

NEW APPLICATION



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ORIGINAL

BEFORE THE ARIZONA CORPORATION

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COMMISSIONERS

KRISTIN K. MAYES - CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

E-04204A-09-0206

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-04204A-09-____
UNS ELECTRIC, INC. 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 UNS ELECTRIC, INC.)
DEVOTED TO ITS OPERATIONS)
THROUGHOUT THE STATE OF ARIZONA.)

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

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UNS ELECTRIC, INC.

APPLICATION

TESTIMONY AND EXHIBITS

VOLUME 1 OF 4

Arizona Corporation Commission
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APPLICATION

E-04204A-09-0206

PART 1 OF 2

BAR CODE # 0000095889

To review Part 2 please see:

BAR CODE #0000097360

Application

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BEFORE THE ARIZONA CORPORATION COMMISSION

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)	

UNS Electric, Inc. ("UNS Electric" or "Company"), pursuant to A.R.S. §§ 40-250, 40-251 and 40-301, and A.A.C. R14-2-103, and through undersigned counsel, respectfully files this rate application requesting the following:

1. Approval of an increase in its base rates of \$13,500,000 or approximately 7.5%, over test year revenues, and to set UNS Electric's fair value rate base at \$265,152,067. UNS Electric further requests approval of its proposed rate design with new rates becoming effective June 1, 2010;
2. Approval of a modification of the interest rate on its Purchased Power and Fuel Adjustment Clause ("PPFAC") bank balance and inclusion of credit-related costs to support the procurement of wholesale power and natural gas; and
3. Approval of a post-test year adjustment to rate base and revenue-neutral rate reclassification, effective on the date of UNS Electric's proposed acquisition of the 90 MW Black Mountain Generating Station peaking facility in Mohave County.

1 In support of this Application, UNS Electric respectfully states as follows:

2 **OVERVIEW**

3 1. UNS Electric requests a rate increase of \$13,500,000, or approximately 7.5% over
4 test year revenues. This rate increase is driven by several factors, including substantial additions
5 to rate base after the test year of the prior rate case (June 30, 2006) and increasing operating
6 costs.

7 2. The rate case is key to improving UNS Electric's financial condition, which will,
8 among other things, improve its ability to attract capital on reasonable terms and acquire
9 economic wholesale power. Recent extraordinary economic circumstances have challenged
10 UNS Electric's ability to raise capital at reasonable terms. UNS Electric's prior rate order
11 (Decision No. 70360 (May 27, 2008)) authorized an ROE of 10%. However, UNS Electric is
12 currently earning well under its authorized return on equity ("ROE"). During the test year
13 (2008), UNS Electric earned an ROE of 4.6%, and it is projected to earn an ROE of only 4.0% in
14 2009. Without the appropriate rate relief, it may be difficult for the Company to attract capital
15 and acquire wholesale power on reasonable terms.

16 3. UNS Electric also requests two modifications to its current Purchased Power and
17 Fuel Adjustment Clause ("PPFAC"). First, the PPFAC allows UNS Electric to recover interest
18 costs on its bank balance when PPFAC collections are less than actual purchased power and fuel
19 costs. The current interest rate is based on the federal government's short term cost of
20 borrowing. Therefore, UNS Electric proposes that the PPFAC interest rate be reset to LIBOR
21 plus 1%, which reflects UNS Electric's actual cost of borrowing. Secondly, UNS Electric
22 requests that credit-related costs to support the procurement of wholesale power and natural gas
23 be included in its PPFAC.

24 4. UNS Electric further requests several changes to its rate structure. UNS Electric
25 proposes modifying its rate design to more closely reflect costs. This effort is best exemplified
26 in UNS Electric's modification and expansion of its Time-of-Use ("TOU") rates program. The
27 Company has adjusted TOU base power supply charges to expand the difference between on-

1 peak and off-peak charges. This provides a more accurate price signal to customers, as well as
2 greater rewards from load shifting, and should encourage greater customer participation in the
3 TOU programs. UNS Electric also proposes to expand TOU participation further with the
4 introduction of three new Super-Peak demand response rates aimed at substantial demand
5 reductions in a single hour. Moreover, UNS Electric proposed a slight increase in the monthly
6 customer charge and an increase to non-fuel base rates.

7 5. UNS Electric proposes changes to its low-income programs that will hold the
8 majority of customers (those with monthly usage levels less than 945 kWh) in the Customer
9 Assistance Residential Energy Support (“CARES”) program harmless from the proposed rate
10 increase in this case. Higher usage CARES customers (more than 945 kWh per month) are not
11 held fully harmless from the rate increase in this case, but they will avoid most of the increase.
12 Additionally, the Company proposes low-income program expansion that will increase the
13 number of customers qualifying for low-income programs by expanding the eligibility beyond
14 the current CARES threshold of 150% of poverty.

15 6. UNS Electric is requesting minor changes to its Rules and Regulations and formal
16 Commission approval of the proposed Line Extension Policy submitted in response to the
17 Company’s prior rate order.

18 7. Finally, as discussed in more detail below, UNS Electric is requesting the
19 Commission to authorize a post-test year rate base adjustment and related revenue-neutral rate
20 reclassification which would allow UNS Electric to acquire the Black Mountain Generation
21 Station (“BMGS”). UNS Electric currently owns very little generation capacity – and none in its
22 Mohave County load area where BMGS is located – and is heavily exposed to the purchased
23 power market. Acquisition of BMGS will reduce that exposure, enhance operational flexibility
24 and reliability, and improve UNS Electric’s cash flow and creditworthiness, while at the same
25 time providing a highly economical resource to serve customers.

1 **A. Revenue Requirement and Rate Increase.**

2 8. UNS Electric's current rates and charges do not produce a reasonable return on
3 the fair value of its property devoted to public service and are therefore not just and reasonable.
4 Thus, the Company is requesting an increase in its base rates of \$13,500,000 or approximately
5 7.5%, over test year revenues, and to set UNS Electric's fair value rate base at \$265,152,067.
6 Since the test-year ending June 30, 2006¹ through December 31, 2008, UNS Electric made
7 capital expenditures of approximately \$86 million. A majority of these capital expenditures were
8 related to plant that was in service on December 31, 2008 and is currently used and useful.
9 These expenditures are not yet reflected in rates even though UNS Electric's customers have
10 been receiving the benefit of those capital additions to UNS Electric's system. Further, the
11 requested increase reflects an overall rate of return and weighted average cost of capital of
12 9.04%. This overall rate of return is based on an 11.4% cost of common equity capital, an 7.05%
13 cost of long-term debt, with a capital structure consisting of 54.24% common equity, 45.76%
14 long-term debt, which was UNS Electric's actual capital structure as of December 31, 2008. The
15 requested rate of return on fair value rate base is 6.88%. The rate increase sought is required to
16 provide the Company an opportunity to earn a fair rate of return on the fair value of its assets
17 devoted to public service, and recover the Company's costs necessarily and prudently incurred in
18 rendering utility service to customers.

19 **B. Rate Design.**

20 9. UNS Electric is proposing to increase its monthly customer charges slightly
21 (\$0.50/month increase for all customer classes) so that they more closely track the actual cost of
22 service. For residential customers, the charge will increase from \$7.50 to \$8.00. Overall, the
23 non-fuel base rate for delivery of power will increase, on average, from 3.0 cents/kWh to 3.84
24 cents/kWh.

25 10. A central component of UNS Electric's energy conservation plan is TOU rates.
26 TOU rates send customers a strong price signal by charging more for peak power than non-peak

27 ¹ In Decision No. 70360, the Commission determined UNS Electric's current rates based upon a test year ending on June 30, 2006.

1 power. Effective TOU rates can delay the need to build or purchase additional peaking
2 generation and they can reduce cost as peaking generation is more expensive compared to
3 baseload or intermediate generation. In Decision No. 70360, the Commission rejected UNS
4 Electric's proposal that all new customers automatically be enrolled in the TOU program. In this
5 case, UNS Electric proposes modifying its current TOU program to increase its effectiveness and
6 encourage more voluntary enrollment. Specifically, UNS Electric proposes increasing the
7 differential between peak and non-peak rates to send a stronger price signal against using peak
8 power. UNS Electric expects that these proposed changes to its TOU rates will offer customers a
9 more appropriate reward for their load management efforts, and will encourage greater customer
10 participation.

11 **C. Low-Income Programs.**

12 11. UNS Electric recognizes the difficulties facing all of its customers and especially
13 its low-income customers, especially in the current economic situation. UNS Electric proposes
14 changes to its low-income programs that will hold the majority of CARES customers (those with
15 monthly usage levels less than 945 kWh) harmless from the proposed rate increase in this case –
16 in fact, bills with usage levels less than 945 kWh will actually decrease. CARES customers
17 using more than 945 kWh per month are not held fully harmless from the rate increase in this,
18 but they will avoid most of the increase. This will be accomplished by lowering the CARES
19 monthly customer charge, offering CARES customers a reduced base power supply rate, and
20 setting the PPFAC forward and true up components for CARES customers to zero and freezing
21 those components upon implementation of new rates. CARES customers also will still receive
22 the *additional* percentage discounts (30% for 0-300 kWh; 20% for 301-600 kWh, and 10% for
23 601-1000 kWh) and the flat \$8.00 per month discount for customers with monthly usage in
24 excess of 1,000 kWh.

25 12. To help mitigate the impact of the rate increase on customers who earn slightly
26 more than the CARES threshold, UNS Electric proposes to increase the number of customers
27 that may qualify for low-income programs by expanding the eligibility threshold to 200% of

1 poverty, beyond the current 150% of poverty threshold. However, UNS Electric's support of an
2 expanded program is contingent upon the program costs being fully recovered from other retail
3 customers.

4 **D. Black Mountain Generation Station.**

5 13. BMGS is owned by UniSource Energy Development Company. It is currently in
6 operation, and provides power to UNS Electric pursuant to an agreement accepted by the Federal
7 Energy Regulatory Commission.

8 14. BMGS has two natural gas turbines that were purchased at a discounted price.
9 This reduced cost will benefit UNS Electric's customers for years to come, if BMGS is placed
10 into rate base. In addition, the long term costs of owning and operating BMGS are expected to
11 be lower than the long term costs of purchasing power. Customers also will benefit from greater
12 stability in costs, as compared to fluctuating purchased power costs.

13 15. BMGS is located within UNS Electric's Mohave County service area, and its
14 location would provide UNS Electric with increased operational flexibility and reliability.

15 16. Including BMGS in rate base will improve UNS Electric's financial situation.
16 Cash flow will be improved because UNS Electric will no longer have to pay for the power
17 purchased from the plant. In addition, owning generation eliminates the risk that substitute
18 purchase power agreements would be viewed as equivalent to debt by credit ratings agencies, or
19 be viewed as leases for accounting purposes. Currently, UNS Electric relies almost exclusively
20 on purchased power, and owning this generation will help move UNS Electric towards a more
21 balanced portfolio of energy sources.

22 17. UNS Electric proposes that BMGS be included in rate base through a post-test
23 year adjustment and related rate reclassification. The rate reclassification would be a revenue
24 neutral increase in the non-fuel base rate and a corresponding decrease in the base power supply
25 rate. The reclassification would occur once the purchase of BMGS closes. The proposed
26 purchase price of \$62.0 million is based upon the depreciated book value of the facility at the end
27 of the test year.

1 **APPLICATION**

2 18. The Company is a corporation duly organized, existing and in good standing
3 under the laws of the State of Arizona. Its principal place of business is 2498 Airway Avenue,
4 Kingman, Arizona 86409.

5 19. The Company is a public service corporation principally engaged in the
6 transmission and distribution of electricity for sale in Arizona pursuant to Certificates of
7 Convenience and Necessity issued by the Commission.

8 20. All communications and correspondence concerning this Application, as well as
9 communications and pleadings with respect thereto filed by other parties, should be served on:

10 Philip J. Dion, Esq.
11 UniSource Energy Corporation
12 One South Church, Suite 2030
13 Tucson, Arizona 85701

14 and

15 Michael W. Patten, Esq.
16 Roshka, DeWulf & Patten, PLC
17 One Arizona Center
18 400 East Van Buren Street, Suite 800
19 Phoenix, Arizona 85004

20 21. This Commission has jurisdiction to conduct public hearings to determine the fair
21 value of the property of a public service corporation, to fix a just and reasonable rate of return
22 thereon, and thereafter, to approve rate schedules designed to develop such return. Further, the
23 Commission has jurisdiction to establish the practices and procedures to govern the conduct of
24 such hearing, including, but not limited to, such matters as notice, intervention, filing, service,
25 exhibits, discovery and other prehearing and hearing matters.

26 22. Accompanying this Application are the standard filing requirements and rate
27 design schedules described in A.A.C. R14-2-103 and the direct testimony and related exhibits of
the following witnesses:

- Michael J. DeConcini (Overview and Policy)
- Thomas McKenna (Operations, Black Mountain)

- 1 • Kentton C. Grant (Financial Needs, Black Mountain, Fair Value Return)
- 2 • Martha B. Pritz (Return on Equity, Weighted Average Cost of Capital)
- 3 • Karen G. Kissinger (Financial Statements, Rate Base)
- 4 • Dallas J. Dukes (Income and Expenses)
- 5 • D. Bentley Erdwurm (Rate Design, TOU)
- 6 • Dr. Ronald E. White (Depreciation)

7 23. UNS Electric respectfully requests that this Commission set a date for a hearing
8 on this Application such that new rates for the Company will become effective on or before June
9 1, 2010. At the hearing conducted pursuant to this rate request, UNS Electric will establish,
10 among other things, that:

- 11 (1) its current rates and charges do not permit the Company to earn a fair
12 return on the fair value of its assets devoted to public service and are
13 therefore no longer just and reasonable;
- 14 (2) the requested increase is the minimum amount necessary to allow the
15 Company an opportunity to earn a fair return on the fair value of its assets
16 devoted to public service, for the preservation of the Company's financial
17 integrity and for the attraction of new capital investment on reasonable
18 terms;
- 19 (3) the Company requires additional permanent base revenue of at least
20 \$13,500,000 based on annualized test period sales in order to continue to
21 provide adequate and reliable electric service to its customers as required
22 by law;
- 23 (4) the proposed rate design, including revisions to its TOU rates, should be
24 approved;
- 25 (5) the proposed modifications to UNS Electric's tariffs (specifically, its
26 Rules and Regulations) should be approved;

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(6) the interest rate to be applied to the PPFAC bank balance should be revised so UNS Electric timely recovers the actual carrying cost of the bank balance and credit-related costs to support the procurement of wholesale power and natural gas should be included in the PPFAC calculation; and

(7) the rate base treatment of BMGS by authorizing a post-test year adjustment to rate base and reclassification of rates effective upon the acquisition of BMGS should be approved in order to facilitate the acquisition of the facility.

24. In addition to setting a hearing date, UNS Electric asks that the Commission issue a procedural order setting forth the prescribed notice for the Application, establishing procedures for intervention, and providing for appropriate discovery. UNS Electric further requests that the Company should be authorized to serve all discovery requests, answers and objections electronically. Hard copy service would remain available to parties upon request or where the confidential nature of the information makes the use of electronic service impractical.

WHEREFORE, UNS Electric respectfully requests that the Commission:

- (1) Issue a procedural order establishing a date for hearing evidence concerning this Application and procedures for intervention and discovery as described above;
- (2) Prescribe the time and form of notice to UNS Electric customers; and
- (3) Issue a final order with the requisite findings of fact and conclusions of law approving the Company's:
 - (i) request for an increase of its base rates, its proposed fair value rate base and cost of capital;
 - (ii) revised rate design, including proposed TOU modifications, as shown in the schedules accompanying this application;
 - (iii) revised PPFAC, as requested;

1 (iv) requested post-test year rate base adjustment and rate reclassification
2 related to the Black Mountain Generation Station; and

3 (4) Grant such other approvals as may be necessary, just and reasonable.

4 RESPECTFULLY SUBMITTED this 30th day of April 2009.

5 UNS Electric, Inc.

6
7 By 

8 Philip J. Dion
9 UniSource Energy Services
10 One South Church Avenue
11 Tucson, Arizona 85702

12 and

13 Michael W. Patten
14 ROSHKA DEWULF & PATTEN, PLC.
15 One Arizona Center
16 400 East Van Buren Street, Suite 800
17 Phoenix, Arizona 85004

18 Attorneys for UNS Electric, Inc.

19 Original and thirteen copies of the foregoing
20 filed this 30th day of April 2009, with:

21 Docket Control
22 Arizona Corporation Commission
23 1200 West Washington Street
24 Phoenix, Arizona 85007

25 Copy of the foregoing hand-delivered
26 this 30th day of April 2009, to:

27 Chairman Kristin K. Mayes
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Commissioner Gary Pierce
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Commissioner Paul Newman
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Direct Testimony of
Michael J. DeConcini

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES - CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-04204A-09-____
UNS ELECTRIC, INC. 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 UNS ELECTRIC, INC.)
DEVOTED TO ITS OPERATIONS)
THROUGHOUT THE STATE OF ARIZONA AND)
REQUEST FOR APPROVAL OF RELATED)
FINANCING.)

Direct Testimony of

Michael J. DeConcini

on Behalf of

UNS Electric, Inc.

April 30, 2009

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Exhibit MJD-1 Map of UNS Electric Service Territory

1 **I. INTRODUCTION.**

2
3 **Q. Please state your name and business address.**

4 A. My name is Michael J. DeConcini. My business address is One South Church Avenue,
5 Tucson, Arizona 85701.
6

7 **Q. By whom are you employed and in what capacity?**

8 A. I am a Director for UNS Electric, Inc. (“UNS Electric” or “Company”). I also serve as
9 Senior Vice President and Chief Operating Officer for both UniSource Energy Corporation
10 (“UniSource Energy”) and Tucson Electric Power Company (“TEP”).
11

12 **Q. Mr. DeConcini, what is the purpose of your direct testimony in this proceeding?**

13 A. The primary purpose of my direct testimony is to sponsor UNS Electric’s Application filed
14 with the Arizona Corporation Commission (“Commission”) in this docket. In my direct
15 testimony I discuss:

- 16 (i) UNS Electric’s operations;
- 17 (ii) UNS Electric’s request for an increase in rates;
- 18 (iii) UNS Electric’s current financial circumstances and the
19 impact of the proposed rate increase;
- 20 (iv) UNS Electric’s rate design, time-of-use and low income
21 proposals;
- 22 (v) The proposed modification of the Purchased Power and
23 Fuel Adjustment Clause (“PPFAC”) regarding the PPFAC
24 interest rate and the inclusion of the credit-related costs to
25 support the procurement of wholesale power and natural
26 gas; and
27

1 (vi) UNS Electric's proposal for acquiring the Black Mountain
2 Generating Station ("BMGS").
3

4 **II. SUMMARY OF UNS ELECTRIC'S REQUEST.**
5

6 **Q. Mr. DeConcini, why is UNS Electric's requesting a rate increase at this time?**

7 A. There are three main reasons why UNS Electric is requesting the Commission to approve
8 an increase in base rates of \$13,500,000 or approximately 7.5% at this time. In Decision
9 No. 70360 (May 27, 2008), the Commission set rates for UNS Electric based upon a test
10 year ending June 30, 2006. Since the test year in its last rate case: (i) the Company's rate
11 base has grown significantly, (ii) its operating costs have increased and (iii) its return on
12 equity ("ROE") has deteriorated substantially.
13

14 In this case, the Company is requesting that the Commission set just and reasonable rates
15 based upon UNS Electric's rate base as of the test year ending December 31, 2008. First,
16 UNS Electric has substantial used and useful plant that is not presently in rate base.
17 During the last rate case, the Company presented evidence that it had substantial
18 construction work in progress ("CWIP") and that it had already put significant post-test
19 year plant additions in service that were used and useful to our customers. However, the
20 Commission determined that it would not include the post test year plant in rate base.
21 Moreover, since the test-year ending June 30, 2006 through December 31, 2008, UNS
22 Electric has made capital expenditures of approximately \$86 million and a majority of
23 these capital expenditures were related to plant that was in service on December 31, 2008
24 and is currently used and useful. Neither the previous CWIP nor these expenditures are
25 reflected in rates even though UNS Electric's customers have been receiving the benefit of
26 those capital additions to UNS Electric's system for a significant period of time.
27

1 Second, since the end of the last rate case, our operating expenses have increased. These
2 increased costs also are not reflected in our rates. Mr. Thomas McKenna explains the
3 scope of these increased expenses in more detail in his testimony.
4

5 Third, given these circumstances, the Company no longer has an opportunity to earn a
6 reasonable return on its investment. In Decision No. 70360, the Commission set rates for
7 the Company based on an allowed ROE of 10%. As set forth in more detail in Mr.
8 Kentton Grant's testimony, the rates authorized in that matter are no longer just and
9 reasonable as the Company earned a ROE of only 4.6% in 2008. If UNS Electric does not
10 receive its requested rate relief, it anticipates that its ROE will deteriorate to only 4.0% in
11 2009. The Company projects greater deterioration without rate relief for the year 2010 and
12 beyond. If this trend continues, it will adversely affect the Company's creditworthiness,
13 which will result in increased future costs to fund necessary plant investment and the
14 acquisition of power from the wholesale market.
15

16 UNS Electric has been under-earning its cost of capital by a wide margin and will
17 continue to do so until appropriate rate relief is granted. Ms. Martha Pritz's testimony
18 will demonstrate that (i) the appropriate return on common equity is 11.4%; (ii) the
19 Company's cost of debt capital is 7.05%; and (iii) its weighted average cost of capital is
20 9.04%. Further, Mr. Grant will describe UNS Electric's request for a rate of return
21 ("ROR") on Fair Value Rate Base ("FVRB") of 6.88%. Mr. Grant will also provide more
22 information on how the requested relief will positively impact the Company's financial
23 situation.
24

25 Therefore, the Company is respectfully requesting the Commission to authorize the rate
26 increase requested in this Application to provide for the necessary cost recovery, to allow
27

1 an opportunity to earn a reasonable return on its equity and to improve its financial
2 strength.

3
4 **Q. What else is UNS Electric seeking in this rate case?**

5
6 A. This rate case also presents an opportunity to seek specific Commission authorization that
7 would allow UNS Electric to acquire BMGS and include it in rate base. BMGS is owned
8 by UniSource Energy Development Company ("UED"), an affiliate of UNS Electric. As
9 will be explained in more detail by Mr. Grant and Mr. McKenna, the rate base treatment of
10 BMGS will be very beneficial to both UNS Electric and its customers and will result in a
11 very reasonable cost for long-term peaking capacity. The Company proposes acquiring
12 BMGS from UED through a post-test year adjustment to rate base and a related revenue-
13 neutral rate reclassification. The rate treatment UNS Electric seeks is necessary for the
14 Company to be able to finance the acquisition.

15
16 In the last rate case, the Company sought similar authority regarding the potential
17 acquisition of BMGS. It presented evidence that the BMGS was about to enter
18 commercial service and could serve UNS Electric's customers. However, the Commission
19 declined to grant the requested authority. The Commission cited certain factors as a basis
20 for declining to grant UNS Electric's requested post-test year rate base adjustment, even
21 though there was recognition of the financial and operational benefits of the Company
22 owning BMGS. However, since that time, several of the concerns underlying the denial
23 are moot.

24
25 Most notably, the Commission was concerned about placing BMGS in rate base before it
26 was operational and before the final cost of construction was known and measurable.
27 Three days after the Commission issued its order in the last rate case, BMGS was placed

1 into service. Further, BMGS' final cost of construction totaled \$63 million and its current
2 book value is \$62 million (net of depreciation). Under UNS Electric's proposal, UNS
3 Electric would acquire BMGS at the book value of \$62 million.

4
5 Given the changed circumstances, the Company believes that it would be appropriate and
6 beneficial to grant the requested authority allowing acquisition of BMGS.

7
8 **III. OVERVIEW OF UNS ELECTRIC.**

9
10 **Q. Describe UNS Electric's operations.**

11 A. UNS Electric provides electric service to the majority of Mohave County and Santa Cruz
12 County, including the cities of Kingman, Lake Havasu City and Nogales. The Company
13 serves over 71,000 customers in Mohave County and over 18,000 customers in Santa
14 Cruz County as of March 2009. Approximately eighty-eight percent of UNS Electric
15 customers are residential and eleven percent are commercial. Less than one percent of
16 the customers are industrial. The Company procures most of its power from the
17 wholesale market, although it does own 65 MWs of gas-fired generation in its Santa
18 Cruz County service territory. It does not own any generation facilities in its Mohave
19 County service area.

20
21 **Q. What does UNS Electric project for customer growth?**

22 A. Until recently, UNS Electric has experienced substantial customer growth which
23 required the Company to expend significant amounts for capital improvements and
24 operations. However, growth slowed during 2008 due to the economic situation in
25 Arizona. UNS Electric's customer growth during the test year in Mohave County was
26 nearly flat and in Santa Cruz County it was 1.0 percent. Customer growth is expected to
27

1 be approximately 0.5 percent in 2009, 1.1 percent in 2010, and average 2.4% per year
2 from 2011 - 2015.

3
4 **IV. RATE DESIGN, TIME-OF-USE, AND LOW-INCOME PROGRAMS.**

5
6 **Q. Please summarize the Company's rate design, Time-Of-Use ("TOU") and low income
7 program proposals.**

8 A. Mr. Dallas Dukes and Mr. Bentley Erdwurm address the rate design proposals in more
9 depth in their testimony. First, we are proposing to increase customer charges to cost-
10 based levels. Second, we propose to redesign the TOU rates and implement Super-Peak
11 Demand Response rates in an effort to increase participation in our TOU programs.
12 Third, we are proposing to modify our Customer Assistance Residential Energy Support
13 Program ("CARES") Pricing Plan to hold harmless the majority of qualified customers
14 (with monthly usage less than 945 kWh) from the proposed rate increase in this case.
15 CARES customers using more than 945 kWh per month are not held fully harmless from
16 the rate increase in this case, but they avoid most of the rate increase. Additionally, we
17 propose to expand the range of qualifying customers.

18
19 **A. Proposed Rates.**

20
21 **Q. What are the primary changes to the rates?**

22 A. UNS Electric proposes to increase customer charges to more closely reflect the cost-
23 based levels supported by the class cost of service study ("CCOSS"). The proposed
24 monthly customer charge increases are \$0.50 per month for each customer class; for
25 residential customers (non-CARES), the Company proposes to increase the customer
26 charge from \$7.50 to \$8.00. Overall, the non-fuel base rate will increase on average from
27 3.00 cents/kWh to 3.84 cents/kWh.

1 **Q. How will those rate changes affect the typical UNS Electric residential customer?**

2 A. Given the upcoming reduction in the PPFAC rate on June 1, 2009, it is difficult to
3 provide a single, simple answer. As an example, a median residential customer using on
4 average 681 kWh per month will see his annual bill decrease from \$973.61 currently to
5 \$766.77 based on the June 1, 2009 downward PPFAC adjustment. This June 2009
6 PPFAC change results in a 21.2% reduction in the bill for this median customer. With
7 UNS Electric's proposed rate increase, a median customer's bill increases to \$905.14,
8 from \$766.77, an 18.0% increase. When the effect of the PPFAC decrease is combined
9 with the proposed rate increase, the net change in this median customer's bill is a 7.0%
10 decrease. Therefore, the annual bill for a median residential customer after rate
11 implementation is \$905.14, less than the current bill of \$973.61. Mr. Erdwurm describes
12 other customer usage scenarios in his testimony, and shows that customers generally will
13 see overall net bill *decreases* ranging from 6.5% to 7.4%. Further, Mr. Dukes explains
14 how the rates will change at certain points in the future relative to today's rates.

15
16 **B. TOU Proposals.**

17
18 **Q. Please provide a summary of the Company's TOU proposals.**

19 A. With respect to TOU rates, UNS Electric is proposing to increase the rate differential
20 between time-periods to encourage more participation in the TOU programs. Under the
21 proposed rates, customers who appropriately manage their energy usage should achieve
22 greater savings as compared to UNS Electric's current TOU rates.

23
24 UNS Electric also wants to provide more options to help customers manage their energy
25 usage and their bills. Therefore, the Company is also proposing to add a Super-Peak rate
26 for residential customers and for Small General Service and Large General Service
27 customers with demands of less than 3 MW (3,000 kW). This rate designates for the

1 customer a single, "super-peak" summer hour with consumption for that hour priced
2 significantly higher than consumption for any other hour of the day. The goal is to
3 encourage customers to make drastic demand reductions in critical peak hours. The
4 program is ideally suited for our desert climate, and I expect the program will be well-
5 received by customers.

6
7 **C. Low Income Proposals.**

8
9 **Q. How will this rate case affect low income customers?**

10 A. UNS Electric is committed to continuing to assist its low income customers through the
11 CARES Pricing Plan and its Warm Spirit program. The CARES Pricing Plan provides
12 low-income customers a discount on their electric bills. The Warm Spirit program
13 provides emergency bill payment assistance. In recent months, UNS Electric has
14 successfully reduced CARES enrollment times to around 20 days, down from the 40 to 45
15 days previously.

16
17 Under the Company's proposals in this case, the majority of CARES customers (with
18 monthly usage less than 945 kWh) will effectively be held harmless from the proposed
19 rate increase in this case. As discussed in more detail in Mr. Erdwurm's testimony
20 holding such a CARES customer harmless from the rate increase means that CARES
21 discounts will increase – both in dollars and on a percentage basis. This will be
22 accomplished by lowering the CARES monthly customer charge, offering CARES
23 customers a reduced base power supply rate, and setting the PPFAC forward and true up
24 components for CARES customers to zero and freezing those components upon
25 implementation of new rates. Setting the PPFAC components to zero and freezing them
26 provides CARES customers an attractive and stable rate option.

27

1 Notably, CARES customers will actually see an effective decrease in their bills after rate
2 implementation, when bills are compared to current levels. Mr. Erdwurm provides further
3 detail on the impact of proposed rates on CARES customers of varying sizes in his
4 testimony.

5
6 In addition to expanding discounts under CARES, we are also proposing to offer a
7 program that provides discounts to customers falling between the 150% and the 200% of
8 poverty thresholds, provided that the expanded program costs are fully recovered from
9 other retail customers.

10
11 Further, UNS Electric introduced the Warm Spirit program, mirroring the UNS Gas Warm
12 Spirit program. The Commission approved that program, including allowing \$20,000 for
13 emergency bill assistance from the Low Income Weatherization program into Warm Spirit,
14 and the Company has committed to matching those funds dollar-for-dollar, up to \$25,000
15 per year. UNS Electric also placed a section on customer bill payment stubs that allows
16 customers to check a box to indicate they would like to make a voluntary contribution to
17 the Warm Spirit program.

18
19 **V. UNS ELECTRIC'S POWER SUPPLY AND PPFAC MECHANISM.**

20
21 **Q. Please describe UNS Electric's existing Power Supply arrangements.**

22 **A.** Until June 1, 2008, UNS Electric had a full-requirements power supply agreement ("PSA")
23 with Pinnacle West Capital Corporation ("PWCC"). The PWCC PSA provided all energy
24 and ancillary services to serve UNS Electric's entire load requirements at a fixed price per
25 MWh.

1 In advance of the contract expiration date, UNS Electric developed a detailed Procurement
2 Plan to insure that it has the necessary resources and contracts to reliably serve its load
3 after the expiration of the PWCC PSA. The Procurement Plan provided for a mix of
4 market power purchases, resource acquisitions and contracts to provide the necessary
5 capacity, energy, and reserves to meet its load requirements. UNS Electric provided the
6 details of the Procurement Plan in its last rate case.

7
8 The Company is currently executing this Procurement Plan. In doing so, UNS Electric
9 relies on (1) power supply contracts for base load and on-peak power; (2) a Purchase
10 Power Agreement (“PPA”) with UNS Electric’s affiliate UED, for power from BMGS; (3)
11 the dispatch of its combustion turbines at the Valencia Generating Station in Santa Cruz
12 County; and (4) spot market purchases as necessary. The Company also procures natural
13 gas and diesel fuel for the operation of its Valencia Station and for the operation of BMGS.

14
15 **Q. How does UNS Electric envision providing power to its customers?**

16 A. UNS Electric plans to acquire its intermediate and long-term power supplies via periodic
17 solicitations through a Request for Proposal (“RFP”) process. In order to serve its
18 expected peak retail demand and reserve margin for 2009, UNS Electric has acquired PPAs
19 in the amount of 225 MWs. Generation from the BMGS PPA and the Valencia Generating
20 Station can provide up to 155 MWs. The remaining resource requirements will be
21 acquired from short-term wholesale markets. UNS Electric is still contemplating the
22 purchase or construction of additional generating facilities; however, these facilities have
23 not yet been identified.

1 **Q. Would including BMGS in rate base factor into the UNS Electric's long-term**
2 **planning?**

3 A. Yes. Including BMGS in rate base will ensure a critical long-term generation resource in
4 UNS Electric's Mohave County load pocket dedicated to UNS Electric customers. This
5 type of resource is not abundant in the wholesale market, particularly for the load area.
6 BMGS enhances reliability and reduces the Company's reliance on transmission and
7 ancillary services. Because BMGS is directly connected to the UNS Electric 69 kV
8 system, there are no transmission wheeling charges to deliver power to the Mohave County
9 load area, unlike purchasing power from the wholesale.

10
11 **Q. Please describe UNS Electric's current PPFAC.**

12 A. UNS Electric's PPFAC, approved in Decision No. 70360, includes both a forward
13 component and a true-up component. The forward component is set based on forecasted
14 fuel and purchased power costs; the true-up component compares actual fuel and
15 purchased power costs with the amount collected through base rates and the PPFAC rate in
16 the prior year. The true-up component reconciles actual and forecast fuel and purchased
17 power costs, and is incorporated into the following year's PPFAC rate.

18
19 **Q. What is the current PPFAC rate?**

20 A. UNS Electric's current PPFAC rate is +1.4746 cents/kWh as established by the
21 Commission. On April 1, 2009, UNS Electric submitted its Annual Update to its
22 December 31, 2008 PPFAC Report. UNS Electric indicated that the PPFAC rate will be
23 reset to (-1.0564) cents/kWh on June 1, 2009, pursuant to the PPFAC Plan of
24 Administration, for a total PPFAC rate reduction of 2.5310 cents/kWh. In effect, over the
25 next year this reduction will act as a credit against the customer's rates. This reduced
26 PPFAC rate provides a 21% decrease to the average residential customer's annual electric
27 costs.

1 **Q. Are you proposing any changes to UNS Electric's PPFAC?**

2 A. Yes. As explained in more detail in Mr. Grant's testimony, the Company is proposing two
3 changes to its PPFAC. The first is to modify the applicable interest rate for the PPFAC
4 bank balance to the 3-month LIBOR rate plus 1.0%. This rate reflects the actual interest
5 rate that UNS Electric must pay when it borrows under its joint revolving credit facility
6 shared with UNS Gas (see Decision No. 69395 (March 22, 2007)) and better reflects the
7 Company's actual carrying cost for the bank balance.

8
9 The second change is to allow for the inclusion of credit-related costs incurred by UNS
10 Electric to support the procurement of wholesale power and natural gas. Credit support
11 may either take the form of a letter of credit issued by a creditworthy bank or a deposit of
12 cash collateral in an escrow account. Credit support is often required to provide assurance
13 to a wholesale counter-party that UNS Electric will perform its obligation to purchase
14 power or natural gas as specified by contract. It is a necessary cost of procuring wholesale
15 power and natural gas, and is also highly variable over time due to commodity price
16 swings and the varying length of procurement contracts outstanding at any point in time.
17 Since these costs are incurred due to the procurement of fuel or power, the Company
18 recommends that this cost be recovered through its PPFAC.

19
20 **VI. REVISIONS TO RULES AND REGULATIONS AND DEVELOPER**
21 **CONTRIBUTIONS.**

22
23 **Q. Please describe the proposed changes to the Company's Rules and Regulations in this**
24 **rate case filing.**

25 A. Mr. McKenna sets forth those changes in detail in his Direct Testimony. UNS Electric is
26 proposing some minor modifications to the Rules and Regulations in this docket,
27 particularly with respect to service charges. We are also requesting that the revised Line

1 Extension Policy submitted in response to the Commission's decision in our prior rate case
2 be formally approved, as contemplated by that decision. Finally, we are requesting some
3 additional modifications to that line extension policy to assist in covering the cost of
4 growth and avoid imposing those costs on existing customers.

5
6 **VII. PROPOSED ACQUISITION OF BLACK MOUNTAIN GENERATION STATION**
7 **AND REQUEST FOR RATE RECLASSIFICATION ("BMGS").**
8

9 **Q. Mr. DeConcini, please explain the justification behind UNS Electric's proposal to**
10 **include BMGS in rate base.**

11 A. UNS Electric witnesses Mr. Grant and Mr. McKenna address this proposal in more detail,
12 and in doing so, they discuss the benefits to be realized by owning the BMGS. UNS
13 Electric's affiliate, UED currently owns BMGS. UED was the developer of BMGS and
14 sells power to UNS Electric under the terms of a five-year tolling agreement that was
15 accepted by the Federal Energy Regulatory Commission ("FERC"). UNS Electric believes
16 purchasing BMGS – a two-unit peaking facility in Mohave County – is in the best interests
17 for both the Company and its customers.

18
19 As discussed in Mr. McKenna's testimony, the Company will obtain – and retain --
20 numerous long-term operational benefits from the ownership of this generation facility and
21 will be better able to provide economic and reliable service to its customers in the future.
22 Mr. Grant, in his Direct Testimony, explains that UNS Electric will also benefit from
23 increased cash flow (since the Company will not have to make payments to UED under the
24 existing BMGS tolling agreement) and earnings would increase because a portion of the
25 Company's operating revenues would be reclassified out of base power supply rate
26 revenues and into non-fuel base rate revenues.

27

1 BMGS has a generating capacity of approximately 90 MW at a completed cost of \$63.0
2 million, or \$62.0 million net of depreciation. As I stated before, this cost is a known figure
3 reflecting the net book value of the facility on December 31, 2008; it is not an estimate.
4 Further, unlike in UNS Electric's last rate case, these units are now in commercial
5 operation. Under the current proposal, UNS Electric would purchase the BMGS from
6 UED at the \$62.0 million net book cost if the Commission approves UNS Electric's
7 request to make both a post-test year rate base adjustment and a revenue-neutral rate
8 reclassification.
9

10 **Q. How does UNS Electric intend to finance the acquisition of BMGS?**

11 A. Mr. Grant will address this in more detail in his testimony. UNS Electric would finance
12 the acquisition under the authority granted to it in Decision No. 70360. That is, UNS
13 Electric is authorized to (i) to incur up to \$40 million of new debt financing in either long-
14 term and/or short-to-intermediate-term debt; and (ii) to receive up to \$40 million in equity
15 from UniSource Energy, to acquire BMGS. UNS Electric intends to use that authority to
16 finance the acquisition.
17

18 **Q. Please describe UNS Electric's rate reclassification proposal to reflect ownership of**
19 **BMGS.**

20 A. This adjustment is detailed in Mr. Grant's and Mr. Erdwurm's testimony. UNS Electric
21 proposes that the Commission approve a post-test-year adjustment to rate base and a
22 revenue-neutral-rate reclassification that reflects the completed cost of this facility upon
23 the transfer of ownership to UNS Electric. UNS Electric is proposing a rate
24 reclassification that would result in an increase to the Company's non-fuel base rates and a
25 simultaneous decrease to the Company's base power supply rate. Thus, customers would
26 see no net change in the price paid for electric service on their electric bills on the date of
27 the rate reclassification. The change in non-fuel base rates would result from the

1 Company's request for a post-test-year adjustment to rate base reflecting the \$62.0 million
2 purchase price as well the requested adjustment of operating expenses reflecting the cost of
3 operating the BMGS. However, before the rate reclassification would be implemented, the
4 Company would need to obtain FERC approval and consummate the financing and
5 acquisition of BMGS.
6

7 **Q. Why did UNS Electric not purchase BMGS prior to this rate case?**

8 A. As Mr. Grant details in his Direct Testimony, it would have been imprudent, if not
9 infeasible, to raise \$60 million of additional capital before obtaining Commission approval
10 specifying rate treatment for BMGS. UNS Electric only had \$192 million of total
11 capitalization as of December 31, 2008. The Company could simply not acquire an asset
12 as large as BMGS without a commensurate increase in earnings and cash flow. While the
13 Commission approved deferred accounting treatment for BMGS, that treatment did not
14 provide sufficient cash flow relief to cover the interim cash costs that UNS Electric would
15 have had to incur to finance the BMGS acquisition. Therefore, obtaining the necessary
16 financing would have been difficult. The Company would have experienced a substantial
17 decline in its operating cash flow and key credit metrics if it had consummated the
18 purchase of BMGS before the end of the test year. Even if UNS Electric could obtain the
19 financing, UNS Electric's reduced financial condition would have made the acquisition of
20 BMGS very expensive to both the Company and its customers, especially in light of the
21 current credit markets.
22
23
24
25
26
27

1 **VIII. WITNESSES.**

2
3 **Q. Mr. DeConcini, who are the other witnesses that are filing Direct Testimony for UNS**
4 **Electric in this case?**

5 A. UNS Electric is presenting the Direct Testimony of officers and managers who have direct
6 responsibility for the subject matter about which they will testify. In addition, UNS
7 Electric is presenting expert testimony regarding depreciation rates and methodology. The
8 following individuals are presenting testimony in this proceeding:

9
10 **Mr. Thomas A. McKenna:** Mr. McKenna is the Vice President of Engineering for
11 UniSource Energy, TEP and UNS Electric. Mr. McKenna will testify about UNS
12 Electric's: (1) Operations; (2) Capital Spending; (3) Existing and Future Power Supply;
13 and (4) Rules and Regulations. He will also testify concerning the completion and
14 operation of the Black Mountain Generation Station.

