

**PUBLIC NOTICE OF HEARING AND PUBLIC COMMENT MEETINGS ON 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 THE PROPERTIES OF TUCSON
ELECTRIC POWER COMPANY DEVOTED TO ITS OPERATIONS THROUGHOUT THE
STATE OF ARIZONA AND FOR RELATED APPROVALS.
(DOCKET NO. E-01933A-25-0103)**

Summary

On June 17, 2025, Tucson Electric Power Company ("TEP" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for an increase in annual non-fuel retail revenues of \$220 million; a decrease in fuel revenues of \$26 million; and a revenue decrease of \$22 million resulting from proposed modifications to the Demand Side Management ("DSM") Surcharge, other changes in adjusters, and changes to miscellaneous services fees ("Application"). This results in an overall increase in retail revenues of \$172 million, or approximately 13% over annualized revenue based on rates and surcharges currently in effect. The Application uses a test year ending December 31, 2024.

The Application proposes a return on equity of 10.50%, a 7.73% weighted average cost of capital, and a return on the fair value increment of 0.20%, resulting in a proposed fair value rate of return of 4.55% on a proposed fair value rate base of \$7.5 billion.

Adjustor Mechanisms

TEP proposes:

- A new Annual Rate Adjustment Mechanism ("ARAM") designed to update rates annually based on historical changes in the Company's revenue requirement using a formula rate framework, reducing regulatory lag and promoting gradualism.

If the ARAM is not approved, TEP proposes:

- Continuation of all existing adjusters;
- A new System Resource Benefit Mechanism ("SRB") to recover the revenue requirement for investments in significant (greater than \$50 million) generation energy resources; and
- A new Limited Income Rate Adjustment ("LIRA"), which is intended to track and recover (or refund) the difference between actual program costs for its limited income tariff and the amount included in base rates. TEP has proposed changes to its limited income tariff to increase participation and focus funding on customers with the greatest need, and TEP anticipates that the program will result in higher lost revenues from discounts as the program progresses.

Rate Design Changes

TEP is not seeking to modify the rate design for any of its existing rate offerings other than restructuring its limited income program. TEP is requesting to adjust the existing rate components to reflect the proposed revenue requirement, including increasing the monthly Basic Service Charge by \$5.00 for all residential and small general service rate offerings.

TEP is proposing to restructure its limited income tariffs, which will have two tiers: (1) at or below 100% of the federal poverty level ("FPL") and (2) between 101% and 200% of the FPL. Residential customers in the first tier will receive a 50% monthly discount on their bill upon income verification and residential customers in the second tier will receive a 20% monthly discount upon income verification. Current customers receiving a limited income discount

would receive the 20% monthly discount and could apply for a higher discount.

Bill Impacts

Under the rates as proposed by the Company, the current average monthly bill for a typical TEP residential customer based on 805 kWh of average monthly consumption will increase by \$19.43, or 13.7%, from \$141.60 to \$161.03. **A CUSTOMER'S BILL DEPENDS ON THE MONTHLY ENERGY CONSUMPTION. CUSTOMERS USING LESS OR MORE THAN THE AVERAGE WOULD EXPERIENCE A SMALLER OR LARGER INCREASE.**

Additional Requests

TEP is proposing a Customer Energy Management ("CEM") Framework that will identify and develop initiatives that leverage tools and technologies to achieve energy savings and load optimization. The CEM Framework will focus on initiatives that serve limited-income customers, schools, non-profits, and small businesses. The CEM Framework and its associated initiatives and funding mechanism will replace the existing three-year DSM and Transportation Electrification Implementation Plans and convert the DSM surcharge to the CEM Surcharge until incorporated into the Company's first formula rate adjustment.

TEP also is seeking approval for modifications to its Tariffs and Rules and Regulation, and other related matters.

If you have any questions concerning how the Company's rate proposal will affect your bill or other substantive questions about this Application, you may contact the Company at: Tucson Electric Power Company, 88 E. Broadway Blvd. HQE 808, Tucson, Arizona 85701, or by phone (520) 884-3742, or email corpcomm@tep.com.

The Commission's Utilities Division ("Staff") is in the process of reviewing and analyzing the application and has not yet made recommendations regarding TEP's request. The Commission will determine the appropriate rate relief to be granted based on the evidence of record in this proceeding.

THE COMMISSION IS NOT BOUND BY THE PROPOSALS OF TEP, STAFF, OR ANY INTERVENORS. THE COMMISSION WILL DETERMINE THE APPROPRIATE RELIEF TO BE GRANTED IN RESPONSE TO TEP'S APPLICATION BASED ON THE EVIDENCE PRESENTED IN THIS MATTER. THE FINAL RATES APPROVED BY THE COMMISSION MAY BE HIGHER, LOWER, OR DIFFERENT THAN THE RATES PROPOSED BY TEP OR BY OTHER PARTIES.

How You Can View or Obtain a Copy of the Application

Copies of the Application are available from TEP on the internet via TEP's website at (www.tep.com) and at the following locations: Joel D. Valdez Main Library, 101 North Stone Avenue, Tucson, Arizona; at the Commission's Docket Control Center at 1200 West Washington Street, Phoenix, Arizona, and 400 West Congress Street, Suite 218, Tucson, Arizona, during regular business hours; and on the Commission website (www.azcc.gov) using the e-Docket function.

