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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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Arizona Corporation Commission

**DOCKETED**

AZ CORP COMMISSION  
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APR 16 2008

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8 IN THE MATTER OF THE APPLICATION OF  
 9 TUCSON ELECTRIC POWER COMPANY  
 10 FOR THE ESTABLISHMENT OF JUST AND  
 11 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-07-0402

12 IN THE MATTER OF THE FILING BY  
 13 TUCSON ELECTRIC POWER COMPANY  
 14 TO AMEND DECISION NO. 62103.

Docket No. E-01933A-05-0650

**NOTICE OF FILING RESPONSE TO REQUEST  
 OF ACC CHAIRMAN MIKE GLEASON  
 DATED APRIL 3, 2008**

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing a response to the request of ACC Chairman Mike Gleason, dated April 3, 2008 in the above-referenced matter.

- 22 1. **For the residential class:**
- 23 A. **What is the monthly median summer (May-October) usage in kWh?**
- 24 B. **How were the tier breakpoints (500 kWh and 3,500 kWh) chosen?**
- C. **How were the rate differentials chosen for the second tier (501 kWh - 3,500 kWh) and the third tier (3,501 kWh and above)?**

1 Response:

2 A. RUCO reviewed the cumulative kWh supplied by TEP. The review of the data  
3 indicates that for the 6 months May to October the median kWh usage (standard  
residential RO1) monthly usage by customers is approximately 1050 kWh.

4 RUCO does not have the median kWh usage by each individual months, median  
5 usage for residential usage generally is slightly less than the average. Therefore  
RUCO's estimate of median kWh usage by each individual month is:

6 Median average use based on 95% of recorded average usage;

7 May 721, June 1,118, July 1209, August 1,296, September 1,022,  
8 October 827.

9 Average use as recorded by TEP;

10 May 759, June 1,177, July 1,273, August 1,364, September 1,076,  
11 October 870.

12 B: RUCO accepted the breakpoints of 500 and 3500 as presented by TEP. The  
13 breakpoint of the first 500 represents the approximate average baseload use  
14 by the residential class not including heating or air conditioning. The 3,501 was  
accepted as review of TEP billing estimates indicates that less than 1% of bills  
would be in this range but 6% of the summer usage. The highest rate would only  
affect the very large usage customers. This was considered a reasonable range  
to begin the inverted rate structure.

15 C: RUCO considered and accepted the TEP proposal of a 500 tier rate of 2  
16 cents per kWh less than the 501 to 3500 appropriate as it represented  
baseload not including heating or air-conditioning. In addition RUCO considered  
17 that the lower 500 tier rate would mitigate the impact of the higher customer  
charge to lower usage customers. The 3501 kWh and above rate was set 1 cent  
18 higher than the 501 to 3500 to achieve a top tier rate that addresses in part the  
higher marginal energy supply cost of supply of peak loads.

19  
20 **2. For the residential class Time-of-Use ("TOU") rates:**

- 21 **A. How were the hours chosen for the off-peak, shoulder and peak hours?**  
22 **B. How were the rate differentials chosen between each set of hours?**  
**C. How were the rate differentials chosen with each set of hours?**

23 Response: TOU Residential

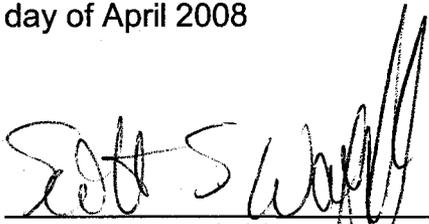
24 A. RUCO reviewed and accepted the hours as chosen by TEP. The four hour  
summer peak period was considered appropriate as review of TEP load data  
indicates that the system peak will occur during these hours. The shoulder

1 peak of two hours before and 2 hours after the peak hours was considered  
2 appropriate as these hours also drive peak period usage (but to a lesser  
3 extent). The off-peak period of 16 hours (24 hours on weekends and Holidays)  
4 are not considered to greatly drive the higher cost peak supply requirements.

5 B: The rate price differentials of the sets of hours were developed from TEP's  
6 estimates of the cost of supplying energy for the hours at marginal cost.  
7 RUCO accepted the basic differential prices as proposed by TEP but reduced  
8 prices to match the revenue requirement recommended for the residential class  
9 by RUCO.

10 C: The rate differentials chosen within each set of hours represent an estimate of  
11 the average of the marginal energy supply cost calculated over the hours by TEP  
12 with a component included for delivery cost.

13 RESPECTFULLY SUBMITTED this 16<sup>th</sup> day of April 2008

14   
15 \_\_\_\_\_  
16 Scott S. Wakefield  
17 Chief Counsel

18 AN ORIGINAL AND FIFTEEN COPIES  
19 of the foregoing filed this 16<sup>th</sup> day  
20 of April 2008 with:

21 Docket Control  
22 Arizona Corporation Commission  
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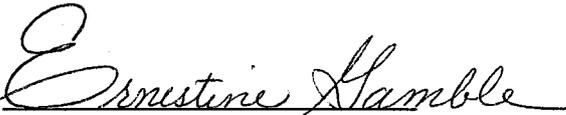
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