15
16 **Mr. Kentton C. Grant.** Mr. Grant is the Vice President of Finance and Rates for
17 UniSource Energy and TEP, and has related responsibilities for their affiliates, including
18 UNS Electric. Mr. Grant will testify about UNS Electric's: (1) proposed purchased of the
19 BMGS; (2) ROR on FVRB; (3) timing of rate relief; (4) ability of UNS Electric to earn its
20 cost of capital; and (5) credit-related costs and modifying the applicable interest rate
21 associated with the Company's the PPFAC. In addition, Mr. Grant will also sponsor the
22 following schedules, including those versions of the schedules that reflect the proposed
23 inclusion of BMGS in rate base:

- 24 A-4 Construction Expenditures and Gross Plant in Service
25 F-1 though F-4 Financial Projections
26
27

1 **Ms. Martha B. Pritz.** Ms. Pritz is the Director of Financial Planning for TEP and its
2 affiliates, including UNS Electric. Ms. Pritz will testify about: (1) capital structure; (2)
3 cost of equity; (3) cost of debt; and (4) weighted average cost of capital. Ms. Pritz will also
4 sponsor the following schedules, including those versions of the schedules that reflect the
5 proposed inclusion of BMGS in rate base:

- 6 A-3 Summary of Capital Structure
7 D-1 through D-4 Cost of Capital
8

9 **Ms. Karen G. Kissinger.** Ms. Kissinger is the Vice President, Controller and Chief
10 Compliance Officer for UniSource Energy. She is also the Vice President and Controller
11 of UNS Electric. She will testify concerning the Company's financial statements and rate
12 base. She will sponsor the following schedules, including those versions of the schedules
13 that reflect the proposed inclusion of BMGS in rate base:

- 14 B-1 through B-5 Rate Base
15 C-3 Computation of Gross Revenue Conversion Factor
16 E-1 through E-9 Financial Statements and Statistical Data
17

18 **Mr. Dallas J. Dukes.** Mr. Dukes is the Manager of Revenue Requirements for TEP and
19 its affiliates, including UNS Electric. He will testify concerning the UNS Electric income
20 statement and adjustments to the income statement for regulatory purposes, including
21 various adjustments to expenses. He will also sponsor the following schedules, including
22 those versions of the schedules that reflect the proposed inclusion of BMGS in rate base:

- 23 A-1 Computation of Increase in Gross Revenue Requirements
24 A-2 Summary Results of Operations
25 A-5 Summary Changes in Financial Position
26 C-1 Adjusted Test Year Income Statement
27 C-2 Income Statement Pro Forma Adjustments

1 **Mr. D. Bentley Erdwurm.** Mr. Erdwurm is the Lead Customer Pricing Analyst for TEP
2 and its affiliates, including UNS Electric. Mr. Erdwurm will testify about: (1) weather
3 normalization; (2) year-end customer annualization; (3) cost of service; and (4) rate design
4 and other pricing plan changes. Mr. Erdwurm will sponsor the following schedules,
5 including those versions of the schedules that reflect the proposed inclusion of BMGS in
6 rate base:

7 G-1 through G-7 Cost of Service

8 H-1 through H-5 Effect of Proposed Rate Schedules

9
10 **Dr. Ronald E. White.** Dr. White is a consultant for UNS Electric. Dr. White testifies
11 concerning depreciation rates and methodology.

12
13 **IX. SUMMARY.**

14
15 **Q. Mr. DeConcini, please summarize the requests UNS Electric is making in this case:**

16 **A.** We are requesting the following:

- 17 (1) A rate increase of approximately 7.5% over Test Year revenues to allow UNS
18 Electric an opportunity to recover its expenses and earn a reasonable return on its
19 investment;
- 20 (2) Approval of requested changes to the Company's pricing plans, including TOU
21 pricing plans, and updated Rules and Regulations;
- 22 (3) Two modifications to the Company's PPFAC mechanism regarding an increase to
23 the carrying charge on the bank balance and the inclusion of credit-related costs to
24 support the procurement of wholesale power and natural gas in the PPFAC rate;
25 and
- 26 (4) Approval of a post-test year rate base adjustment and related rate reclassification to
27 allow UNS Electric to acquire the Black Mountain Generating Station.

1 **Q. Mr. DeConcini, does this conclude your Direct Testimony?**

2 **A. Yes, it does.**

3

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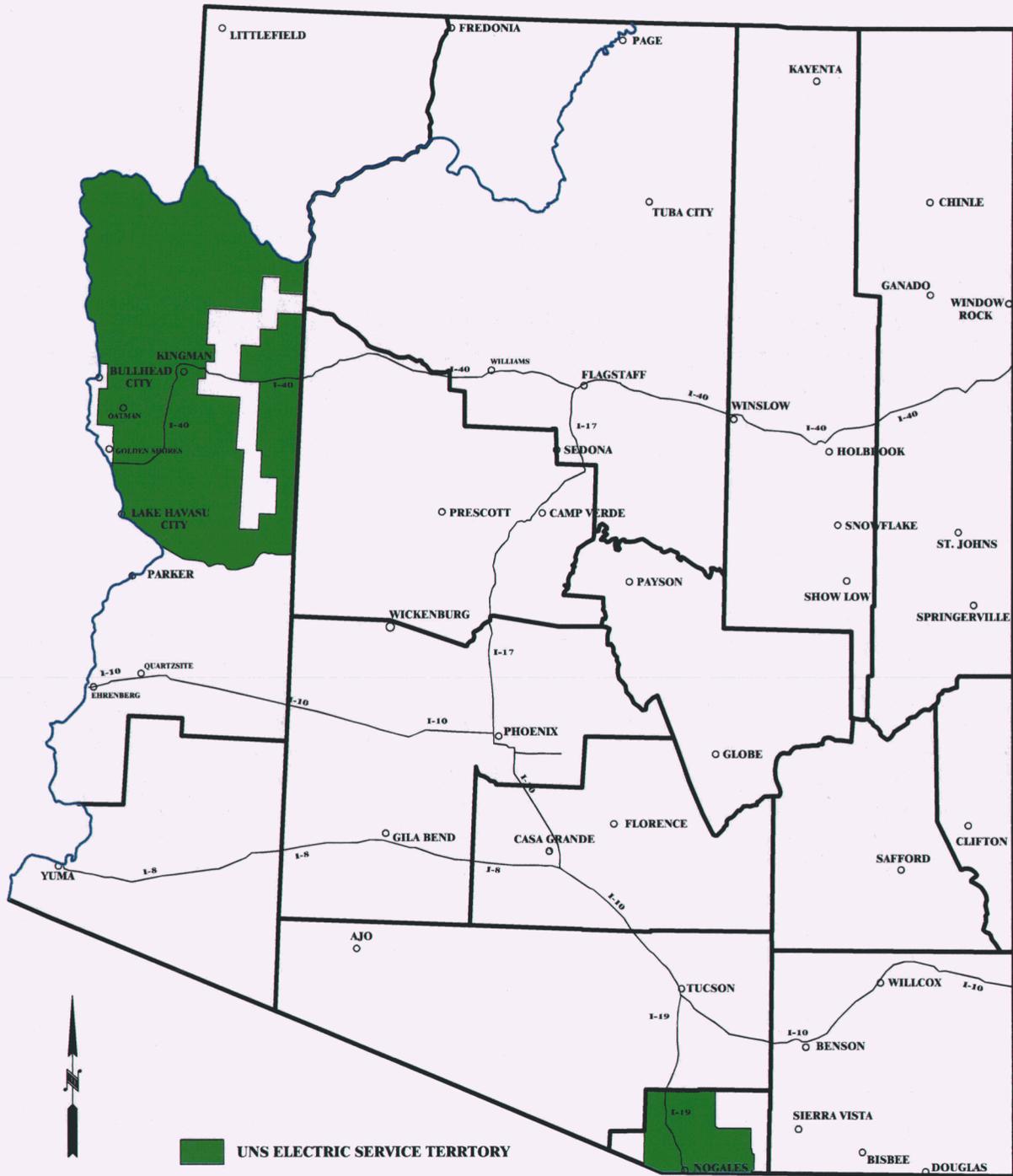
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EXHIBIT

MJD-1

UniSource Energy Services UNS Electric, Inc. Service Territory



Direct Testimony of
Thomas A. McKenna

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 KRISTIN K. MAYES - CHAIRMAN
4 GARY PIERCE
5 PAUL NEWMAN
6 SANDRA D. KENNEDY
7 BOB STUMP

8 IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-04204A-09-____
9 UNS ELECTRIC, INC. FOR THE)
10 ESTABLISHMENT OF JUST AND)
11 REASONABLE RATES AND CHARGES)
12 DESIGNED TO REALIZE A REASONABLE)
13 RATE OF RETURN ON THE FAIR VALUE OF)
14 THE PROPERTIES OF UNS ELECTRIC, INC.)
15 DEVOTED TO ITS OPERATIONS)
16 THROUGHOUT THE STATE OF ARIZONA AND)
17 REQUEST FOR APPROVAL OF RELATED)
18 FINANCING.)

19 Direct Testimony of

20 Thomas A. McKenna

21 on Behalf of

22 UNS Electric, Inc.

23 April 30, 2009
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1 **I. INTRODUCTION.**

2
3 **Q. Please state your name and business address.**

4 A. My name is Thomas A. McKenna. My business address is One South Church Avenue,
5 Tucson, Arizona 85701.

6
7 **Q. By whom are you employed and in what capacity?**

8 A. I am Vice President of UNS Electric, Inc. ("UNS Electric" or the "Company") and also
9 Vice President of Engineering for Tucson Electric Power Company ("TEP"). I have
10 overall management responsibility for UNS Electric. In my position at TEP, I oversee
11 the Transmission Engineering and Planning Departments and the Control Area
12 Operations.

13
14 **Q: What topics do you address in your testimony?**

15 A: I provide an overview of UNS Electric's operations in both Santa Cruz and Mohave
16 Counties, including UNS Electric's plant and power supply. I further describe UNS
17 Electric's capital spending, customer service and rules and regulations. Finally, I explain
18 the operational benefits of our proposal to include the Black Mountain Generation Station
19 ("BMGS") in UNS Electric's rate base.

20
21 **II. UNS ELECTRIC'S OPERATIONS.**

22
23 **A. Overview.**

24
25 **Q. Describe UNS Electric's operations.**

26 A. UNS Electric serves over 71,000 customers in Mohave County and over 18,000
27 customers in Santa Cruz County as of March 2009. Approximately eighty-eight percent

1 of UNS Electric customers are residential, and eleven percent are commercial. Less than
2 one percent of the customers are industrial. UNS Electric provides electric service to the
3 majority of Mohave County and Santa Cruz County including Kingman, Lake Havasu
4 City and Nogales.

5
6 UNS Electric has experienced substantial customer growth in recent years which
7 required the Company to expend significant amounts for capital improvements and
8 operations. However, growth slowed significantly during 2008 due to the economic
9 situation in Arizona, and the entire United States. Customer growth during the test year
10 (the 12 months ending December 2008) in Mohave County was -0.1 percent and in Santa
11 Cruz County was 1.0 percent.

12
13 **Q. What does UNS Electric expect in terms of customer growth for the near- to**
14 **intermediate-timeframe?**

15 A. Customer growth is expected to be approximately 0.5 percent in 2009, 1.1 percent in
16 2010, and average 2.4% from 2011 to 2015.

17
18 **Q. Is this rate case about customer growth?**

19 A. In part. Because growth in the past years has been so rapid, our substation transformers
20 and feeders are approaching their maximum capacity. Even though the growth has
21 slowed over the last year, the significant growth over prior years has placed a substantial
22 demand on our system and we continue to make the necessary system reinforcements to
23 increase reliability. Since our last test year, we have put substantial plant in service to
24 meet our recent growth and that plant should now be included in rate base. This plant
25 includes the Construction Work in Progress that was requested, but disallowed, in our
26 last rate case.

27

1 **Q. What other factors are important in this case?**

2 A. Our current expenses are based on 2005 and 2006 costs. Our costs have increased since
3 then. For example, labor costs have increased 3% to 4% per year, transformers have
4 seen a 5% to 10% increase, wood and steel poles, an 8% to 10% increase, primary and
5 secondary cable, a 2% to 5% increase and pole line hardware, connectors, and rubber
6 goods a 2% to 5% increase.

7

8 **B. Santa Cruz County Operations.**

9

10 **Q. How does UNS Electric serve Santa Cruz County?**

11 A. UNS Electric serves Santa Cruz County with one 115 kV transmission line which runs
12 from the Nogales Tap in Pima County to the Valencia Substation in Santa Cruz County.
13 UNS Electric also owns four generators in the Santa Cruz County load pocket: a 20 MW
14 turbine that was installed in 2006 and other three turbines that were installed at the
15 Valencia Substation in Nogales in 1989. The three older turbines have a combined output
16 of approximately 45MW. The four turbines provide voltage support and load restoration
17 capability in Santa Cruz during transmission contingencies. All of these turbines have the
18 ability to run on natural gas or fuel oil to ensure fuel supply redundancy.

19

20 **Q. What system improvements has UNS Electric undertaken in Santa Cruz County since**
21 **the last rate case?**

22 A. UNS Electric replaced the Valencia T1 transformer with a transformer rated at 50
23 megavolt-amperes ("MVA") (an increase in load serving capability of 30 MVA) and
24 upgraded the Valencia 13.2 kV bus to increase fault duty capabilities. We also replaced
25 the Continuous Emission Monitoring System at the Valencia Power Plant, installed motor
26 operated switches on the 115 kV line in order to remotely isolate faulted portions of the
27 line to aid in more timely restorations, and installed fault locating relays at the Nogales

1 Tap substation with remote access capabilities. These system upgrades have improved
2 reliability of service in Santa Cruz County.

3
4 **Q. Are you seeking to include these improvements in rate base in this case?**

5 A. Yes, those additions have been placed in operation since the last test year and they
6 continue to provide our customers with safe and reliable electric service.

7
8 **C. Mohave County Operations.**

9
10 **Q. Please describe how UNS Electric presently provides electric service to Mohave
11 County.**

12 A. UNS Electric receives 230kV transmission service from Western Area Power
13 Administration (“WAPA”) and delivers power to UNS Electric’s four transmission
14 substations. From these transmission substations the power is then delivered across UNS
15 Electric’s 69kV transmission system to its 31 distribution substations.

16
17 **Q. Does UNS Electric own any generation facilities that serve Mohave County?**

18 A. No.

19
20 **Q. What major system improvements has UNS Electric undertaken in Mohave County
21 since the last rate case?**

22 A. UNS Electric has built 14.4 miles of new 69 kV line from North Havasu Substation
23 (“NHS”) to the Franconia Substation. The Franconia Substation serves two distribution
24 feeders constructed to provide adequate load serving capacity and reliability to UNS
25 Electric customers in its service area along Interstate 40 between Kingman and the
26 Colorado River. In addition to serving local customer load, these feeders can be switched
27 to provide alternate supply paths to customers normally served from NHS and Yucca

1 substations. In addition to that line, we have completed numerous other substation and
2 system additions and expansions since the end of the last test year.

3
4 **Q. Are you seeking to include these improvements in rate base in this case?**

5 A. Yes, those additions have been placed in operation since the last test year and they
6 continue to assist in providing our customers with safe and reliable electric service.

7
8 **D. Power Supply.**

9
10 **Q. Please describe the history of UNS Electric's power supply arrangements.**

11 A. Until May 31, 2008, UNS Electric had a full requirements Power Supply Agreement
12 ("PSA" or "Agreement") with Pinnacle West Capital Corporation ("PWCC"). That
13 Agreement provided all energy and ancillary services to serve UNS Electric's entire load
14 requirements at a fixed price per MWh. Starting June 1, 2008, UNS Electric had to
15 procure power through other arrangements. Consequently, UNS Electric developed a
16 detailed Procurement Plan ("Plan") to ensure that it had the necessary resources and
17 contracts to reliably serve its load after the expiration of the PWCC PSA. That Plan was
18 provided to the Commission in UNS Electric's last rate case in Docket No. E-04204A-06-
19 0783, and gave the details as to the procurement methodology and timeframe for acquiring
20 the different contracts and resources. The Plan ultimately provided for a mix of market
21 power purchases, resource acquisitions, and contracts to provide the necessary capacity,
22 energy, and reserves to meet its load requirements.

23
24 **Q. What is UNS Electric's current system load?**

25 A. The Company's peak demand for the combined service areas is approximately 475 MW.
26
27

1 **Q. Please describe UNS Electric's existing generation facilities.**

2 A. UNS Electric currently owns approximately 65 MW of generation in Santa Cruz County in
3 the City of Nogales. This generation consists of three 15 MW simple cycle combustion
4 turbines and a newer LM2500 20 MW simple-cycle combustion turbine.
5

6 **Q. How does UNS Electric currently acquire power?**

7 A. UNS Electric acquires power primarily through: (1) entering into power supply contracts
8 for base load and on-peak power for 50% of the energy required (through May 31, 2010);
9 (2) the Purchase Power Agreement ("PPA") between UNS Electric and UniSource Energy
10 Development Company ("UED") for power from the BMGS; and (3) utilizing UNS
11 Electric's 65 MW of Valencia turbine capacity. Overall this provides 70 to 100% of the
12 approximate 475 MW of peak capacity required through May 31, 2010. For the summer
13 (June through September) period of 2009, UNS Electric has 90 to 100% of its peak
14 capacity hedged. The remaining capacity necessary to serve daily peak loads will be
15 purchased through the short-term daily and real-time markets.
16

17 **Q. Please describe UNS Electric's power supply contracts.**

18 A. Please refer to the attachment "Current UNSE Capacity", Exhibit TAM-1. UNS Electric
19 has entered into multiple power supply contracts as shown Exhibit TAM-1.
20 Approximately 25% of all requirements are fixed price capacity purchases, and
21 approximately 35% are gas indexed capacity purchases. The remaining system capacity
22 requirements are met through: (1) the PPA with UED to provide power from BMGS; (2)
23 the Valencia Generating Station; and (3) short-term purchases as described above. All
24 long-term contracts were purchased through competitive requests for proposals ("RFPs").
25 UNS Electric also uses the over-the-counter broker market for incremental purchases.
26
27

1 **Q. Does UNS Electric have a hedging policy for fuel and wholesale power purchases?**

2 A. Yes. UNS Electric developed its Fuel and Wholesale Hedging Policy (“Hedging Policy”)
3 that measures the price risk associated with purchased power, fuel (primarily natural gas)
4 and index-priced contracts. This risk is then hedged by fixing portions of the price risk
5 over a three-year period before delivery using physical and simple financial instruments
6 including forward fixed price power contracts and financial gas swaps. The risk is hedged
7 in monthly increments so that a minimum of 45% of UNS Electric’s energy is hedged two
8 months before the beginning of the delivery month.

9

10 **Q. Is this the same hedging policy that UNS Electric developed and discussed in its last**
11 **rate case?**

12 A. Yes.

13

14 **E. Customer Service.**

15

16 **Q. Please describe UNS Electric’s customer service system.**

17 A. UNS Electric uses UniSource’s central call center. The Call Center, located in Tucson,
18 handles customer calls for UNS Electric, UNS Gas and TEP. The Call Center operates
19 twelve (12) hours per day from 7 a.m. to 7 p.m. five (5) days per week. An “after-hours”
20 service is available to customers who call in for emergencies at any time.

21

22 **Q. Could you provide more details about the Call Center?**

23 A. Certainly. The Call Center employs over 75 customer service representatives and has
24 230 incoming telephone lines. Each customer service representative receives thorough
25 training on handling customer calls, including emergency calls. As a result, UNS
26 Electric customer representatives can handle virtually any transaction about which a
27 customer may call, including requests for: (1) service connection; (2) service

1 disconnection; (3) account balance information; (4) payment arrangements; and (5)
2 outage reporting. These additional resources enhance answer times as well as provide
3 for efficient and timely resolution of customer concerns, and reduce the chances that
4 customers receive a busy signal to their calls.

5
6 The Call Center implemented a 24-hour toll free number, (877-UES-4YOU), that
7 replaced the multiple numbers customers used before the improvements were made.
8 This toll free number is advertised and promoted by UNS Electric for the benefit of its
9 customers.

10
11 In May 2008, the Call Center implemented "Virtual Hold" which allows customers the
12 opportunity to remain in queue to speak with a Customer Service Representative without
13 remaining on hold. If a customer chooses to use Virtual Hold, the customer hangs up
14 and when the next Customer Service Representative is available, the Call Center places a
15 proactive callback to the customer. Customers can utilize "Virtual Hold" or remain on
16 hold if they prefer.

17
18 The Call Center is also in the process of replacing its Automatic Call Distributor and
19 Interactive Voice Response system which will enhance system stability.

20
21 **Q. Please describe UNS Electric's payment options for customers.**

22 A. UNS Electric developed and implemented a wide variety of payment options in response
23 to customers' expanding and ongoing need. In addition to traditional payment options at
24 our UES Offices in Nogales, Lake Havasu City and Kingman, our customers can pay
25 their bills: (1) "on-line" through "UES e-bill" which can be accessed on our website
26 (www.uesaz.com); (2) with our automatic draft program - "Sure, No-Hassle, Automatic
27 Payment" plan - known as "SNAP"; (3) on-line banking through the customer's bank of

1 choice; (4) with a credit card, debit card, or electronic check, either “on-line”, or by
2 telephone; and (5) in person at multiple “ACE” America’s Cash Express stores, and
3 various “Western Union” outlets located throughout the UNS Electric service territory.
4

5 Recently, UNS Electric has also partnered with retail giant Walmart. In April 2009,
6 UNS Electric customers could pay their electric bill at all 88 Arizona Walmart retail
7 centers by cash or debit card. Customers must present their UNS Electric bill stub when
8 making a payment. Walmart charges 88 cents for each transaction and provides a receipt
9 containing a transaction number, which allows UNS Electric the ability to instantly
10 verify the payment transaction.
11

12 UNS Electric has also modified its “Budget Billing” program to allow customers to
13 enroll and begin use of the plan anytime during the year.
14

15 **Q. How successful have the call center and expanded payment options been for UNS**
16 **Electric and its customers?**

17 **A.** Due to the improvements made in the call center and the enhancement of the payment
18 options for UNS Electric’s customers, UNS Electric call volume has decreased in 2008
19 by 15%.
20

21 The average time a customer remained on hold to speak to a Customer Service
22 Representative decreased from 4 minutes 23 seconds in 2006 to 2 minutes 51 seconds in
23 2008.
24

25 With respect to payment options, although traditional payment by check through the
26 mail or drop box continues to account for 59% of payments (down from over 75% three
27

1 years ago), customers continue to migrate to alternate methods of payment (i.e., internet,
2 drop box, Western Union & America's Cash Express).

3
4 **Q. Is UNS Electric planning any changes to those programs?**

5 A. UNS Electric is in the process of installing a new Automatic Call Distributor ("ACD")
6 and Interactive Voice Response ("IVR") system. The new ACD will offer a more
7 stabilized, reliable platform for incoming calls. The initial phase of the IVR
8 implementation will include automated outage call handling as well as automated
9 outbound courtesy payment reminders. Phase one is estimated to be in production in
10 2009.

11
12 **III. UNS ELECTRIC'S CAPITAL SPENDING.**

13
14 **Q. Please describe UNS Electric's capital spending since its last rate case.**

15 A. UNS Electric expended over \$86 million in capital projects from June 30, 2006 (the end
16 of the test year in the last rate case) through December 31, 2008. These capital projects
17 included system improvements and replacements in generation, transmission and
18 distribution facilities.

19
20 For example, in Santa Cruz County, we replaced the Valencia T1 transformer with a
21 transformer rated at 50 MVA (an increase in load serving capability of 30 MVA) and
22 upgraded the Valencia 13.2 kV bus to increase fault duty capabilities. We also replaced
23 the Continuous Emission Monitoring System at the Valencia Power Plant.

24
25 In Mohave County, we made numerous substation additions and expansions. We also
26 made various transmission additions and improvements, including 14.4 miles of 69 kV
27

1 transmission between NHS to Franconia Substation, as well as significant distribution
2 additions and improvements.

3
4 **Q. In your opinion, are UNS Electric's capital investments necessary?**

5 A. Absolutely. These capital investments are necessary for UNS Electric to be able to
6 provide customers with safe, reliable and affordable electric service to customers, both
7 now and in the future.

8
9 **IV. RULES AND REGULATIONS.**

10
11 **Q. Are you proposing any revisions to UNS Electric's Rules and Regulations.**

12 A. Yes, we are proposing some minor revisions to the Rules and Regulations. We would also
13 request formal approval of our updated line extension policy submitted in compliance with
14 Decision No. 70360 (May 27, 2008) in our last rate case, along with further modifications
15 to include a Facilities Operating Charge. Attached as Exhibit TAM-2 is a red-line version
16 of our Rules and Regulations showing our proposed revisions, including further
17 modifications to the proposed revisions to the Line Extension Policy that were submitted
18 on June 26, 2008 in Docket No. E-04204-06-0783. Exhibit TAM-3 is a clean version of
19 the proposed Rules and Regulations.

20
21 **Q. What changes is UNS Electric proposing to its Line Extension Tariff?**

22 A. Consistent with the Commission's order in the last UNS Electric rate case, the Company is
23 proposing to eliminate free footage allowance for any distribution line extensions and to
24 require the Customer to pay for all construction costs for such extensions as Contributions
25 in Aid of Construction. Further, the Company proposes to charge customers for any
26 operating expenses associated with the distribution line that exceeds operating revenues
27 according to the Economic Feasibility Criteria as modified in the proposed Rules and

1 Regulations (i.e. the Facilities Operating Charge). It is the latter change that is an
2 additional modification from what was submitted on June 26, 2008, and will further assure
3 that present customers do not bear the burden of growth. This will apply to both overhead
4 and underground distribution facilities. As with its June 26, 2008 filing, the Company
5 proposes a transition period for the new line extension policy to take effect.
6

7 **Q. How will the Economic Feasibility Criteria now operate?**

8 A. As detailed in the Company's proposed Rules and Regulations at Subsection 9.E. entitled
9 "Economic Feasibility Criteria," the estimated costs of construction and ownership of the
10 facilities are compared to the projected revenue from the customer using calculation
11 methods detailed in that Subsection. If the revenue is not sufficient to pay the costs
12 associated with the line extension the customer is required to make an up-front payment
13 sufficient to cover the difference.
14

15 **Q. Why should the Commission approve the continuation of the Economic Feasibility**
16 **Criteria if the cost of construction for new distribution facilities will now be a**
17 **Contribution in Aid of Construction?**

18 A. The Contribution or CIAC only covers the costs to construct the new facilities. Operating
19 expenses, however, can still exceed operating revenues until there is a certain amount of
20 customers using those distribution facilities. The Facilities Operating Charge will ensure
21 that the customer seeking an extension of distribution facilities cover any additional
22 operating expenses above what the Company receives in operating revenues from
23 customers from those facilities. It is a further way of ensuring that current customers do
24 not pay for facilities associated with growth and future customers, but is separate from
25 what is considered CIAC.
26
27

1 **Q. What other changes is UNS Electric proposing to the Rules and Regulations?**

2 A. UNS Electric is proposing only two other substantive changes. First, UNS Electric
3 proposes to include in the definitions of both the sum of “Service Reconnection Charge”
4 and “Service Reestablishment Charge” that the applicable monthly customer charges
5 accrued be added. Service reconnections and reestablishments are significant costs to the
6 Company. UNS Electric believes the cost-causers should incur the costs for these services
7 the Company provides. The definitions, however, limit those charges to only certain
8 circumstances, ensuring those charges are narrowly-tailored. UNS Electric proposes
9 adding language at relevant portions of Sections 2, 3, and 14 to alert customers.

10
11 UNS Electric also proposes to add language in Subsection 11.E. to clarify its meter error
12 corrections policy. Specifically, its proposed language details the timeframe for repaying
13 underbillings, the timeframe to refund for overbillings, and the limitations to any
14 underbillings for a stopped, slow meter, meter reading error or billing calculations.

15
16 Other changes are mainly to clarify certain items within the rules and to continue to strive
17 to make them more understandable to UNS Electric’s customers.

18
19 **V. BLACK MOUNTAIN GENERATING STATION.**

20
21 **Q. What is the Black Mountain Generating Station (“BMGS”)?**

22 A. BMGS is a two-unit peaking facility owned by UniSource Energy Development
23 Corporation (“UED”) near Kingman in UNS Electric’s load area in Mohave County. The
24 station consists of two LM6000 45 MW combustion turbines that give BMGS a total
25 capacity of 90 MW. BMGS entered service on May 30, 2008.

1 **Q. How did UED acquire these units?**

2 A. In October 2006, UED agreed to purchase two LM6000 combustion turbines from
3 Consolidated Edison in New York. These turbines were 2003 vintage units that had never
4 been placed in service. The purchase price of these units was 50% less than the cost of
5 purchasing two new LM6000's from the manufacturer, General Electric.

6

7 I would also like to note that, in November 2006, UED attended an auction of gas turbines
8 owned by Calpine Corporation. Similar turbines were being auctioned by order of the
9 United States Bankruptcy Court, Southern District of New York. The price paid for similar
10 LM6000s auctioned off was approximately the same price as the ConEd turbines noted
11 above, thus confirming that the UED purchase price was comparable to the market value
12 and significantly less than the cost of new units purchased directly from the manufacturer.
13 These savings will be passed on to UNS Electric if the Company is allowed to purchase the
14 BMGS from UED because we are proposing to acquire BMGS at UED's cost.

15

16 **Q. How was BMGS constructed?**

17 A. UED developed BMGS. It negotiated a turnkey Engineering, Procurement and
18 Construction ("EPC") contract for this facility with Wood Group Power Solutions, Inc.
19 (Wood Group) and obtained permits for the project. Wood Group provided a two year
20 warranty on all equipment, materials and labor, including the two LM6000 turbines
21 purchased from ConEd. BMGS went into commercial operation on May 30, 2008.

22

23 **Q. How has BMGS performed since it was placed into commercial operation in May
24 2008?**

25 A. Since going into commercial operation in June 2008, the Equivalent Availability Factor for
26 2008 was approximately 97.6 percent. Since startup of the units, the operation has been
27 excellent.

1 **Q. Did UNS Electric benefit from UED's development of BMGS?**

2 A. Yes. UNS Electric did not undertake any of the development risks or related credit or cash
3 flow risks associated with planning and building BMGS. UED made the investment and
4 incurred the risks of the project.

5

6 **Q. What was UNS Electric's position with regards to BMGS in the Company's last rate
7 case?**

8 A. UNS Electric requested that the Commission include BMGS in UNS Electric's rate base in
9 its last rate case. It argued that UNS Electric and its customers would benefit from both
10 the financial aspects of generation ownership (including cash flow, capital structure,
11 financial ratings, accounting treatment, revenue requirements, price stability and credit
12 requirements), as well as from the numerous long-term operational benefits of owning
13 generation such as BMGS.

14

15 **Q. Did Staff or RUCO agree?**

16 A. Unfortunately, neither party agreed with the Company. Staff indicated that it had several
17 concerns at the time with UNS Electric's request. Mainly, Staff argued that BMGS would
18 not be in commercial operation until June of 2008 and that was well beyond the end of the
19 test year in UNS Electric's last rate case. Further, Staff argued that there was uncertainty
20 about who would own the plant and the total cost of the plant. RUCO also opposed
21 inclusion of BMGS in rate base because – in its view – it violated the historical test year,
22 used and useful and known and measurable principles.

23

24 **Q. What did the Commission decide with respect to BMGS in the last rate case?**

25 A. In Decision No. 70360, the Commission did not approve UNS Electric's proposal for a
26 post test year rate base adjustment upon acquisition BMGS. Instead, the Commission
27 authorized UNS Electric to implement an accounting order "to record any and all of the

1 Company's financial activities associated with the BMGS, as if the BMGS were in rate
2 base as of June 1, 2008" should UNS Electric actually acquire BMGS. The Commission
3 also approved UNS Electric's requested financing authority for the future acquisition of
4 BMGS.

5
6 **Q. Was UNS Electric able to purchase BMGS with this allowance for deferred**
7 **accounting treatment?**

8 A. No. As Mr. Kentton C. Grant details in his Direct Testimony, UNS Electric could not
9 purchase BMGS without rate treatment that would increase its earnings and cash flow.

10
11 **Q. Do the primary concerns highlighted by Staff and RUCO in the last electric rate case**
12 **still apply?**

13 A. No. BMGS was operational as of May 30, 2008. UED is selling power to UNS Electric
14 under the terms of a five-year PPA tolling agreement that was approved by the Federal
15 Energy Regulatory Commission ("FERC"). Therefore, the majority of Staff's and
16 RUCO's concerns are now moot as BMGS is now in operation, and its construction and
17 operation costs are known. Right now, UED owns the plant, but that ownership would be
18 transferred to UNS Electric if the Company's request to have BMGS included in rate base
19 as a post-test year rate base adjustment is approved and if the Company obtains FERC
20 approval for the transfer.

21
22 **Q. What would be the cost to UNS Electric to purchase the BMGS facility from UED?**

23 A. UED will transfer BMGS to UNS Electric at a cost equaling \$62 million. This is the actual
24 current book cost for BMGS and is not a "capped cost" that the Company proposed in its
25 last rate case. UNS Electric proposes to use this actual cost of \$62 million as the rate base
26 value of BMGS, if it is included in rate base.

27

1 **Q. Does this cost compare favorably with other products that provide benefits similar to**
2 **what the BMGS currently provides?**

3 A. Yes. Since 2003, UNS Electric had performed multiple requests for proposals that Mr.
4 Michael DeConcini discussed extensively in his Direct Testimony in Docket No. E-
5 02404A-06-0783. There were only a few bids that offered equivalent benefits (e.g. quick
6 start, full dispatchability) that could be viewed as a proxy for the BMGS turbines
7 (including an On-Peak Day Ahead call option). Based on a bid received by UNS Electric
8 for a tolling arrangement for two LM6000 turbines with dispatch flexibility, the capacity
9 value for the BMGS LM6000 turbines is equivalent to about \$9.88 per kW per month in
10 2006 dollars . Factoring in (1) heat rates equivalent to what would be expected from the
11 BMGS turbines; (2) transmission wheeling costs and delivery losses; and (3) real-time
12 dispatch value, UNS Electric conservatively estimated the equivalent turbine value to
13 range from \$8 to \$12 per kW per month. No one took issue with these figures in UNS
14 Electric's last rate case.

15
16 **Q. Can the Company and its customers retain the operational benefits from BMGS on a**
17 **long-term basis if that generation facility is put into UNS Electric's rate base now?**

18 A. Yes. Relative to seeking new purchased power agreements at the end of the current five-
19 year tolling agreement, UNS Electric customers will be able to retain the operational
20 benefits from the BMGS for many years to come if the Commission approves its request.
21 These benefits can be put into four categories; flexibility, reliability, efficiency, and
22 location, as described more fully below:

23
24 *Flexibility:* Owning generation gives the utility the full operational flexibility of the
25 generator. This includes the ability to utilize its instantaneous, load following and
26 emergency dispatch capabilities to provide its required reserves and ancillary services.
27 Owning also allows full, unlimited, economic dispatch in any market to optimize the

1 utility's portfolio. As we stated in the last rate case, there are few market products or PPAs
2 that provide this level of flexibility. That continues to be true. In addition, having peaking
3 combustion turbines with load following capabilities, allows UNS Electric to address the
4 intermittency issues of certain types of renewable energy facilities that will be providing
5 power to UNS Electric customers in the future.

6
7 *Reliability:* By owning BMGS, UNS Electric has full control over its maintenance and
8 operation to insure its high standards of reliability and safety are met. The nature of
9 BMGS also allows UNS Electric to increase reliability in its Mohave County load area
10 though increased voltage control, readily available Must Run power and reduced reliance
11 on transmission to import power. In other words, the Company has complete discretion
12 and control over maintenance and operation of the facility for the long term.

13
14 *Efficiency:* Having the ability to own generation allows the utility to obtain the exact type
15 of unit it needs to meet its requirements. In some instances, a PPA may fit the utility's
16 specific needs. However, the utility must have the ability to compare a PPA to an asset
17 build or purchase option to ensure it is getting the best possible overall value for its
18 customers over the long term. By rate-basing BMGS, UNS Electric will be able to better
19 meet its peaking capacity and reserve needs of its supply portfolio on a long-term basis.

20
21 *Location:* Having the ability to build and own generation allows the utility to supply
22 generation at a location that: (1) minimizes transmission costs, and thus overall delivered
23 costs; and (2) provides necessary must-run energy. Again, a PPA may fit the utility's
24 specific needs in this regard. However, the utility must have the ability to compare a PPA
25 to an asset build or purchase option to ensure it is getting the best possible overall value for
26 its customers over the long term. Because BMGS is located in UNS Electric's load area, it
27 can help to minimize transmission costs and enhance system reliability.

1 **Q. Is BMGS an important component within UNS Electric's portfolio to meet its retail**
2 **load in the long run?**

3 A. Yes. This is because UNS Electric still must acquire and retain sufficient resources to
4 meet its load, reserve, and operating reliability requirements. Within its portfolio, UNS
5 Electric must also have fully dispatchable generation to meet its reliability criteria with
6 respect to its obligations as a Balancing Authority. BMGS' quick start LM6000 turbines
7 allow for compliance regarding Real Power Balancing Control Performance, Disturbance
8 Control Performance, Frequency Response and Bias, Automatic Generation Control,
9 Capacity and Energy Emergencies, and its obligations as a member of the Southwest
10 Reserve Sharing Group.

11
12 **Q. How does BMGS' location help to meet these requirements?**

13 A. Because BMGS is located within UNS Electric's Mohave County load area, it can meet its
14 reserve requirements. The only other option is to have firm transmission rights into the
15 load area for such other generation facilities located outside the load area. All else being
16 equal, the economics of turbines located outside the load area are significantly worse due
17 to the added cost of transmission and losses. Additionally, turbines located inside the load
18 area, like BMGS, enhance reliability by reducing the likelihood of transmission
19 interruptions and restoring and/or supplying load during transmission contingencies as well
20 as providing an alternative to, or delaying, transmission expansion in the future.

21
22 **Q. Does BMGS enhance the ability to develop renewable resources in UNS Electric's**
23 **Mohave County load area?**

24 A. I believe it does and it certainly ameliorates our concerns with third party renewable
25 projects. In particular, BMGS' location within the load pocket increases our ability to
26 address intermittency issues that are characteristic of certain types of renewable energy
27 facilities, both in meeting load and in voltage regulation for our system.

