ORIGINAL

0000143206

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

2013 MAR -4 P 2: 11

CORP COMMISSION
DOCKET CONTROL

COMMISSIONERS
BOB STUMP, CHAIRMAN
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

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-12-0291 **NOTICE OF FILING**

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

RESPECTFULLY SUBMITTED this 4th day of March 2013.

TUCSON ELECTRIC POWER COMPANY

By [signature]

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

and

Bradley S. Carroll
Tucson Electric Power Company
88 East Broadway Blvd., MS HQE910
P. O. Box 711
Tucson, Arizona 85702

Attorneys for Tucson Electric Power Company

Arizona Corporation Commission
DOCKETED

MAR 4 2013

DOCKETED BY

Original and 13 copies of the foregoing filed this 4th day of March 2013 with:

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

Copies of the foregoing hand-delivered/mailed this 4th day of March 2013 to the following:

Jane Rodda, Administrative Law Judge
Hearing Division
Arizona Corporation Commission
400 West Congress
Tucson, Arizona 85701

Robin R. Mitchell
Charles H. Hains
Brian E. Smith
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Steve Olea, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copies of the foregoing emailed this 4th day of March 2013 to the following:

Daniel Pozefsky, Chief Counsel
Residential Utility Consumer Office
1110 West Washington, Suite 220
Phoenix, Arizona 85007

Lawrence V. Robertson, Jr.
Of Counsel to Munger Chadwick PLC
P. O. Box 1448
2247 E. Frontage Road
Tubac, Arizona 85646

C. Webb Crockett
Patrick Black
Fennemore Craig PC
2394 E. Camelback Road, Suite 600
Phoenix, Arizona 85016

Kevin C. Higgins, Principal
Energy Strategies, LLC
215 South State Street, Suite 200
Salt Lake City, Utah 84111

Kurt J. Boehm
Jody M. Kyler
Boehm, Kurtz & Lowry
36 East Seventh Street, Suite 15 10
Cincinnati, Ohio 45202

John William Moore, Jr.
Moore, Benhan & Beaver
7321 North 16th Street
Phoenix, Arizona 85020

Thomas L. Mumaw
Melissa Krueger
Pinnacle West Capital Corporation
P. O. Box 53999, MS 8695
Phoenix, Arizona 85072

Leland Snook
Zachary J. Fryer
Arizona Public Service Company
P. O. Box 53999, MS 9708
Phoenix, Arizona 85072

Nicholas J. Enoch
Jarrett J. Haskovec
Lubin and Enoch
349 North Fourth Avenue
Phoenix, Arizona 85003

Timothy M. Hogan
Arizona Center for Law in the Public Interest
202 E. McDowell road, Suite 153
Phoenix, Arizona 85004

Jeff Schlegel
SWEEP Arizona Representative
1167 W. Samalayuca Drive
Tucson, Arizona 85704

Travis Ritchie
Sierra Club Environmental Law Program
85 Second Street, 2nd Floor
San Francisco, California 94105

Dan Neidlinger
Neidlinger & Associates
3020 N. 17th Drive
Phoenix, Arizona 85004

Terrance A. Spann
Kyle J. Smith
General Attorney-Regulatory Law Office
(JALS-RL/IP)
U. S. Army Legal Services Agency
9275 Gunston Rd
Fort Belvoir, VA 22060

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

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

Annie C. Lappe
The Vote Solar Initiative
1120 Pearl Street, Suite 200
Boulder, Colorado 80302

Rick Gilliam
Director of Research and Analysis
The Vote Solar Initiative
1120 Pearl Street, Suite 200
Boulder, Colorado 80302

Cynthia Zwick
1940 E. Luke Avenue
hoenix, Arizona 85016

Court S. Rich
Rose Law Group pc
6613 N. Scottsdale Road, Suite 200
Scottsdale, Arizona 85250

Robert Metli, Esq.
Munger Chadwick, PLC
2398 E. Camelback Road, Suite 240
Phoenix, Arizona 85012

Rachel Gold
Senior Regulatory Analyst
Opower
642 Harrison Street, Floor 2
San Francisco, California 94110

By Mary Ippolito

Summary of the Testimony
of David G. Hutchens
in Support of the Settlement Agreement
Docket No. E-01933A-12-0291

Mr. Hutchens is President of Tucson Electric Power Company ("TEP" or the "Company").

