 TEP for illustrative purposes re the generic stranded cost hearing (emphasis added).

9 RUCO also disclosed in the prehearing conference to the generic cost hearing that
10 RUCO's figures and model were made in order to illustrate and support its methodology.
11 RUCO Exh. 2. RUCO testified in this docket that the numbers were estimates and they were
12 examples off of TEP's FERC Form 1 of how that methodology could be applied so that the
13 methodology was easier to understand. Tr. at 183.

14 Although Commonwealth agreed in the hearing that Dr. Rosen himself in his testimony
15 stated that he used his methodology as estimates of unbundled revenues, Commonwealth
16 continues to advance the notion that such figures can be used to support its theories. Tr. at
17 298-99; Commonwealth Direct Test., Exh. FB-2. As Commonwealth has acknowledged that
18 the methodology is illustrative, Commonwealth cannot continue to advance RUCO's rejected
19 methodology. Id.

20 The Settlement Agreement increases Benefits to all Classes of Customers.

21 The rate decreases in this Settlement Agreement have already been set forth in a
22 Settlement Agreement approved in Decision No. 61104. Although electric service providers
23 may complain that such rate decreases impair their ability to compete, the margins between
24

1 Standard Offer rates and Direct Access rates are adequate for ESPs to compete in the
2 emerging competitive market. AECC Direct Test. at 7-8.

3 Additionally, the Settlement Agreement's rate reductions in Decision No. 61104 only
4 applied to those customers that were retained on TEP's system as TEP customers. The
5 Settlement Agreement that RUCO supports confers those rate reductions on both Standard
6 Offer and Direct Access customers. Tr. at 83. For those customers that do not choose to
7 participate in the competitive arena or who do not have an ability to do so, the rate decreases
8 contained in the Settlement will help those consumers on Standard Offer service to benefit
9 from the start of competition. Both residential consumers who elect to continue to receive all
10 services from TEP and those that decide to use an ESP will benefit from this Settlement
11 Agreement.

12 As a result of testimony at hearing, TEP and the other signatories to the Settlement
13 Agreement agreed to a modification of the Agreement. The Agreement has been modified to
14 increase the adder portion of the Settlement by twenty (20) percent across all customer
15 classes. The practical effect has increased the shopping credit for smaller customers, like
16 residential consumers, in excess of one mill. Tr. at 509.

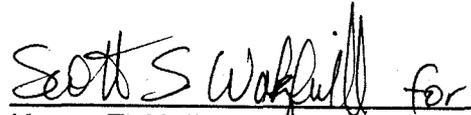
17 By increasing the adder, ESPs should be able to compete more effectively because
18 there is a larger margin for the companies to court, serve, and make a profit from serving those
19 customers. As a result of the increase in the adder, consumers now have a greater likelihood
20 of choice as to what company will provide them service: the incumbent utility or an ESP.

21 Conclusion:

22 The Settlement Agreement provides tangible benefits to all classes of consumers,
23 including residential consumers, and will allow choice in the generation of electricity. RUCO
24

1 strongly believes and concludes that the Settlement Agreement is in the public interest and
2 should be approved by the Commission.

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4 RESPECTFULLY SUBMITTED this 30th day of August, 1999.

5
6  for
7 Karen E. Nally
8 Counsel

9 AN ORIGINAL AND TEN COPIES of the
10 foregoing filed this 30th day of August, 1999 with:

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