1 **Q. Are there market alternatives to provide reserve requirements in lieu of these**
2 **turbines?**

3 A. No, not presently. There is not an organized market in Arizona from which adequate and
4 reliable reserves could be purchased. The California ISO market has a reserves market, but
5 transmission availability and costs do not make this a viable alternative for UNS Electric.
6

7 **Q. Please summarize why UNS Electric believes it is in the public interest for the**
8 **Commission to include BMGS in rate base?**

9 A. BMGS affords UNS Electric and its customers operational benefits that can only be
10 retained over the long-run if the facility is owned by the Company and placed into rate
11 base. Including BMGS in rate base ensures that BMGS is dedicated to public service and
12 remains available to UNS Electric's customers for many years to come. Furthermore, the
13 capacity costs of the turbines compare very favorably to equivalent products that could be
14 available in the market, BMGS has been in operation since June 2008 and the costs are
15 known. If approved, and provided all other requisite regulatory approvals and reasonable
16 financing terms are obtained, UNS Electric will own BMGS. For all of these reasons,
17 UNS Electric believes the Commission should include these assets in its rate base. Mr.
18 Kentton C. Grant discusses the financial aspects UNS Electric's proposed acquisition of
19 BMGS, and details UNS Electric's rate reclassification proposal, in his Direct Testimony.
20

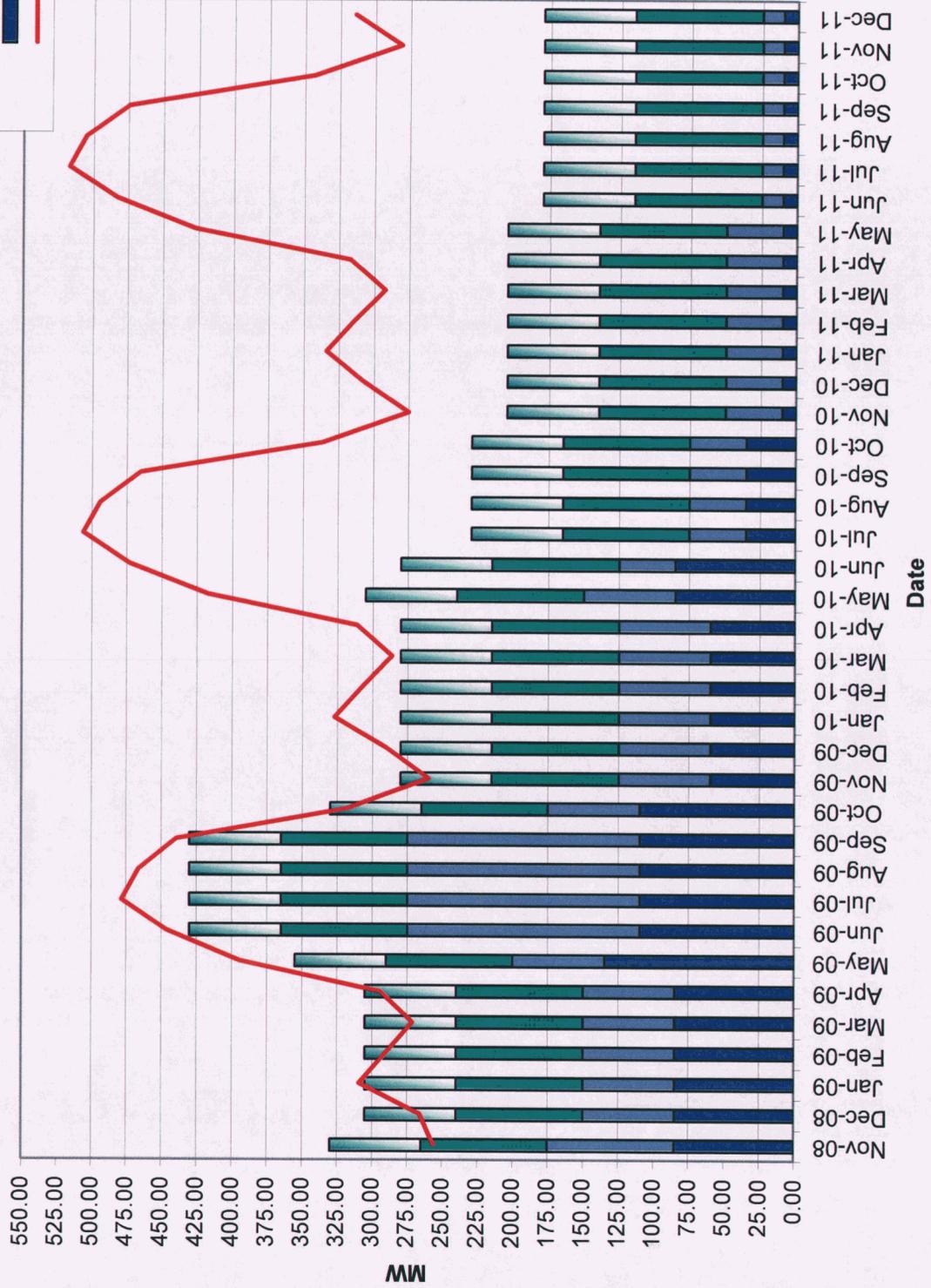
21 **Q. Does this conclude your Direct Testimony?**

22 A. Yes.
23
24
25
26
27

EXHIBIT

TAM-1

Current UNSE Capacity



EXHIBIT

TAM-2



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SECTION 1
APPLICABILITY OF RULES AND REGULATIONS AND DESCRIPTION OF SERVICE

- A. Company is an electric utility operating within portions of the state of Arizona. The Company will provide service to any person, institution or business located within its service area in accordance with the provisions of its Pricing Plans and the terms and conditions of these Rules and Regulations.
- B. All electricity delivered to any Customer is for the sole use of that Customer on that Customer's premises only. Electricity delivered by the Company will not be redelivered or resold, or the use thereof by others permitted unless otherwise expressly agreed to in writing by the Company. However, those Customers purchasing electricity for redistribution to the Customer's own tenants (only on the Customer's premises) may separately meter each tenant distribution point for the purpose of prorating the Customer's actual purchase price of electricity delivered among the various tenants on a per unit basis.
- C. These Rules and Regulations will apply to all electricity service furnished by the Company to its Customers.
- D. These Rules and Regulations are part of the Company's Pricing Plans on file with, and duly approved by, the Arizona Corporation Commission. These Rules and Regulations will remain in effect until modified, amended, or deleted by order of the ACC. No employee, agent or representative of the Company is authorized to modify the Company rules.
- E. These Rules and Regulations will be applied uniformly to all similarly situated Customers.
- F. In case of any conflict between these Rules and Regulations and the ACC's rules, these Rules and Regulations will apply.
- G. Whenever the Company and an Applicant or a Customer are unable to agree on the terms and conditions under which the Applicant or Customer is to be served, or are unable to agree on the proper interpretation of these Rules and Regulations, either party may request assistance from the Consumer Services Section of the Utilities Division of the ACC. The Applicant or Customer also has the option to file an application with the ACC for a proper order, after notice and hearing.
- H. The Company's supplying electric service to the Customer and the acceptance thereof by the Customer will be deemed to constitute an agreement by and between the Company and the Customer for delivery, acceptance of and payment for electric service under the Company's Rules and Regulations and applicable Pricing Plans.

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**SECTION 2
DEFINITIONS**

- A. In these Rules and Regulations, the following definitions will apply unless the context requires otherwise:
1. "Actual Cost" – The cost incurred by the Company for labor, materials and equipment including the cost of overheads.
 2. "Applicant" – A person requesting the Company to supply electric service.
 3. "Application" – A request to the Company for electric service, as distinguished from an inquiry as to the availability or charges for such service.
 4. "Arizona Corporation Commission ("ACC") – The regulatory authority of the State of Arizona having jurisdiction over public service corporations operating in Arizona.
 5. "Billing Month" – The period between any two (2) regular readings of the Company's meters at approximately thirty (30) day intervals.
 6. "Billing Period" – The time interval between two (2) consecutive meter readings that are taken for billing purposes.
 7. "Company" – UNS Electric, Inc.
 8. "Contributions in Aid of Construction" or "Contribution" – Funds provided to the Company by the Applicant under the terms of a line extension agreement and/or service connections tariff, the value of which is not refundable.
 9. "Curtailment Priority" – The order in which electric service is to be curtailed to various classifications of customers, as set forth in the Company's filed Pricing Plans.
 10. "Customer" – The person or entity in whose name service is rendered, as evidenced by the signature on the application or contract for that service, or by the receipt and/or payment of bills regularly issued in the customer's name regardless of the identity of the actual user of the service.
 11. "Customer Charge" – The amount the Customers must pay the Company for the availability of electric service, excluding any electricity used, as specified in the Company's Pricing Plans.
 12. "Day" – Calendar day.
 13. "Demand" – The rate at which power is delivered during any specified period of time. Demand may be expressed in kilowatts, kilovolt-amperes, or other suitable units.

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SECTION 2
DEFINITIONS
(continued)

14. "Distribution Lines" – The Company lines operated at distribution voltage which ~~is~~are constructed along public roadways or other bona fide rights-of-way, including easements on customer's property.
15. "Elderly" – A person who is sixty-two (62) years of age or older.
16. "Energy" – Electric energy, expressed in kilowatt-hours.
17. "Handicapped" – A person with a physical or mental condition which substantially contributes to the person's inability to manage his or her own resources, carry out activities of daily living, or protect oneself from neglect ~~of~~for hazardous situations without assistance from others.
18. "Illness" – A medical ailment or sickness for which a residential customer obtains a verified document from a licensed medical physician stating the nature of the illness and that discontinuance of service would be especially dangerous to the customer's health.
19. "Inability to Pay" – Circumstances where a residential customer:
 - a. Is not gainfully employed and unable to pay; or
 - b. Qualifies for government welfare assistance, but has not begun to receive assistance on the date that he receives his bill and can obtain verification of that fact from the government welfare assistance agency;
 - c. Has an annual income below the published federal poverty level and can produce evidence of this; and
 - d. Signs a declaration verifying that the customer meets one of the above criteria and is either elderly, handicapped, or suffers from illness.
20. "Interruptible Electric Service" – Electric service that is subject to interruption as specified in the Company's Pricing Plan.
21. "Kilowatt ("kW")" – A unit of power equal to 1,000 watts.
22. "Kilowatt-hour ("kWh")" – Electric energy equivalent to the amount of electric energy delivered in one hour when delivery is at a constant rate of one (1) kilowatt.
23. "Law" – Any statute, rule, order or requirement established and enforced by government authorities.
24. "Line Extension" – The lines and equipment necessary to extend the electric distribution system of the Company to provide service to additional customers.

SECTION 2
DEFINITIONS
(continued)

25. "Master Meter" – A meter for measuring or recording the flow of electricity that has passed through it at a single location where said electricity is distributed to tenants or occupants for their usage.
26. "Megawatt ("MW")" – A unit of power equal to 1,000,000 watts.
27. "Meter" – The instrument for measuring and indicating or recording the flow of electricity that has passed through it.
28. "Meter Tampering" – A situation where a meter has been illegally altered. Common examples are meter bypassing, use of magnets to slow the meter recording, and broken meter seals.
29. "Minimum Charge" – The amount the Customer must pay for the availability of electric service, including an amount of usage, as specified in the Company's Pricing Plans.
30. "On-Site Generation" – Any and all power production generated on or adjacent to a Customer's property that is controlled, utilized, sold, or consumed by that Customer or its agent.
31. "Permanent Customer" – A Customer who is a tenant or owner of a service location who applies for and receives permanent electric service.
32. "Permanent Service" – Service which, in the opinion of the Company, is of a permanent and established character. The use of electricity may be continuous, intermittent, or seasonal in nature.
33. "Person" – Any individual, partnership, corporation, governmental agency, or other organization operating as a single entity.
34. "Point of Delivery" – The point where facilities owned, leased, or under license by a Customer connect to the Company's facilities.
35. "Power" – The rate of generating, transferring and/or using electric energy, usually expressed in kilowatts.
36. "Power Factor" – The ratio of active to reactive power.
37. "Premises" – All of the real property and apparatus employed in a single enterprise on an integral parcel of land undivided by public streets, alleys or railways.
38. "Pricing Plan" – A part of the Company's Tariffs which sets forth the rates and charges related to specific categories of Customers, and related terms and conditions.

SECTION 2
DEFINITIONS
(continued)

39. "Prorate" – To divide, distribute, or assess proportionately.
40. "Residential subdivision development" – Any tract of land which has been divided into four or more contiguous lots with an average size of one acre or less for use for the construction of residential buildings or permanent mobile homes for either single or multiple occupancy.
41. "Residential Use" – Service to Customers using electricity for domestic purposes such as space heating, air conditioning, water heating, cooking, clothes drying, and other residential uses and includes use in apartment buildings, mobile home parks, and other multiunit residential buildings.
42. "Rules and Regulations" or "Company rules" – These Rules and Regulations, which are a part of the Company's Tariffs and Pricing Plans.
43. "Secondary Service" – Service supplied at secondary voltage levels from the load side of step-down transformers connected to the Company's high voltage distribution lines.
44. "Service Area" – The territory in which the Company has been granted a certificate of convenience and necessity and is authorized by the ACC to provide electric service.
45. "Service Drop" – The overhead service conductors from the last Company-owned pole or other aerial support to and including the splices, if any, connecting to the customer's service entrance conductors at a building or other structure.
46. "Service Establishment charge" – The charge as specified in the Company's Pricing Plans which covers the cost of establishing a new account.
47. "Service Line" – The line extending from a distribution line or transformer to the Customer's premises or point of delivery.
48. "Service Reconnection charge" – The charge as specified in the Company's Pricing Plans which must be paid by the Customer prior to reestablishment of electric service each time the electricity is disconnected for nonpayment or whenever service is discontinued for failure otherwise to comply with the Company's Pricing Plans or Rules. In addition to the Service Reconnection Charge, such returning Customer shall pay the sum of the applicable monthly Customer Charges which would have accrued had the Customer not been disconnected for non-payment or for failure to comply with the Company's Pricing Plans within the preceding twelve (12) month period.
49. "Service Reestablishment charge" – A charge as specified in the Company's Pricing Plans for service in the same location where the same Customer had ordered a service disconnection within the preceding twelve (12) month



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period. In addition to the Service Reestablishment Charge, such returning Customer shall pay the sum of the applicable monthly Customer Charges which would have accrued had the Customer not ordered the disconnect.

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SECTION 2
DEFINITIONS
(continued)

50. "Single Family Dwelling" – A house, an apartment, or a mobile home permanently affixed to a lot, or other permanent residential unit which is used as a permanent home.
51. "Tariffs" – The documents filed with the ACC which list the services and products offered by the Company and which set forth the terms and conditions and a schedule of the rates and charges for those services and products.
52. "Temporary Service" – Service to premises or enterprises which are temporary in character, or where it is known in advance that the service will be of limited duration. Service which, in the opinion of the Company, is for operations of a speculative character is also considered temporary service.
53. "Third-Party Notification" – A notice sent to an individual or a public entity willing to receive notification of the pending discontinuance of service of a Customer of record in order to make arrangements on behalf of said Customer satisfactory to the Company.
54. "Utility" – A public service corporation providing electric service to the public in compliance with state law.
55. "Weather Especially Dangerous to Health" – That period of time commencing with the scheduled termination date when the local weather forecast, as predicted by the National Oceanographic and Administration Service, indicates that the temperature will not exceed thirty-two (32) degrees Fahrenheit for the next day's forecast. The ACC may determine that other weather conditions are especially dangerous to health as the need arises.

SECTION 3
ESTABLISHMENT OF SERVICE

A. Information from Applicants

1. The Company may obtain the following minimum information from each Applicant:
 - a. Name or names of Applicant(s);
 - b. Service address or location and telephone number;
 - c. Billing address/telephone number, if different than service address;
 - d. Address where service was provided previously;
 - e. Date applicant will be ready for service;
 - f. Statement of whether premises have been supplied with electric service previously;
 - g. Purpose for which service is to be used;
 - h. Statement of whether Applicant is owner or tenant of or agent for the premises;
 - i. Information concerning the energy and demand requirements of the Customer; and
 - j. Type and kind of life-support equipment, if any, used by the Customer or at the service address.
2. The Company may require a new Applicant for service to appear at the Company's designated place of business to produce proof of identity and sign the Company's application form.
3. Where service is requested by two or more individuals, the Company will have the right to collect the full amount owed to the Company from any one of the Applicants.
4. The supplying of electric service by the Company and the Customer's acceptance of that electric service will be deemed to constitute an agreement by and between the Company and the Customer for delivery, acceptance of and payment for electric service under the Company's applicable Pricing Plans, and Rules and Regulations.
5. The term of any agreement not otherwise specified will become operative on the day the Customer's installation is connected to the Company's facilities for the purpose of taking electric energy.

SECTION 3
ESTABLISHMENT OF SERVICE
(continued)

6. The Company may require a written contract with special guarantees from Applicants whose unusual characteristics of load or location would require excessive investment in facilities or whose requirements for service are of a special nature.
7. Signed contracts may be required for service to commercial and industrial establishments. No contract or any modification of the contract will be binding upon the Company until executed by a duly authorized representative of the Company.

B. Deposits

1. The Company may require from any present or prospective Customer a deposit to guarantee payment of all bills. This deposit may be retained by the Company until service is discontinued and all bills have been paid; except as provided in Subsection B.3. below. Upon proper application by the Customer, the Company will then return said deposit, together with any unpaid interest accrued thereon from the date of commencement of service or the date of making the deposit, whichever is later. The Company will be entitled to apply said deposit together with any unpaid interest accrued thereon, to any indebtedness for the same class of service owed to the Company for electric service furnished to the Customer making the deposit. When said deposit has been applied to any such indebtedness, the Customer's electric service may be discontinued until all such indebtedness of the Customer is paid and a like deposit is again made with the Company by the Customer. No interest will accrue on any deposit after discontinuance of the service to which the deposit relates.

The Company will not require a deposit from a new Applicant for residential service if the Applicant is able to meet any of the following requirements:

- a. The Applicant has had service of a comparable nature with the Company within the past two (2) years and was not delinquent in payment more than twice during the last twelve (12) consecutive months of service or was not disconnected for nonpayment; or
- b. The Applicant can produce a letter regarding credit or verification from an electric utility where service of a comparable nature was last received by Applicant, which states Applicant had a timely payment history at time of service discontinuation; or
- c. Instead of a deposit, the Company receives deposit guarantee notification from a social or governmental agency acceptable to the Company. A surety bond may be provided as security for the Company in an amount equal to the required deposit.



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**SECTION 3
ESTABLISHMENT OF SERVICE
(continued)**

2. The Company may issue a non-assignable, non-negotiable receipt to the Applicant for the deposit. The inability of the Customer to produce his or her receipt will in no way impair the Customer's right to receive a refund of the deposit which is reflected on the Company records.
3. Cash deposits held by the Company twelve (12) months or longer will earn interest at the established one-year Treasury Constant Maturities rates, effective on the first business day of each year, as published in the Federal Reserve website.
 - a. Residential Customers – Deposits or other instruments of credit will automatically expire or be refunded or credited to the Customer's account, after twelve (12) consecutive months of service during which time the Customer has not been delinquent more than two (2) times in a twelve (12) month period.
 - b. All Customers – Upon final discontinuance of the use of the service and full settlement of all bills by the Customer, any deposit, not previously refunded, with accrued interest, if any, in accordance with the provisions of these Rules and Regulations will be returned to the Customer or, at the Company election, it may be applied to the payment of any unpaid accounts of the Customer and the balance, if any, returned to the Customer.
4. The Company may require a Customer to establish or reestablish a deposit if the Customer became delinquent in the payment of three (3) or more bills within a twelve (12) consecutive month period, or has been disconnected from service during the last twelve (12) months.
5. The Company may review the Customer's usage after service has been connected and adjust the deposit amount based upon the Customer's actual usage.
6. A separate deposit may be required for each meter installed.
7. Residential Customer deposits will not exceed two (2) times that Customer's estimated average monthly bill. Non-residential Customer deposits will not exceed two and one-half (2.5) times that Customer's maximum estimated monthly bill. If actual usage history is available, then that usage, adjusted for normal weather, will be the basis for the estimate.
8. The posting of a deposit will not preclude the Company from terminating service when the termination is due to the Customer's failure to perform any obligation under the agreement for service or any of these Rules and Regulations.

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SECTION 3
ESTABLISHMENT OF SERVICE
(continued)

C. Conditions for Supplying Service

The Company reserves the right to determine the conditions under which service will be provided. Conditions for service and extending service to the Customer will be based upon the following:

1. Customer has wired his premises in accordance with the National Electric Code, City, County and/or State codes, whichever are applicable.
2. Customer has installed the meter loop in a suitable location approved by the Company.
3. In the case of a mobile home, the meter loop must be attached to a meter pole or to an approved support.
4. In case of temporary construction service, the meter loop must be attached to an approved support.
5. All meter loop installations must be in accordance with the Company's specifications and located at an outdoor location accessible to the Company.
6. Individual Customers may be required to have their property corner pins and/or markers installed to establish proper right-of-way locations.
7. Developers must have all property corner pins and/or markers installed necessary to establish proper locations to supply electric service to individual lots within subdivisions.
8. Where the installation requires more than one meter for service to the premises, each meter panel must be permanently marked (not painted) by the contractor or Customer to properly identify the portion of the premises being served.
9. The identification will be the same as the apartment, office, etc., served by that meter socket. The identifying marking placed on each meter panel will be impressed into or raised from a tab of aluminum, brass or other approved non-ferrous metal with minimum one-fourth (1/4) inch-high letters. This tag must be riveted to the meter panel. The impression must be deep enough to prevent the identification(s) from being obscured by subsequent painting of the building and attached service equipment.
10. The Company may require the assistance of the Customer and/or the Customer's contractor to open the apartments or offices at the time the meters are set, in order to verify that each meter socket actually serves the apartment or office indicated by the marking tag. In the case of multiple buildings the building or unit number and street address will be identified on the pull section in the manner described above.

SECTION 3
ESTABLISHMENT OF SERVICE
(continued)

D. Grounds for Refusal of Service

The Company may refuse to establish service if any of the following conditions exist:

1. The Applicant has an outstanding amount due for the same class of electric service with the Company and the Applicant is unwilling to make arrangements with the Company for payment;
2. A condition exists which, in the Company's judgment, is unsafe or hazardous to the Applicant, the general population, or the Company's personnel or facilities;
3. The Applicant refuses to provide the Company with a deposit when the Customer has failed to meet the credit criteria for waiver of deposit requirements;
4. Customer is known to be in violation of the Company's Pricing Plans or Rules and Regulations;
5. Customer fails to furnish the funds, service, equipment, and/or rights-of-way necessary to serve the Customer and which have been specified by the Company as a condition for providing service;
6. Customer fails to provide access to the meter that would be serving the customer; or
7. Applicant falsifies his or her identity for the purpose of obtaining service.

E. Service Establishments, Reestablishment or Reconnection Charge

1. The Company may make a charge as approved by the ACC for the establishment, reestablishment, or reconnection of service. The charge for establishment, reestablishment or reconnection of service during normal business hours is set forth in the Statement of Additional Charges.
2. Should service be established during a period other than the Company's regular business hours at the Customer's request, the Customer may be required to pay an after-hour charge for the service connection. Where the Company's scheduling will not permit service establishment on the same day as requested, the Customer can elect to pay the after-hour charge for establishment that day, or his service will be established on the next available ~~working-business~~ day. The after-hour charge is set forth in the Statement of Additional Charges at Section 14. Even so, a Customer's request to have the Company establish service after-hours is subject to the Company having Staff available; there is no guarantee that the Company will have the staffing available for service establishment or reestablishment outside of regular business hours.



SECTION 3
ESTABLISHMENT OF SERVICE
(continued)

3. For the purpose of this Rule, the definition of service establishment is where the Customer's facilities are ready and acceptable to the Company, and the Company needs only to install a meter, read a meter, or turn the service on.

4. Service Reconnection Charge

Whenever the Company has discontinued service under its usual operating procedures because of any default by the Customer as provided herein, a reconnection charge, not to exceed the charge for the reestablishment of service as set forth in the Statement of Additional Charges, shall be made and may be collected by the Company before service is restored. When, due to the behavior of the Customer, it has been necessary to discontinue service utilizing other than usual operating procedures, the Company shall be entitled to charge and collect actual costs to restore service. In addition to the Service Reconnection Charge, such returning Customer shall pay the sum of the applicable monthly Customer Charges which would have accrued had the Customer not been disconnected for non-payment or for failure to comply with the Company's Pricing Plans within the preceding twelve (12) month period.

F. Temporary Service

1. Applicants for temporary service will be required to pay to the Company, in advance of service establishment, the estimated cost of installing and removing the facilities necessary for furnishing the desired service.
2. Where the duration of service is to be less than one (1) month, the Applicant will also be required to advance a sum of money equal to the estimated bill for service.
3. Where the duration of service is to exceed one (1) month, the Applicant may also be required to meet the deposit requirements of the Company, as outlined in Subsection B.1. above.
4. If at any time during the term of the agreement for service the character of a temporary Customer's operations changes so that, in the opinion of the Company, the Customer is classified as permanent, the terms of the Company's line extension rules will apply.

G. Identification of Load and Premises

Upon request of the Company, the electric load and premises to be served by the Company must be clearly identified by the Customer at the time of application. If the service address is not recognized in terms of commonly used identification system, the Customer may be required to provide specific written directions and/or legal descriptions before the Company will be required to act upon a request for electric service.

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District: Entire Electric Service Area

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SECTION 3
ESTABLISHMENT OF SERVICE
(continued)

H. Identification of Responsible Party

Any person applying on behalf of another Customer for service to be connected in the name of or in care of another Customer must furnish to the Company written approval from that Customer guaranteeing payment of all bills under the account. The Customer is responsible in all cases for service supplied to the premises until the Company has received proper notice of the effective date of any change. The Customer shall also promptly notify the Company of any change in billing address.

I. Tampering With or Damaging Company Equipment

1. The Customer agrees, when accepting service, that no one except authorized Company employees or agent of the Company will be allowed to remove or replace any Company owned equipment installed on Customer's property.
2. No person, except an employee or agent acting on behalf of the Company shall alter, remove or make any connection to the Company's meter or service equipment.
3. No meter seal may be broken or removed by anyone other than an employee or agent acting on behalf of the Company, however the Company may give its prior consent to break the seal by an approved electrician employed by a Customer when deemed necessary by the Company.
4. The Customer will be held responsible for any broken seals, tampering, or interfering with the Company's meter(s) or any other Company owned equipment installed on the Customer's premises. In cases of tampering with meter installations, interfering with the proper working thereof, or any tampering, interfering, theft, or service diversion, including the falsification of Customer read-meter readings, Customer will be subject to immediate discontinuance of service. The Company will be entitled to collect from the Customer whose name the service is in, under the appropriate rate, for all power and energy not recorded on the meter as the result of such tampering, or other theft of service, and also additional security deposits as well as all expenses incurred by the Company for property damages, investigation of the illegal act, and all legal expenses and court costs incurred by the Company.
5. The Customer will be held liable for any loss or damage occasioned or caused by the Customer's negligence, want of proper care or wrongful act or omission on the part of any Customer's agents, employees, licensees or contractors.

SECTION 4
MINIMUM CUSTOMER INFORMATION REQUIREMENTS

A. Information for Residential Customers

1. The Company will make available upon Customer request not later than sixty (60) days from the date of request a concise summary of the rate schedule applied for by the Customer. The summary will include the following:
 - a. The monthly minimum Customer charge, identifying the amount of the charge and the specific amount of usage included in the minimum charge, where applicable;
 - b. Rate blocks, where applicable;
 - c. Any adjustment factor(s) and method of calculation; and
 - d. Demand charge, where applicable.
2. Upon application or upon request, the Applicant or the Customer will elect the applicable Pricing Plan best suited to their requirements. The Company may assist in making this election, but will not be held responsible for notifying the Customer of the most favorable Pricing Plan, and will not be required to refund the difference in charges under different Pricing Plans.
3. Upon written notification of any material changes in the Customer's installation or load conditions, the Company will assist in determining if a change in rate schedules is desirable, but not more than one (1) such change at the Customer's request will be made within any twelve (12) month period.
4. The supply of electric service under a residential rate schedule to a dwelling involving some business or professional activity will be permitted only where this activity is only occurring occasionally at the dwelling, where the electricity used in connection with this activity is small in amount, and where the electricity is used only by equipment that would normally be in use if the space were used as living quarters. Where a portion of the dwelling is used regularly for business, professional and other gainful purposes, and any considerable amount of electricity is used for other than domestic purposes, or for electrical equipment not normally used in living quarters is installed in connection with the activities referenced above, then the entire premises will be classified as non-residential and the appropriate general service Pricing Plan will be applied. The Customer, may, at his option, provide separate wiring so that the residential uses can be metered and billed separately under the appropriate residential service rate schedule, and the other uses under the appropriate general service rate schedule.



SECTION 4
MINIMUM CUSTOMER INFORMATION REQUIREMENTS
(continued)

5. In addition, the Company will make available upon Customer request, not later than sixty (60) days from date of service commencement, a concise summary of the Company's Pricing Plan or the ACC's Rules and Regulations concerning:
 - a. Deposits;
 - b. Termination of service;
 - c. Billing and collection; and
 - d. Complaint handling.

6. The Company, upon request of a Customer, will transmit a written statement of actual consumption by the Customer for each billing period during the prior twelve (12) months, unless this data is not reasonably ascertainable. But the Company will not be required to accept more than one such request from each Customer in a calendar year.

B. Information Required Due to Changes in Pricing Plans:

1. The Company will ~~transmitsend~~ to affected Customers a concise summary of any change in the Pricing Plans affecting those Customers.

2. This information will be ~~transmittedsent~~ to the affected Customer within sixty (60) days of the effective date of the change.

SECTION 5
MASTER METERING

- A. Mobile Home Parks – New Construction/Expansion
1. The Company will refuse service to all new construction or expansion of existing permanent residential mobile home parks unless the construction or expansion is individually metered by the Company. Line extensions and service connections to serve this expansion will be governed by the Company's line extension and/or service connection policies of these Rules and Regulations.
 2. Permanent residential mobile home parks for the purpose of this rule will mean mobile home parks where the average length of stay for an occupant is a minimum of six (6) months.
 3. For the purposes of this rule, expansion means the acquisition of additional real property for permanent residential spaces in excess of that existing at the effective date of this rule.
- B. Residential Apartment Complexes, Condominiums and other Multiunit Residential Buildings
1. Master metering will not be allowed for new construction of apartment complexes and condominiums unless the building or buildings will be served by a centralized heating, ventilation, or air conditioning system and the contractor can provide to the Company an analysis demonstrating that the central unit will result in a favorable cost/benefit relationship.
 2. At a minimum, the cost/benefit analysis should consider the following elements for a central unit as compared to individual units:
 - a. Equipment and labor costs;
 - b. Financing costs;
 - c. Maintenance costs;
 - d. Estimated kWh usage;
 - e. Estimated kW demand on a coincident demand and non-coincident demand basis (for individual units);
 - f. Cost of meters and installation; and
 - g. Customer accounting cost (one account vs. several accounts).
 3. A Customer of any residential apartment complex, condominium, or other multiunit residential building taking service through a master meter is responsible for determining his or her own usage beyond the Company's meter.



SECTION 6
SERVICE LINES AND ESTABLISHMENTS

A. Priority and Timing of Service Establishments

1. After the Applicant has complied with the Company's application requirements and has been accepted for service by the Company, and obtained all required permits and/or inspections indicating that the Customer's facilities comply with local construction, safety and governmental standards or regulations, the Company will schedule that Customer for service establishment.
2. All charges are due and payable before the Company will schedule the Customer for service establishment.
3. Service establishments will be scheduled for completion within five (5) business days of the date the Customer has been accepted for service, except in those instances when the Customer requests service establishment beyond the five (5) business day limitation.
4. When the Company has made arrangements to meet with a Customer for service establishment purposes and the Company or the Customer cannot make the appointment during the prearranged time, the Company will reschedule the service establishment to the satisfaction of both parties.
5. The Company will schedule service establishment appointments within a maximum range of four (4) hours during normal business hours, unless another timeframe is mutually acceptable to both the Company and the Customer.
6. Service establishments will be made only by the Company.
7. For the purposes of the rule, service establishments are where the Customer's facilities are ready and acceptable to the Company and the Company needs only to install or read a meter or turn the service on.
8. A fee for service establishment, reestablishment, or reconnection of service may be charged at a rate on file with and approved by the ACC. ~~Whenever the Applicant requests after-hours handling of his request, the Company will charge an additional fee set forth in the Statement of Additional Charges on file with and approved by the ACC, unless a special call-out is required. If a special call-out is required the charge will be for a minimum of two (2) hours at the Company's then-prevailing after-hours rate for the service work on the Customer's premises. Special handling of calls and the related charges will be made only upon request of the Applicant. Even so, a Customer's request to have the Company establish service after-hours is subject to the Company having staff available; there is no guarantee that the Company will have the staffing available for service establishment, reestablishment or reconnection after regular business hours.~~

SECTION 6
SERVICE LINES AND ESTABLISHMENTS
(continued)

B. Service Lines

1. Customer provided facilities

- a. Each Applicant for services will be responsible for all inside wiring including the service entrance and meter socket. For three-phase service, the Customer will provide, at the Customer's expense, all facilities including conductors and conduit, beyond the Company-designated point of delivery.
- b. Meters and service switches in conjunction with the meter will be installed in a location where the meters will be readily and safely accessible for reading, testing and inspection, where these activities will cause the least interference and inconvenience to the Customer. Location of metering facilities will be determined by the Company and may or may not be at the same location as the point of delivery. However, the meter locations will not be on the front exterior wall of the home, or in the carport or garage unless mutually agreed to between the Customer or homebuilder and the Company. Without cost to the Company, the Customer must provide, at a suitable and easily accessible location, sufficient and proper space for the installation of meters.
- c. Where the meter or service line location on the Customer's premises is changed at the request of the Customer or due to alterations on the Customer's premises, the Customer must provide and have installed, at the Customer's expense, all wiring and equipment necessary for relocating the meter and service line connection. The Company will charge the Customer for moving the meter and/or service lines.
- d. Customer will provide access to a main switch or breaker for disconnecting load to enable safe installation and removal of Company meters.

2. Overhead Service Connection – Secondary Service

- a. The estimated costs of extending Secondary Service shall be paid by the Customer prior to the Company extending service.
- b. Whenever any of the clearances required by the applicable laws, ordinances, rules or regulations of public authorities or standards of the Company from the service drops to the ground or any object become impaired by reason of any changes made by the owner or tenant of the premises, the Customer will, at his own expense, provide a new and approved support, in a location approved by the Company, for the termination of the Company's service drop wires and will also provide all service entrance corridors and equipment necessitated by the change of location.

SECTION 6
SERVICE LINES AND ESTABLISHMENTS
(continued)

- c. For each overhead service connection, the Customer will furnish at his own expense a set of service entrance conductors that will extend from the point of service delivery at the point of termination of the Company's service drop on the Customer's support to the Customer's main disconnect switch. These service entrance conductors will be of a type and be in an enclosure that meets with the approval of the Company and any inspection authorities having jurisdiction.
3. Underground Service Connections – Secondary Service
- a. In areas where the Company maintains an underground distribution system, individual services will be underground and be paid for by the Customer.
 - b. A Customer requesting an underground service line in an area served by overhead facilities will pay the estimated costs of extending the underground Secondary prior to the Company extending service.
 - c. For single-phase service, the Company will install a service lateral from its distribution line to the Customer's Company-approved termination facilities under the following conditions (unless otherwise agreed to by the Company and the Applicant):
 - (i) The Customer, at his expense, will provide the necessary trenching, conduit, conduit installation, backfill, landscape restoration and paving or the Customer can pay the Company to do so. The Customer will also furnish, install, own and maintain termination facilities on or within the building to be served.
 - (ii) The Company will furnish, install, own and maintain the underground single-phase cables to Customer's Company-approved termination facilities.
 - (iii) The Company will determine the minimum size and type of conduit and conductor for the single-phase service. Where separately installed conduit or duct is required for single-phase service, the Customer will furnish and install the conduit system, including suitable pull ropes as specified by the Company. The ownership of this conduit or duct will be conveyed to the Company, and the Company will then maintain the conduit or duct. By mutual agreement and upon payment by the Customer of the estimated installed cost, the Company may furnish, own, install and maintain this conduit or duct. The maximum length of any lateral conductor will be determined by the Company in accordance with accepted engineering practice in determining voltage drop, voltage flicker, and other relevant considerations.
 - d. For three-phase service, the Customer will provide, at the Customer's expense, all facilities, including conductors and conduit, beyond the Company-designated point of delivery.

SECTION 6
SERVICE LINES AND ESTABLISHMENTS
(continued)

C. Easements and Rights-of-Way

1. At no cost to the Company, each Customer will grant adequate easements and rights-of-way that are satisfactory to ensure proper service connection and any additional easements and rights-of-way as may be necessary for electric system reliability. Failure on the part of the Customer to grant adequate easement and right-of-way will be grounds for the Company to refuse service.
2. When the Company discovers that a Customer or the Customer's Agent is performing work, has constructed facilities or has allowed vegetation to grow adjacent to or within an easement or right-of-way and this work, construction, vegetation or facility poses a hazard or is in violation of federal, state or local laws, ordinances, statutes, Rules or Regulations, or significantly interferes with the Company's access to equipment, the Company will notify the Customer or the Customer's Agent and will take whatever actions are necessary to eliminate the hazard, obstruction or violation at the Customer's expense.

D. Number of Services to be Installed

The Company will not install more than one service, either overhead or underground, for any one building or group of buildings on a single premises, except as separate services may be installed for separate buildings or group of buildings where necessary for the operating convenience of the Company, where provided for in the tariff schedules, or where required by law or local ordinance.

E. Multiple Service Points

Any person, firm, corporation, agency or other organization or governmental body receiving service from the Company at more than one location or for more than one separately operated business will be considered as a separate Customer at each location and for each business. If several buildings are occupied and used by a Customer in the operation of a single business, the Company, upon proper application, will furnish service for the entire group of buildings through one service connection at one point of delivery, provided these buildings are all at one location on the same lot or tract, or on adjoining lots or tracts that form a contiguous plot that is not separated by any public streets. This plot or location will be wholly owned or controlled and occupied by the Customer in the operation of this single business. Dwelling units will be served, metered and billed separately, except at the Company's option.

F. Temporary Service

For service that is temporary in nature or for operations of a speculative character or questionable permanency the Customer will be charged the Company's estimated cost of installing the service.

SECTION 7
PROVISION OF SERVICE

A. Company Responsibility

1. The Company will be responsible for the safe transmission and distribution of electricity until it passes the point of delivery to the Customer.
2. The Company will be responsible for maintaining in safe operating condition all meters, equipment and fixtures installed on the Customer's premises by the Company for the purpose of delivering electric service to the Customer. However, the Company will not be responsible for the condition of meters, equipment, and fixtures damaged or altered by the Customer.
3. The Company may, at its option, refuse service until the Customer has obtained all required permits and/or inspections indicating that the Customer's facilities comply with local construction standards, applicable safety standards, and applicable Company specifications.

B. Customer Responsibility

1. Each Customer will be responsible for maintaining all Customer facilities on the Customer's side of the point of delivery in safe operating condition.
2. Each Customer will be responsible for safeguarding all Company property installed in or on the Customer's premises for the purpose of supplying electric service to that Customer.
3. Each Customer will exercise all reasonable care to prevent loss or damage to Company property, excluding ordinary wear and tear. The Customer will be responsible for loss of or damage to Company property on the Customer's premises arising from neglect, carelessness, or misuse and will reimburse the Company for the cost of necessary repairs or replacements.
4. Each Customer, regardless of who owns the meter, will be responsible for payment for any equipment damage and/or estimated unmetered usage and all reasonable costs resulting from unauthorized breaking of seals, interfering, tampering or bypassing the Company meter.
5. Each Customer will be responsible for notifying the Company of any equipment failure identified by the Customer in the Company's equipment.
6. Each Customer will be responsible for informing the Company of, and meeting the Company's requirements regarding On-Site Generation that the Customer or the Customer's agent intends to interconnect to the Company's transmission and distribution system.