Mr. Hutchens submitted both Direct Testimony and Response Testimony in support of the proposed Settlement Agreement.

In his Direct Testimony, Mr. Hutchens addresses the settlement process and the primary terms of the Settlement Agreement.

The settlement process was open and transparent to all parties on all the issues. 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 primary terms of the Settlement Agreement include:

- Under the terms of the Settlement Agreement, the average residential customer's average monthly bill would increase by less than $3.00 upon the effective date of new rates. The total non-fuel base rate increase of $76.4 million is significantly less than the $127.8 million TEP originally sought. The Company supports this level of base rate increase due to the adjustor mechanisms that are included in the Settlement Agreement which will provide for recovery of some costs between rate cases, as well to "smooth out" the rate impact for our customers.

- Two new adjustor mechanisms: (i) a Lost Fixed Cost Recovery ("LFCR") mechanism that limits lost fixed cost recovery to revenues that are measurably lost because of energy efficiency ("EE") or distributed generation ("DG"), and (ii) an Environmental Compliance Adjustor ("ECA") mechanism that allows the Company to recover its carrying costs of investments necessary to comply with environmental mandates. Both of these adjustors have caps on how much can be recovered from customers in any one year.

- The Company's existing Purchased Power and Fuel Adjustment Clause ("PPFAC") was modified to include additional costs and credits that are linked to the procurement of power and fuel.

Summary of the Testimony of David G. Hutchens in Support of the Settlement Agreement Docket No. E-01933A-12-0291

- The Settlement Agreement includes an alternative approach to funding EE and Demand Side Management ("DSM") programs through the existing DSM surcharge. Under the proposed Energy Efficiency Resource Plan ("EERP"), investments in cost-effective EE/DSM will be treated similarly to investments in traditional generation resources, with the Company investing in EE/DSM programs and measures and recovering its costs through the DSM surcharge.

- The Settlement Agreement includes simplification and consolidation of TEP's rate structure. The Settlement Agreement also includes changes to our existing rate structure that provide the Company with a better opportunity to recover its fixed costs of providing service.

In his Response Testimony, Mr. Hutchens responds to SWEEP's objection to the LFCR and the increase monthly customer charges. The LFCR is an appropriate and narrowly focused mechanism that will reduce the disincentive for TEP to support increased EE and DG. The increase in the monthly customer charge is an appropriate, yet gradual increase to move the customer charge closer to covering the fixed costs of service.

Summary of the Testimony of Dallas J. Dukes in Support of the Settlement Agreement

Docket No. E-01933A-12-0291

Mr. Dukes is the Senior Director of Pricing and Economic Forecasting for Tucson Electric Power Company ("TEP" or the "Company"). He filed Direct Testimony in support of the Settlement Agreement in this case.

As Senior Director of Pricing and Economic Forecasting for TEP, Mr. Dukes is responsible for monitoring and determining revenue requirements, customer pricing and rates structures for all the regulated subsidiaries of UNS Energy Corporation, including TEP.

In support of the Settlement Agreement, Mr. Dukes addresses the following:

- The $76,194,000 revenue requirement agreed to in the Settlement Agreement and the significant reduction from the Company's original filed position of $127,760,000 on July 2, 2012.
- The key rate allocation and rate design provisions that are part of the Settlement Agreement, including some of the benefits both the Company and its customers will receive under the Settlement Agreement. The base rate revenue increase is relatively similar across the customer classes. However, the small commercial class allocation was approximately 1% lower than the aggregate increase, the residential class allocation was equal to the aggregate increase and the other classes were slightly above the aggregate.
- The agreed-upon Lost Fixed Cost Recovery ("LFCR") and why it is an appropriate mechanism that will be effective in recovering fixed costs not recovered in base rates due to sales reductions because of Energy Efficiency/Demand Side Management ("EE/DSM") or Distributed Generation ("DG").
- The proposed revisions to TEP's Rules and Regulations.

Mr. Dukes also provides updates to certain Attachments to the Settlement Agreement, including an updated Proof of Revenue, updated tariffs to reflect unbundled rates, an updated LFCR Plan of Administration (adding schedules) and an update redline of the Rules and Regulations that reflects the agreement-upon revisions between TEP and Staff.