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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP, CHAIRMAN
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BRENDA BURNS
BOB BURNS
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2013 SEP 26 P 4:13

AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-04204A-12-0504
 UNS ELECTRIC, INC. FOR THE)
 ESTABLISHMENT OF JUST AND)
 REASONABLE RATES AND CHARGES) **NOTICE OF FILING**
 DESIGNED TO REALIZE A REASONABLE) **SUMMARY OF TESTIMONY**
 RATE OF RETURN ON THE FAIR VALUE OF)
 THE PROPERTIES OF UNS ELECTRIC, INC.)
 DEVOTED TO ITS OPERATIONS)
 THROUGHOUT THE STATE OF ARIZONA,)
 AND FOR RELATED APPROVALS.)

UNS Electric, Inc., through undersigned counsel, hereby files the testimony summary of Dallas J. Dukes in the above-captioned docket.

RESPECTFULLY SUBMITTED this 26th day of September 2013.

UNS ELECTRIC, INC.

By 

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Arizona Corporation Commission

SEP 26 2013

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1 Original and 13 copies of the foregoing
filed this 26th day of September 2013, with:

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5 Copies of the foregoing hand-delivered/mailed
this 26th day of September 2013, to:

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**Summary of the Testimony
of Dallas J. Duker
in Support of the Settlement Agreement**

Docket No. E-04204A-12-0504

Dallas J. Duker is the Senior Director of Pricing and Economic Forecasting for UNS Electric, Inc. ("UNS Electric" or the "Company"). He filed Direct Testimony in support of the Settlement Agreement in this case ("Settlement Testimony"). He is responsible for monitoring and determining revenue requirements, customer pricing and rates structures for all the regulated subsidiaries of UNS Energy Corporation, including UNS Electric.

Mr. Duker's Settlement Testimony supports the September 6, 2013 Settlement Agreement ("Settlement Agreement") that was filed with the Arizona Corporation Commission ("Commission") in this Docket. The Settlement Testimony: i) describes the central factors necessitating a base rate increase, ii) discusses the settlement process that the Company undertook and its support for the Settlement Agreement, and iii) provides an overview of the Settlement Agreement's key provisions.

Under the terms of the Settlement Agreement, the average residential customer's average monthly bill would increase by approximately \$0.41 upon the effective date of new rates. The total non-fuel base rate increase of \$3,186,000 is significantly less than the \$7,522,000 originally sought by UNS Electric.

The Settlement Agreement includes two new adjustor mechanisms: a Lost Fixed Cost Recovery (LFCR) mechanism that limits lost fixed cost recovery to revenues that are measurably lost because of EE or DG, and a Transmission Cost Adjustor (TCA) mechanism that allows the Company to recover in a timely manner its transmission costs associated with serving retail customers at the level approved by FERC. Both of these adjustors are very similar to adjustors that the Commission has approved for other electric utilities.

The Company's existing Purchased Power and Fuel Adjustment Clause ("PPFAC") is being modified to reflect a 12 month rolling average of actual fuel and purchased power costs. The PPFAC rate will now be adjusted on a monthly basis, which will smooth the impact of changes to such costs and allow the Company's customers to avoid a potentially sharp annual adjustment. Moreover, broker fees related to procurement of fuel and purchased power will now be collected through the PPFAC rather than through base rates.

Finally, the Settlement Agreement includes several key provisions regarding rate design, low income programs, energy efficiency, additional operational requirements, the timing for the filing of the Company's next rate case, modifications to certain existing compliance requirements and revisions to the Company's Rules and Regulations.

Mr. Duker requests that the Commission approve the Settlement Agreement in time to allow the new rates to become effective by January 1, 2014, as contemplated by the Settlement Agreement.