SECTION 7
PROVISION OF SERVICE
(continued)

7. The Customer, at his expense, may install, maintain and operate check-measuring equipment as desired and of a type approved by the Company, provided that this equipment will be installed so as not to interfere with operation of the Company's equipment. This is also provided that no electric energy will be remetered or submetered for resale to another or to others, except where such remetering will be done in accordance with the applicable orders of the Commission.

C. Continuity of Service

The Company will make reasonable efforts to supply a satisfactory and continuous level of service. However, the Company will not be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from:

1. Any cause against which the Company could not have reasonably foreseen, or made provision for (see Subsection 7.E.);
2. Intentional service interruptions to make repairs or perform routine maintenance; or
3. Curtailment, including brownouts or blackouts.

D. Service Interruptions

1. The Company will make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur.
2. The Company will make reasonable provisions to meet emergencies resulting from failure of service and will issue instructions to its employees covering procedures to be followed in the event of emergencies in order to prevent or mitigate interruption or impairment of service.
3. In the event of a national emergency or local disaster resulting in disruption of normal service, the Company may, in the public interest, interrupt service to other Customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.
4. When the Company plans to interrupt service for more than four (4) hours to perform necessary repairs or maintenance, the Company will attempt to inform affected Customers at least twenty-four (24) hours in advance of the scheduled date and estimated duration of the service interruption. These repairs will be completed in the shortest possible time to minimize the inconvenience to the Customers of the Company.

SECTION 7
PROVISION OF SERVICE
(continued)

5. The ACC will be notified of interruption in service affecting the entire system or any significant portion thereof. The interruption of service and cause will be reported by telephone to the ACC within two (2) hours after the responsible Company representative becomes aware of said interruption. The Company will then issue a written report to the ACC.

E. Interruption of Service and Force Majeure

1. The Company will make reasonable provision to supply a satisfactory and continuous electric service, but does not guarantee a constant or uninterrupted supply of electricity. The Company will not be liable for any damage or claim of damage attributable to any temporary, partial or complete interruption or discontinuance of electric service attributable to a force majeure condition as set forth in Subsections 7.E.4. or 7.E.5., or to any other cause that the Company could not have reasonably foreseen and made provision against. Further, the Company will not be liable for any of the above-described interruptions if, in the Company's judgement, it is necessary to permit repairs or changes to be made in the Company's electric generating, transmission, or distribution equipment, or to eliminate the possibility of damage to the Company's property or to the person or property of others.
2. Whenever the Company deems a condition exists that warrants interruption or limitation in the service being rendered, this limitation or interruption will not constitute a breach of contract and will not render the Company liable for damages suffered by the Customer. Further, the Customer will not be excused from further fulfillment of the contract.
3. The use of electric energy upon the Customer's premises is at the risk of the Customer. The Company's liability will cease at the point where its facilities are connected to the Customer's wiring.
4. Neither the Company nor the Customer will be liable to the other for any act, omission, or circumstances (including, but not limited to, the Company's inability to provide electric service) due to the following:
 - a. flood, rain, wind, storm, lightning, earthquake, fire landslide, washout or other acts of the elements;
 - b. accident or explosion;
 - c. war, rebellion, civil disturbance, mobs, riot, blockade or other act of the public enemy;
 - d. acts of God;
 - e. interference of civil and/or military authorities;
 - f. strikes, lockouts, or other labor difficulties;

SECTION 7
PROVISION OF SERVICE
(continued)

- g. vandalism, sabotage, or malicious mischief;
 - h. usurpation of power, or the laws, rules, regulations, or orders made or adopted by any regulatory or other governmental agency or body (federal, state or local) having jurisdiction of any of the business or affairs of the Company or the Customer, direct or indirect;
 - i. breakage or accidents to equipment or facilities;
 - j. lack, limitation or loss of electrical or fuel supply; or
 - k. any other casualty or cause beyond the reasonable control of the Company or the Customer, whether or not specifically provided herein and without limitation to the types enumerated, and which by exercise of due diligence the Company or the Customer is unable to overcome.
5. A failure to settle or prevent any strike or other controversy with employees or with anyone purporting or seeking to represent employees will not be considered to be a matter within the control of the Company.
6. Nothing contained in this Section will excuse the Customer from the obligation of paying for electricity delivered or services rendered.

F. General Liability

- 1. Company will not be responsible for any third-party claims against Company that arise from Customer's use of Company's electricity.
- 2. Customer will indemnify, defend and hold harmless the Company (including the costs of reasonable attorney's fees) against all claims (including, without limitation, claims for damages to any business or property, or injury to, or death of, any person) arising out of any act or omission of the Customer, or the Customer's agents, in connection with the Company's service or facilities.
- 3. The liability of the Company for damages of any nature arising from errors, mistakes, omissions, interruptions, or delays of the Company, its agents, servants, or employees, in the course of establishing, furnishing, rearranging, moving, terminating, or changing the service or facilities or equipment shall not exceed an amount equal to the charges applicable under the Company's Pricing Plans (calculated on a proportionate basis where appropriate) to the period during which the error, mistake, omission, interruption or delay occurs.

SECTION 7
PROVISION OF SERVICE
(continued)

4. In no event will the Company be liable for any incidental, indirect, special, or consequential damages (including lost revenue or profits) of any kind whatsoever regardless of the cause or foreseeability thereof.
5. The Company will not be responsible in an occasion for any loss or damage caused by the negligence or wrongful act of the Customer or any of his agents, employees or licensees in installing, maintaining, using, operating or interfering with any electric facilities.

G. Construction Standards and Safety

The Company will construct all facilities in accordance with the provisions of the ANSI C2 Standards (National Electric Safety Code, 1997 edition, and other amended editions as are adopted by the ACC), the 1995 ANSI B31.1 Standards, the ASME Boiler and Pressure Vessel Code, and other applicable American National Standards Institute Codes and Standards, except for those changes the ACC makes or permits from time to time. In the case of conflict between codes and standards, the more rigid code or standard will apply.

SECTION 8
CHARACTER OF SERVICE – VOLTAGE, FREQUENCY AND PHASE

- A. For Residential, Lighting and Miscellaneous Service – Energy supplied will be sixty (60) Hertz, single phase, alternating current, three-wire service, 120/240 volts for new service applications. The Company will provide 120 volts, two-wire for those Customers currently receiving that service.
- B. Commercial and Industrial Service – Electric energy furnished under these Rules and Regulations will be sixty (60) Hertz alternating current energy, single or three (3) phase at the standard nominal voltages specified by the Company.
- C. All electric energy supplied will be in accordance with ANSI voltage ratings for electric power systems and equipment.
- D. All voltages referred to above are nominal voltages and may vary somewhat due to local conditions. The Company does not guarantee the constancy of its voltage or frequency, nor does it guarantee against its loss of one or more phases in a three-phase service. The Company will not be responsible for any damage to the Customer's equipment caused by any or all of these occurrences brought about by circumstances beyond its control.
- E. Motor Protection

The following protective apparatus, to be provided by the Customer, is required on all motor installations:

1. No Voltage Protection: Motors that cannot be safely subjected to full voltage at starting must be provided with a device to insure that upon failure of voltage, the motors will be disconnected from the line. Said device should be provided with a suitable time delay relay;
2. Overload Protection: All motors whose voltage does not exceed 750 volts are to be provided with approved fuses of proper rating. Where the voltage exceeds 750 volts, protective devices are to be provided. In these cases it will be found desirable to install standard switching equipment. The installation of overload relays and no-voltage releases is recommended on all motors, not only as additional protection, but as a means of reducing the cost of refusing; and
3. Phase Reversal: Reverse phase relays and circuit breakers or equivalent devices are recommended on all polyphase installations to protect the installation in case of phase reversal or loss of one phase.

SECTION 8
CHARACTER OF SERVICE – VOLTAGE, FREQUENCY AND PHASE
(continued)

F. Miscellaneous

1. Interference with Service: The Company reserves the right to refuse to supply loads of a character that may seriously impair service to any other Customers. In the case of hoist or elevator motors, welding machines, furnaces and other installations of like character where the use of electricity is intermittent or subject to violent fluctuations, the Company may require the Customer to provide at the Customer's own expense suitable equipment to reasonably limit those fluctuations.
2. The Company has the right to discontinue electric service to any Customer who continues to use appliances or other devices, equipment and apparatus detrimental to the service after the Company notifies the Customer of his or her causing detriment to the service.
3. Allowable Instantaneous Starting Current Values: The instantaneous starting current (determined by tests or based on limits guaranteed by manufacturers) drawn from the line by any motor must not exceed a value (as determined by the Company) that may be deemed detrimental to the normal operation of the system. If the starting current of the motor exceeds that value, a starter must be used or other means employed to limit the current to the value specified. A reduced voltage starter may be required for polyphase motors.

G. Customer Responsibility for Equipment Used in Receiving Electric Energy

No statement or requirement in these Rules and Regulations can be construed as the assumption of any liability by the Company for any wiring of electrical equipment or the operation of same, installed in, upon, or about the Customer's premises, nor will the Company be responsible for any loss or damage occasioned or caused by the negligence, want of proper care or wrongful act of the Customer, or any of the Customer's agents or employees or licenses on the part of the Customer in installing, maintaining, using, operating, or interfering with any such wiring, machinery or apparatus.

SECTION 9
LINE EXTENSIONS

Introduction

A request for electric service often requires the construction of new distribution lines of varying distances. The distances and cost vary widely depending upon Customer's location and load size. With such a wide variation in extension requirements, it is necessary to establish conditions under which the Company will extend its electric facilities.

All extensions are subject to the availability of adequate capacity, voltage and Company facilities at the beginning point of an extension, as determined by the Company.

A standard policy has been adopted to provide service to Customers whose requirements are deemed by the Company to be economical and ordinary in nature.

A. General Requirements

1. Upon request by an Applicant for a line extension, the Company will prepare without charge, a preliminary electric design and a rough estimate of the cost of installation to be paid by said Applicant.
2. Any Applicant for a line extension requesting the Company to prepare detailed plans, specifications, or cost estimates will be required to deposit with the Company an amount equal to the estimated cost of preparation. The Company will, upon request, make available within ninety (90) days after receipt of the deposit referred to above, those plans, specifications, or cost estimates of the proposed line extension. Where the applicant authorizes the Company to proceed with construction of the extension, the deposit will be credited to the cost of construction, the deposit will be non-refundable. If the extension is to include over sizing of facilities to be done at the Customer's expense, appropriate details will be set forth in the plans, specifications and cost estimates. Subdividers providing the Company with approved plans will be provided with plans, specifications, or cost estimates within ninety (90) days after receipt of the deposit referred to above.
3. The Company will provide the Applicant with the estimated costs of extending service prior to the Applicant's acceptance of the Company's line extension agreement.
4. All line extension agreements requiring payment by the Applicant will be in writing and signed by each party.
5. All charges are due and payable at the time the line extension agreement is executed.
6. The provisions of this rule apply only to those Applicants who, in the Company's judgment, will be permanent Customers. Extension of facilities will not begin until the satisfactory completion of required site improvements, as determined by the Company, and an approved service entrance to accept electric service has been installed.

SECTION 9
LINE EXTENSIONS
(continued)

B. Minimum Written Agreement Requirements

1. Each line extension agreement must, at a minimum, include the following information:
 - a. Name and address of applicant(s);
 - b. Proposed service address(es) or location(s);
 - c. Description of requested service;
 - d. Description and sketch of the requested line extension;
 - e. A cost estimate to include materials, labor, and other costs as necessary;
 - f. Payment terms;
 - g. A concise explanation of any refunding provisions, if applicable;
 - f. The Company's estimated start date and completion date for construction of the line extension; and
 - i. A summary of the results of the economic feasibility analysis performed by the Company to determine the amount of the advance required from the applicant for the proposed line extension.
2. Each Applicant will be provided with a copy of the written line extension agreement.

C. Line Extension Costs

1. Calculations of estimated line extension costs will include the following:
 - a. Material cost;
 - b. Direct labor cost; and
 - c. Overhead cost;
 - (i) Overhead costs are represented by all the costs which are proper capital charges in connection with construction, other than direct material and labor costs including but not limited to:
 - Indirect labor
 - Engineering
 - Transportation
 - Taxes (e.g. FICA, State & Federal Unemployment which are properly allocated to construction)



**UNS Electric, Inc.
Rules & Regulations**

Insurance
Stores expense

Filed By: Raymond S. Heyman
Title: Senior Vice President and General Counsel
District: Entire Electric Service Area

Tariff No.: Rules & Regulations
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SECTION 9
LINE EXTENSIONS
(continued)

General office expenses allocated to costs of construction
Power operated equipment
Employee Pension and Benefits
Vacations and Holidays
Miscellaneous expenses properly chargeable to construction

D. Conditions Governing Extensions of Electric Distribution Lines and Services

Line extension measurements will be along the route of construction required, but no free distance shall be permitted beyond the shortest reasonable route to the nearest reasonable point of delivery on each Customer's premises as determined by the Company. This measurement will include primary and secondary and service lines.

1. Prior to the installation of facilities, the Customer will be required to pay the estimated cost of the construction of the distribution facilities as a Contribution in Aid of Construction. Upon completion of construction the Company will compare actual cost to the estimated cost and any difference will be either billed or refunded to the Customer – except if the difference is less than \$500. If the difference is less than \$500, the amount may be billed or refunded according to the specific extension agreement with the Customer.

2. Facilities Operation Charge1. Footage Basis:

The Company will extend single phase overhead distribution facilities without charge to any Customer whom the Company considers permanent (except irrigation customers) provided that the length of extension does not exceed four hundred (400) feet.

The Company will make extensions in excess of four hundred (400) feet provided:

- (i) ~~The economic feasibility study in subsection 9.E. has been completed and the Company determines that the extension is feasible.~~
- (ii) ~~A line extension agreement has been signed by each party.~~
- (iii) ~~The Company has received a non-interest bearing, refundable construction advance and/or contribution in aid of construction, if required, to cover cost of construction.~~
- (iv) ~~The extension does not exceed a total construction cost of \$25,000.~~

c. ~~Customer advances of over \$50.00, as collected under the terms of extensions beyond the free distance, are subject to refund, provided that, within a five (5) year period after signing the extension agreement,~~

Customer requests a survey to determine if additional Customers have been connected to and are using service from the extension.

If this survey discloses that additional Customers or load are connected to the extension (not including laterals or extensions over the free distance) and are so located that, had they been there at the time the extension was made, the amount of advance would have been reduced or eliminated, then a readjustment will be made and Company will refund the difference between the amount actually advanced and the amount of the advance had it been determined at the time of survey. The amount of the refund will be based on the cost of constructing the original line.

- (i) Only one survey will be made annually for each extension. In no case will the total of refund payments exceed the amount originally advanced.
- (ii) If after five (5) years from receipt, the construction advance has not been totally refunded, that advance be considered a contribution in aid of construction and no longer be refundable.
- (iii) A pictorial explanation of the method of refund used for the footage basis is as follows:

Applicant "A" — Customer makes refundable advance per footage over 400 feet (1,600' @ estimated line extension cost per foot).

— Applicant "B" — Customer makes refundable advance for footage over 400 feet (1,100' @ estimated line extension cost per foot). No refund is due Applicant "A" because total construction was over 400 feet.

— Applicant "C" — No charge to Customer. However if within the five (5) year period Customer "A" will receive refund (200' @ original cost per foot to Customer "A"). Line "C" ties directly into Line "A" and it is under 400 feet.

— Applicant "D" — No charge to Customer. If within the five (5) year period Customer "A" will receive a refund (390' @ original cost per foot to Customer "A").

— Applicant "E" — No charge to Customer. If within five (5) years from date of advance from Customer "B", Customer "B" will get a refund (100' @ original cost per foot to Customer "B"). Line "E" ties directly into Line "B".

— Applicant "F" — No charge to Customer. If within five (5) years from date of advance from Customer "B", Customer "B" will get a refund (300' @ original cost per foot to Customer "B").

2.— Revenue Basis

The Company will extend its overhead distribution facilities without charge to any Customer or group of Customers whom Company considers permanent (except irrigation customers) where the estimated annual revenue multiplied by two (2) is equal to or greater than the total cost of the extension. Extensions made on this basis may not exceed a total cost of \$25,000.

For extensions over free distance (revenue basis) Company will extend its distribution facilities up to a cost limitation of \$25,000, provided Customer or Customers will sign an extension agreement and advance a sufficient portion of the construction cost so that the balance of the construction cost is no greater than twice the estimated annual revenue.

Advances are subject to refund as specified in D.1.c.

Economic Feasibility Basis

a. In addition, a Facilities Operation Charge will be assessed to any Customer or group of Customers if the Company makes the determination that the revenue less the cost of service is not adequate to cover the Company's cost to operate and maintain the facilities. The Customer will agree to pay the Facilities Operation Charge under those circumstances and that charge will be included in any extension agreement to extend the facilities.

~~b. The Company will extend its overhead distribution facilities to any Customer, or group of Customers, whom Company considers permanent (except irrigation customers) requiring an extension costing more than \$25,000, after determination by Company that the volume of use makes such extensions economically feasible.~~

The Company shall determine whether a Facilities Operation Charge is to be assessed based on the the Economic Feasibility Criteria in Subsection 9.E.

~~c. At the Customer's request (but no more than once in a 12-month period), the Company will reevaluate the Facilities Operation Charge using the Economic Feasibility Criteria in Subsection 9.E. Based on the outcome of that Criteria, the Company will adjust the Facilities Operation Charge accordingly. as used in this policy, shall mean a determination by Company that the revenue less the cost of service is provides an adequate rate of to cover the Company's cost to own, operate and maintain the facilities. return on the investment made by Company to serve Customer.~~

a. For extensions costing more than \$25,000 that do not show economic feasibility The Company may, at its option, and after special study, extend its facilities provided that Customer or Customers will sign an extension agreement and advance as much of the cost of such extension and/or agree to a pay such higher special rate (facilities charge) as is necessary to make the extension economically feasible. At the Customer's request the Company will evaluate the economic feasibility of the line extension annually and adjust the facilities charge accordingly.



**UNS Electric, Inc.
Rules & Regulations**

Filed By: Raymond S. Heyman
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District: Entire Electric Service Area

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SECTION 9
LINE EXTENSIONS
(continued)

3. Overhead Extensions

Except as otherwise provided herein, overhead extensions will be made as follows:

Rates for Overhead Extensions

- a. The Company will install, own, and maintain the distribution facilities necessary to provide permanent service to the Customer. Prior to the installation of facilities, the Customer will be required to pay the estimated cost of the construction of the distribution facilities as a Contribution subject to Subsection 9.D.1. of these Rules and Regulations.
- b. The Company will extend its overhead distribution facilities to any Customer, or group of Customers, whom the Company considers permanent. Extensions for Irrigation customers, however, will be governed under Subsection 9.D.5.a. of these Rules and Regulations. Upon completion of construction the Company will compare actual cost to the estimated cost and any difference will be either billed or refunded to the Customer.

4. Underground Construction

- a. Installation of single phase underground electric lines to furnish permanent electric service to a duly recorded Residential Subdivision Development, in which facilities for electric service have not been constructed, for which applications are made by a developer, will be installed underground provided the following conditions are met:
 - (i) Underground service lines to Customers will be installed, owned, operated, and maintained by the Company. Prior to the installation of facilities, the Customer will be required to pay the estimated cost of the construction of the distribution facilities as a Contribution subject to Subsection 9.D.1. of these Rules and Regulations; An economic feasibility study has been completed and the Company determines that the extension is feasible.
 - (ii) A line extension agreement has been signed by developer(s) and the Company;
 - (iii) Receipt of a non-interest bearing, refundable construction advance with the Company to cover total cost of construction. The construction advance shall be considered a contribution in aid of construction if it has not been totally refunded after five (5) years in accordance with subsection D.1.c.(ii) above. The total of the Company's estimated cost of construction has been received by the Company. Upon completion of construction the Company will compare actual cost to the estimated cost and any difference will be either billed or refunded to the Customer. If applicable, the Customer must pay a Facilities Operation Charge in accordance with Subsection 9.D.2 of these Rules and Regulations;

- (iv) The developer will provide the trenching, bedding, backfill (including any imported backfill required), compaction, repaving and any earthwork for pull boxes and transformer pad sites required in accordance with the specifications and schedules of the Company;

SECTION 9
LINE EXTENSIONS
(continued)

- (v) Right-of-way and easements satisfactory to the Company will be furnished by the developer at no cost to the Company and in reasonable time to meet service requirements. No underground electric facilities will be installed by the Company until the final grades have been established and furnished to the Company. In addition the easements, alleys and/or streets must be graded to within six (6) inches of final grade by the developer before the Company will commence construction. This clearance and grading must be maintained by the developer. If, subsequent to construction, the clearance or grade is changed in such a way as to require relocation of underground facilities or results in damage to those facilities, the cost of the relocation and/or resulting repairs will be borne by the developer;
 - (vi) If armored cable or special cable covering is required, the Customer or developer will make a non-refundable contribution equal to the additional cost of such cable or covering;
 - (vii) ~~Underground service lines to residential Customers will be installed, owned, operated, and maintained by the Company. The Customer will be required to provide, at the Customer's expense, all necessary conduit, trenching, backfilling, compaction, and concrete work, if required, in accordance with Company specifications and other local codes; and~~
 - (viii) Underground service lines not installed in accordance with Company specifications will be repaired and/or replaced by the Company at the Customer's expense.
- b. Three-Phase underground construction: Where three-phase underground service is requested by a Customer, the Company will install required facilities provided:
- (i) ~~Underground service lines to Customers will be installed, owned, operated, and maintained by the Company. Prior to the installation of facilities, the Customer will be required to pay the estimated cost of the construction of the distribution facilities as a Contribution subject to Subsection 9.D.1. of these Rules and Regulations; An economic feasibility study has been completed and the Company determines that the extension is feasible.~~
 - (ii) ~~A line extension agreement has been signed by each party;~~
 - (iii) ~~If applicable, the Customer must pay a Facilities Operation Charge in accordance with Subsection 9.D.2 of these Rules and Regulations. The total of the Company's estimated cost of construction has been received by the Company. Upon completion of construction the Company will compare actual cost to the estimated cost and any difference will be either billed or refunded to the Customer.;~~
- (ivii) Conditions specified in Paragraph 4.a-subsections 9.D.2.a.(iviii) through (vi) are met;

- ~~(iii) A non-refundable contribution equal to the estimated difference in cost of construction between overhead and underground facilities has been deposited with the Company~~
 - (iv) The Customer will provide and install transformer and/or switchgear pads and conduit in accordance with Company specifications.
 - ~~(vi) Such extension does not exceed a total construction cost of \$25,000.~~
- c. The Customer will retain ownership of all non-residential single phase service lines and three phase service lines and will maintain these lines at no cost to the Company. Any work performed by the Company on Customer-owned facilities will be at actual cost. Non-residential properties include, but are not limited to master-metered apartment buildings and duplexes.

SECTION 9
LINE EXTENSIONS
(continued)

5. Other Customers

a. Irrigation Customers - Customers requiring construction of electric facilities for service to irrigation pumping will advance the total construction cost, pay, in the form of a contribution, the total estimated construction cost, which may include a portion of the shared backbone cost from designated irrigation substations, less the first \$500 of construction. Customer advances, as collected under these terms, are subject to refunds of twenty percent (20%) of that portion of the annual accumulation of twelve (12) monthly bills, commencing with the service date, in excess of the minimum, provided, however, that no refunds will be made after five years from the effective date of the agreement for service. In no case will the total of refund payments exceed the amount originally advanced.

b. Doubtful Permanency Customers - When, in the opinion of the Company, permanency of the Customer's service is doubtful, the Customer will be required to advance the total construction cost, including transformer and service installation. Advances are subject to full or partial refund pursuant to surveys based on the revenue or economic feasibility basis. In no event, shall the refund exceed twenty percent (20%) of the annual accumulation of twelve (12) monthly bills in excess of the annual minimum bill for the Customer as specified in the extension agreement. No refunds will be made after five years from the effective date of the agreement for service. In no event shall the total refund payments exceed the amount originally advanced.

c. Temporary Customers - Where a temporary meter or construction is required to provide service to a Customer, then the Customer, in advance of installation or construction, will make a contribution equal to the cost of installing and removing the facilities required to furnish service, less the salvage value of those facilities. When the use of service is discontinued or agreement for service is terminated, the Company may dismantle its facilities and the materials and equipment provided by the Company will be salvaged and remain its property.

Each applicant for temporary service shall be required to deposit with the Company a sum of money equal to the estimated amount of the Company's bill for such service, or to otherwise secure in a manner satisfactory to the Company, the payment of any bill which may accrue by reason of such service so furnished or supplied. Contributions for temporary service are not refundable.

d. Speculative Customers - Service to mining and milling installations and similar speculative businesses, where special conditions prevail as to service requirements and/or construction cost for line extension, will be furnished under special contract.

e. Real Estate Development - Extensions of electric facilities to and within real estate developments including residential subdivisions, industrial parks, mobile home parks, apartment complexes, planned area developments and shopping centers may be made in advance of application for service by permanent Customers after the Company and the developer of said subdivision have entered into a written contract and the total estimated installed cost of such distribution facilities is advanced to the Company as a

refundable non-interest bearing cash deposit to cover the Company's cost of construction. Refunds will be made in accordance with provisions in such written contract and be based on an economic feasibility study.

f. Seasonal Customers - Extensions of electric facilities to a Customer's premises which will be continuously occupied less than nine (9) months out of each twelve (12) month period may be made only on the basis of economic feasibility.

5.6. Other Conditions

- a. Three Phase Service - Where a Customer requests three phase service and it is necessary to convert all or a portion of an existing overhead or underground distribution system from single phase to three phase in order to furnish this service, the entire cost of the conversion will be paid by the Customer. should the Company determine, through an economic feasibility study, that the extension is not feasible.
- b. Request for Additional Facilities - -The Company shall install only those facilities which it deems are necessary to render service in accordance with its rate schedules. Where the Customer requests facilities which are in addition to, or in substitution for existing standard facilities which the Company would normally install, the extra cost thereof will be paid by the Customer.
- c. Primary Service and Metering - The Company will provide primary service to a point of delivery and that point of delivery will be determined by the Company. The Customer will provide the entire distribution system (including transformers) from the point of delivery to the load. The system will be treated as primary service for the purposes of billing. The Company reserves the right to accept or require modification to the Customer's distribution system prior to its connection, and the Company will determine the voltage available for primary service. Instrument transformers, metering riser poles and associated equipment to be installed and maintained by the Company will be at the Customer's expense.

SECTION 9
LINE EXTENSIONS
(continued)

- d. Rights-of-Way - All necessary easements or rights-of-way required by the Company for any portion of the extension which is either on premises owned, leased or otherwise controlled by the Customer, developer, or others will be furnished in the Company's name by the Customer without cost to or condemnation by the Company and in reasonable time to meet proposed service requirements. All easements or rights-of-way obtained on behalf of the Company will contain only those terms and conditions that are acceptable to the Company.
- e. Change of Grade - If subsequent to construction of electric distribution and/or transmission lines and services, the final grade established by the Customer or developer is changed in such a way as to require relocation of the Company facilities or results in damage to those same facilities, the cost of relocation and/or resulting repairs will be borne by the Customer or developer.
- f. Relocation - When the Company is requested to relocate its facilities for the benefit and/or convenience of a Customer, the Customer will pay the Company for the total cost of the work to be performed prior to the start of construction.
- g. Connecting or Disconnecting Customer's Service - Only duly authorized employees of the Company are allowed to connect the Customer's service to, or disconnect the same from, the Company's electric lines.
- h. Maintenance of Customer's Equipment - The Customer will, at the Customer's own risk and expense, furnish, install and keep in good and safe condition all electrical wires, lines, machinery and apparatus which may be required for receiving electric energy from the Company, and for applying and utilizing that energy, including all necessary protective appliances and suitable building therefore, and the Company will not be responsible for any loss or damage occasioned or caused by the negligence, want of proper care, or wrongful act of the Customer or any of the Customer's agents, employees or licensees on the part of the Customer in installing, maintaining, using, operating or interfering with any such wires, lines, machinery or apparatus.
- i. Entering Customers Premises - The Company will, at all times, have the right of ingress to and egress from the Customer's premises at all reasonable hours for any purpose reasonably connected with the furnishing of electric energy and the exercise of any and all rights secured to it by law or these Rules and Regulations.
- j. Removal of Company Property - As provided for in these Rules and Regulations, the Company will have the right to remove any and all of its property installed on the Customer's premises at the termination of service.

SECTION 9
LINE EXTENSIONS
(continued)

- k. Resale of Energy - Unless specifically agreed upon, the Customer must not resell any of the electric energy received by the Customer from the Company to any other person, or for any other purpose or on other premises than specified in the Customer's application for service.
- l. Supply of Electric - The Company will exercise reasonable diligence and care to furnish and deliver a continuous and sufficient supply of electric energy to the Customer, and to avoid any shortage or interruption of delivery of same. The Company will not be liable for interruption or shortage or insufficiency of supply, or any loss or damage occasioned thereby, if same is caused by inevitable accident, act of God, fire, strikes, riots, war, or any other cause not within its control. The Company, whenever it must find it necessary for the purpose of making repairs or improvements to its system, will have the right to suspend, temporarily, the delivery of electric energy, but in all such cases as reasonable notice thereof as circumstances will permit will be given to the Customers. The making of these repairs or improvements will proceed as rapidly as may be practicable, and, if practicable, at those times that will cause the least inconvenience to the Customers. In case of shortage of supply, the Company will have the right to give preference in the matter of furnishing electric service to the United States and the State of Arizona, and cities, cities and counties, counties and towns, their inhabitants for lighting and for public purposes and to other public utilities and those engaged in public or quasi-public service if necessary.
- m. Change of Customer's Requirements - In the event that the Customer must make any material change either in the amount or character of the appliances or apparatus installed upon the Customers premises to be supplied with electric energy by the Company, the Customer must immediately give the Company written notice to this effect.
- n. Power Factor - In the case of apparatus and devices having low power factor, now in service, which may hereafter be replaced, and all similar equipment hereafter installed or replaced, served under general commercial schedules, the Company may require the Customer to provide, at the Customer's own expense, power factor corrective equipment to increase the power factor of any such devices to not less than ninety percent (90%).
- ~~o. Refunds - In no case shall the total of any refund payments made by the Company exceed the amount of any construction advance.~~
- o. Collections - Nothing in these Rules and Regulations will be construed as limiting or in any way affecting the right of the Company to collect from the Customer any other additional sum of money which may become due and payable.

SECTION 9
LINE EXTENSIONS
(continued)

E. Economic Feasibility Criteria

Description of Service Request

_____ Number of Customers Requesting Service
 _____ Location
 _____ Feet of Primary Distribution Line Needed

1. Computation of Cost of Construction

a. Materials \$

b. Labor \$

c. Total Direct Cost (Line 1.a + 1.b) \$

d. Payroll Taxes and Insurance

(_____ % x Line 1.b) (Company Labor Only) \$

e. Engineering and Superintendence

(_____ % x (Line 1.c + 1.d)) \$

f. Interest During Construction

(_____ % x (Line 1.c + 1.d + 1.e)) \$

g. Total Cost of Construction

(Line 1.c + 1.d + 1.e + 1.f) \$

2. Computation of Operating Revenues

a. Estimated Monthly kWh/Customer

b. Monthly Revenue/Customer

(Pricing Plan _____) \$

c. Total Customers

d. Total Monthly Revenue

(Line 2.b x 2.c) \$



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- e. Total Annual Operating Revenue
3. Computation of Operating Expenses
a. Depreciation
b. Operation and Maintenance
c. Taxes
d. Power Costs
e. Total Annual Operating Expense
4. Computation of Operating Income (Loss) Before Income Taxes
a. Annual Operating Revenues (Line 2.e)
b. Annual Operating Expenses (Line 3.e)
c. Annual Operating Income (Loss) B.I.T

F. Construction / Facilities Related Income Taxes

Any federal, state or local income taxes resulting from the receipt of a Contribution in Aid of Construction in compliance with this rule is the responsibility of the Company and will be recorded as a deferred tax asset and reflected in the Company's rate base.

However, if the estimated cost of facilities for any line extension exceeds \$500,000, the Company shall require the Applicant to include in the contribution an amount (the "gross up amount") equal to the estimated federal, state or local income tax liability of the Company resulting from the contribution, computed as follows:

Gross Up Amount = Estimated Construction Cost / (1 - Combined Federal-State-Local Income Tax Rate)

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After the Company's tax returns are completed, and actual tax liability is known, to the extent that the computed gross up amount exceeds the actual tax liability resulting from the contribution, the Company shall refund to the Applicant an amount equal to such excess, or collect the additional amount from the Applicant. When a gross-up amount is to be obtained in connection with an extension agreement, the contract will state the tax rate used to compute the gross up amount, and will also disclose the gross-up amount separately from the estimated cost of facilities. In subsequent years, as tax depreciation deductions are taken by the Company on its tax returns for the constructed assets with tax bases that have been grossed-up, a refund will be made to the Applicant in an amount equal to the related tax benefit. In lieu of scheduling such refunds over the remaining tax life of the constructed assets, a reduced lump sum refund may be made at the end of five (5) years at the election of either the Company or the Applicant. This lump sum payment shall reflect the net present value of remaining tax depreciation deductions discounted at the Company's authorized rate of return.

G. Transition Period for Elimination of Free Footage

From the effective date of these Rules and Regulations, there is a six (6) month grace period for Customers, developers and subdividers to execute a line extension agreement or receive approval on a new service application from the Company in order to be eligible for the line extension policy in effect between August 11, 2003 and May 31, 2010. Those new Applicants must make provisions for the Company to install and energize the extension and service facilities within eighteen (18) months from the date of their respective agreement and/or application. In addition, all existing approved line extension agreements and service applications will be grandfathered in under the policy in effect from August 11, 2003 to May 31, 2010. Grandfathered Customers must make provisions for the Company to install and energize the extension and service facilities within eighteen (18) months from the effective date of these Rules and Regulations or they will be subject to the new line extension policy.

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SECTION 10
METER READING

A. Company or Customer Meter Reading

1. The Company may at its discretion permit Customer reading of meters.
2. It will be the Company's responsibility to inform the Customer how to properly read his or her meter.
3. Where a Customer reads his or her own meter the Company will read the Customer's meter at least once every six (6) months.
4. The Company will provide the Customer with postage-paid cards or other methods to report the monthly meter reading to the Company.
5. The Company will specify the timing requirements for the Customer to submit his or her monthly meter reading to conform with the Company's billing cycle.
6. In the event the Customer fails to submit the reading on time, the Company may issue the Customer an estimated bill.
7. Meters will be read monthly on as close to the same day as practical.

B. Measuring of Service

1. All energy sold to Customers and all energy consumed by the Company – except that sold according to fixed charge schedules – will be measured by commercially acceptable measuring devices owned and maintained by the Company. This provision will not apply where it is impractical to install meters, such as street lighting or security lighting, or where otherwise authorized by the ACC.
2. When there is more than one meter at a location, the metering equipment will be so tagged or plainly marked as to indicate the circuit metered or metering equipment in accordance with Subsection 3.C.8.
3. Meters which are not direct reading will have the multiplier plainly marked on the meter.
4. All charts taken from recording meters will be marked with the date of the record, the meter number, customer and chart multiplier.
5. Metering equipment will not be set "fast" or "slow" to compensate for supply transformer or line losses.

SECTION 10
METER READING
(continued)

C. Customer - Requested Rereads

1. The Company will at the request of a Customer reread that Customer's meter within ten (10) business days after that request by the Customer.
2. Any reread may be charged to the Customer at a rate set forth in the Statement of Additional Charges, if the original reading was not in error.
3. When a reading is found to be in error, the Company will not charge the Customer for the reread.

D. Access to Customer Premises

The Company will at all times have the right of safe ingress to and egress from the Customer's premises at all reasonable hours for any purpose reasonably connected with the Company's property used in furnishing service and the exercise of any and all rights secured to it by law or these rules.

E. Meter Testing and Maintenance

1. The Company will replace any meter found to be damaged or associated with an inquiry into its accuracy, whether initiated by the Customer or Company, and which has been in service for more than sixteen years. Replaced meters will be tested for accuracy and will be acceptable if found to have an error margin within plus or minus three percent ($\pm 3\%$).
2. The Company will file an annual report with the Commission summarizing the results of meter maintenance and testing program for that year. At a minimum, the report should include the following data:
 - a. Total number of meters tested at Company initiative or upon customer request; and
 - b. Number of meters tested that were outside the acceptable error allowance of $\pm 3\%$.

SECTION 10
METER READING
(continued)

F. Customer – Requested Meter Tests

1. The Company will test a meter upon Customer request and the Company will be authorized to charge the Customer for the meter test. The charge for the meter test is set forth in the Statement of Additional Charges. However, if the meter is found to be in error by more than three percent (3%), no meter testing fee will be charged to the Customer.

G. Demands

1. The Customer's demand may be measured by a demand meter, under all Pricing Plans involving billings based on demand, unless appropriate investigation or tests indicate that the Customer's demand will not be such as to require a demand meter for correct application of the rate schedule. In cases where billings under a rate schedule requiring determination of the Customer's demand must be made before a demand meter can be installed, these billings may be made on an estimated demand basis pending installation of the demand meter. Billings made on the basis of estimated demands, however, will be appropriately adjusted, if actual demands recorded after demand meter is installed are greater or less than those estimated demands.
2. Demand meters may be installed at any metering location if the nature of the Customer's equipment and operation indicates that a demand meter is required for correct application of the rate schedule.
3. All demands used for billing purposes will be recorded or computed to the nearest whole kW.

SECTION 11
BILLING AND COLLECTIONS

A. Frequency and Estimated Bills

For more information on the Company's bill estimating methodologies see the Bill Estimation Methodologies Tariff included in the Company's Pricing Plans.

1. The Company will bill monthly for services rendered. Meter readings will be scheduled for periods of not less than twenty-five (25) days or more than thirty-five (35) days.
2. If the Company is unable to read the meter on the scheduled meter read date, the Company will estimate the consumption for the billing period giving consideration to the following factors where applicable.
 - a. The Customer's usage during the same period of the previous year; or
 - b. The amount of usage during the preceding billing period.
3. Estimated bills will be issued only under the following conditions:
 - a. Failure of a Customer – who reads his or her own meter – to deliver his or her meter reading card to the Company in accordance with the requirements of the billing cycle;
 - b. Severe weather conditions which prevent the Company from reading the meter; or
 - c. Circumstances that make it dangerous or unnecessarily difficult to read the meter. These circumstances include, but are not limited to, locked gates, blocked meters, vicious or dangerous animals, or any force majeure condition as listed in Subsection 7.E.4.
4. After the second consecutive month of estimating the Customer's bill for reasons other than severe weather the Company will attempt to secure an accurate reading of the meter.
5. Failure on the part of the Customer to comply with a reasonable request by the Company for access to its meter may lead to the discontinuance of service.
6. Each bill based on estimated usage will indicate that it is an estimated bill.

SECTION 11
BILLING AND COLLECTIONS
(continued)

B. Combining Meters, Minimum Bill Information

1. Each meter at a Customer's premises will be considered separately for billing purposes, and the readings of two (2) or more meters will not be combined unless otherwise provided for in the Company's Pricing Plans.
2. Each bill for residential service will contain the following minimum information:
 - a. Date and meter reading at the start of billing period or number of days in the billing period;
 - b. Date and meter reading at the end of the billing period;
 - c. Billing usage and demand (if applicable);
 - d. Rate schedule number;
 - e. Company's telephone number;
 - f. Customer's name;
 - g. Service account number;
 - h. Amount due and due date;
 - i. Past due amount;
 - j. Purchased Power Fuel Adjuster Clause cost, where applicable;
 - k. All applicable taxes; and
 - l. The address for the ACC.

SECTION 11
BILLING AND COLLECTIONS
(continued)

C. Billing Terms

1. All bills for electric service are due and payable no later than ten (10) days from the date the bill is rendered. Any payment not received within this time frame will be considered past due.
2. For purposes of this rule, the date a bill is rendered may be evidenced by:
 - a. The postmark date;
 - b. The mailing date; or
 - c. The billing date shown on the bill (however, the billing date will not differ from the postmark or mailing date by more than two (2) days).
3. All past due bills for electric service are due and payable within fifteen (15) days. Any payment not received within this timeframe will be considered delinquent and will be issued a suspension of service notice. For Customers under the jurisdiction of a bankruptcy court, a more stringent payment or prepayment schedule may be required, if allowed by that court.
4. All delinquent bills for which payment has not been received within five (5) days will be subject to the provisions of the Company's termination procedures.
5. The amount of the late payment penalty will not exceed one and one-half percent (1.5%) of the delinquent bill, applied on a monthly basis.
6. All payments must be made at or mailed to the Company's duly authorized representative.

D. Applicable Tariffs, Prepayment, Failure to Receive, Commencement Date, Taxes

1. Each Customer will be billed under the applicable tariff indicated in the Customer's application for service.
2. Customers may pay for electrical service by making advance payments.
3. Failure to receive bills or notices that have been properly placed in the United States mail will not prevent those bills from becoming delinquent nor relieve the Customer of his obligations therein.
4. Charges for service commence when the service is installed and connection made, whether used or not.

SECTION 11
BILLING AND COLLECTIONS
(continued)

E. Meter Error Corrections

1. If any meter after testing is found to be more than three percent (3%) in error, either fast or slow, proper correction of the error will be made of previous readings and adjusted bills will be rendered according to the following terms:
 - a. For the period of three (3) months immediately preceding the removal of such meter from service for test or from the time the meter was in service since last tested, but not exceeding three (3) months since the meter has been shown to be in error by the test; or
 - b. From the date the error occurred, if the date of the cause can be definitely fixed. If the Customer has been underbilled, the Company will allow the Customer to repay this difference over an equal length of time that the under-billings occurred. The Customer may be allowed to pay the backbill without late payment penalties, unless there is evidence of meter tampering or energy diversion.
 - c. If it is determined that the Customer has been overbilled and there is no evidence of meter tampering or energy diversion, the Company will make prompt adjustment or refund in the difference between the original billing and the corrected billing within the next billing cycle.
2. No adjustment will be made by the Company except to the Customer last served by the meter tested.
3. Any underbilling resulting from a stopped, slow meter, meter reading error, or billing calculation shall be limited to three (3) months for Residential Customers and six (6) months for Non-Residential Customers. However, if an underbilling by the Company occurs due to inaccurate, false, or estimated information from a third party, then the Company will have a right to backbill that third party to the point in time that may be definitely fixed, or twelve (12) months. No such limitation will apply to overbillings.

F. Nonsufficient Funds ("NSF") Checks

1. The Company will be allowed to recover a fee, as set forth in the Statement of Additional Charges, for each instance where a Customer tenders payment for electric service with an insufficient funds check. This fee will also apply when an electronic funds transfer ("EFT") is denied for any reason, including for lack of sufficient funds.
2. When the Company is notified by the Customer's bank or other financial institution that there are insufficient funds to cover the check, EFT or other financial instrument for electric service has been denied for any reason, the Company may require the Customer to make payment in cash, by money order, certified check, or other means which guarantee the Customer's payment to the Company.



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3. A Customer who tenders an insufficient funds check, or for whom an EFT or other financial instrument has been denied will not be relieved of the obligation to render payment to the Company under the original terms of the bill nor defer the Company's provision for termination of service for nonpayment of bills.

4. No personal checks will be accepted if two (2) NSF checks have been received by the Company within a twelve-month period in payment of any billing.

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SECTION 11
BILLING AND COLLECTIONS
(continued)

- G. Levelized Billing Plan
1. The Company may, at its option, offer Residential and Small General Service Customers a levelized billing plan.
 2. The Company will develop, upon Customer request, an estimate of the Customer's levelized billing for a twelve (12)-month period based upon:
 - a. Customer's actual consumption history, which may be adjusted for abnormal conditions such as weather variations;
 - b. For new Customers, the Company will estimate consumption based on the Customer's anticipated load requirements; or
 - c. The Company's tariff schedules approved by the ACC applicable to that Customer's class of service.
 3. The Company will provide the Customer a concise explanation of how the levelized billing estimate was developed, the impact of levelized billing on a Customer's monthly bill, and the Company's right to adjust the Customer's billing for any variation between the Company's estimated billing and actual billing.
 4. For those Customers being billed under a levelized billing plan, the Company will show, at a minimum, the following information on the Customer's monthly bill:
 - a. Actual consumption;
 - b. Amount due for actual consumption;
 - c. Levelized billing amount due; and
 - d. Accumulated variation in actual versus levelized billing amount.
 5. The Company may adjust the Customer's levelized billing in the event the Company's estimate of the Customer's usage and/or cost should vary significantly from the Customer's actual usage and/or cost; such review to adjust the amount of the levelized billing may be initiated by the Company or upon Customer request.

SECTION 11
BILLING AND COLLECTIONS
(continued)

H. Deferred Payment Plan

1. The Company may, prior to termination, offer to qualifying Customers a deferred payment plan for the Customer to retire unpaid bills for electric service.
2. Each deferred payment agreement entered into between the Company and the Customer – due to the Customer's inability to pay an outstanding bill in full – will specify that service will not be discontinued if:
 - a. Customer agrees to pay a reasonable amount of the outstanding bill at the time the parties enter into the deferred payment agreement;
 - b. Customer agrees to pay all future bills for electric service in accordance with the Company's Pricing Plans; and
 - c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed six (6) months.
3. For the purpose of determining a reasonable installment payment schedule, under these rules, the Company and the Customer will give consideration to the following conditions:
 - a. The size of the delinquent account;
 - b. The Customer's ability to pay;
 - c. The Customer's payment history;
 - d. The length of time that the debt has been outstanding;
 - e. The circumstances that resulted in the debt being outstanding; and
 - f. Any other relevant factors related to the circumstances of the Customer.
4. Any Customer who desires to enter into a deferred payment agreement must do so before the Company's scheduled termination date for nonpayment of bills. The Customer's failure to execute a deferred payment agreement prior to the scheduled service termination date will not prevent the Company from terminating service for nonpayment.



SECTION 11
BILLING AND COLLECTIONS
(continued)

5. Deferred payment agreements may be in writing and may be signed by the Customer and an authorized Company representative.
6. A deferred payment agreement may include a finance charge of one and one-half percent (1.5%).
7. If a Customer has not fulfilled the terms of a deferred payment agreement, the Company will have the right to disconnect service pursuant to the Company's Termination of Service Rules (Section 12) and, under these circumstances, it will not be required to offer subsequent negotiation of a deferred payment agreement prior to disconnection.

I. Change of Occupancy

1. To order service to be discontinued or to change occupancy, the Customer must give the Company at least three (3) business days advance notice in person, in writing or by telephone.
2. The outgoing Customer will be responsible for all electric services provided and/or consumed up to the scheduled turn-off-date.
3. The outgoing Customer is responsible for providing access to the meter so that the Company may obtain a final meter reading.

J. Electronic Billing

1. Electronic Billing is an optional billing service whereby Customers may elect to receive, view, and pay their bills electronically. Electronic Billing includes the "UES e-bill" service and the "Sure No Hassle Automatic Payment ("SNAP") service. The Company may modify its Electronic Billing services from time to time. A Customer electing an electronic billing service may receive an electronic bill in lieu of a paper bill. Customers electing an electronic billing service may be required to complete additional forms and agreements. Electronic Billing may be discontinued at any time by the Company or the Customer. An Electronic Bill will be considered rendered at the time it is electronically sent to the Customer. Failure to receive bills or notices which have been properly sent by an Electronic Billing system does not prevent these bills from becoming delinquent and does not relieve the Customer of the Customer's obligations therein. Any notices which Company is required to send to a Customer who has elected an Electronic Billing service may be sent by electronic means at the option of the Company. Except as otherwise provided in this subsection, all other provisions of the Company's Rules and Regulations and other applicable Pricing Plans are applicable to Electronic Billing. The Customer must provide the Company with a current email address for electronic bill delivery. If the Electronic Bill is electronically sent to the Customer at the email address that Customer provided to the Company, then the Electronic Bill will be considered properly sent.



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Further, the Customer will be responsible for updating the Company with any changes to this email address. Failure to do so will not excuse the Customer from timely paying the Company for electric service.

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SECTION 12
TERMINATION OF SERVICE

- A. Nonpermissible Reasons to Disconnect Service
1. The Company will not disconnect service for any of the reasons stated below:
 - a. Delinquency in payment for service rendered to a prior Customer at the premises where service is being provided, except in the instance where the prior Customer continues to reside on the premises;
 - b. Failure of the Customer to pay for services or equipment which are not regulated by the ACC;
 - c. Nonpayment of a bill related to another class of service; or
 - d. Failure to pay a bill to correct a previous underbilling due to an inaccurate meter or meter failure if the Customer agrees to pay over a reasonable period of time.
 2. The Company will not terminate residential service where the Customer has an inability to pay and:
 - a. The Customer can establish through medical documentation that, in the opinion of a licensed medical physician, termination would be especially dangerous to the Customer's health or the health of a permanent resident residing on the Customer's premises;
 - b. Life supporting equipment used in the home that depends on electric service for its operation; or
 - c. Where weather will be especially dangerous to health as defined herein or as determined by the ACC.
 3. Residential service to ill, elderly, or handicapped persons who have an inability to pay will not be terminated until all of the following have been attempted:
 - a. The Customer has been informed of the possible availability of funds from various government and social assistance agencies of which the Company is aware; and
 - b. A third party previously designated by the Customer has been notified and has not made arrangements to pay the outstanding electric bill.
 4. A Customer utilizing the provisions of subsections 2 or 3 above may be required to enter into a deferred payment agreement with the Company within ten (10) days after the scheduled termination date.
 5. Failure to pay the bill of another Customer as guarantor thereof.
 6. Disputed bills where the Customer has complied with the ACC's rules on Customer bill disputes.



SECTION 12
TERMINATION OF SERVICE
(continued)

B. Termination of Service Without Notice

1. The Company may disconnect electric service without advance written notice under the following conditions:
 - a. The existence of an obvious hazard to the safety or health of the Customer or the general population or the Company's personnel or facilities;
 - b. The Company has evidence of meter tampering or fraud;
 - c. Failure of a Customer to comply with the curtailment procedures imposed by the Company during supply shortages; or
2. The Company will not be required to restore service until the conditions that led to the termination have been corrected to the satisfaction of the Company.
3. The Company will maintain a record of all terminations of service without notice. This record will be maintained for a minimum of one (1) year and will be available for inspection by the ACC.

C. Termination of Service With Notice

1. The Company may disconnect service to any Customer for any reason stated below, provided that the Company has met the notice requirements described in subsection 12.D. below:
 - a. Customer violation of any of the Company's Pricing Plans;
 - b. Failure of the Customer to pay a delinquent bill for electric service;
 - c. Failure of the Customer to meet agreed-upon deferred payment arrangements;
 - d. Failure to meet or maintain the Company's deposit requirements;
 - e. Failure of the Customer to provide the Company reasonable access to its equipment and property;
 - f. Customer breach of a written contract for service between the Company and Customer;
 - g. NSF checks, EFTs or other financial instruments that have not been made good. Under this provision electric service will be subject to disconnect following the procedures set forth in subsection 11.F.



SECTION 12
TERMINATION OF SERVICE
(continued)

- h. When necessary for the Company to comply with an order of any governmental agency having jurisdiction;
 - i. When a hazard exists which is not imminent, but in the opinion of the Company, it may cause property damage; or
 - j. Customer facilities that do not comply with Company requirements or specifications.
2. The Company will maintain a record of all terminations of service with notice. This record will be maintained for one (1) year and be available for ACC inspection.

D. Termination Notice Requirements

- 1. The Company will not terminate service to any of its Customers without providing advance written notice to the Customer of the Company's intent to disconnect service, except under these conditions specified in subsection 12.B. where advance written notice is not required.
- 2. This advance written notice will contain, at a minimum, the following information:
 - a. The name of the person whose service is to be terminated and the address where service is being rendered;
 - b. The Company's Pricing Plan(s) that was violated and explanation of the violation or the amount of the bill that the Customer has failed to pay in accordance with the payment policy of the Company, if applicable;
 - c. The date on or after which service may be terminated;
 - d. A statement advising the Customer to contact the Company at a specific address or phone number for information regarding any deferred payment or other procedures that the Company may offer or to work out some mutually agreeable solution to avoid termination of the Customer's service; and

SECTION 12
TERMINATION OF SERVICE
(continued)

e. A statement advising the Customer that the Company's stated reason(s) for the termination of services may be disputed by contacting the Company at a specific address or phone number, advising the Company of the dispute and making arrangements to discuss the cause for termination with a responsible employee of the Company in advance of the scheduled date of termination. The responsible employee will be empowered to resolve the dispute and the Company will retain the option to terminate service after affording this opportunity for a meeting and concluding that the reason for termination is just and advising the Customer of his or her right to file a complaint with the ACC.

3. Where applicable, a copy of the termination notice will be simultaneously forwarded to designated third parties.

E. Timing of Terminations with Notice

1. The Company will give at least five (5) days advance written notice prior to the termination date. For Customers under the jurisdiction of a bankruptcy court, a shorter notice may be provided, if permitted by the court.
2. This notice will be considered to be given to the Customer when a copy of the notice is left with the Customer or posted first class in the United States mail, addressed to the Customer's last known address.
3. If, after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with the Company for the payment of the bill – or in the case of a violation of the Company's rules the Customer has not satisfied the Company that this violation has ceased – then the Company may terminate service on or after the day specified in the notice without giving further notice.
4. Service may only be disconnected in conjunction with a personal visit to the premises by an authorized representative of the Company.
5. The Company will have the right (but not the obligation) to remove any or all of its property installed on the Customer's premises upon the termination of service.



**UNS Electric, Inc.
Rules & Regulations**

**SECTION 12
TERMINATION OF SERVICE
(continued)**

F. Landlord/Tenant Rule

In situations where service is rendered at an address different from the mailing address of the bill or where the Company knows that a landlord/tenant relationship exists and that the landlord is the Customer of the Company, and where the landlord as a Customer would otherwise be subject to disconnection of service, the Company will not disconnect service until the following actions have been taken:

1. Where it is feasible to so provide service, the Company will offer the occupant the opportunity to subscribe for service in the occupant's own name. The Company will provide the occupant forty-eight (48) hours notice to subscribe for service in the occupant's own name. If the occupant then declines to so subscribe, the Company may disconnect service pursuant to the rules.
2. The Company will not attempt to recover from a tenant or condition service to a tenant with the payment of any outstanding bills or other charges due upon the outstanding account of the landlord.

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SECTION 13
ADMINISTRATIVE AND HEARING REQUIREMENTS

A. Customer Service Complaints

1. The Company will make a full and prompt investigation of all service complaints made by its Customers, either directly or through the ACC.
2. The Company will respond to the complainant and/or the ACC representative within five (5) business days as to the status of the Company's investigation of the complaint.
3. The Company will notify the complainant and/or the ACC representative of the final disposition of each complaint. Upon request of the complainant or the ACC representative, the Company will report the findings of its investigation in writing.
4. The Company will inform the Customer of his right of appeal to the ACC.
5. The Company will keep a record of all written service complaints received that must contain, at a minimum, the following data:
 - a. Name and address of complainant;
 - b. Date and nature of the complaint;
 - c. Disposition of the complaint; and
 - d. A copy of any correspondence between the Company, the Customer, and/or the ACC.
6. This record will be maintained for a minimum period of one (1) year and will be available for inspection by the ACC.

B. Customer Bill Disputes

1. Any Customer who disputes a portion of a bill rendered for electric service must pay the undisputed portion of the bill and notify the Company's designated representative that any unpaid amount is in dispute prior to the delinquent date of the bill.



SECTION 13
ADMINISTRATIVE AND HEARING REQUIREMENTS
(continued)

2. Upon receipt of the Customer notice of dispute, the Company will:
 - a. Notify the Customer within five (5) business days of the receipt of a written dispute notice;
 - b. Initiate a prompt investigation as to the source of the dispute;
 - c. Withhold disconnection of service until the investigation is completed and the Customer is informed of the results;
 - d. Upon request of the Customer the Company will report the results of the investigation in writing; and
 - e. Inform the Customer of his right of appeal to the ACC.
3. Once the Customer has received the results of the Company's investigation, the Customer will submit payment within five (5) business days to the Company for any disputed amounts. Failure to make full payment will be grounds for termination of service.

C. ACC Resolution of Service and/or Bill Disputes

1. In the event a Customer and the Company cannot resolve a service and/or bill dispute, the Customer will file a written statement of dissatisfaction with the ACC. By doing this, the Customer will be deemed to have filed an informal complaint against the Company.
2. Within thirty (30) days of the receipt of a written statement of Customer dissatisfaction related to a service or bill dispute, a designated representative of the ACC will attempt to resolve the dispute by correspondence and/or telephone with the Company and the Customer. If resolution of the dispute is not achieved within twenty (20) days of the ACC representative's initial effort, the ACC will then hold an informal hearing to arbitrate the resolution of the dispute. The informal hearing will be governed by the following rules:
 - a. Each party may be represented by legal counsel, if desired;
 - b. Every informal hearing may be recorded or held in the presence of a stenographer;
 - c. All parties will have the opportunity to present written or oral evidentiary material to support the positions of the individual parties;
 - d. All parties and the ACC's representative will be given the opportunity for cross-examination of the various parties; and



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**SECTION 13
ADMINISTRATIVE AND HEARING REQUIREMENTS
(continued)**

- e. The ACC's representative will render a written decision to all parties within five (5) business days after the date of the informal hearing. This written decision of the ACC's representative is not binding on any of the parties and the parties will still have the right to make a formal complaint to the ACC.
- 3. The Company may implement normal termination procedures if the Customer fails to pay all bills rendered during the resolution of the dispute by the ACC.
- 4. The Company will maintain a record of written statements of dissatisfaction and their resolution for a minimum of one (1) year and make these records available for ACC inspection.

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SECTION 14
STATEMENT OF ADDITIONAL CHARGES

A.	Service Establishment and Reestablishment During Normal Business Hours ¹	\$30.00
B.	Service Establishment and Reestablishment After Normal Business Hours ¹ (Includes Saturdays, Sundays and Holidays)	\$75.00
C.	Service Reconnection During Normal Business Hours ¹	\$30.00
D.	Service Reconnection After Normal Business Hours ¹ (Includes Saturdays, Sundays and Holidays)	\$75.00
E.	Meter Reread	\$20.00
F.	Meter Test	\$60.00
G.	Charge for NSF Check	\$10.00
H.	Deferred Payment Finance Charge, per Month	1.50%
I.	Late Payment Finance Charge	1.50%
J.	Customer Deposit	One Year Treasury Rate

¹ Plus the sum of any and all applicable monthly Customer Charges which would have accrued had the Customer: (1) not been disconnected for non-payment or for failure to comply with the Company's Pricing Plans within the preceding twelve (12) month period; or (2) had the Customer not ordered the disconnect. This is in accordance with the definitions of "Service Reconnection Charge" and "Service Reestablishment Charge" in Section 2 of UNS Electric's Rules and Regulations.

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SECTION 15
CURTAILMENT PROCEDURES

A. Purchased Shortage of Power

ACC General Order U-57 establishes electric curtailment and interruption procedures to meet electric power and energy supply deficiencies. General Order U-57 is to be complied with in the event of these deficiencies.

Step 1, 2 and 3 Levels of these procedures deal with educational campaigns and appeals through the news media and personal customer contacts, to obtain customer voluntary load curtailment. In the event power and energy supply is judged to be deficient, even after customer voluntary load curtailment, the ACC may declare that an electric supply emergency condition exists and that the situation has entered Step 4 level. Upon receipt of notice of this emergency condition, the Company would, in accordance with General Order U-57, immediately implement an electric emergency curtailment program in accordance with procedures provided for in the Electric Curtailment Guidelines, contained in General Order U-57.

B. Sudden Shortage of Power

In the event that a shortage of electricity should suddenly occur without advance warning, so that there is insufficient time for normal implementation of the Step 1, 2 and 3 Levels, then the Company may resort immediately to the emergency procedures described in the Electric Curtailment Guidelines. To the extent practicable, notice of the situation will be given to the customers through the news media. Notice will be given immediately to the ACC.

Electric emergency curtailment and service interruption will be administered in accordance with the Electric Curtailment Guidelines established by ACC General Order U-57.

C. General Steps

1. Company-Use Curtailment

The Company itself will initiate, if not already done, a program to reduce the use of lighting, electrical equipment and air-conditioning.

2. Interruptible Load

Remove all those loads on the system that are on the interruptible rate.

SECTION 15
CURTAILMENT PROCEDURES
(continued)

3. Intermediate Generation

Put all available intermediate generation on line which is owned by or available under contract to the Company.

4. Neighboring Utility Support

Request all available capacity from neighboring utilities.

5. Peaking Generation

Put all available peaking generation on line which is owned by or available under contract to the Company.

6. Voluntary Curtailment

Request voluntary curtailment of load from the general public through radio announcements.

7. Customer-Owned Generation

Put all available Customer-owned generation on line which is owned by or available under contract to the Company.

8. Voltage Reduction

Reduce nominal voltage on distribution circuits by up to 5 percent. This will be accomplished by appropriate operation of transformer taps at certain designated Substations and where necessary the blocking of voltage regulators so as to prevent automatic voltage boost operations.

9. Large Customer Curtailment

Contact per designated large usage Customers, if not already done, and request them to curtail usage according to particular plans or procedures applicable to each such Customer.



SECTION 15
CURTAILMENT PROCEDURES
(continued)

10. Sequential Interruption of Service

Sequential interruption of service will be accomplished by disconnecting groups of circuits for a limited number of hours in accordance with a prearranged schedule, generally two (2) hours. Circuits will be grouped for rotation purposes so as to achieve the desired load reduction.

The objective of this procedure is to achieve a proportional reduction of loads, exclusive of those essential and critical loads, which by their nature are essential to the public health and safety. It is recognized that essential and critical loads are connected on circuits which serve non-critical loads. However, in order to provide fair treatment to all Customers it is intended that additional steps will be taken to insure, to the extent practicable, that reductions in such non-critical loads will be achieved. These reductions should be substantially equivalent to that obtained from similar loads subject to circuit rotation and should be on a voluntary, or if necessary, on a non-voluntary basis.

All circuits within each group will be rotated in accordance with the rotation schedule, with switching being done in a manner so that the total load on the system will not be increased materially above that prior to the rotation.

EXHIBIT

TAM-3



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**UNS Electric, Inc.
Rules & Regulations**

**SECTION 1
APPLICABILITY OF RULES AND REGULATIONS AND DESCRIPTION OF SERVICE**

- A. Company is an electric utility operating within portions of the state of Arizona. The Company will provide service to any person, institution or business located within its service area in accordance with the provisions of its Pricing Plans and the terms and conditions of these Rules and Regulations.
- B. All electricity delivered to any Customer is for the sole use of that Customer on that Customer's premises only. Electricity delivered by the Company will not be redelivered or resold, or the use thereof by others permitted unless otherwise expressly agreed to in writing by the Company. However, those Customers purchasing electricity for redistribution to the Customer's own tenants (only on the Customer's premises) may separately meter each tenant distribution point for the purpose of prorating the Customer's actual purchase price of electricity delivered among the various tenants on a per unit basis.
- C. These Rules and Regulations will apply to all electricity service furnished by the Company to its Customers.
- D. These Rules and Regulations are part of the Company's Pricing Plans on file with, and duly approved by, the Arizona Corporation Commission. These Rules and Regulations will remain in effect until modified, amended, or deleted by order of the ACC. No employee, agent or representative of the Company is authorized to modify the Company rules.
- E. These Rules and Regulations will be applied uniformly to all similarly situated Customers.
- F. In case of any conflict between these Rules and Regulations and the ACC's rules, these Rules and Regulations will apply.
- G. Whenever the Company and an Applicant or a Customer are unable to agree on the terms and conditions under which the Applicant or Customer is to be served, or are unable to agree on the proper interpretation of these Rules and Regulations, either party may request assistance from the Consumer Services Section of the Utilities Division of the ACC. The Applicant or Customer also has the option to file an application with the ACC for a proper order, after notice and hearing.
- H. The Company's supplying electric service to the Customer and the acceptance thereof by the Customer will be deemed to constitute an agreement by and between the Company and the Customer for delivery, acceptance of and payment for electric service under the Company's Rules and Regulations and applicable Pricing Plans.

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SECTION 2
DEFINITIONS

- A. In these Rules and Regulations, the following definitions will apply unless the context requires otherwise:
1. "Actual Cost" – The cost incurred by the Company for labor, materials and equipment including the cost of overheads.
 2. "Applicant" – A person requesting the Company to supply electric service.
 3. "Application" – A request to the Company for electric service, as distinguished from an inquiry as to the availability or charges for such service.
 4. "Arizona Corporation Commission ("ACC") – The regulatory authority of the State of Arizona having jurisdiction over public service corporations operating in Arizona.
 5. "Billing Month" – The period between any two (2) regular readings of the Company's meters at approximately thirty (30) day intervals.
 6. "Billing Period" – The time interval between two (2) consecutive meter readings that are taken for billing purposes.
 7. "Company" – UNS Electric, Inc.
 8. "Contributions in Aid of Construction" or "Contribution" – Funds provided to the Company by the Applicant under the terms of a line extension agreement and/or service connections tariff, the value of which is not refundable.
 9. "Curtailed Priority" – The order in which electric service is to be curtailed to various classifications of customers, as set forth in the Company's filed Pricing Plans.
 10. "Customer" – The person or entity in whose name service is rendered, as evidenced by the signature on the application or contract for that service, or by the receipt and/or payment of bills regularly issued in the customer's name regardless of the identity of the actual user of the service.
 11. "Customer Charge" – The amount the Customers must pay the Company for the availability of electric service, excluding any electricity used, as specified in the Company's Pricing Plans.
 12. "Day" – Calendar day.
 13. "Demand" – The rate at which power is delivered during any specified period of time. Demand may be expressed in kilowatts, kilovolt-amperes, or other suitable units.

SECTION 2
DEFINITIONS
(continued)

14. "Distribution Lines" – The Company lines operated at distribution voltage which are constructed along public roadways or other bona fide rights-of-way, including easements on customer's property.
15. "Elderly" – A person who is sixty-two (62) years of age or older.
16. "Energy" – Electric energy, expressed in kilowatt-hours.
17. "Handicapped" – A person with a physical or mental condition which substantially contributes to the person's inability to manage his or her own resources, carry out activities of daily living, or protect oneself from neglect or hazardous situations without assistance from others.
18. "Illness" – A medical ailment or sickness for which a residential customer obtains a verified document from a licensed medical physician stating the nature of the illness and that discontinuance of service would be especially dangerous to the customer's health.
19. "Inability to Pay" – Circumstances where a residential customer:
 - a. Is not gainfully employed and unable to pay; or
 - b. Qualifies for government welfare assistance, but has not begun to receive assistance on the date that he receives his bill and can obtain verification of that fact from the government welfare assistance agency;
 - c. Has an annual income below the published federal poverty level and can produce evidence of this; and
 - d. Signs a declaration verifying that the customer meets one of the above criteria and is either elderly, handicapped, or suffers from illness.
20. "Interruptible Electric Service" – Electric service that is subject to interruption as specified in the Company's Pricing Plan.
21. "Kilowatt ("kW")" – A unit of power equal to 1,000 watts.
22. "Kilowatt-hour ("kWh")" – Electric energy equivalent to the amount of electric energy delivered in one hour when delivery is at a constant rate of one (1) kilowatt.
23. "Law" – Any statute, rule, order or requirement established and enforced by government authorities.
24. "Line Extension" – The lines and equipment necessary to extend the electric distribution system of the Company to provide service to additional customers.

SECTION 2
DEFINITIONS
(continued)

25. "Master Meter" – A meter for measuring or recording the flow of electricity that has passed through it at a single location where said electricity is distributed to tenants or occupants for their usage.
26. "Megawatt ("MW")" – A unit of power equal to 1,000,000 watts.
27. "Meter" – The instrument for measuring and indicating or recording the flow of electricity that has passed through it.
28. "Meter Tampering" – A situation where a meter has been illegally altered. Common examples are meter bypassing, use of magnets to slow the meter recording, and broken meter seals.
29. "Minimum Charge" – The amount the Customer must pay for the availability of electric service, including an amount of usage, as specified in the Company's Pricing Plans.
30. "On-Site Generation" – Any and all power production generated on or adjacent to a Customer's property that is controlled, utilized, sold, or consumed by that Customer or its agent.
31. "Permanent Customer" – A Customer who is a tenant or owner of a service location who applies for and receives permanent electric service.
32. "Permanent Service" – Service which, in the opinion of the Company, is of a permanent and established character. The use of electricity may be continuous, intermittent, or seasonal in nature.
33. "Person" – Any individual, partnership, corporation, governmental agency, or other organization operating as a single entity.
34. "Point of Delivery" – The point where facilities owned, leased, or under license by a Customer connect to the Company's facilities.
35. "Power" – The rate of generating, transferring and/or using electric energy, usually expressed in kilowatts.
36. "Power Factor" – The ratio of active to reactive power.
37. "Premises" – All of the real property and apparatus employed in a single enterprise on an integral parcel of land undivided by public streets, alleys or railways.
38. "Pricing Plan" – A part of the Company's Tariffs which sets forth the rates and charges related to specific categories of Customers, and related terms and conditions.

SECTION 2
DEFINITIONS
(continued)

39. "Prorate" – To divide, distribute, or assess proportionately.
40. "Residential subdivision development" – Any tract of land which has been divided into four or more contiguous lots with an average size of one acre or less for use for the construction of residential buildings or permanent mobile homes for either single or multiple occupancy.
41. "Residential Use" – Service to Customers using electricity for domestic purposes such as space heating, air conditioning, water heating, cooking, clothes drying, and other residential uses and includes use in apartment buildings, mobile home parks, and other multiunit residential buildings.
42. "Rules and Regulations" or "Company rules" – These Rules and Regulations, which are a part of the Company's Tariffs and Pricing Plans.
43. "Secondary Service" – Service supplied at secondary voltage levels from the load side of step-down transformers connected to the Company's high voltage distribution lines.
44. "Service Area" – The territory in which the Company has been granted a certificate of convenience and necessity and is authorized by the ACC to provide electric service.
45. "Service Drop" – The overhead service conductors from the last Company-owned pole or other aerial support to and including the splices, if any, connecting to the customer's service entrance conductors at a building or other structure.
46. "Service Establishment charge" – The charge as specified in the Company's Pricing Plans which covers the cost of establishing a new account.
47. "Service Line" – The line extending from a distribution line or transformer to the Customer's premises or point of delivery.
48. "Service Reconnection charge" – The charge as specified in the Company's Pricing Plans which must be paid by the Customer prior to reestablishment of electric service each time the electricity is disconnected for nonpayment or whenever service is discontinued for failure otherwise to comply with the Company's Pricing Plans or Rules. In addition to the Service Reconnection Charge, such returning Customer shall pay the sum of the applicable monthly Customer Charges which would have accrued had the Customer not been disconnected for non-payment or for failure to comply with the Company's Pricing Plans within the preceding twelve (12) month period.

SECTION 2
DEFINITIONS
(continued)

49. "Service Reestablishment charge" – A charge as specified in the Company's Pricing Plans for service in the same location where the same Customer had ordered a service disconnection within the preceding twelve (12) month period. In addition to the Service Reestablishment Charge, such returning Customer shall pay the sum of the applicable monthly Customer Charges which would have accrued had the Customer not ordered the disconnect.
50. "Single Family Dwelling" – A house, an apartment, or a mobile home permanently affixed to a lot, or other permanent residential unit which is used as a permanent home.
51. "Tariffs" – The documents filed with the ACC which list the services and products offered by the Company and which set forth the terms and conditions and a schedule of the rates and charges for those services and products.
52. "Temporary Service" – Service to premises or enterprises which are temporary in character, or where it is known in advance that the service will be of limited duration. Service which, in the opinion of the Company, is for operations of a speculative character is also considered temporary service.
53. "Third-Party Notification" – A notice sent to an individual or a public entity willing to receive notification of the pending discontinuance of service of a Customer of record in order to make arrangements on behalf of said Customer satisfactory to the Company.
54. "Utility" – A public service corporation providing electric service to the public in compliance with state law.
55. "Weather Especially Dangerous to Health" – That period of time commencing with the scheduled termination date when the local weather forecast, as predicted by the National Oceanographic and Administration Service, indicates that the temperature will not exceed thirty-two (32) degrees Fahrenheit for the next day's forecast. The ACC may determine that other weather conditions are especially dangerous to health as the need arises.



**SECTION 3
ESTABLISHMENT OF SERVICE**

A. Information from Applicants

1. The Company may obtain the following minimum information from each Applicant:
 - a. Name or names of Applicant(s);
 - b. Service address or location and telephone number;
 - c. Billing address/telephone number, if different than service address;
 - d. Address where service was provided previously;
 - e. Date applicant will be ready for service;
 - f. Statement of whether premises have been supplied with electric service previously;
 - g. Purpose for which service is to be used;
 - h. Statement of whether Applicant is owner or tenant of or agent for the premises;
 - i. Information concerning the energy and demand requirements of the Customer; and
 - j. Type and kind of life-support equipment, if any, used by the Customer or at the service address.
2. The Company may require a new Applicant for service to appear at the Company's designated place of business to produce proof of identity and sign the Company's application form.
3. Where service is requested by two or more individuals, the Company will have the right to collect the full amount owed to the Company from any one of the Applicants.
4. The supplying of electric service by the Company and the Customer's acceptance of that electric service will be deemed to constitute an agreement by and between the Company and the Customer for delivery, acceptance of and payment for electric service under the Company's applicable Pricing Plans, and Rules and Regulations.
5. The term of any agreement not otherwise specified will become operative on the day the Customer's installation is connected to the Company's facilities for the purpose of taking electric energy.

SECTION 3
ESTABLISHMENT OF SERVICE
(continued)

6. The Company may require a written contract with special guarantees from Applicants whose unusual characteristics of load or location would require excessive investment in facilities or whose requirements for service are of a special nature.
7. Signed contracts may be required for service to commercial and industrial establishments. No contract or any modification of the contract will be binding upon the Company until executed by a duly authorized representative of the Company.

B. Deposits

1. The Company may require from any present or prospective Customer a deposit to guarantee payment of all bills. This deposit may be retained by the Company until service is discontinued and all bills have been paid; except as provided in Subsection B.3. below. Upon proper application by the Customer, the Company will then return said deposit, together with any unpaid interest accrued thereon from the date of commencement of service or the date of making the deposit, whichever is later. The Company will be entitled to apply said deposit together with any unpaid interest accrued thereon, to any indebtedness for the same class of service owed to the Company for electric service furnished to the Customer making the deposit. When said deposit has been applied to any such indebtedness, the Customer's electric service may be discontinued until all such indebtedness of the Customer is paid and a like deposit is again made with the Company by the Customer. No interest will accrue on any deposit after discontinuance of the service to which the deposit relates.

The Company will not require a deposit from a new Applicant for residential service if the Applicant is able to meet any of the following requirements:

- a. The Applicant has had service of a comparable nature with the Company within the past two (2) years and was not delinquent in payment more than twice during the last twelve (12) consecutive months of service or was not disconnected for nonpayment; or
- b. The Applicant can produce a letter regarding credit or verification from an electric utility where service of a comparable nature was last received by Applicant, which states Applicant had a timely payment history at time of service discontinuation; or
- c. Instead of a deposit, the Company receives deposit guarantee notification from a social or governmental agency acceptable to the Company. A surety bond may be provided as security for the Company in an amount equal to the required deposit.



**SECTION 3
ESTABLISHMENT OF SERVICE
(continued)**

2. The Company may issue a non-assignable, non-negotiable receipt to the Applicant for the deposit. The inability of the Customer to produce his or her receipt will in no way impair the Customer's right to receive a refund of the deposit which is reflected on the Company records.
3. Cash deposits held by the Company twelve (12) months or longer will earn interest at the established one-year Treasury Constant Maturities rate, effective on the first business day of each year, as published in the Federal Reserve website.
 - a. Residential Customers – Deposits or other instruments of credit will automatically expire or be refunded or credited to the Customer's account, after twelve (12) consecutive months of service during which time the Customer has not been delinquent more than two (2) times in a twelve (12) month period.
 - b. All Customers – Upon final discontinuance of the use of the service and full settlement of all bills by the Customer, any deposit, not previously refunded, with accrued interest, if any, in accordance with the provisions of these Rules and Regulations will be returned to the Customer or, at the Company election, it may be applied to the payment of any unpaid accounts of the Customer and the balance, if any, returned to the Customer.
4. The Company may require a Customer to establish or reestablish a deposit if the Customer became delinquent in the payment of three (3) or more bills within a twelve (12) consecutive month period, or has been disconnected from service during the last twelve (12) months.
5. The Company may review the Customer's usage after service has been connected and adjust the deposit amount based upon the Customer's actual usage.
6. A separate deposit may be required for each meter installed.
7. Residential Customer deposits will not exceed two (2) times that Customer's estimated average monthly bill. Non-residential Customer deposits will not exceed two and one-half (2.5) times that Customer's maximum estimated monthly bill. If actual usage history is available, then that usage, adjusted for normal weather, will be the basis for the estimate.
8. The posting of a deposit will not preclude the Company from terminating service when the termination is due to the Customer's failure to perform any obligation under the agreement for service or any of these Rules and Regulations.

**SECTION 3
ESTABLISHMENT OF SERVICE**
(continued)

C. Conditions for Supplying Service

The Company reserves the right to determine the conditions under which service will be provided. Conditions for service and extending service to the Customer will be based upon the following:

1. Customer has wired his premises in accordance with the National Electric Code, City, County and/or State codes, whichever are applicable.
2. Customer has installed the meter loop in a suitable location approved by the Company.
3. In the case of a mobile home, the meter loop must be attached to a meter pole or to an approved support.
4. In case of temporary construction service, the meter loop must be attached to an approved support.
5. All meter loop installations must be in accordance with the Company's specifications and located at an outdoor location accessible to the Company.
6. Individual Customers may be required to have their property corner pins and/or markers installed to establish proper right-of-way locations.
7. Developers must have all property corner pins and/or markers installed necessary to establish proper locations to supply electric service to individual lots within subdivisions.
8. Where the installation requires more than one meter for service to the premises, each meter panel must be permanently marked (not painted) by the contractor or Customer to properly identify the portion of the premises being served.
9. The identification will be the same as the apartment, office, etc., served by that meter socket. The identifying marking placed on each meter panel will be impressed into or raised from a tab of aluminum, brass or other approved non-ferrous metal with minimum one-fourth (1/4) inch-high letters. This tag must be riveted to the meter panel. The impression must be deep enough to prevent the identification(s) from being obscured by subsequent painting of the building and attached service equipment.
10. The Company may require the assistance of the Customer and/or the Customer's contractor to open the apartments or offices at the time the meters are set, in order to verify that each meter socket actually serves the apartment or office indicated by the marking tag. In the case of multiple buildings the building or unit number and street address will be identified on the pull section in the manner described above.

SECTION 3
ESTABLISHMENT OF SERVICE
(continued)

D. Grounds for Refusal of Service

The Company may refuse to establish service if any of the following conditions exist:

1. The Applicant has an outstanding amount due for the same class of electric service with the Company and the Applicant is unwilling to make arrangements with the Company for payment;
2. A condition exists which, in the Company's judgment, is unsafe or hazardous to the Applicant, the general population, or the Company's personnel or facilities;
3. The Applicant refuses to provide the Company with a deposit when the Customer has failed to meet the credit criteria for waiver of deposit requirements;
4. Customer is known to be in violation of the Company's Pricing Plans or Rules and Regulations;
5. Customer fails to furnish the funds, service, equipment, and/or rights-of-way necessary to serve the Customer and which have been specified by the Company as a condition for providing service;
6. Customer fails to provide access to the meter that would be serving the customer; or
7. Applicant falsifies his or her identity for the purpose of obtaining service.

E. Service Establishment, Reestablishment or Reconnection Charge

1. The Company may make a charge as approved by the ACC for the establishment, reestablishment, or reconnection of service. The charge for establishment, reestablishment or reconnection of service during normal business hours is set forth in the Statement of Additional Charges.
2. Should service be established during a period other than the Company's regular business hours at the Customer's request, the Customer may be required to pay an after-hour charge for the service connection. Where the Company's scheduling will not permit service establishment on the same day as requested, the Customer can elect to pay the after-hour charge for establishment that day, or his service will be established on the next available business day. The after-hour charge is set forth in the Statement of Additional Charges at Section 14. Even so, a Customer's request to have the Company establish service after-hours is subject to the Company having Staff available; there is no guarantee that the Company will have the staffing available for service establishment or reestablishment outside of regular business hours.

SECTION 3
ESTABLISHMENT OF SERVICE
(continued)

3. For the purpose of this Rule, the definition of service establishment is where the Customer's facilities are ready and acceptable to the Company, and the Company needs only to install a meter, read a meter, or turn the service on.

4. Service Reconnection Charge

Whenever the Company has discontinued service under its usual operating procedures because of any default by the Customer as provided herein, a reconnection charge, not to exceed the charge for the reestablishment of service as set forth in the Statement of Additional Charges, shall be made and may be collected by the Company before service is restored. When, due to the behavior of the Customer, it has been necessary to discontinue service utilizing other than usual operating procedures, the Company shall be entitled to charge and collect actual costs to restore service. In addition to the Service Reconnection Charge, such returning Customer shall pay the sum of the applicable monthly Customer Charges which would have accrued had the Customer not been disconnected for non-payment or for failure to comply with the Company's Pricing Plans within the preceding twelve (12) month period.

F. Temporary Service

1. Applicants for temporary service will be required to pay to the Company, in advance of service establishment, the estimated cost of installing and removing the facilities necessary for furnishing the desired service.
2. Where the duration of service is to be less than one (1) month, the Applicant will also be required to advance a sum of money equal to the estimated bill for service.
3. Where the duration of service is to exceed one (1) month, the Applicant may also be required to meet the deposit requirements of the Company, as outlined in Subsection B.1. above.
4. If at any time during the term of the agreement for service the character of a temporary Customer's operations changes so that, in the opinion of the Company, the Customer is classified as permanent, the terms of the Company's line extension rules will apply.

G. Identification of Load and Premises

Upon request of the Company, the electric load and premises to be served by the Company must be clearly identified by the Customer at the time of application. If the service address is not recognized in terms of commonly used identification system, the Customer may be required to provide specific written directions and/or legal descriptions before the Company will be required to act upon a request for electric service.

**SECTION 3
ESTABLISHMENT OF SERVICE**
(continued)

H. Identification of Responsible Party

Any person applying on behalf of another Customer for service to be connected in the name of or in care of another Customer must furnish to the Company written approval from that Customer guaranteeing payment of all bills under the account. The Customer is responsible in all cases for service supplied to the premises until the Company has received proper notice of the effective date of any change. The Customer shall also promptly notify the Company of any change in billing address.

I. Tampering With or Damaging Company Equipment

1. The Customer agrees, when accepting service, that no one except authorized Company employees or agent of the Company will be allowed to remove or replace any Company owned equipment installed on Customer's property.
2. No person, except an employee or agent acting on behalf of the Company shall alter, remove or make any connection to the Company's meter or service equipment.
3. No meter seal may be broken or removed by anyone other than an employee or agent acting on behalf of the Company, however the Company may give its prior consent to break the seal by an approved electrician employed by a Customer when deemed necessary by the Company.
4. The Customer will be held responsible for any broken seals, tampering, or interfering with the Company's meter(s) or any other Company owned equipment installed on the Customer's premises. In cases of tampering with meter installations, interfering with the proper working thereof, or any tampering, interfering, theft, or service diversion, including the falsification of Customer read-meter readings, Customer will be subject to immediate discontinuance of service. The Company will be entitled to collect from the Customer whose name the service is in, under the appropriate rate, for all power and energy not recorded on the meter as the result of such tampering, or other theft of service, and also additional security deposits as well as all expenses incurred by the Company for property damages, investigation of the illegal act, and all legal expenses and court costs incurred by the Company.
5. The Customer will be held liable for any loss or damage occasioned or caused by the Customer's negligence, want of proper care or wrongful act or omission on the part of any Customer's agents, employees, licensees or contractors.



SECTION 4
MINIMUM CUSTOMER INFORMATION REQUIREMENTS

A. Information for Residential Customers

1. The Company will make available upon Customer request not later than sixty (60) days from the date of request a concise summary of the rate schedule applied for by the Customer. The summary will include the following:
 - a. The monthly minimum Customer charge, identifying the amount of the charge and the specific amount of usage included in the minimum charge, where applicable;
 - b. Rate blocks, where applicable;
 - c. Any adjustment factor(s) and method of calculation; and
 - d. Demand charge, where applicable.
2. Upon application or upon request, the Applicant or the Customer will elect the applicable Pricing Plan best suited to their requirements. The Company may assist in making this election, but will not be held responsible for notifying the Customer of the most favorable Pricing Plan, and will not be required to refund the difference in charges under different Pricing Plans.
3. Upon written notification of any material changes in the Customer's installation or load conditions, the Company will assist in determining if a change in rate schedules is desirable, but not more than one (1) such change at the Customer's request will be made within any twelve (12) month period.
4. The supply of electric service under a residential rate schedule to a dwelling involving some business or professional activity will be permitted only where this activity is only occurring occasionally at the dwelling, where the electricity used in connection with this activity is small in amount, and where the electricity is used only by equipment that would normally be in use if the space were used as living quarters. Where a portion of the dwelling is used regularly for business, professional and other gainful purposes, and any considerable amount of electricity is used for other than domestic purposes, or for electrical equipment not normally used in living quarters is installed in connection with the activities referenced above, then the entire premises will be classified as non-residential and the appropriate general service Pricing Plan will be applied. The Customer, may, at his option, provide separate wiring so that the residential uses can be metered and billed separately under the appropriate residential service rate schedule, and the other uses under the appropriate general service rate schedule.

SECTION 4
MINIMUM CUSTOMER INFORMATION REQUIREMENTS
(continued)

5. In addition, the Company will make available upon Customer request, not later than sixty (60) days from date of service commencement, a concise summary of the Company's Pricing Plan or the ACC's Rules and Regulations concerning:
 - a. Deposits;
 - b. Termination of service;
 - c. Billing and collection; and
 - d. Complaint handling.

6. The Company, upon request of a Customer, will transmit a written statement of actual consumption by the Customer for each billing period during the prior twelve (12) months, unless this data is not reasonably ascertainable. But the Company will not be required to accept more than one such request from each Customer in a calendar year.

B. Information Required Due to Changes in Pricing Plans:

1. The Company will send to affected Customers a concise summary of any change in the Pricing Plans affecting those Customers.

2. This information will be sent to the affected Customer within sixty (60) days of the effective date of the change.

SECTION 5
MASTER METERING

- A. Mobile Home Parks – New Construction/Expansion
1. The Company will refuse service to all new construction or expansion of existing permanent residential mobile home parks unless the construction or expansion is individually metered by the Company. Line extensions and service connections to serve this expansion will be governed by the Company's line extension and/or service connection policies of these Rules and Regulations.
 2. Permanent residential mobile home parks for the purpose of this rule will mean mobile home parks where the average length of stay for an occupant is a minimum of six (6) months.
 3. For the purposes of this rule, expansion means the acquisition of additional real property for permanent residential spaces in excess of that existing at the effective date of this rule.
- B. Residential Apartment Complexes, Condominiums and other Multiunit Residential Buildings
1. Master metering will not be allowed for new construction of apartment complexes and condominiums unless the building or buildings will be served by a centralized heating, ventilation, or air conditioning system and the contractor can provide to the Company an analysis demonstrating that the central unit will result in a favorable cost/benefit relationship.
 2. At a minimum, the cost/benefit analysis should consider the following elements for a central unit as compared to individual units:
 - a. Equipment and labor costs;
 - b. Financing costs;
 - c. Maintenance costs;
 - d. Estimated kWh usage;
 - e. Estimated kW demand on a coincident demand and non-coincident demand basis (for individual units);
 - f. Cost of meters and installation; and
 - g. Customer accounting cost (one account vs. several accounts).
 3. A Customer of any residential apartment complex, condominium, or other multiunit residential building taking service through a master meter is responsible for determining his or her own usage beyond the Company's meter.



**SECTION 6
SERVICE LINES AND ESTABLISHMENTS**

- A. Priority and Timing of Service Establishments
1. After the Applicant has complied with the Company's application requirements and has been accepted for service by the Company, and obtained all required permits and/or inspections indicating that the Customer's facilities comply with local construction, safety and governmental standards or regulations, the Company will schedule that Customer for service establishment.
 2. All charges are due and payable before the Company will schedule the Customer for service establishment.
 3. Service establishments will be scheduled for completion within five (5) business days of the date the Customer has been accepted for service, except in those instances when the Customer requests service establishment beyond the five (5) business day limitation.
 4. When the Company has made arrangements to meet with a Customer for service establishment purposes and the Company or the Customer cannot make the appointment during the prearranged time, the Company will reschedule the service establishment to the satisfaction of both parties.
 5. The Company will schedule service establishment appointments within a maximum range of four (4) hours during normal business hours, unless another timeframe is mutually acceptable to both the Company and the Customer.
 6. Service establishments will be made only by the Company.
 7. For the purposes of the rule, service establishments are where the Customer's facilities are ready and acceptable to the Company and the Company needs only to install or read a meter or turn the service on.
 8. A fee for service establishment, reestablishment, or reconnection of service may be charged at a rate on file with and approved by the ACC. Whenever an Applicant requests after-hours handling of his request, the Company will charge a fee set forth in the Statement of Additional Charges, unless a special call-out is required. If a special call-out is required the charge will be for a minimum of two (2) hours at the Company's then-prevailing after-hours rate for the service work on the Customer's premises. Special handling of calls and the related charges will be made only upon request of the Applicant. Even so, a Customer's request to have the Company establish service after-hours is subject to the Company having staff available; there is no guarantee that the Company will have the staffing available for service establishment, reestablishment or reconnection after regular business hours.

SECTION 6
SERVICE LINES AND ESTABLISHMENTS
(continued)

B. Service Lines

1. Customer provided facilities

- a. Each Applicant for services will be responsible for all inside wiring including the service entrance and meter socket. For three-phase service, the Customer will provide, at the Customer's expense, all facilities including conductors and conduit, beyond the Company-designated point of delivery.
- b. Meters and service switches in conjunction with the meter will be installed in a location where the meters will be readily and safely accessible for reading, testing and inspection, where these activities will cause the least interference and inconvenience to the Customer. Location of metering facilities will be determined by the Company and may or may not be at the same location as the point of delivery. However, the meter locations will not be on the front exterior wall of the home, or in the carport or garage unless mutually agreed to between the Customer or homebuilder and the Company. Without cost to the Company, the Customer must provide, at a suitable and easily accessible location, sufficient and proper space for the installation of meters.
- c. Where the meter or service line location on the Customer's premises is changed at the request of the Customer or due to alterations on the Customer's premises, the Customer must provide and have installed, at the Customer's expense, all wiring and equipment necessary for relocating the meter and service line connection. The Company will charge the Customer for moving the meter and/or service lines.
- d. Customer will provide access to a main switch or breaker for disconnecting load to enable safe installation and removal of Company meters.

2. Overhead Service Connection – Secondary Service

- a. The estimated costs of extending Secondary Service shall be paid by the Customer prior to the Company extending service.
- b. Whenever any of the clearances required by the applicable laws, ordinances, rules or regulations of public authorities or standards of the Company from the service drops to the ground or any object become impaired by reason of any changes made by the owner or tenant of the premises, the Customer will, at his own expense, provide a new and approved support, in a location approved by the Company, for the termination of the Company's service drop wires and will also provide all service entrance corridors and equipment necessitated by the change of location.

SECTION 6
SERVICE LINES AND ESTABLISHMENTS
(continued)

- c. For each overhead service connection, the Customer will furnish at his own expense a set of service entrance conductors that will extend from the point of service delivery at the point of termination of the Company's service drop on the Customer's support to the Customer's main disconnect switch. These service entrance conductors will be of a type and be in an enclosure that meets with the approval of the Company and any inspection authorities having jurisdiction.
3. Underground Service Connections – Secondary Service
- a. In areas where the Company maintains an underground distribution system, individual services will be underground and be paid for by the Customer.
 - b. A Customer requesting an underground service line in an area served by overhead facilities will pay the estimated costs of extending the underground Secondary prior to the Company extending service.
 - c. For single-phase service, the Company will install a service lateral from its distribution line to the Customer's Company-approved termination facilities under the following conditions (unless otherwise agreed to by the Company and the Applicant):
 - (i) The Customer, at his expense, will provide the necessary trenching, conduit, conduit installation, backfill, landscape restoration and paving or the Customer can pay the Company to do so. The Customer will also furnish, install, own and maintain termination facilities on or within the building to be served.
 - (ii) The Company will furnish, install, own and maintain the underground single-phase cables to Customer's Company-approved termination facilities.
 - (iii) The Company will determine the minimum size and type of conduit and conductor for the single-phase service. Where separately installed conduit or duct is required for single-phase service, the Customer will furnish and install the conduit system, including suitable pull ropes as specified by the Company. The ownership of this conduit or duct will be conveyed to the Company, and the Company will then maintain the conduit or duct. By mutual agreement and upon payment by the Customer of the estimated installed cost, the Company may furnish, own, install and maintain this conduit or duct. The maximum length of any lateral conductor will be determined by the Company in accordance with accepted engineering practice in determining voltage drop, voltage flicker, and other relevant considerations.
 - d. For three-phase service, the Customer will provide, at the Customer's expense, all facilities, including conductors and conduit, beyond the Company-designated point of delivery.

**SECTION 6
SERVICE LINES AND ESTABLISHMENTS**
(continued)

C. Easements and Rights-of-Way

1. At no cost to the Company, each Customer will grant adequate easements and rights-of-way that are satisfactory to ensure proper service connection and any additional easements and rights-of-way as may be necessary for electric system reliability. Failure on the part of the Customer to grant adequate easement and right-of-way will be grounds for the Company to refuse service.
2. When the Company discovers that a Customer or the Customer's Agent is performing work, has constructed facilities or has allowed vegetation to grow adjacent to or within an easement or right-of-way and this work, construction, vegetation or facility poses a hazard or is in violation of federal, state or local laws, ordinances, statutes, Rules or Regulations, or significantly interferes with the Company's access to equipment, the Company will notify the Customer or the Customer's Agent and will take whatever actions are necessary to eliminate the hazard, obstruction or violation at the Customer's expense.

D. Number of Services to be Installed

The Company will not install more than one service, either overhead or underground, for any one building or group of buildings on a single premises, except as separate services may be installed for separate buildings or group of buildings where necessary for the operating convenience of the Company, where provided for in the tariff schedules, or where required by law or local ordinance.

E. Multiple Service Points

Any person, firm, corporation, agency or other organization or governmental body receiving service from the Company at more than one location or for more than one separately operated business will be considered as a separate Customer at each location and for each business. If several buildings are occupied and used by a Customer in the operation of a single business, the Company, upon proper application, will furnish service for the entire group of buildings through one service connection at one point of delivery, provided these buildings are all at one location on the same lot or tract, or on adjoining lots or tracts that form a contiguous plot that is not separated by any public streets. This plot or location will be wholly owned or controlled and occupied by the Customer in the operation of this single business. Dwelling units will be served, metered and billed separately, except at the Company's option.

F. Temporary Service

For service that is temporary in nature or for operations of a speculative character or questionable permanency the Customer will be charged the Company's estimated cost of installing the service.

**SECTION 7
PROVISION OF SERVICE**

A. Company Responsibility

1. The Company will be responsible for the safe transmission and distribution of electricity until it passes the point of delivery to the Customer.
2. The Company will be responsible for maintaining in safe operating condition all meters, equipment and fixtures installed on the Customer's premises by the Company for the purpose of delivering electric service to the Customer. However, the Company will not be responsible for the condition of meters, equipment, and fixtures damaged or altered by the Customer.
3. The Company may, at its option, refuse service until the Customer has obtained all required permits and/or inspections indicating that the Customer's facilities comply with local construction standards, applicable safety standards, and applicable Company specifications.

B. Customer Responsibility

1. Each Customer will be responsible for maintaining all Customer facilities on the Customer's side of the point of delivery in safe operating condition.
2. Each Customer will be responsible for safeguarding all Company property installed in or on the Customer's premises for the purpose of supplying electric service to that Customer.
3. Each Customer will exercise all reasonable care to prevent loss or damage to Company property, excluding ordinary wear and tear. The Customer will be responsible for loss of or damage to Company property on the Customer's premises arising from neglect, carelessness, or misuse and will reimburse the Company for the cost of necessary repairs or replacements.
4. Each Customer, regardless of who owns the meter, will be responsible for payment for any equipment damage and/or estimated unmetered usage and all reasonable costs resulting from unauthorized breaking of seals, interfering, tampering or bypassing the Company meter.
5. Each Customer will be responsible for notifying the Company of any equipment failure identified by the Customer in the Company's equipment.
6. Each Customer will be responsible for informing the Company of, and meeting the Company's requirements regarding On-Site Generation that the Customer or the Customer's agent intends to interconnect to the Company's transmission and distribution system.

**SECTION 7
PROVISION OF SERVICE**
(continued)

7. The Customer, at his expense, may install, maintain and operate check-measuring equipment as desired and of a type approved by the Company, provided that this equipment will be installed so as not to interfere with operation of the Company's equipment. This is also provided that no electric energy will be remetered or submetered for resale to another or to others, except where such remetering will be done in accordance with the applicable orders of the Commission.

C. Continuity of Service

The Company will make reasonable efforts to supply a satisfactory and continuous level of service. However, the Company will not be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from:

1. Any cause against which the Company could not have reasonably foreseen, or made provision for (see Subsection 7.E.);
2. Intentional service interruptions to make repairs or perform routine maintenance; or
3. Curtailment, including brownouts or blackouts.

D. Service Interruptions

1. The Company will make reasonable efforts to reestablish service within the shortest possible time when service interruptions occur.
2. The Company will make reasonable provisions to meet emergencies resulting from failure of service and will issue instructions to its employees covering procedures to be followed in the event of emergencies in order to prevent or mitigate interruption or impairment of service.
3. In the event of a national emergency or local disaster resulting in disruption of normal service, the Company may, in the public interest, interrupt service to other Customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.
4. When the Company plans to interrupt service for more than four (4) hours to perform necessary repairs or maintenance, the Company will attempt to inform affected Customers at least twenty-four (24) hours in advance of the scheduled date and estimated duration of the service interruption. These repairs will be completed in the shortest possible time to minimize the inconvenience to the Customers of the Company.

**SECTION 7
PROVISION OF SERVICE**
(continued)

5. The ACC will be notified of interruption in service affecting the entire system or any significant portion thereof. The interruption of service and cause will be reported by telephone to the ACC within two (2) hours after the responsible Company representative becomes aware of said interruption. The Company will then issue a written report to the ACC.

E. Interruption of Service and Force Majeure

1. The Company will make reasonable provision to supply a satisfactory and continuous electric service, but does not guarantee a constant or uninterrupted supply of electricity. The Company will not be liable for any damage or claim of damage attributable to any temporary, partial or complete interruption or discontinuance of electric service attributable to a force majeure condition as set forth in Subsections 7.E.4. or 7.E.5., or to any other cause that the Company could not have reasonably foreseen and made provision against. Further, the Company will not be liable for any of the above-described interruptions if, in the Company's judgement, it is necessary to permit repairs or changes to be made in the Company's electric generating, transmission, or distribution equipment, or to eliminate the possibility of damage to the Company's property or to the person or property of others.
2. Whenever the Company deems a condition exists that warrants interruption or limitation in the service being rendered, this limitation or interruption will not constitute a breach of contract and will not render the Company liable for damages suffered by the Customer. Further, the Customer will not be excused from further fulfillment of the contract.
3. The use of electric energy upon the Customer's premises is at the risk of the Customer. The Company's liability will cease at the point where its facilities are connected to the Customer's wiring.
4. Neither the Company nor the Customer will be liable to the other for any act, omission, or circumstances (including, but not limited to, the Company's inability to provide electric service) due to the following:
 - a. flood, rain, wind, storm, lightning, earthquake, fire landslide, washout or other acts of the elements;
 - b. accident or explosion;
 - c. war, rebellion, civil disturbance, mobs, riot, blockade or other act of the public enemy;
 - d. acts of God;
 - e. interference of civil and/or military authorities;
 - f. strikes, lockouts, or other labor difficulties;

**SECTION 7
PROVISION OF SERVICE**
(continued)

- g. vandalism, sabotage, or malicious mischief;
 - h. usurpation of power, or the laws, rules, regulations, or orders made or adopted by any regulatory or other governmental agency or body (federal, state or local) having jurisdiction of any of the business or affairs of the Company or the Customer, direct or indirect;
 - i. breakage or accidents to equipment or facilities;
 - j. lack, limitation or loss of electrical or fuel supply; or
 - k. any other casualty or cause beyond the reasonable control of the Company or the Customer, whether or not specifically provided herein and without limitation to the types enumerated, and which by exercise of due diligence the Company or the Customer is unable to overcome.
5. A failure to settle or prevent any strike or other controversy with employees or with anyone purporting or seeking to represent employees will not be considered to be a matter within the control of the Company.
6. Nothing contained in this Section will excuse the Customer from the obligation of paying for electricity delivered or services rendered.

F. General Liability

- 1. Company will not be responsible for any third-party claims against Company that arise from Customer's use of Company's electricity.
- 2. Customer will indemnify, defend and hold harmless the Company (including the costs of reasonable attorney's fees) against all claims (including, without limitation, claims for damages to any business or property, or injury to, or death of, any person) arising out of any act or omission of the Customer, or the Customer's agents, in connection with the Company's service or facilities.
- 3. The liability of the Company for damages of any nature arising from errors, mistakes, omissions, interruptions, or delays of the Company, its agents, servants, or employees, in the course of establishing, furnishing, rearranging, moving, terminating, or changing the service or facilities or equipment shall not exceed an amount equal to the charges applicable under the Company's Pricing Plans (calculated on a proportionate basis where appropriate) to the period during which the error, mistake, omission, interruption or delay occurs.

SECTION 7
PROVISION OF SERVICE
(continued)

4. In no event will the Company be liable for any incidental, indirect, special, or consequential damages (including lost revenue or profits) of any kind whatsoever regardless of the cause or foreseeability thereof.
5. The Company will not be responsible in an occasion for any loss or damage caused by the negligence or wrongful act of the Customer or any of his agents, employees or licensees in installing, maintaining, using, operating or interfering with any electric facilities.

G. Construction Standards and Safety

The Company will construct all facilities in accordance with the provisions of the ANSI C2 Standards (National Electric Safety Code, 1997 edition, and other amended editions as are adopted by the ACC), the 1995 ANSI B31.1 Standards, the ASME Boiler and Pressure Vessel Code, and other applicable American National Standards Institute Codes and Standards, except for those changes the ACC makes or permits from time to time. In the case of conflict between codes and standards, the more rigid code or standard will apply.

SECTION 8
CHARACTER OF SERVICE – VOLTAGE, FREQUENCY AND PHASE

- A. For Residential, Lighting and Miscellaneous Service – Energy supplied will be sixty (60) Hertz, single phase, alternating current, three-wire service, 120/240 volts for new service applications. The Company will provide 120 volts, two-wire for those Customers currently receiving that service.
- B. Commercial and Industrial Service – Electric energy furnished under these Rules and Regulations will be sixty (60) Hertz alternating current energy, single or three (3) phase at the standard nominal voltages specified by the Company.
- C. All electric energy supplied will be in accordance with ANSI voltage ratings for electric power systems and equipment.
- D. All voltages referred to above are nominal voltages and may vary somewhat due to local conditions. The Company does not guarantee the constancy of its voltage or frequency, nor does it guarantee against its loss of one or more phases in a three-phase service. The Company will not be responsible for any damage to the Customer's equipment caused by any or all of these occurrences brought about by circumstances beyond its control.
- E. Motor Protection

The following protective apparatus, to be provided by the Customer, is required on all motor installations:

1. No Voltage Protection: Motors that cannot be safely subjected to full voltage at starting must be provided with a device to insure that upon failure of voltage, the motors will be disconnected from the line. Said device should be provided with a suitable time delay relay;
2. Overload Protection: All motors whose voltage does not exceed 750 volts are to be provided with approved fuses of proper rating. Where the voltage exceeds 750 volts, protective devices are to be provided. In these cases it will be found desirable to install standard switching equipment. The installation of overload relays and no-voltage releases is recommended on all motors, not only as additional protection, but as a means of reducing the cost of refusing; and
3. Phase Reversal: Reverse phase relays and circuit breakers or equivalent devices are recommended on all polyphase installations to protect the installation in case of phase reversal or loss of one phase.

SECTION 8
CHARACTER OF SERVICE – VOLTAGE, FREQUENCY AND PHASE
(continued)

F. Miscellaneous

1. **Interference with Service:** The Company reserves the right to refuse to supply loads of a character that may seriously impair service to any other Customers. In the case of hoist or elevator motors, welding machines, furnaces and other installations of like character where the use of electricity is intermittent or subject to violent fluctuations, the Company may require the Customer to provide at the Customer's own expense suitable equipment to reasonably limit those fluctuations.
2. The Company has the right to discontinue electric service to any Customer who continues to use appliances or other devices, equipment and apparatus detrimental to the service after the Company notifies the Customer of his or her causing detriment to the service.
3. **Allowable Instantaneous Starting Current Values:** The instantaneous starting current (determined by tests or based on limits guaranteed by manufacturers) drawn from the line by any motor must not exceed a value (as determined by the Company) that may be deemed detrimental to the normal operation of the system. If the starting current of the motor exceeds that value, a starter must be used or other means employed to limit the current to the value specified. A reduced voltage starter may be required for polyphase motors.

G. Customer Responsibility for Equipment Used in Receiving Electric Energy

No statement or requirement in these Rules and Regulations can be construed as the assumption of any liability by the Company for any wiring of electrical equipment or the operation of same, installed in, upon, or about the Customer's premises, nor will the Company be responsible for any loss or damage occasioned or caused by the negligence, want of proper care or wrongful act of the Customer, or any of the Customer's agents or employees or licenses on the part of the Customer in installing, maintaining, using, operating, or interfering with any such wiring, machinery or apparatus.

SECTION 9
LINE EXTENSIONS

Introduction

A request for electric service often requires the construction of new distribution lines of varying distances. The distances and cost vary widely depending upon Customer's location and load size. With such a wide variation in extension requirements, it is necessary to establish conditions under which the Company will extend its electric facilities.

All extensions are subject to the availability of adequate capacity, voltage and Company facilities at the beginning point of an extension, as determined by the Company.

A standard policy has been adopted to provide service to Customers whose requirements are deemed by the Company to be economical and ordinary in nature.

A. General Requirements

1. Upon request by an Applicant for a line extension, the Company will prepare without charge, a preliminary electric design and a rough estimate of the cost of installation to be paid by said Applicant.
2. Any Applicant for a line extension requesting the Company to prepare detailed plans, specifications, or cost estimates will be required to deposit with the Company an amount equal to the estimated cost of preparation. The Company will, upon request, make available within ninety (90) days after receipt of the deposit referred to above, those plans, specifications, or cost estimates of the proposed line extension. Where the applicant authorizes the Company to proceed with construction of the extension, the deposit will be credited to the cost of construction, the deposit will be non-refundable. If the extension is to include over sizing of facilities to be done at the Customer's expense, appropriate details will be set forth in the plans, specifications and cost estimates. Subdividers providing the Company with approved plats will be provided with plans, specifications, or cost estimates within ninety (90) days after receipt of the deposit referred to above.
3. The Company will provide the Applicant with the estimated costs of extending service prior to the Applicant's acceptance of the Company's line extension agreement.
4. All line extension agreements requiring payment by the Applicant will be in writing and signed by each party.
5. All charges are due and payable at the time the line extension agreement is executed.
6. The provisions of this rule apply only to those Applicants who, in the Company's judgment, will be permanent Customers. Extension of facilities will not begin until the satisfactory completion of required site improvements, as determined by the Company, and an approved service entrance to accept electric service has been installed.

SECTION 9
LINE EXTENSIONS
(continued)

B. Minimum Written Agreement Requirements

1. Each line extension agreement must, at a minimum, include the following information:
 - a. Name and address of applicant(s);
 - b. Proposed service address(es) or location(s);
 - c. Description of requested service;
 - d. Description and sketch of the requested line extension;
 - e. A cost estimate to include materials, labor, and other costs as necessary;
 - f. The Company's estimated start date and completion date for construction of the line extension; and
2. Each Applicant will be provided with a copy of the written line extension agreement.

C. Line Extension Costs

1. Calculations of estimated line extension costs will include the following:
 - a. Material cost;
 - b. Direct labor cost; and
 - c. Overhead cost.
 - (i) Overhead costs are represented by all the costs which are proper capital charges in connection with construction, other than direct material and labor costs including but not limited to:
 - Indirect labor
 - Engineering
 - Transportation
 - Taxes (e.g. FICA, State & Federal Unemployment which are properly allocated to construction)
 - Insurance
 - Stores expense

**SECTION 9
LINE EXTENSIONS**
(continued)

General office expenses allocated to costs of construction
Power operated equipment
Employee Pension and Benefits
Vacations and Holidays
Miscellaneous expenses properly chargeable to construction

D. Conditions Governing Extensions of Electric Distribution Lines and Services

Line extension measurements will be along the route of construction required. This measurement will include primary, secondary and service lines.

1. Prior to the installation of facilities, the Customer will be required to pay the estimated cost of the construction of the distribution facilities as a Contribution in Aid of Construction. Upon completion of construction the Company will compare actual cost to the estimated cost and any difference will be either billed or refunded to the Customer – except if the difference is less than \$500. If the difference is less than \$500, the amount may be billed or refunded according to the specific extension agreement with the Customer.
2. Facilities Operation Charge
 - a. In addition, a Facilities Operation Charge will be assessed to any Customer or group of Customers if the Company makes the determination that the revenue less the cost of service is not adequate to cover the Company's cost to operate and maintain the facilities. The Customer will agree to pay the Facilities Operation Charge under those circumstances and that charge will be included in any extension agreement to extend the facilities.
 - b. The Company shall determine whether a Facilities Operation Charge is to be assessed based on the the Economic Feasibility Criteria in Subsection 9.E.
 - c. At the Customer's request (but no more than once in a 12-month period), the Company will reevaluate the Facilities Operation Charge using the Economic Feasibility Criteria in Subsection 9.E. Based on the outcome of that Criteria, the Company will adjust the Facilities Operation Charge accordingly.

SECTION 9
LINE EXTENSIONS
(continued)

3. Overhead Extensions

Except as otherwise provided herein, overhead extensions will be made as follows:

- a. The Company will install, own, and maintain the distribution facilities necessary to provide permanent service to the Customer. Prior to the installation of facilities, the Customer will be required to pay the estimated cost of the construction of the distribution facilities as a Contribution subject to Subsection 9.D.1. of these Rules and Regulations.
- b. The Company will extend its overhead distribution facilities to any Customer, or group of Customers, whom the Company considers permanent. Extensions for Irrigation customers, however, will be governed under Subsection 9.D.5.a. of these Rules and Regulations.

4. Underground Construction

- a. Installation of single phase underground electric lines to furnish permanent electric service to a duly recorded Residential Subdivision Development, in which facilities for electric service have not been constructed, for which applications are made by a developer, will be installed underground provided the following conditions are met:
 - (i) Underground service lines to Customers will be installed, owned, operated, and maintained by the Company. Prior to the installation of facilities, the Customer will be required to pay the estimated cost of the construction of the distribution facilities as a Contribution subject to Subsection 9.D.1. of these Rules and Regulations;
 - (ii) A line extension agreement has been signed by developer(s) and the Company;
 - (iii) If applicable, the Customer must pay a Facilities Operation Charge in accordance with Subsection 9.D.2 of these Rules and Regulations;
 - (iv) The developer will provide the trenching, bedding, backfill (including any imported backfill required), compaction, repaving and any earthwork for pull boxes and transformer pad sites required in accordance with the specifications and schedules of the Company;

SECTION 9
LINE EXTENSIONS
(continued)

- (v) Right-of-way and easements satisfactory to the Company will be furnished by the developer at no cost to the Company and in reasonable time to meet service requirements. No underground electric facilities will be installed by the Company until the final grades have been established and furnished to the Company. In addition the easements, alleys and/or streets must be graded to within six (6) inches of final grade by the developer before the Company will commence construction. This clearance and grading must be maintained by the developer. If, subsequent to construction, the clearance or grade is changed in such a way as to require relocation of underground facilities or results in damage to those facilities, the cost of the relocation and/or resulting repairs will be borne by the developer;
 - (vi) If armored cable or special cable covering is required, the Customer or developer will make a non-refundable contribution equal to the additional cost of such cable or covering;
 - (vii) The Customer will be required to provide, at the Customer's expense, all necessary conduit, trenching, backfilling, compaction, and concrete work, if required, in accordance with Company specifications and other local codes; and
 - (viii) Underground service lines not installed in accordance with Company specifications will be repaired and/or replaced by the Company at the Customer's expense.
- b. Three-Phase underground construction: Where three-phase underground service is requested by a Customer, the Company will install required facilities provided:
- (i) Underground service lines to Customers will be installed, owned, operated, and maintained by the Company. Prior to the installation of facilities, the Customer will be required to pay the estimated cost of the construction of the distribution facilities as a Contribution subject to Subsection 9.D.1. of these Rules and Regulations;
 - (ii) A line extension agreement has been signed by each party;
 - (iii) If applicable, the Customer must pay a Facilities Operation Charge in accordance with Subsection 9.D.2 of these Rules and Regulations;
 - (iv) Conditions specified in subsections 9.D.2.a.(iv) through (vi) are met;
 - (v) The Customer will provide and install transformer and/or switchgear pads and conduit in accordance with Company specifications.
- c. The Customer will retain ownership of all non-residential single phase service lines and three-phase service lines and will maintain these lines at no cost to the Company. Any work performed by the Company on Customer-owned facilities will be at actual cost. Non-residential properties include, but are not limited to master-metered apartment buildings and duplexes.

SECTION 9
LINE EXTENSIONS
(continued)

5. Other Customers

- a. Irrigation Customers - Customers requiring construction of electric facilities for service to irrigation pumping will pay, in the form of a contribution, the total estimated construction cost, which may include a portion of the shared backbone cost from designated irrigation substations.
- b. Temporary Customers - Where a temporary meter or construction is required to provide service to a Customer, then the Customer, in advance of installation or construction, will make a contribution equal to the cost of installing and removing the facilities required to furnish service, less the salvage value of those facilities. When the use of service is discontinued or agreement for service is terminated, the Company may dismantle its facilities and the materials and equipment provided by the Company will be salvaged and remain its property.

Each applicant for temporary service shall be required to deposit with the Company a sum of money equal to the estimated amount of the Company's bill for such service, or to otherwise secure in a manner satisfactory to the Company, the payment of any bill which may accrue by reason of such service so furnished or supplied. Contributions for temporary service are not refundable.

- c. Speculative Customers - Service to mining and milling installations and similar speculative businesses, where special conditions prevail as to service requirements and/or construction cost for line extension, will be furnished under special contract.

6. Other Conditions

- a. Three-Phase Service - Where a Customer requests three phase service and it is necessary to convert all or a portion of an existing overhead or underground distribution system from single phase to three phase in order to furnish this service, the entire cost of the conversion will be paid by the Customer.
- b. Request for Additional Facilities - Where the Customer requests facilities which are in addition to, or in substitution for existing facilities, the extra cost thereof will be paid by the Customer.
- c. Primary Service and Metering - The Company will provide primary service to a point of delivery and that point of delivery will be determined by the Company. The Customer will provide the entire distribution system (including transformers) from the point of delivery to the load. The system will be treated as primary service for the purposes of billing. The Company reserves the right to accept or require modification to the Customer's distribution system prior to its connection, and the Company will determine the voltage available for primary service. Instrument transformers, metering riser poles and associated equipment to be installed and maintained by the Company will be at the Customer's expense.

SECTION 9
LINE EXTENSIONS
(continued)

- d. Rights-of-Way - All necessary easements or rights-of-way required by the Company for any portion of the extension which is either on premises owned, leased or otherwise controlled by the Customer, developer, or others will be furnished in the Company's name by the Customer without cost to or condemnation by the Company and in reasonable time to meet proposed service requirements. All easements or rights-of-way obtained on behalf of the Company will contain only those terms and conditions that are acceptable to the Company.
- e. Change of Grade - If subsequent to construction of electric distribution and/or transmission lines and services, the final grade established by the Customer or developer is changed in such a way as to require relocation of the Company facilities or results in damage to those same facilities, the cost of relocation and/or resulting repairs will be borne by the Customer or developer.
- f. Relocation - When the Company is requested to relocate its facilities for the benefit and/or convenience of a Customer, the Customer will pay the Company for the total cost of the work to be performed prior to the start of construction.
- g. Connecting or Disconnecting Customer's Service - Only duly authorized employees of the Company are allowed to connect the Customer's service to, or disconnect the same from, the Company's electric lines.
- h. Maintenance of Customer's Equipment - The Customer will, at the Customer's own risk and expense, furnish, install and keep in good and safe condition all electrical wires, lines, machinery and apparatus which may be required for receiving electric energy from the Company, and for applying and utilizing that energy, including all necessary protective appliances and suitable building therefore, and the Company will not be responsible for any loss or damage occasioned or caused by the negligence, want of proper care, or wrongful act of the Customer or any of the Customer's agents, employees or licensees on the part of the Customer in installing, maintaining, using, operating or interfering with any such wires, lines, machinery or apparatus.
- i. Entering Customers Premises - The Company will, at all times, have the right of ingress to and egress from the Customer's premises at all reasonable hours for any purpose reasonably connected with the furnishing of electric energy and the exercise of any and all rights secured to it by law or these Rules and Regulations.
- j. Removal of Company Property - As provided for in these Rules and Regulations, the Company will have the right to remove any and all of its property installed on the Customer's premises at the termination of service.

SECTION 9
LINE EXTENSIONS
(continued)

- k. Resale of Energy - Unless specifically agreed upon, the Customer must not resell any of the electric energy received by the Customer from the Company to any other person, or for any other purpose or on other premises than specified in the Customer's application for service.

- l. Supply of Electric - The Company will exercise reasonable diligence and care to furnish and deliver a continuous and sufficient supply of electric energy to the Customer, and to avoid any shortage or interruption of delivery of same. The Company will not be liable for interruption or shortage or insufficiency of supply, or any loss or damage occasioned thereby, if same is caused by inevitable accident, act of God, fire, strikes, riots, war, or any other cause not within its control. The Company, whenever it must find it necessary for the purpose of making repairs or improvements to its system, will have the right to suspend, temporarily, the delivery of electric energy, but in all such cases as reasonable notice thereof as circumstances will permit will be given to the Customers. The making of these repairs or improvements will proceed as rapidly as may be practicable, and, if practicable, at those times that will cause the least inconvenience to the Customers. In case of shortage of supply, the Company will have the right to give preference in the matter of furnishing electric service to the United States and the State of Arizona, and cities, cities and counties, counties and towns, their inhabitants for lighting and for public purposes and to other public utilities and those engaged in public or quasi-public service if necessary.

- m. Change of Customer's Requirements - In the event that the Customer must make any material change either in the amount or character of the appliances or apparatus installed upon the Customers premises to be supplied with electric energy by the Company, the Customer must immediately give the Company written notice to this effect.

- n. Power Factor - In the case of apparatus and devices having low power factor, now in service, which may hereafter be replaced, and all similar equipment hereafter installed or replaced, served under general commercial schedules, the Company may require the Customer to provide, at the Customer's own expense, power factor corrective equipment to increase the power factor of any such devices to not less than ninety percent (90%).

- o. Collections - Nothing in these Rules and Regulations will be construed as limiting or in any way affecting the right of the Company to collect from the Customer any other additional sum of money which may become due and payable.



SECTION 9
LINE EXTENSIONS
(continued)

E. Economic Feasibility Criteria

Description of Service Request

Number of Customers Requesting Service
Location
Feet of Primary Distribution Line Needed

1. Computation of Cost of Construction

- a. Materials
b. Labor
c. Total Direct Cost (Line 1.a + 1.b)
d. Payroll Taxes and Insurance
e. Engineering and Superintendence
f. Interest During Construction
g. Total Cost of Construction

2. Computation of Operating Revenues

- a. Estimated Monthly kWh/Customer
b. Monthly Revenue/Customer
c. Total Customers
d. Total Monthly Revenue
e. Total Annual Operating Revenue



SECTION 9
LINE EXTENSIONS
(continued)

- 3. Computation of Operating Expenses
 - a. Depreciation
Line 1.g x _____ % \$.....
 - b. Operation and Maintenance
Line 1.g x _____ % \$.....
 - c. Taxes
Line 1.g x _____ % x \$ _____ /\$100 \$.....
 - d. Power Costs
_____ kWh x \$ _____ \$.....
 - e. Total Annual Operating Expense
(Line 3.a + 3.b + 3.c +3.d) \$.....

- 4. Computation of Operating Income (Loss) Before Income Taxes
 - a. Annual Operating Revenues (Line 2.e) \$.....
 - b. Annual Operating Expenses (Line 3.e) \$.....
 - c. Annual Operating Income (Loss) B.I.T \$.....



UNS Electric, Inc.
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SECTION 9
LINE EXTENSIONS
(continued)

F. Construction / Facilities Related Income Taxes

Any federal, state or local income taxes resulting from the receipt of a Contribution in Aid of Construction in compliance with this rule is the responsibility of the Company and will be recorded as a deferred tax asset and reflected in the Company's rate base.

However, if the estimated cost of facilities for any line extension exceeds \$500,000, the Company shall require the Applicant to include in the contribution an amount (the "gross up amount") equal to the estimated federal, state or local income tax liability of the Company resulting from the contribution, computed as follows:

$$\text{Gross Up Amount} = \frac{\text{Estimated Construction Cost}}{(1 - \text{Combined Federal-State-Local Income Tax Rate})}$$

After the Company's tax returns are completed, and actual tax liability is known, to the extent that the computed gross up amount exceeds the actual tax liability resulting from the contribution, the Company shall refund to the Applicant an amount equal to such excess, or collect the additional amount from the Applicant. When a gross-up amount is to be obtained in connection with an extension agreement, the contract will state the tax rate used to compute the gross up amount, and will also disclose the gross-up amount separately from the estimated cost of facilities. In subsequent years, as tax depreciation deductions are taken by the Company on its tax returns for the constructed assets with tax bases that have been grossed-up, a refund will be made to the Applicant in an amount equal to the related tax benefit. In lieu of scheduling such refunds over the remaining tax life of the constructed assets, a reduced lump sum refund may be made at the end of five (5) years at the election of either the Company or the Applicant. This lump sum payment shall reflect the net present value of remaining tax depreciation deductions discounted at the Company's authorized rate of return.

G. Transition Period for Elimination of Free Footage

From the effective date of these Rules and Regulations, there is a six (6) month grace period for Customers, developers and subdividers to execute a line extension agreement or receive approval on a new service application from the Company in order to be eligible for the line extension policy in effect between August 11, 2003 and May 31, 2010. Those new Applicants must make provisions for the Company to install and energize the extension and service facilities within eighteen (18) months from the date of their respective agreement and/or application. In addition, all existing approved line extension agreements and service applications will be grandfathered in under the policy in effect from August 11, 2003 to May 31, 2010. Grandfathered Customers must make provisions for the Company to install and energize the extension and service facilities within eighteen (18) months from the effective date of these Rules and Regulations or they will be subject to the new line extension policy.

Filed By: Raymond S. Heyman
Title: Senior Vice President and General Counsel
District: Entire Electric Service Area

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**SECTION 10
METER READING**

A. Company or Customer Meter Reading

1. The Company may at its discretion permit Customer reading of meters.
2. It will be the Company's responsibility to inform the Customer how to properly read his or her meter.
3. Where a Customer reads his or her own meter the Company will read the Customer's meter at least once every six (6) months.
4. The Company will provide the Customer with postage-paid cards or other methods to report the monthly meter reading to the Company.
5. The Company will specify the timing requirements for the Customer to submit his or her monthly meter reading to conform with the Company's billing cycle.
6. In the event the Customer fails to submit the reading on time, the Company may issue the Customer an estimated bill.
7. Meters will be read monthly on as close to the same day as practical.

B. Measuring of Service

1. All energy sold to Customers and all energy consumed by the Company – except that sold according to fixed charge schedules – will be measured by commercially acceptable measuring devices owned and maintained by the Company. This provision will not apply where it is impractical to install meters, such as street lighting or security lighting, or where otherwise authorized by the ACC.
2. When there is more than one meter at a location, the metering equipment will be so tagged or plainly marked as to indicate the circuit metered or metering equipment in accordance with Subsection 3.C.8.
3. Meters which are not direct reading will have the multiplier plainly marked on the meter.
4. All charts taken from recording meters will be marked with the date of the record, the meter number, customer and chart multiplier.
5. Metering equipment will not be set "fast" or "slow" to compensate for supply transformer or line losses.



SECTION 10
METER READING
(continued)

C. Customer - Requested Rereads

1. The Company will at the request of a Customer reread that Customer's meter within ten (10) business days after that request by the Customer.
2. Any reread may be charged to the Customer at a rate set forth in the Statement of Additional Charges, if the original reading was not in error.
3. When a reading is found to be in error, the Company will not charge the Customer for the reread.

D. Access to Customer Premises

The Company will at all times have the right of safe ingress to and egress from the Customer's premises at all reasonable hours for any purpose reasonably connected with the Company's property used in furnishing service and the exercise of any and all rights secured to it by law or these rules.

E. Meter Testing and Maintenance

1. The Company will replace any meter found to be damaged or associated with an inquiry into its accuracy, whether initiated by the Customer or Company, and which has been in service for more than sixteen years. Replaced meters will be tested for accuracy and will be acceptable if found to have an error margin within plus or minus three percent ($\pm 3\%$).
2. The Company will file an annual report with the Commission summarizing the results of meter maintenance and testing program for that year. At a minimum, the report should include the following data:
 - a. Total number of meters tested at Company initiative or upon customer request; and
 - b. Number of meters tested that were outside the acceptable error allowance of $\pm 3\%$.

SECTION 10
METER READING
(continued)

F. Customer – Requested Meter Tests

1. The Company will test a meter upon Customer request and the Company will be authorized to charge the Customer for the meter test. The charge for the meter test is set forth in the Statement of Additional Charges. However, if the meter is found to be in error by more than three percent (3%), no meter testing fee will be charged to the Customer.

G. Demands

1. The Customer's demand may be measured by a demand meter, under all Pricing Plans involving billings based on demand, unless appropriate investigation or tests indicate that the Customer's demand will not be such as to require a demand meter for correct application of the rate schedule. In cases where billings under a rate schedule requiring determination of the Customer's demand must be made before a demand meter can be installed, these billings may be made on an estimated demand basis pending installation of the demand meter. Billings made on the basis of estimated demands, however, will be appropriately adjusted, if actual demands recorded after demand meter is installed are greater or less than those estimated demands.
2. Demand meters may be installed at any metering location if the nature of the Customer's equipment and operation indicates that a demand meter is required for correct application of the rate schedule.
3. All demands used for billing purposes will be recorded or computed to the nearest whole kW.



**SECTION 11
BILLING AND COLLECTIONS**

A. Frequency and Estimated Bills

For more information on the Company's bill estimating methodologies see the Bill Estimation Methodologies Tariff included in the Company's Pricing Plans.

1. The Company will bill monthly for services rendered. Meter readings will be scheduled for periods of not less than twenty-five (25) days or more than thirty-five (35) days.
2. If the Company is unable to read the meter on the scheduled meter read date, the Company will estimate the consumption for the billing period giving consideration to the following factors where applicable.
 - a. The Customer's usage during the same period of the previous year; or
 - b. The amount of usage during the preceding billing period.
3. Estimated bills will be issued only under the following conditions:
 - a. Failure of a Customer – who reads his or her own meter – to deliver his or her meter reading card to the Company in accordance with the requirements of the billing cycle;
 - b. Severe weather conditions which prevent the Company from reading the meter; or
 - c. Circumstances that make it dangerous or unnecessarily difficult to read the meter. These circumstances include, but are not limited to, locked gates, blocked meters, vicious or dangerous animals, or any force majeure condition as listed in Subsection 7.E.4.
4. After the second consecutive month of estimating the Customer's bill for reasons other than severe weather the Company will attempt to secure an accurate reading of the meter.
5. Failure on the part of the Customer to comply with a reasonable request by the Company for access to its meter may lead to the discontinuance of service.
6. Each bill based on estimated usage will indicate that it is an estimated bill.



**UNS Electric, Inc.
Rules & Regulations**

**SECTION 11
BILLING AND COLLECTIONS**
(continued)

B. Combining Meters, Minimum Bill Information

1. Each meter at a Customer's premises will be considered separately for billing purposes, and the readings of two (2) or more meters will not be combined unless otherwise provided for in the Company's Pricing Plans.
2. Each bill for residential service will contain the following minimum information:
 - a. Date and meter reading at the start of billing period or number of days in the billing period;
 - b. Date and meter reading at the end of the billing period;
 - c. Billing usage and demand (if applicable);
 - d. Rate schedule number;
 - e. Company's telephone number;
 - f. Customer's name;
 - g. Service account number;
 - h. Amount due and due date;
 - i. Past due amount;
 - j. Purchased Power Fuel Adjuster Clause cost, where applicable;
 - k. All applicable taxes; and
 - l. The address for the ACC.



**SECTION 11
BILLING AND COLLECTIONS**
(continued)

C. Billing Terms

1. All bills for electric service are due and payable no later than ten (10) days from the date the bill is rendered. Any payment not received within this time frame will be considered past due.
2. For purposes of this rule, the date a bill is rendered may be evidenced by:
 - a. The postmark date;
 - b. The mailing date; or
 - c. The billing date shown on the bill (however, the billing date will not differ from the postmark or mailing date by more than two (2) days).
3. All past due bills for electric service are due and payable within fifteen (15) days. Any payment not received within this timeframe will be considered delinquent and will be issued a suspension of service notice. For Customers under the jurisdiction of a bankruptcy court, a more stringent payment or prepayment schedule may be required, if allowed by that court.
4. All delinquent bills for which payment has not been received within five (5) days will be subject to the provisions of the Company's termination procedures.
5. The amount of the late payment penalty will not exceed one and one-half percent (1.5%) of the delinquent bill, applied on a monthly basis.
6. All payments must be made at or mailed to the Company's duly authorized representative.

D. Applicable Tariffs, Prepayment, Failure to Receive, Commencement Date, Taxes

1. Each Customer will be billed under the applicable tariff indicated in the Customer's application for service.
2. Customers may pay for electrical service by making advance payments.
3. Failure to receive bills or notices that have been properly placed in the United States mail will not prevent those bills from becoming delinquent nor relieve the Customer of his obligations therein.
4. Charges for service commence when the service is installed and connection made, whether used or not.

SECTION 11
BILLING AND COLLECTIONS
(continued)

E. Meter Error Corrections

1. If any meter after testing is found to be more than three percent (3%) in error, either fast or slow, proper correction of the error will be made of previous readings and adjusted bills will be rendered according to the following terms:
 - a. For the period of three (3) months immediately preceding the removal of such meter from service for test or from the time the meter was in service since last tested, but not exceeding three (3) months since the meter has been shown to be in error by the test; or
 - b. From the date the error occurred, if the date of the cause can be definitely fixed. If the Customer has been underbilled, the Company will allow the Customer to repay this difference over an equal length of time that the under-billings occurred. The Customer may be allowed to pay the backbill without late payment penalties, unless there is evidence of meter tampering or energy diversion.
 - c. If it is determined that the Customer has been overbilled and there is no evidence of meter tampering or energy diversion, the Company will make prompt adjustment or refund in the difference between the original billing and the corrected billing within the next billing cycle.
2. No adjustment will be made by the Company except to the Customer last served by the meter tested.
3. Any underbilling resulting from a stopped, slow meter, meter reading error, or billing calculation shall be limited to three (3) months for Residential Customers and six (6) months for Non-Residential Customers. However, if an underbilling by the Company occurs due to inaccurate, false, or estimated information from a third party, then the Company will have a right to backbill that third party to the point in time that may be definitely fixed, or twelve (12) months. No such limitation will apply to overbillings.

F. Nonsufficient Funds ("NSF") Checks

1. The Company will be allowed to recover a fee, as set forth in the Statement of Additional Charges, for each instance where a Customer tenders payment for electric service with an insufficient funds check. This fee will also apply when an electronic funds transfer ("EFT") is denied for any reason, including for lack of sufficient funds.
2. When the Company is notified by the Customer's bank or other financial institution that there are insufficient funds to cover the check, EFT or other financial instrument for electric service has been denied for any reason, the Company may require the Customer to make payment in cash, by money order, certified check, or other means which guarantee the Customer's payment to the Company.



**UNS Electric, Inc.
Rules & Regulations**

**SECTION 11
BILLING AND COLLECTIONS**
(continued)

3. A Customer who tenders an insufficient funds check, or for whom an EFT or other financial instrument has been denied will not be relieved of the obligation to render payment to the Company under the original terms of the bill nor defer the Company's provision for termination of service for nonpayment of bills.
4. No personal checks will be accepted if two (2) NSF checks have been received by the Company within a twelve-month period in payment of any billing.

Filed By: Raymond S. Heyman
Title: Senior Vice President and General Counsel
District: Entire Electric Service Area

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SECTION 11
BILLING AND COLLECTIONS
(continued)

G. Levelized Billing Plan

1. The Company may, at its option, offer Residential and Small General Service Customers a levelized billing plan.
2. The Company will develop, upon Customer request, an estimate of the Customer's levelized billing for a twelve (12)-month period based upon:
 - a. Customer's actual consumption history, which may be adjusted for abnormal conditions such as weather variations;
 - b. For new Customers, the Company will estimate consumption based on the Customer's anticipated load requirements; or
 - c. The Company's tariff schedules approved by the ACC applicable to that Customer's class of service.
3. The Company will provide the Customer a concise explanation of how the levelized billing estimate was developed, the impact of levelized billing on a Customer's monthly bill, and the Company's right to adjust the Customer's billing for any variation between the Company's estimated billing and actual billing.
4. For those Customers being billed under a levelized billing plan, the Company will show, at a minimum, the following information on the Customer's monthly bill:
 - a. Actual consumption;
 - b. Amount due for actual consumption;
 - c. Levelized billing amount due; and
 - d. Accumulated variation in actual versus levelized billing amount.
5. The Company may adjust the Customer's levelized billing in the event the Company's estimate of the Customer's usage and/or cost should vary significantly from the Customer's actual usage and/or cost; such review to adjust the amount of the levelized billing may be initiated by the Company or upon Customer request.

SECTION 11
BILLING AND COLLECTIONS
(continued)

H. Deferred Payment Plan

1. The Company may, prior to termination, offer to qualifying Customers a deferred payment plan for the Customer to retire unpaid bills for electric service.
2. Each deferred payment agreement entered into between the Company and the Customer – due to the Customer's inability to pay an outstanding bill in full – will specify that service will not be discontinued if:
 - a. Customer agrees to pay a reasonable amount of the outstanding bill at the time the parties enter into the deferred payment agreement;
 - b. Customer agrees to pay all future bills for electric service in accordance with the Company's Pricing Plans; and
 - c. Customer agrees to pay a reasonable portion of the remaining outstanding balance in installments over a period not to exceed six (6) months.
3. For the purpose of determining a reasonable installment payment schedule, under these rules, the Company and the Customer will give consideration to the following conditions:
 - a. The size of the delinquent account;
 - b. The Customer's ability to pay;
 - c. The Customer's payment history;
 - d. The length of time that the debt has been outstanding;
 - e. The circumstances that resulted in the debt being outstanding; and
 - f. Any other relevant factors related to the circumstances of the Customer.
4. Any Customer who desires to enter into a deferred payment agreement must do so before the Company's scheduled termination date for nonpayment of bills. The Customer's failure to execute a deferred payment agreement prior to the scheduled service termination date will not prevent the Company from terminating service for nonpayment.
5. Deferred payment agreements may be in writing and may be signed by the Customer and an authorized Company representative.
6. A deferred payment agreement may include a finance charge of one and one-half percent (1.5%).



**SECTION 11
BILLING AND COLLECTIONS**
(continued)

7. If a Customer has not fulfilled the terms of a deferred payment agreement, the Company will have the right to disconnect service pursuant to the Company's Termination of Service Rules (Section 12) and, under these circumstances, it will not be required to offer subsequent negotiation of a deferred payment agreement prior to disconnection.

I. Change of Occupancy

1. To order service to be discontinued or to change occupancy, the Customer must give the Company at least three (3) business days advance notice in person, in writing or by telephone.
2. The outgoing Customer will be responsible for all electric services provided and/or consumed up to the scheduled turn-off-date.
3. The outgoing Customer is responsible for providing access to the meter so that the Company may obtain a final meter reading.

J. Electronic Billing

1. Electronic Billing is an optional billing service whereby Customers may elect to receive, view, and pay their bills electronically. Electronic Billing includes the "UES e-bill" service and the "Sure No Hassle Automatic Payment ("SNAP") service. The Company may modify its Electronic Billing services from time to time. A Customer electing an electronic billing service may receive an electronic bill in lieu of a paper bill. Customers electing an electronic billing service may be required to complete additional forms and agreements. Electronic Billing may be discontinued at any time by the Company or the Customer. An Electronic Bill will be considered rendered at the time it is electronically sent to the Customer. Failure to receive bills or notices which have been properly sent by an Electronic Billing system does not prevent these bills from becoming delinquent and does not relieve the Customer of the Customer's obligations therein. Any notices which Company is required to send to a Customer who has elected an Electronic Billing service may be sent by electronic means at the option of the Company. Except as otherwise provided in this subsection, all other provisions of the Company's Rules and Regulations and other applicable Pricing Plans are applicable to Electronic Billing. The Customer must provide the Company with a current email address for electronic bill delivery. If the Electronic Bill is electronically sent to the Customer at the email address that Customer provided to the Company, then the Electronic Bill will be considered properly sent. Further, the Customer will be responsible for updating the Company with any changes to this email address. Failure to do so will not excuse the Customer from timely paying the Company for electric service.



**UNS Electric, Inc.
Rules & Regulations**

**SECTION 12
TERMINATION OF SERVICE**

A. Nonpermissible Reasons to Disconnect Service

1. The Company will not disconnect service for any of the reasons stated below:
 - a. Delinquency in payment for service rendered to a prior Customer at the premises where service is being provided, except in the instance where the prior Customer continues to reside on the premises;
 - b. Failure of the Customer to pay for services or equipment which are not regulated by the ACC;
 - c. Nonpayment of a bill related to another class of service; or
 - d. Failure to pay a bill to correct a previous underbilling due to an inaccurate meter or meter failure if the Customer agrees to pay over a reasonable period of time.
2. The Company will not terminate residential service where the Customer has an inability to pay and:
 - a. The Customer can establish through medical documentation that, in the opinion of a licensed medical physician, termination would be especially dangerous to the Customer's health or the health of a permanent resident residing on the Customer's premises;
 - b. Life supporting equipment used in the home that depends on electric service for its operation; or
 - c. Where weather will be especially dangerous to health as defined herein or as determined by the ACC.
3. Residential service to ill, elderly, or handicapped persons who have an inability to pay will not be terminated until all of the following have been attempted:
 - a. The Customer has been informed of the possible availability of funds from various government and social assistance agencies of which the Company is aware; and
 - b. A third party previously designated by the Customer has been notified and has not made arrangements to pay the outstanding electric bill.
4. A Customer utilizing the provisions of subsections 2 or 3 above may be required to enter into a deferred payment agreement with the Company within ten (10) days after the scheduled termination date.
5. Failure to pay the bill of another Customer as guarantor thereof.
6. Disputed bills where the Customer has complied with the ACC's rules on Customer bill disputes.



**UNS Electric, Inc.
Rules & Regulations**

**SECTION 12
TERMINATION OF SERVICE**
(continued)

B. Termination of Service Without Notice

1. The Company may disconnect electric service without advance written notice under the following conditions:
 - a. The existence of an obvious hazard to the safety or health of the Customer or the general population or the Company's personnel or facilities;
 - b. The Company has evidence of meter tampering or fraud;
 - c. Failure of a Customer to comply with the curtailment procedures imposed by the Company during supply shortages; or
2. The Company will not be required to restore service until the conditions that led to the termination have been corrected to the satisfaction of the Company.
3. The Company will maintain a record of all terminations of service without notice. This record will be maintained for a minimum of one (1) year and will be available for inspection by the ACC.

C. Termination of Service With Notice

1. The Company may disconnect service to any Customer for any reason stated below, provided that the Company has met the notice requirements described in subsection 12.D. below:
 - a. Customer violation of any of the Company's Pricing Plans;
 - b. Failure of the Customer to pay a delinquent bill for electric service;
 - c. Failure of the Customer to meet agreed-upon deferred payment arrangements;
 - d. Failure to meet or maintain the Company's deposit requirements;
 - e. Failure of the Customer to provide the Company reasonable access to its equipment and property;
 - f. Customer breach of a written contract for service between the Company and Customer;
 - g. NSF checks, EFTs or other financial instruments that have not been made good. Under this provision electric service will be subject to disconnect following the procedures set forth in subsection 11.F.

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Title: Senior Vice President and General Counsel
District: Entire Electric Service Area

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SECTION 12
TERMINATION OF SERVICE
(continued)

- h. When necessary for the Company to comply with an order of any governmental agency having jurisdiction;
 - i. When a hazard exists which is not imminent, but in the opinion of the Company, it may cause property damage; or
 - j. Customer facilities that do not comply with Company requirements or specifications.
2. The Company will maintain a record of all terminations of service with notice. This record will be maintained for one (1) year and be available for ACC inspection.

D. Termination Notice Requirements

- 1. The Company will not terminate service to any of its Customers without providing advance written notice to the Customer of the Company's intent to disconnect service, except under these conditions specified in subsection 12.B. where advance written notice is not required.
- 2. This advance written notice will contain, at a minimum, the following information:
 - a. The name of the person whose service is to be terminated and the address where service is being rendered;
 - b. The Company's Pricing Plan(s) that was violated and explanation of the violation or the amount of the bill that the Customer has failed to pay in accordance with the payment policy of the Company, if applicable;
 - c. The date on or after which service may be terminated;
 - d. A statement advising the Customer to contact the Company at a specific address or phone number for information regarding any deferred payment or other procedures that the Company may offer or to work out some mutually agreeable solution to avoid termination of the Customer's service; and

SECTION 12
TERMINATION OF SERVICE
(continued)

- e. A statement advising the Customer that the Company's stated reason(s) for the termination of services may be disputed by contacting the Company at a specific address or phone number, advising the Company of the dispute and making arrangements to discuss the cause for termination with a responsible employee of the Company in advance of the scheduled date of termination. The responsible employee will be empowered to resolve the dispute and the Company will retain the option to terminate service after affording this opportunity for a meeting and concluding that the reason for termination is just and advising the Customer of his or her right to file a complaint with the ACC.
3. Where applicable, a copy of the termination notice will be simultaneously forwarded to designated third parties.

E. Timing of Terminations with Notice

1. The Company will give at least five (5) days advance written notice prior to the termination date. For Customers under the jurisdiction of a bankruptcy court, a shorter notice may be provided, if permitted by the court.
2. This notice will be considered to be given to the Customer when a copy of the notice is left with the Customer or posted first class in the United States mail, addressed to the Customer's last known address.
3. If, after the period of time allowed by the notice has elapsed and the delinquent account has not been paid nor arrangements made with the Company for the payment of the bill – or in the case of a violation of the Company's rules the Customer has not satisfied the Company that this violation has ceased – then the Company may terminate service on or after the day specified in the notice without giving further notice.
4. Service may only be disconnected in conjunction with a personal visit to the premises by an authorized representative of the Company.
5. The Company will have the right (but not the obligation) to remove any or all of its property installed on the Customer's premises upon the termination of service.

SECTION 12
TERMINATION OF SERVICE
(continued)

F. Landlord/Tenant Rule

In situations where service is rendered at an address different from the mailing address of the bill or where the Company knows that a landlord/tenant relationship exists and that the landlord is the Customer of the Company, and where the landlord as a Customer would otherwise be subject to disconnection of service, the Company will not disconnect service until the following actions have been taken:

1. Where it is feasible to so provide service, the Company will offer the occupant the opportunity to subscribe for service in the occupant's own name. The Company will provide the occupant forty-eight (48) hours notice to subscribe for service in the occupant's own name. If the occupant then declines to so subscribe, the Company may disconnect service pursuant to the rules.
2. The Company will not attempt to recover from a tenant or condition service to a tenant with the payment of any outstanding bills or other charges due upon the outstanding account of the landlord.

SECTION 13
ADMINISTRATIVE AND HEARING REQUIREMENTS

A. Customer Service Complaints

1. The Company will make a full and prompt investigation of all service complaints made by its Customers, either directly or through the ACC.
2. The Company will respond to the complainant and/or the ACC representative within five (5) business days as to the status of the Company's investigation of the complaint.
3. The Company will notify the complainant and/or the ACC representative of the final disposition of each complaint. Upon request of the complainant or the ACC representative, the Company will report the findings of its investigation in writing.
4. The Company will inform the Customer of his right of appeal to the ACC.
5. The Company will keep a record of all written service complaints received that must contain, at a minimum, the following data:
 - a. Name and address of complainant;
 - b. Date and nature of the complaint;
 - c. Disposition of the complaint; and
 - d. A copy of any correspondence between the Company, the Customer, and/or the ACC.
6. This record will be maintained for a minimum period of one (1) year and will be available for inspection by the ACC.

B. Customer Bill Disputes

1. Any Customer who disputes a portion of a bill rendered for electric service must pay the undisputed portion of the bill and notify the Company's designated representative that any unpaid amount is in dispute prior to the delinquent date of the bill.

SECTION 13
ADMINISTRATIVE AND HEARING REQUIREMENTS
(continued)

2. Upon receipt of the Customer notice of dispute, the Company will:
 - a. Notify the Customer within five (5) business days of the receipt of a written dispute notice;
 - b. Initiate a prompt investigation as to the source of the dispute;
 - c. Withhold disconnection of service until the investigation is completed and the Customer is informed of the results;
 - d. Upon request of the Customer the Company will report the results of the investigation in writing; and
 - e. Inform the Customer of his right of appeal to the ACC.
3. Once the Customer has received the results of the Company's investigation, the Customer will submit payment within five (5) business days to the Company for any disputed amounts. Failure to make full payment will be grounds for termination of service.

C. ACC Resolution of Service and/or Bill Disputes

1. In the event a Customer and the Company cannot resolve a service and/or bill dispute, the Customer will file a written statement of dissatisfaction with the ACC. By doing this, the Customer will be deemed to have filed an informal complaint against the Company.
2. Within thirty (30) days of the receipt of a written statement of Customer dissatisfaction related to a service or bill dispute, a designated representative of the ACC will attempt to resolve the dispute by correspondence and/or telephone with the Company and the Customer. If resolution of the dispute is not achieved within twenty (20) days of the ACC representative's initial effort, the ACC will then hold an informal hearing to arbitrate the resolution of the dispute. The informal hearing will be governed by the following rules:
 - a. Each party may be represented by legal counsel, if desired;
 - b. Every informal hearing may be recorded or held in the presence of a stenographer;
 - c. All parties will have the opportunity to present written or oral evidentiary material to support the positions of the individual parties;
 - d. All parties and the ACC's representative will be given the opportunity for cross-examination of the various parties; and

SECTION 13
ADMINISTRATIVE AND HEARING REQUIREMENTS
(continued)

- e. The ACC's representative will render a written decision to all parties within five (5) business days after the date of the informal hearing. This written decision of the ACC's representative is not binding on any of the parties and the parties will still have the right to make a formal complaint to the ACC.
- 3. The Company may implement normal termination procedures if the Customer fails to pay all bills rendered during the resolution of the dispute by the ACC.
- 4. The Company will maintain a record of written statements of dissatisfaction and their resolution for a minimum of one (1) year and make these records available for ACC inspection.



**UNS Electric, Inc.
Rules & Regulations**

**SECTION 14
STATEMENT OF ADDITIONAL CHARGES**

A.	Service Establishment and Reestablishment During Normal Business Hours ¹	\$30.00
B.	Service Establishment and Reestablishment After Normal Business Hours ¹ (Includes Saturdays, Sundays and Holidays)	\$75.00
C.	Service Reconnection During Normal Business Hours ¹	\$30.00
D.	Service Reconnection After Normal Business Hours ¹ (Includes Saturdays, Sundays and Holidays)	\$75.00
E.	Meter Reread	\$20.00
F.	Meter Test	\$60.00
G.	Charge for NSF Check	\$10.00
H.	Deferred Payment Finance Charge, per Month	1.50%
I.	Late Payment Finance Charge	1.50%
J.	Customer Deposit	One Year Treasury Rate

¹ Plus the sum of any and all applicable monthly Customer Charges which would have accrued had the Customer: (1) not been disconnected for non-payment or for failure to comply with the Company's Pricing Plans within the preceding twelve (12) month period; or (2) had the Customer not ordered the disconnect. This is in accordance with the definitions of "Service Reconnection Charge" and "Service Reestablishment Charge" in Section 2 of UNS Electric's Rules and Regulations.

**SECTION 15
CURTAILMENT PROCEDURES**

A. Purchased Shortage of Power

ACC General Order U-57 establishes electric curtailment and interruption procedures to meet electric power and energy supply deficiencies. General Order U-57 is to be complied with in the event of these deficiencies.

Step 1, 2 and 3 Levels of these procedures deal with educational campaigns and appeals through the news media and personal customer contacts, to obtain customer voluntary load curtailment. In the event power and energy supply is judged to be deficient, even after customer voluntary load curtailment, the ACC may declare that an electric supply emergency condition exists and that the situation has entered Step 4 level. Upon receipt of notice of this emergency condition, the Company would, in accordance with General Order U-57, immediately implement an electric emergency curtailment program in accordance with procedures provided for in the Electric Curtailment Guidelines, contained in General Order U-57.

B. Sudden Shortage of Power

In the event that a shortage of electricity should suddenly occur without advance warning, so that there is insufficient time for normal implementation of the Step 1, 2 and 3 Levels, then the Company may resort immediately to the emergency procedures described in the Electric Curtailment Guidelines. To the extent practicable, notice of the situation will be given to the customers through the news media. Notice will be given immediately to the ACC.

Electric emergency curtailment and service interruption will be administered in accordance with the Electric Curtailment Guidelines established by ACC General Order U-57.

C. General Steps

1. Company-Use Curtailment

The Company itself will initiate, if not already done, a program to reduce the use of lighting, electrical equipment and air-conditioning.

2. Interruptible Load

Remove all those loads on the system that are on the interruptible rate.

**SECTION 15
CURTAILMENT PROCEDURES**
(continued)

3. Intermediate Generation

Put all available intermediate generation on line which is owned by or available under contract to the Company.

4. Neighboring Utility Support

Request all available capacity from neighboring utilities.

5. Peaking Generation

Put all available peaking generation on line which is owned by or available under contract to the Company.

6. Voluntary Curtailment

Request voluntary curtailment of load from the general public through radio announcements.

7. Customer-Owned Generation

Put all available Customer-owned generation on line which is owned by or available under contract to the Company.

8. Voltage Reduction

Reduce nominal voltage on distribution circuits by up to 5 percent. This will be accomplished by appropriate operation of transformer taps at certain designated Substations and where necessary the blocking of voltage regulators so as to prevent automatic voltage boost operations.

9. Large Customer Curtailment

Contact per designated large usage Customers, if not already done, and request them to curtail usage according to particular plans or procedures applicable to each such Customer.

**SECTION 15
CURTAILMENT PROCEDURES
(continued)**

10. Sequential Interruption of Service

Sequential interruption of service will be accomplished by disconnecting groups of circuits for a limited number of hours in accordance with a prearranged schedule, generally two (2) hours. Circuits will be grouped for rotation purposes so as to achieve the desired load reduction.

The objective of this procedure is to achieve a proportional reduction of loads, exclusive of those essential and critical loads, which by their nature are essential to the public health and safety. It is recognized that essential and critical loads are connected on circuits which serve non-critical loads. However, in order to provide fair treatment to all Customers it is intended that additional steps will be taken to insure, to the extent practicable, that reductions in such non-critical loads will be achieved. These reductions should be substantially equivalent to that obtained from similar loads subject to circuit rotation and should be on a voluntary, or if necessary, on a non-voluntary basis.

All circuits within each group will be rotated in accordance with the rotation schedule, with switching being done in a manner so that the total load on the system will not be increased materially above that prior to the rotation.

Direct Testimony of
Kentton C. Grant

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I. INTRODUCTION.

Q. Please state your name and address.

A. My name is Kentton C. Grant. My business address is One South Church Avenue, Tucson, Arizona, 85701.

Q. What is your employment position?

A. I am Vice President of Finance and Rates for UniSource Energy Corporation (“UniSource Energy”) and Tucson Electric Power Company. In this role I am responsible for providing financial and regulatory support services to the companies owned by UniSource Energy, including UNS Electric, Inc. (“UNS Electric” or “the Company”).

Q. On whose behalf are you filing your direct testimony in this proceeding?

A. My testimony is filed on behalf of UNS Electric.

Q. Please summarize your professional experience and education.

A. In 1984 I received a Master of Business Administration degree with a concentration in finance from the University of Texas at Austin. I also hold a Bachelor of Science degree in Civil Engineering from Purdue University. In 1995 I was awarded the professional designation of Chartered Financial Analyst (“CFA”) and I remain a member of the CFA Institute. I am also a member of the Society of Utility and Regulatory Financial Analysts, and in 1992, I was awarded the designation of Certified Rate of Return Analyst (“CRRA”).

From 1984 to 1995, I was employed by the Public Utility Commission of Texas. During this period I served in various staff positions, including Director of the Financial Review Division. In that role, I directed the staff responsible for performing financial analyses, accounting reviews and management audits of electric and telecommunications utilities.

1 As a staff member I provided expert testimony on a variety of financial topics including
2 the cost of capital, financial integrity, deferred accounting treatment, rate moderation and
3 the valuation of utility properties.
4

5 I joined TEP in 1995 as a senior financial analyst. In 1997, I was promoted to Director of
6 Capital Resources and elected Assistant Treasurer. I was subsequently promoted to
7 Manager of Financial Planning and in 2003, became a General Manager in TEP's Shared
8 Services Unit. In January 2007, I was elected Vice President of Finance and Rates for
9 both UniSource Energy and Tucson Electric Power Company. In these roles I have
10 gained extensive experience in financial forecasting, financial analysis, the structuring of
11 new financings and other related activities.
12

13 **Q. What is the purpose of your testimony in this proceeding?**

14 A. I address five issues in my testimony. First, I describe the Company's proposal to purchase
15 the 90 MW Black Mountain Generating Station ("BMGS") from UniSource Energy
16 Development Company and reflect the cost of this facility in UNS Electric's non-fuel base
17 rates. Second, I recommend a fair rate of return to be applied to the Company's fair value
18 rate base in this proceeding. Third, I explain the importance of allowing UNS Electric to
19 implement the requested base rate increase on or before June 1, 2010. Fourth, I discuss the
20 recent inability of UNS Electric to earn its cost of capital, how the proposed rate increase
21 will improve the Company's ability to earn its cost of capital and why it is important to
22 provide the Company with such an opportunity. Finally, I recommend certain changes to
23 the Company's purchased power and fuel adjustment clause ("PPFAC"). These changes
24 address the appropriate carrying cost to be applied to under- and over-recoveries of fuel
25 and purchased power costs as well as the recovery of credit support costs incurred by UNS
26 Electric in the procurement of wholesale electricity and natural gas. As the sponsor of
27 Schedule A-4 and Schedules F-1 through F-4 in the Company's rate filing, my direct
testimony also includes a brief description of each of these schedules.

1 **II. PROPOSED PURCHASE OF THE BLACK MOUNTAIN GENERATING**
2 **STATION.**

3
4 **Q. Please describe the Company's proposal to purchase the BMGS.**

5 A. The BMGS is a 90MW gas-fired generating facility located near Kingman, Arizona that
6 entered service on May 30, 2008. The BMGS is currently owned by a sister company of
7 UNS Electric, UniSource Energy Development Company ("UED"). UED was the
8 developer of the BMGS and currently sells power to UNS Electric from the BMGS under
9 the terms of a five-year tolling agreement that was accepted by the Federal Energy
10 Regulatory Commission ("FERC") in 2008.¹

11
12 The Company proposes to purchase the BMGS at a price of \$62.0 million, reflecting the
13 net book value of the facility at December 31, 2008, the end of the test year in this rate
14 proceeding. In order to fund the proposed purchase, UNS Electric would raise additional
15 debt and equity capital under the financing authority granted in the Company's last rate
16 case (Decision No.70360 (May 27, 2008)). Upon the filing of a notification of transfer of
17 ownership of BMGS to UNS Electric, UNS Electric would implement a revenue-neutral
18 rate reclassification to be approved in this rate case. UNS Electric is proposing a rate
19 reclassification that would result in an increase to the Company's non-fuel base rates and a
20 simultaneous decrease to the Company's base power supply rates. Customers would see
21 no net change in the price paid for electric service on the date of the rate reclassification.

22
23
24
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26
27 ¹ In Decision No. 70322 (April 29, 2008), the Commission deferred to the FERC authority regarding the agreement
and declined to either approve or disapprove the agreement between UED and UNS Electric.

1 **Q. Are certain regulatory approvals required before UNS Electric can proceed with the**
2 **purchase of the BMGS?**

3 A. Yes. UNS Electric will need to obtain approval from the FERC to purchase the BMGS
4 from UED. Although the Company believes that approval by the FERC could be obtained
5 in a timely manner, there can be no assurance that the FERC would approve such a
6 purchase. Additionally, before new capital can be raised and the purchase completed, UNS
7 Electric needs to be confident that the BMGS will be placed into rate base in a timely
8 manner. As a consequence, UNS Electric is requesting in this proceeding that the
9 Commission approve a post-test year adjustment to rate base for the BMGS and approve a
10 revenue-neutral rate reclassification that would become effective shortly after ownership
11 has been transferred.

12
13 **Q. What overall financial benefits would be realized by UNS Electric and its customers if**
14 **the BMGS were to be purchased by UNS Electric?**

15 A. The Company and its customers would secure a long-term source of economical peaking
16 capacity. Relative to continued reliance on the wholesale market for peaking power needs,
17 a purchase of the BMGS would promote long-term price stability to customers who would
18 benefit from the cumulative effects of depreciation expense and deferred income taxes on
19 rate base.

20
21 Moreover, assuming the purchase can be financed at a cost comparable to the Company's
22 overall cost of capital, net income at UNS Electric is expected to increase by approximately
23 \$3 million per year (net of additional interest expense) while net operating cash flow is
24 expected to increase by approximately \$6 million per year. Earnings would increase
25 because a portion of the Company's operating revenues would be reclassified out of base
26 power supply revenues (which are reconciled against fuel and purchased power costs) and
27 into non-fuel base rate revenues. Cash flow would increase because the Company would

1 no longer have to make payments to UED under the existing BMGS tolling agreement.
2 Such an increase in earnings and cash flow would serve to improve the Company's
3 creditworthiness, facilitating the funding of capital expenditures and the procurement of
4 energy resources needed to meet future customer demands for electric service.
5

6 **Q. Could you explain in more detail how rate base treatment of owned generation**
7 **affects a utility's cash flow and financial condition?**

8 A. When a new generating facility has entered service and is placed into rate base, a utility's
9 operating cash flow should increase due to the (1) return allowed on the original cost of
10 the investment, (2) rate recognition of non-cash depreciation expense, and (3) use of
11 accelerated tax depreciation on the utility's income tax filings. Although a portion of the
12 allowed return is used to pay interest on new debt obligations, the net result is a positive
13 impact on operating cash flow. So long as the generating facility was financed with a
14 reasonable mix of debt and equity capital, and a rate mechanism exists to recover fuel
15 costs on a timely basis, a utility's overall financial profile should benefit from putting a
16 new generating facility into rate base.
17

18 **Q. Please elaborate on the long-term cost impact of the BMGS.**

19 A. Exhibit KCG-1 provides a forecast of the non-fuel revenue requirements associated with
20 the proposed rate base treatment of the BMGS. As may be seen on page 1 of that exhibit,
21 the non-fuel revenue requirement is projected to decrease from approximately \$11 million
22 per year to \$9 million per year over the first ten years under traditional rate base treatment.
23 As may be seen on page 2 of that same exhibit, the non-fuel revenue requirement is
24 projected to eventually decrease to approximately \$7 million per year by 2025. Although
25 operation and maintenance costs are forecasted to increase over time due to general price
26 inflation and aging of the facility, the net non-fuel revenue requirement is projected to
27 decrease over time due to the beneficial effects of accumulated depreciation and deferred

1 income taxes on rate base. Relative to continued reliance on the wholesale market for the
2 procurement of peaking capacity, the cost of which is not expected to decrease over time,
3 the purchase and rate base treatment of the BMGS would be highly beneficial to customers
4 over the long-run.

5
6 **Q. Are there other financial benefits associated with owning generation?**

7 A. Yes, there are. Ownership of generation reduces a utility's reliance on purchased power
8 and long-term lease agreements. Those alternatives to ownership have very specific
9 credit and financial accounting implications that can negatively affect the credit profile of
10 a utility. If a utility relies too heavily on purchased power and long-term lease
11 agreements, a capital structure with a higher percentage of equity capital would have to be
12 established in order to maintain the same credit ratings. Over the long-run, such a shift in
13 capital structure would result in a higher cost for transmission and distribution service.
14 As a consequence, many utilities prefer to have a portfolio of supply-side resources
15 consisting of both owned generation and purchased power agreements. That is exactly
16 what we are trying to achieve by having UNS Electric own BMGS. But to do so, we
17 must have timely rate recognition of that facility upon the transfer of ownership to UNS
18 Electric.

19
20 **Q. Please explain the credit and financial accounting implications associated with**
21 **purchased power and long-term lease agreements.**

22 A. Purchased power agreements can affect a utility's credit needs and financial profile in a
23 variety of ways. Fixed price purchased power agreements typically contain margin or
24 collateral posting requirements that are tied to the market value of the contract and the
25 credit limit assigned to a particular counterparty. For example, if UNS Electric were to
26 enter into a fixed price purchased power contract, and wholesale electricity prices were to
27 fall, the market value of that contract to the seller would increase. If the market value of

1 the contract were to exceed the credit limit specified by the seller for UNS Electric, UNS
2 Electric would then either have to deposit cash as collateral or provide a letter of credit in
3 an amount equal to the difference between the market value of the contract and the
4 specified credit limit. Since UNS Electric is a relatively small company with a low
5 investment-grade credit rating, the collateral requirements for UNS Electric could be
6 quite large if a significant volume of purchases are made on a fixed price basis. As
7 discussed in Section VI of my Direct Testimony, the costs of providing this credit support
8 can be very significant.

9
10 Purchased power contracts that contain minimum monthly demand charges can also
11 affect a utility's credit profile and possibly impact the utility's balance sheet as well. All
12 of the major credit rating agencies examine the purchased power commitments of the
13 utilities they rate to see if these contracts have debt-like qualities. If the demand
14 payments under a contract are mandatory, the rating agencies will typically impute a debt
15 obligation associated with the contract and adjust the utility's balance sheet accordingly.
16 Under generally accepted accounting principles, certain types of purchased power
17 contracts may also require the utility to record a lease obligation and periodic lease
18 expense on the utility's financial statements. Generally, if the contract is for power
19 generated at a specific site, and the contract contains a demand charge designed to recover
20 a majority of that facility's capital costs over time, then the contract would likely be
21 reflected as a lease on the utility's financial statements. Since lease obligations are
22 typically viewed as a form of debt financing by credit analysts, a utility's credit profile or
23 debt issuance capacity may be negatively impacted by large purchased power contracts
24 that receive lease accounting treatment. Likewise, if a utility enters into a long-term lease
25 for a generating facility, the credit profile or debt issuance capacity of the utility would be
26 affected in a similar manner.

1 **Q. Did the Company request rate base treatment of the BMGS in its last rate case?**

2 A. Yes. However, the request to grant rate base treatment was denied on the grounds that it
3 was premature to do so. Specifically, in Decision No.70360, Finding of Fact No. 38 stated
4 the following:

5
6 38. The Company's proposal to include the Black Mountain
7 Generating Station in base rates should not be approved because,
8 among other things, the plant was not operational during the test
9 year, and is therefore not used and useful for ratemaking purposes;
UNSE does not yet have ownership of the plant; the plant costs have
not been determined to be prudent by the Commission; and the final
cost of the plant is unknown since it has not been completed.

10 **Q. Have the circumstances described in Finding of Fact No. 38 changed since the**
11 **Commission's final order was issued in UNS Electric's last rate case?**

12 A. Yes, they have. The facility was completed and entered commercial operation on May 30,
13 2008, providing service to UNS Electric under the terms of the FERC-approved tolling
14 agreement. Additionally, the final cost of completion is now known. As of the end of the
15 test year the total cost recorded on the books of UED was \$63 million, a value consistent
16 with the Company's original cost estimate of \$60 million to \$65 million. Net of
17 depreciation, the cost at December 31, 2008 was \$62 million, the purchase price being
18 proposed in this proceeding. As described in the Direct Testimony of UNS Electric
19 witness Mr. Thomas McKenna, the BMGS has performed quite well since it entered
20 commercial operation and would clearly be used and useful to UNS Electric in meeting its
21 needs for energy and capacity. The only circumstances that remain unchanged are (i) the
22 continued ownership of the BMGS by UED and (ii) the lack of a formal prudence finding
23 with respect to the final completion costs.

24
25 **Q. Can the remaining issues of prudence and ownership be resolved in this proceeding?**

26 A. With respect to the issue of prudence, the answer is yes. Now that construction of the
27 BMGS has been completed, this issue can now be resolved with certainty. The Company

1 is prepared to provide information on the cost of construction to the Commission Staff and
2 other parties to this case for a determination of prudence. As was discussed by Company
3 witnesses in the last UNS Electric rate case, the cost of the BMGS should compare
4 favorably with other similar projects due to the low cost of acquiring the LM6000 turbines
5 that were installed.

6
7 With respect to the issue of ownership, the Company believes this matter can be resolved
8 with a high degree of certainty if the Commission were to issue an order determining
9 prudence for the BMGS and approving a post-test year adjustment to rate base for this
10 facility. Although FERC approval would still be required and financing would have to be
11 arranged, an order from the Commission approving the purchase and requested rate
12 treatment would be very helpful in completing the proposed transfer of ownership. Upon
13 completion of these prerequisites and the actual transfer, UNS Electric would file a verified
14 notice of the transfer of ownership with the appropriate documentation that would trigger
15 the proposed rate reclassification.

16
17 **Q. Why hasn't the Company proceeded with the purchase of the BMGS prior to filing**
18 **this rate case?**

19 A. From a financial perspective it would have been imprudent, and likely unfeasible, to raise
20 \$60 million of additional capital prior to receiving a Commission order specifying rate
21 treatment for the BMGS. Since UNS Electric is small relative to most other investor-
22 owned utilities, having a total capitalization of only \$192 million as of December 31, 2008,
23 an asset acquisition of this magnitude without a commensurate increase in earnings and
24 cash flow would have been very detrimental to the Company's financial position and credit
25 profile. Additionally, in light of the fact that UNS Electric has the lowest investment-grade
26 credit rating assigned by Moody's Investor Service (Baa3), even a modest decline in
27 financial performance could cause a downgrading of the Company's credit rating to junk

1 bond status. Such an event would not be in the best interest of the Company or its
2 customers, particularly during a time of turmoil and increased risk aversion in the capital
3 markets.

4
5 **Q. In the Company's last rate case, did the Commission encourage UNS Electric to**
6 **proceed with a purchase of the BMGS?**

7 A. Yes. However, that encouragement stopped short of authorizing rate base treatment of the
8 BMGS.

9
10 **Q. In the Company's last rate case, did the Commission take any action to facilitate the**
11 **purchase of the BMGS by UNS Electric?**

12 A. Yes. The Commission granted UNS Electric financing authority to acquire the BMGS. It
13 also approved deferred accounting treatment for the facility. As described on page 76 of
14 Decision No. 70360, the approval of deferred accounting treatment was made in order to
15 encourage the purchase of this facility by UNS Electric:

16 "For the reasons they cite, we agree with Staff and RUCO that the
17 BMGS should not be included in rate base at this time. However,
18 the temporal coincidence of two circumstances specific to this
19 case, expiration of UNSE's contract with Pinnacle West two weeks
20 from now and imminent commercial operation of the plant, is a
21 compelling basis on which to encourage UNSE's acquisition of the
22 BMGS. To provide such encouragement, we will authorize UNSE
to implement an accounting order to record any and all of the
Company's financial activities associated with the BMGS, as if the
BMGS were in rate base as of June 1, 2008. Unless otherwise
ordered by the Commission, this accounting order would remain in
effect until the effective conclusion of UNSE's next rate case."

23
24 **Q. Is deferred accounting treatment, by itself, sufficient to permit a financing of the**
25 **BMGS purchase on reasonable terms?**

26 A. No, it is not. While deferred accounting treatment is intended to support a Company's
27 earnings during the cost deferral period, and to provide a means of recovering the interim

1 costs of owning and operating a new generating facility at some future point in time, it does
2 not provide any cash rate relief to cover the interim cash costs incurred by the Company in
3 acquiring and operating a generating facility. Since a purchase of the BMGS would have
4 resulted in a 32% increase to the Company's test year capitalization, and since it can take
5 as long as 18 to 24 months from the end of a test year to obtain a new base rates, UNS
6 Electric would have experienced a substantial decline in its operating cash flow and key
7 credit metrics if it had consummated the purchase of the BMGS prior to the end of the test
8 year (December 31, 2008). In light of the Company's weak investment-grade credit rating
9 and turbulent capital markets, a financing of this magnitude would have been very
10 expensive to the Company and its customers, assuming it could have been completed at all.

11
12 **Q. Would it be financially prudent to consummate the financing and purchase of the**
13 **BMGS prior to receiving a final order in this rate proceeding?**

14 A. No. Based on the present circumstances, it would not be prudent to proceed. The
15 combination of regulatory uncertainty, a weak investment-grade credit rating and a difficult
16 financing environment supports a cautionary approach to large asset acquisitions and
17 related financing activities. Even if the financing environment were to materially improve,
18 UNS Electric would still need additional clarity on the probable timing of rate relief, the
19 likely outcome of any prudence review, and the positions taken by the Commission Staff
20 and other parties on the Company's request for a post-test year adjustment to rate base
21 before proceeding with a purchase of the BMGS.

22 **Q. Please describe the rate reclassification proposed by UNS Electric that would occur**
23 **upon purchase of the BMGS.**

24 A. If the Commission determines that the BMGS should be added to rate base upon transfer of
25 ownership, the proposed rate reclassification would result in an increase to the Company's
26 non-fuel base rates and a simultaneous decrease to the Company's base power supply rates
27 shortly after the purchase from UED is completed. Customers would see no net change in

1 the price paid for electric service as a result of this rate reclassification. As discussed in the
2 Direct Testimony of UNS Electric witness D. Bentley Erdwurm, this rate reclassification
3 would increase the Company's average non-fuel base rate by approximately 0.7 cents/kWh
4 and decrease the Company's average power supply rate by the same amount.
5

6 Despite the fact that no increase in overall revenues would occur as a result of the rate
7 reclassification, the Company would immediately begin to realize an increase to its
8 earnings and cash flow. The incremental earnings and cash flow forecasted to result from
9 the rate reclassification and rate base treatment of the BMGS are summarized in Exhibit
10 KCG-2. As previously discussed, it is this increase to earnings and cash flow that would
11 permit UNS Electric to raise the additional capital needed to purchase the BMGS.
12

13 Upon completion of the purchase, UNS Electric would promptly notify Staff regarding the
14 transfer of ownership and the requirement to reclassify rates. The Company's proposal
15 contemplates the reclassification of rates within 15 days of the purchase date.
16

17 **Q. What will happen if rate base treatment of the BMGS is not approved by the**
18 **Commission?**

19 A. UNS Electric will continue to receive energy and capacity from the BMGS under the terms
20 of the tolling agreement with UED. Prior to the end of that agreement in 2013, UNS
21 Electric would likely issue another request for proposals ("RFP") seeking replacement
22 peaking capacity. If the BMGS is still owned by UED at that time, UED would then have
23 the opportunity to bid into the RFP along with other wholesale energy providers. The
24 terms and cost of any replacement peaking capacity obtained by UNS Electric would be
25 dependent on prevailing wholesale market conditions and the nature of the bids received in
26 response to the Company's RFP.
27

1 **Q. In light of the circumstances you have just described, do you believe the public**
2 **interest would be served by approving the proposed purchase and rate base**
3 **treatment of the BMGS?**

4 **A.** Yes, I do. Approval of this proposal and the subsequent transfer of ownership would be of
5 significant benefit to both the Company and its customers for many years to come.
6

7 **III. RATE OF RETURN ON FAIR VALUE RATE BASE.**
8

9 **Q. What Rate of Return do you recommend be applied to the Company's FVRB?**

10 **A.** I recommend that a rate of return ("ROR") of 6.88% be applied to the Company's
11 requested FVRB of approximately \$265 million. If the Company's request to purchase
12 and include the BMGS in rate base is approved, the required ROR on this increment of
13 FVRB should be equal to the Company's 9.04% weighted average cost of capital
14 ("WACC") recommended by UNS Electric witness Martha B. Pritz. On a composite
15 basis, this would result in an overall ROR of 7.29% on a FVRB of \$328 million.
16

17 **Q. How did you arrive at the value of 6.88% without the BMGS in rate base?**

18 **A.** This ROR, when applied to the Company's FVRB of \$265 million, produces an overall
19 rate increase that would provide UNS Electric with a reasonable opportunity to earn its
20 cost of capital, to support its creditworthiness and to attract capital on reasonable terms.
21

22 **Q. How does this ROR compare with the value that would be obtained from the**
23 **methodology adopted by the Commission in Decision No. 70441 involving Chaparral**
24 **City Water Company ("Chaparral") and the revised methodology subsequently**
25 **recommended by the Commission Staff?**

26 **A.** The ROR of 6.88% requested by UNS Electric compares favorably in both instances.
27

1 **Q. Please explain how the ROR value would be obtained using the approach adopted in**
 2 **Decision No. 70441.**

3 A. Certainly. In that decision, the ROR on FVRB was derived by adjusting the cost of
 4 equity downward by the expected rate of inflation. Using the WACC recommended by
 5 UNS Electric witness Martha Pritz, and the long-term inflation rate of 2.1% also
 6 identified by Ms. Pritz in her cost of equity analysis, the following result would be
 7 obtained for UNS Electric:

	% of Capital Structure	Modified Cost *	Weighted Average Cost
Long-Term Debt	54.24%	7.05%	3.82%
Common Equity	45.76%	9.30%	4.26%
Total	100.00%		8.08%

8
 9
 10
 11
 12 * Note: Modified cost of equity = 11.40% - 2.10% = 9.30%.

13
 14 **Q. Please explain how the ROR value would be obtained using the approach**
 15 **recommended by the Commission Staff in the current Chaparral rate proceeding.**

16 A. Staff's methodology, which is explained in the Direct Testimony of Gordon L. Fox, dated
 17 October 3, 2008, in Docket No. W-02113A-07-0551, employs a different inflation rate
 18 adjustment. Instead of adjusting only the cost of equity by the full rate of inflation, the
 19 modified approach adopted by Mr. Fox adjusts both the cost of debt and cost of equity by
 20 one-half of the expected rate of inflation. Using the same 9.0 WACC and 2.1% expected
 21 rate of inflation referenced above, the following result would be obtained for UNS Electric:

	% of Capital Structure	Modified Cost *	Weighted Average Cost
Long-Term Debt	54.24%	6.00%	3.25%
Common Equity	45.76%	10.35%	4.74%
Total	100.00%		7.99%

22
 23
 24
 25
 26 * Note: Modified cost of debt = 7.05% - 1.05% = 6.00%.
 27 Modified cost of equity = 11.40% - 1.05% = 10.35%.

1 **Q. In the Arizona Court of Appeals ruling that led to Commission Decision No. 70441,**
2 **did the Court specify any particular method for the determination of an appropriate**
3 **ROR on FVRB?**

4 A. My non-legal understanding of that decision is that, although the Court found the method
5 used in the original Chaparral Decision to be unconstitutional, no particular method of
6 determining the ROR on FVRB was specified by the Court.

7
8 **Q. Why is UNS Electric requesting a ROR on FVRB of 6.88%?**

9 A. The Company believes that the requested ROR, when applied to the proposed FVRB, will
10 be sufficient to provide UNS Electric with a reasonable opportunity to earn its proposed
11 cost of capital and to attract new capital on reasonable terms while limiting the impact of
12 its rate request on customers.

13
14 **Q. How was the Company's revenue requirement and requested rate increase impacted**
15 **by the decision to use a 6.88% ROR on FVRB?**

16 A. Relative to the value of 7.99% that would be obtained using Staff's recommended
17 methodology in Mr. Fox's Direct Testimony described above, the requested 6.88% ROR
18 on FVRB reduced the Company's non-fuel revenue requirement and requested rate
19 increase by \$4.8 million.

20
21 **Q. If the Company's proposed investment in the BMGS is included in rate base, should a**
22 **different ROR be applied to this increment of FVRB?**

23 A. Yes. Since UNS Electric will have to raise new capital to complete this purchase, and
24 since the fair value of this investment is very close to the original cost of the BMGS net of
25 accumulated depreciation (as determined by UNS Electric witness Dallas J. Dukes), it is
26 appropriate to apply the Company's WACC to this increment of FVRB. The Company's
27 current WACC of 9.04% as determined by UNS Electric witness Martha B. Pritz should

1 therefore be applied to the FVRB associated with the BMGS.

2
3 **Q. What composite ROR on FVRB would be obtained if the BMGS is included in rate**
4 **base?**

5 A. The resulting ROR on FVRB is 7.29%. This value is calculated on a weighted average
6 basis as follows:

7

8 (\$ Thousands)	FVRB	% Total	ROR	Wtd. Avg.
9 Excluding BMGS	\$265,152	80.86%	6.88%	5.56%
10 BMGS	\$62,778	19.14%	9.04%	1.73%
11 Total with BMGS	\$327,930	100.00%		7.29%

12

13 **IV. TIMING OF RATE RELIEF.**

14
15 **Q. On what date does UNS Electric propose that its requested base rate increase be**
16 **effective?**

17 A. Any date on or before June 1, 2010.

18
19 **Q. What is the significance of June 1, 2010?**

20 A. This is the date on which UNS Electric's PPFAC rate is scheduled to be re-set. In order to
21 avoid confusion on the part of certain customers, it would be best if the PPFAC and base
22 rate changes were made simultaneously on customer bills. This date also coincides with
23 the beginning of the Company's peak summer sales season of June through September, and
24 would allow the Company an opportunity to begin earnings its cost of capital in 2010
25 instead of 2011. Finally, the date of June 1, 2010 falls approximately 13 months after the
26 filing of this rate application and 17 months after the test-year ending December 31, 2008.
27 Since the Company is presently not recovering its full cost of service, and is earning

1 substantially less than its cost of capital, further delay beyond this proposed date would
2 result in significant financial harm to UNS Electric.

3
4 **Q. Did the Company consider filing its rate request sooner?**

5 A. Yes. However, in light of the relatively recent date of our last rate order, and the recent
6 experience of UNS Gas which had a rate application rejected by the Commission Staff
7 based on timing concerns, we decided to delay our rate filing in order to ensure a finding of
8 sufficiency by Staff.

9
10 **V. ABILITY OF UNS ELECTRIC TO EARN ITS COST OF CAPITAL.**

11
12 **Q. Has the Company been able to earn its cost of capital in recent years?**

13 A. No, it has not. Despite receiving a base rate increase just prior to the Company's peak
14 sales months in 2008, UNS Electric realized a return on average common equity (equal to
15 net income divided by average common equity) of only 4.6% for the test-year ending
16 December 31, 2008. In 2007, the Company realized a return on equity ("ROE") of only
17 6.6%. When compared with the authorized ROE of 10.0% specified in Decision No.
18 70360, and the 11.4% cost of equity determined by UNS Electric witness Martha Pritz in
19 this proceeding, it is readily apparent that UNS Electric has been under-earning its cost of
20 capital by a wide margin and will continue to do so until appropriate rate relief is granted.

21
22 **Q. Will the rate increase requested by UNS Electric provide the Company with an
23 opportunity to actually earn its cost of capital?**

24 A. Yes, I believe it will.
25
26
27

1 **Q. Have you prepared any financial projections that show the impact of the Company's**
2 **rate request on UNS Electric' earnings?**

3 A. Yes. The following table summarizes the Company's base case forecast of net income
4 and earned ROE through 2011 assuming that UNS Electric is granted its full rate request
5 and is allowed to implement new rates in June 2010:

6

7 (\$ Thousands)	2008	2009	2010	2011
8 Gross Margin *	\$50,086	\$52,984	\$64,771	\$71,909
9 Operating Expenses *	(38,038)	(40,993)	(43,746)	(45,865)
10 Operating Income	\$12,048	\$11,991	\$21,025	\$26,044
11 Other Income – Net	726	337	254	286
12 Interest Expense	(6,602)	(6,716)	(6,858)	(7,080)
13 Pre-Tax Income	\$6,172	\$5,612	\$14,421	\$19,250
14 Income Tax Exp.	(2,409)	(2,220)	(5,713)	(7,625)
15 Net Income	\$3,764	\$3,392	\$8,708	\$11,625
16 Ending Common Equity	\$83,755	\$87,148	\$95,856	\$107,479
17 Return on Avg. Equity	4.6%	4.0%	9.5%	11.4%

18 *Note: Gross Margin represents Operating Revenues less Fuel, Purchased Power and Purchased
19 Transmission Expense. Renewable energy and demand-side management revenues and
expenses have been removed from gross margin and operating expenses in this table
since they do not contribute to net income.

20 As reflected in this table, UNS Electric is projected to realize a ROE of 9.5% in 2010 and
21 11.4% in 2011. Since 2011 will likely be the first full year under new base rates, it is
22 important that the Company have an opportunity to earn a ROE that is close to the 11.4%
23 cost of equity identified by UNS Electric witness Martha Pritz.

24

25 **Q. Does this forecast represent the best estimate of earnings available at this point in**
26 **time?**

27 A. Yes, it does. Although this forecast relies on numerous key assumptions regarding future

1 sales levels, operating expenses, interest rates, tax rates and capital expenditures, it
2 represents management's best estimate at this point in time.

3
4 **Q. Does this forecast incorporate the Company's proposed purchase and rate base
5 treatment of the BMGS?**

6 A. No, it does not. However, assuming the proposed rate reclassification occurs shortly after
7 the purchase is completed, and further assuming that the cost of capital raised for the
8 purchase approximates the Company's current cost of capital, the impact of BMGS
9 ownership on the Company's earned ROE is not expected to be material. Although the
10 dollar amount of earnings would increase as discussed previously, UNS Electric's balance
11 of equity capital would also increase due to the financing required to purchase the BMGS.
12 Since the proposed rate reclassification incorporates the Company's weighted average cost
13 of capital, as well as the incremental change to invested capital that would occur as a result
14 of the purchase of the BMGS, the earned ROE for UNS Electric should not be materially
15 impacted by the proposed purchase and rate reclassification.

16 **Q. Why is it important to provide the Company an opportunity to earn its allowed
17 ROE?**

18 A. If UNS Electric is not allowed to earn its cost of equity capital, there will be little
19 incentive for UniSource Energy to increase its equity investment in UNS Electric through
20 the continued retention of earnings at UNS Electric and through new contributions of
21 capital.

22
23 Without this source of capital, UNS Electric would become more dependent on debt
24 capital to fund its capital expenditures, thereby putting further pressure on the Company's
25 creditworthiness. Maintenance of the Company's creditworthiness is essential to the
26 Company's wholesale power procurement program and the ability of UNS Electric to
27 obtain new capital on reasonable terms. Additionally, UNS Electric would likely be

1 forced to file a series of back-to-back rate cases over the next several years in order to
2 improve its earnings and cash flow. Such a scenario would add additional costs to the
3 Company, its customers and the Commission that could otherwise be avoided through a
4 more constructive, and longer-term, approach to rate making.

5
6 In addition to these practical considerations, the financial performance of UNS Electric is
7 also relevant to the setting of just and reasonable rates as described in two key U.S.
8 Supreme Court rulings. In a 1923 ruling involving *Bluefield Water Works and*
9 *Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923),
10 the Supreme Court stated:

11
12 The return should be reasonably sufficient to assure confidence in
13 the financial soundness of the utility and should be adequate, under
14 efficient and economical management, to maintain and support its
15 credit and enable it to raise the money necessary for the proper
16 discharge of its public duties.

17 The Bluefield decision established financial integrity and capital attraction as standards to
18 be met in setting the rate of return for a public utility. In a 1944 decision, *Federal Power*
19 *Comm'n v. Hope Natural Gas*, 320 U.S. 591 (1944), the Supreme Court stated:

20 The return to the equity owner should be commensurate with the
21 returns on investments in other enterprises having corresponding
22 risks. That return, moreover, should be sufficient to assure
23 confidence in the financial integrity of the enterprise so as to
24 maintain its credit and to attract capital.

25 The Hope decision reinforced the standards of financial integrity and capital attraction,
26 and further established the standard of setting a ROE that is commensurate with the risks
27 faced by the equity investor.

1 **VI. PROPOSED CHANGES TO THE PURCHASED POWER AND FUEL ADJUSTOR**
2 **CLAUSE.**

3
4 **A. PPFAC Interest Rate.**

5
6 **Q. What is the current carrying cost applicable to PPFAC balances carried by UNS**
7 **Electric?**

8 A. The current rate applicable to PPFAC balances, whether they are in an over- or under-
9 recovered position, is the one-year Nominal U.S. Treasury Constant Maturities rate as
10 published in the Federal Reserve Statistical Release H.15 on the first day of each calendar
11 year. The rate currently in effect is 0.40%.

12
13 **Q. Does this rate reflect the actual cost to UNS Electric of financing PPFAC cost**
14 **deferrals?**

15 A. No. Under the joint revolving credit facility shared with UNS Gas, UNS Electric may
16 borrow at LIBOR plus 1.0%. This rate is typically much higher than the interest rate
17 applicable to short-term debt obligations issued by the U.S. Treasury. As may be seen in
18 Exhibit KCG-3, the rates on one-year U.S. Treasury bills and 3-month LIBOR tracked
19 very closely to one another through mid-2007. However, since that time, rates on 3-
20 month LIBOR borrowings have been significantly higher than rates on one-year Treasury
21 bills. When the additional 1.0% credit margin is added to LIBOR to reflect the cost of
22 short-term borrowing to UNS Electric, it is readily apparent that the one-year U.S.
23 Treasury borrowing rate is not adequate in terms of providing full cost recovery to UNS
24 Electric.

1 **Q. What carrying cost do you recommend be applied to the Company's PPFAC**
2 **balances?**

3 A. I recommend use of the 3-month LIBOR rate that is published by the British Bankers
4 Association and the Wall Street Journal, plus 1.0% to cover the additional margin that
5 UNS Electric must pay for short-term borrowings. Additionally, I recommend that this
6 rate be re-set every month in order to reflect current credit market conditions, and that it
7 be further adjusted should the cost of credit under UNS Electric's credit facility (1.0%
8 credit margin) be changed in the future.

9
10 **B. Recovery of Credit Support Costs.**

11
12 **Q. Does UNS Electric incur other credit-related costs to support the procurement of**
13 **wholesale power and natural gas?**

14 A. Yes. In addition to financing temporary under-collections of fuel and purchased power
15 costs, the Company must also provide credit support to wholesale counter-parties from
16 whom these purchases are made. This credit support may either take the form of a letter of
17 credit issued by a creditworthy bank or a deposit of cash collateral in an escrow account.
18 Credit support is often required to provide assurance to a wholesale counter-party that UNS
19 Electric will perform its obligation to purchase power or natural gas as specified by
20 contract.

21
22 **Q. Under what situations may wholesale credit support be required?**

23 A. It is customary for a participant in the wholesale power and natural gas markets to set a
24 credit limit with each counter-party. Larger credit lines are typically extended to large
25 highly-rated market participants, while credit lines are typically much smaller for small
26 companies having weaker credit ratings. When the credit exposure to a counter-party
27 exceeds the specified credit limit, a request for credit support is made. From the standpoint

1 of a seller of wholesale power or natural gas, credit exposure to a counter-party is typically
2 defined as the sum of (i) the receivable balance due from the counter-party and (ii) the
3 mark-to-market value (positive or negative) of future sales specified under the contract. In
4 the case of UNS Electric, requests for credit support are received from sellers of wholesale
5 power and natural gas whenever their credit exposure to the Company exceeds the credit
6 limit they have assigned to UNS Electric. Although credit limits may be negotiable when a
7 new business relationship is being established, the decision to extend credit is solely at the
8 discretion of the seller.

9
10 **Q. What level of credit support has UNS Electric been required to provide?**

11 A. Exhibit KGC-4 shows the historical level of credit support required. As may be seen, since
12 August of 2008 the Company has had between \$7 million and \$12 million of letters of
13 credit outstanding at any point in time. When cash collateral deposits are considered, the
14 total amount of wholesale credit support has varied from \$12 million to \$21 million over
15 this same time period. Clearly, this is a large amount of credit support for a company the
16 size of UNS Electric.

17
18 **Q. What is the cost to UNS Electric when it provides credit support to a wholesale
19 counter-party?**

20 A. Under UNS Electric's credit facility, the Company is charged 1.15% on the face value of
21 any letter of credit on an annualized basis. The rate of 1.15% consists of a 1.0% credit
22 margin payable to the bank group plus a 0.15% fronting fee payable to the bank that issues
23 the letter of credit. For cash collateral deposits, the cost to the Company is equal to LIBOR
24 plus 1.0% for any borrowings required under the Company's revolving credit facility.
25 While interest income earned on the escrow account may offset a portion of the LIBOR
26 rate paid by the Company to the bank group, the rate earned on escrow investments is
27 typically lower than LIBOR and clearly does not cover the 1.0% credit margin also paid by

1 UNS Electric. As a consequence, a cost rate of 1.15% also represents a reasonable cost
2 estimate for the posting of cash collateral deposits by UNS Electric.

3
4 **Q. What is your recommendation regarding the recovery of wholesale credit costs by**
5 **UNS Electric?**

6 A. I recommend that this cost be recovered through the Company's PPFAC. It is a necessary
7 cost of procuring wholesale power and natural gas, and is also highly variable over time
8 due to commodity price swings and the varying length of procurement contracts
9 outstanding at any point in time. The cost of wholesale credit support can be easily
10 quantified by multiplying the aggregate balance of letters of credit and cash collateral
11 deposits outstanding by the 1.15% cost rate applicable under the UNS Electric credit
12 facility, adjusted for the number of days such balances are outstanding. Further, I
13 recommend that this cost rate be subject to adjustment should the cost of credit available to
14 UNS Electric be changed in the future.

15
16 **Q. Is the Company recommending any other modification to the PPFAC mechanism**
17 **adopted by the Commission in Decision No. 70360?**

18 A. No.

19
20 **VII. SUMMARY OF SCHEDULES.**

21
22 **A. Schedule A-4.**

23
24 **Q. Please describe the information contained in Schedule A-4.**

25 A. Schedule A-4 provides historical and projected information relating to construction
26 expenditures, net plant in service and gross utility plant in service. The projected
27 information for the period 2009-2011 is consistent with the base case financial forecast

1 discussed elsewhere in my Direct Testimony. The values for net plant in service and
2 gross utility plant are presented on a regulatory accounting basis, which differs slightly
3 from the presentation used in the Company's audited financial statements and the
4 financial forecast.

5
6 **B. Schedules F-1 through F-4.**

7
8 **Q. Please describe Schedule F in the Company's Application.**

9 **A.** Schedule F consists of four parts, Schedules F-1 through F-4.

10
11 Schedule F-1 contains a summary income statement and a return on common equity
12 calculation for the test-year ended December 31, 2008. This same information is
13 presented on a projected basis for the year ending December 31, 2009. Pursuant to
14 Commission filing requirements, the projected year information is presented using two
15 different rate assumptions: (i) a continuation of present rates; and (ii) an assumed
16 implementation of proposed rates as of January 1, 2009.

17
18 Schedule F-2 contains a summary cash flow statement for the test-year ended December
19 31, 2008. This same information is presented on a projected basis for the year ending
20 December 31, 2009. The projected year information is presented using two different rate
21 assumptions: (i) a continuation of present rates; and (ii) an assumed implementation of
22 proposed rates as of January 1, 2009.

23
24 Schedule F-3 contains information on the Company's construction expenditures during
25 the test-year ended December 31, 2008. This same information is presented on a
26 projected basis for calendar years 2009, 2010 and 2011.

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Schedule F-4 contains a description of key forecast assumptions used in preparing the projected information appearing in Schedules F-1 through F-3.

Q. Please comment on the projected information appearing in Schedules F-1 and F-2.

A. The financial projections that assume a continuation of current rates through December 31, 2009 were taken from a base case financial forecast prepared for UNS Electric, the same base case forecast discussed elsewhere in my Direct Testimony. It should be noted that this forecast is based on numerous assumptions regarding sales growth, operating expenses and capital expenditure levels, and other factors that are subject to change over time. Additional financial projections are provided in Schedules F-1 and F-2 that assume implementation of the Company's requested rates as of January 1, 2009. These additional projections are included for the purpose of complying with the Commission's rate filing requirements. Since it is unlikely the Company will be allowed to increase its rates prior to 2010, projections assuming that the requested rates were implemented in January 2009 have limited analytical value.

Q. Does that conclude your Direct Testimony?

A. Yes, it does.

EXHIBIT

KCG-1

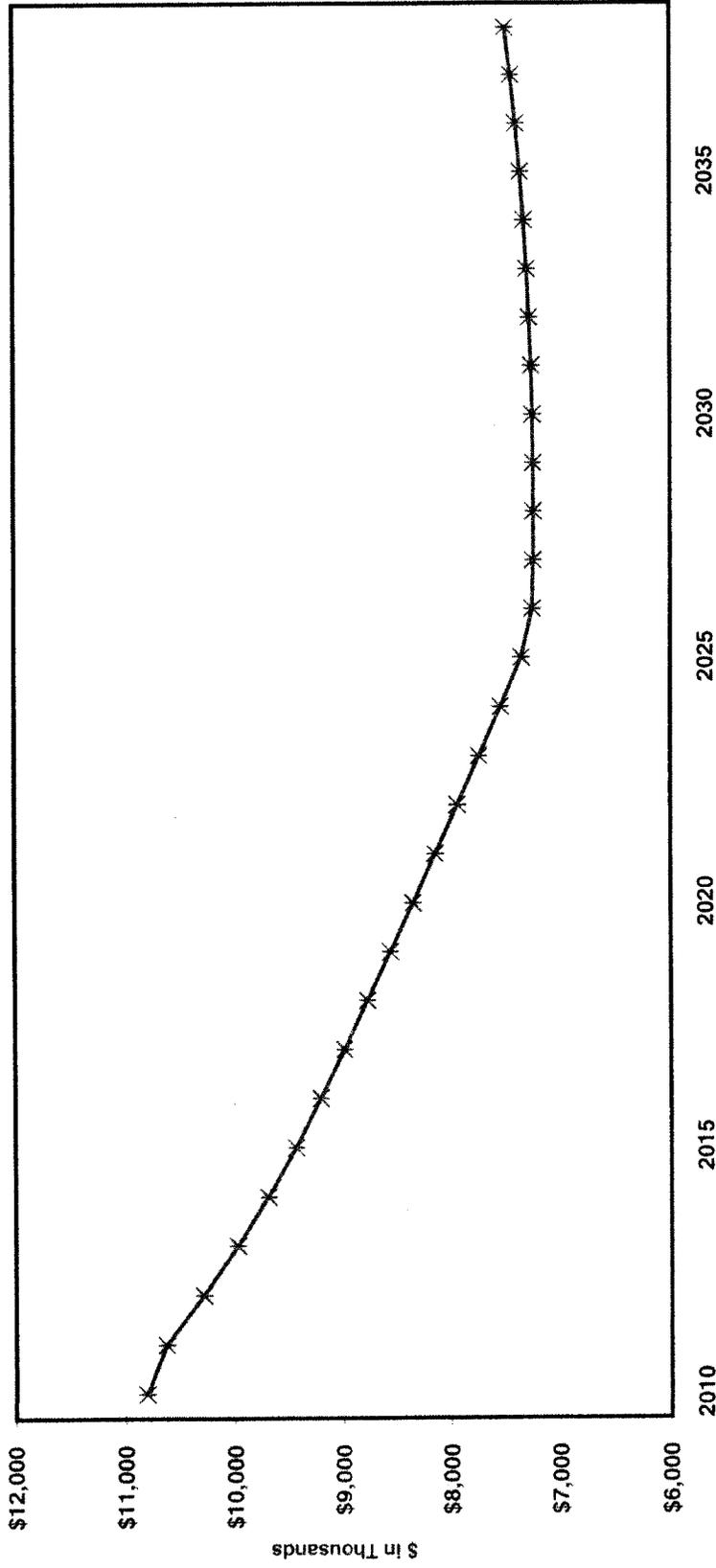
UNS Electric, Inc.
Forecasted Non-Fuel Revenue Requirement for the Black Mountain Generating Station

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
\$ in Thousands										
Beginning Gross Plant	\$ 62,980	\$ 63,633	\$ 63,733	\$ 63,837	\$ 63,945	\$ 64,058	\$ 64,175	\$ 64,296	\$ 64,423	\$ 64,554
Accumulated Depreciation	(1,009)	(2,659)	(4,326)	(5,996)	(7,669)	(9,344)	(11,022)	(12,704)	(14,388)	(16,076)
Beginning Net Plant	\$ 61,971	\$ 60,974	\$ 59,407	\$ 57,841	\$ 56,277	\$ 54,714	\$ 53,152	\$ 51,593	\$ 50,035	\$ 48,478
Accumulated Deferred Inc. Taxes	-	-	(334)	(1,998)	(3,431)	(4,656)	(5,693)	(6,559)	(7,343)	(8,126)
Rate Base	\$ 61,971	\$ 60,974	\$ 59,073	\$ 55,842	\$ 52,845	\$ 50,057	\$ 47,459	\$ 45,034	\$ 42,692	\$ 40,353
x WACC	9.04%	9.04%	9.04%	9.04%	9.04%	9.04%	9.04%	9.04%	9.04%	9.04%
Return	\$ 5,603	\$ 5,512	\$ 5,341	\$ 5,048	\$ 4,778	\$ 4,525	\$ 4,291	\$ 4,071	\$ 3,860	\$ 3,648
O&M Expense	\$ 1,158	\$ 1,204	\$ 1,252	\$ 1,303	\$ 1,355	\$ 1,409	\$ 1,465	\$ 1,524	\$ 1,585	\$ 1,648
Property Taxes	419	423	427	432	436	440	445	449	454	458
Book Depreciation	1,650	1,667	1,670	1,673	1,675	1,678	1,681	1,685	1,688	1,691
Return	5,603	5,512	5,341	5,048	4,778	4,525	4,291	4,071	3,860	3,648
Income Taxes	2,032	1,999	1,937	1,831	1,733	1,641	1,556	1,477	1,400	1,323
Non-Fuel Revenue Requirement	\$ 10,862	\$ 10,807	\$ 10,627	\$ 10,286	\$ 9,976	\$ 9,695	\$ 9,438	\$ 9,206	\$ 8,986	\$ 8,769

Assumptions

Book Depreciation Rate	2.62%	CAPEX Escalation Rate	4.0%	% