

PUBLIC NOTICE OF HEARING ON TUCSON ELECTRIC POWER COMPANY'S APPLICATION FOR THE ESTABLISHMENT OF A JUST AND 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-22-0107)

Summary

On June 17, 2022, 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 \$159 million, a decrease in fuel revenues of \$5 million, and a revenue decrease of \$18 million resulting from proposed modifications to the Renewable Energy Standard & Tariff ("REST") and Demand Side Management ("DSM") Surcharges ("Application"). This results in an overall increase in retail revenues of \$136 million, or approximately 11.8% over annualized revenue based on rates and surcharges currently in effect. The Application uses a test year ending December 31, 2021. TEP states that the increased revenue requested is necessary to cover TEP's investments to diversify its resource portfolio, including the Oso Grande wind project; maintain its existing generation fleet; upgrade, expand and reinforce its energy delivery systems; improve facilities that house critical grid operations and IT infrastructure; enhance customer service; and leverage the use of technology throughout the Company. In addition, the increase reflects the elimination of certain customer fees, changes to the depreciation rates currently applied to TEP's utility plant, and six months of post-test year investments in plant. The Application proposes a return on equity of 10.25%, and 7.31% weighted average cost of capital, and a return on fair value increment of 0.66%, resulting in a proposed fair value rate of return of 5.20% on a proposed fair value rate base of \$5.25 billion.

Adjustor Mechanisms

TEP proposes:

- A new Resource Transition Mechanism ("RTM"), which replaces its current Environmental Compliance Adjustor ("ECA") and would support investments that advance the Company's resource planning objectives; and
- To eliminate the REST and DSM surcharges and recover the associated costs in base rates.

Rate Design Changes

TEP is not seeking to modify the rate design for any of its existing rate offerings. Rather, TEP is requesting only to adjust the existing rate components to reflect the proposed revenue requirement and increase the monthly Basic Service Charge ("BSC") by \$2.00 for all residential rate options. In conjunction with the proposed BSC increase, TEP also is proposing to increase the monthly Lifeline Discount by \$2.00 (from \$18 to \$20).

Bill Impacts

Under the rates as proposed by the Company, the current average monthly bill for a typical TEP residential customer based on 803 kWh of average monthly consumption will increase by \$14.22, or 11.7%, from \$121.73 to \$135.95. For non-Lifeline customers with usage among the lowest 25% of all residential customers, monthly bill increases range from 9% to 12%. High-usage customers with monthly usage greater than 95% of all residential customers are expected to result in an average bill increase of 11.3% per month. **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 also seeking approval for modifications to its Tariffs and Rules and Regulations, 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 and proposed tariffs are available from on the internet via TEP's website (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 the Commission's office at 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 and the Docket Number shown above.

Arizona Corporation Commission Public Hearing Information

The Commission will hold a hearing on this matter beginning **Wednesday, March 29, 2023, at 10:00 a.m.**, at the Commission's Tucson offices, Room 222, 400 West Congress Street, Tucson, Arizona 85701.

Additional Public Comment Meetings

The Commission will take public comment on these matters at the following dates and times, and in the following manner: Written public comments may be submitted by mailing a letter referencing **Docket No. E-01933A-22-0107** 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) using "Cases and Open Meetings" and "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.

DATE	TIME	MANNER
Tuesday, February 21, 2023	6:00 p.m. - 8:00 p.m., or until all public comment has been heard, whichever comes first.	<u>Telephonic only:</u> To provide telephonic public comments, call 1-888-450-5996 and enter this code: 457395#
Monday, February 27, 2023	10:00 a.m.-12:00 p.m., or until all public comment has been heard, whichever comes first.	<u>Telephonic only:</u> To provide telephonic public comments, call 1-888-450-5996 and enter this code: 457395#
Wednesday, March 8, 2023	6:00 p.m. - 8:00 p.m., or until all public comment has been heard, whichever comes first.	<u>In-person and telephonic:</u> Please note that there is a maximum of 25 persons permitted in Room 222. To provide telephonic public comments, call 1-888-450-5996 and enter this code: 457395#
Thursday, March 23, 2023	6:00 p.m. - 8:00 p.m., or until all public comment has been heard, whichever comes first.	<u>Telephonic only:</u> To provide telephonic public comments, call 1-888-450-5996 and enter this code: 457395#
Wednesday, March 29, 2023	10:00 a.m., prior to the beginning of the first day of hearing.	<u>In-person and telephonic:</u> Please note that there is a maximum of 25 persons permitted in Room 222. To provide telephonic public comments, call 1-888-450-5996 and enter this code: 457395#

If you do not intervene in this proceeding, you will receive no further notice of the proceedings in this docket unless you sign up to Follow the Docket. However, all documents filed in this docket 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 by clicking on "Cases and Open Meetings" and "Follow a Docket or Document Type."**

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 "Cases and Open Meetings" and then clicking on "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 14, 2022**. Instructions and restrictions for eFiling are available on the Commission's website at <http://azcc.gov/hearing/efile-for-utilities-instruction>. 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 14, 2022.

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, Carolyn Buck, E-mail ADACoordinator@azcc.gov, voice phone number 602-542-2247. 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.