Arizona Corporation Commission Public Hearing Information

The Commission will hold a hearing on this matter beginning **Wednesday, April 22, 2026, at 10:00 a.m.**, at the Commission's Tucson offices, Room 222, 400 West Congress Street, Tucson, Arizona 85701.

Additional Public Comment Meetings

Dates and times of public comment sessions located at the bottom of the page.

Written public comments may be submitted by mailing a letter referencing **Docket No. E-01933A-25-0103** to Arizona Corporation Commission, Consumer Services Section, 1200 West Washington, Phoenix, AZ 85007, or by submitting comments on the Commission's website (www.azcc.gov) by clicking on "Divisions" and then "Hearing," scrolling down to "eFiling Services," and clicking on "Make a Public Comment in a Docket." If you require assistance, you may contact the Consumer Services Section at 602-542-4251 or 1-800-222-7000.

If you do not intervene in this matter, you will receive no further notice of the proceedings in this matter unless you sign up to Follow the Docket. However, all documents filed in this matter are available online (usually within 24 hours after docketing) at the Commission's website (www.azcc.gov) using the e-Docket function. **Information on how to Follow a Docket is available on the Commission's website clicking on "Divisions" and then "Hearing" and then "Following a Docket."**

About Intervention

The law provides for an open public hearing at which, under appropriate circumstances, interested persons may intervene. An interested person may be granted intervention if the outcome of the case will directly and substantially impact the person, and the person's intervention will not unduly broaden the issues in the case. Intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other parties' witnesses. **Intervention is not required for you to appear at the hearing and provide public comment, to file written comments in the docket for the case, or to receive emailed notice of each filing made in the case by following the docket.**

Information about what intervention means, including an explanation of the rights and responsibilities of an intervenor, is available on the Commission's website (www.azcc.gov) by clicking on "Divisions" and then "Hearing" and then "Intervene in a Case." The information includes a Sample Intervention Request and a Fillable Intervention Request Form.

To request intervention, you must file a written request to intervene,

either (a) by filing a hard copy request (meeting filing requirements) with Docket Control (Docket Control, 1200 West Washington, Phoenix, AZ 85007), or (b) by **eFiling** the request. Your request **must be filed or eFiled no later than October 10, 2025**. Instructions and restrictions for eFiling are available on the Commission's website at <http://azcc.gov/hearing/efiling>. You also **must** serve a copy of the request to intervene on each party of record, on the same day that you file the request to intervene with the Commission.

Your request to intervene **must** contain the information below:

1. Your name, address, and telephone number;
2. The docket number for the case in which you are requesting to intervene;
3. A short statement explaining:
 - a. Your interest in the proceeding (e.g., a customer of the regulated company involved, a property owner in an area to be affected by the case, etc.),
 - b. How you will be directly and substantially affected by the outcome of the case, and
 - c. Why your intervention will not unduly broaden the issues in the case;
4. A statement certifying that you have sent a copy of your request to intervene to the regulated company or its attorney and to all other parties of record in the case; and
5. If you are not represented by an attorney who is an active member of the Arizona State Bar, and you are not representing yourself as an individual, sufficient information and any appropriate documentation to demonstrate compliance with Arizona Supreme Court Rules 31.1, 31.2, 31.3, 38, 39, and 42, as applicable. This only applies if you are NOT representing yourself and you are not a licensed attorney.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before **October 10, 2025**.

ADA/Equal Access Information

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting the ADA Coordinator for the Hearing Division, E-mail HearingDivision@azcc.gov, voice phone number 602-542-4250. Requests should be made as early as possible and no later than 48 hours in advance of the event to allow time to arrange the accommodation.

Para leer este aviso en español, visite tep.com/propuesta.

Additional Public Comment Meetings

The Commission will take public comment on these matters at the following dates and times, and in the following manner:

DATE	TIME	MANNER
Thursday, March 19, 2026	5:30 p.m. – 8:00 p.m., or until all public comment has been heard, whichever comes first.	Telephonic only: To provide telephonic public comments, call 1-877-309-3457 and enter this code: 24601833204##
Monday, March 23, 2026	10:00 a.m. – 12:00 p.m., or until all public comment has been heard, whichever comes first.	In-person and telephonic: To provide telephonic public comments, call 1-877-309-3457 and enter this code: 24601833204##
Wednesday, April 1, 2026	5:30 p.m. – 8:00 p.m., or until all public comment has been heard, whichever comes first.	In-person and telephonic: To provide telephonic public comments, call 1-877-309-3457 and enter this code: 24601833204##
Tuesday, April 7, 2026	5:30 p.m. – 8:00 p.m., or until all public comment has been heard, whichever comes first.	Telephonic only: To provide telephonic public comments, call 1-877-309-3457 and enter this code: 24601833204##
Wednesday, April 22, 2026	10:00 a.m., prior to the beginning of the first day of hearing.	In-person and telephonic: To provide telephonic public comments, call 1-877-309-3457 and enter this code: 24601833204##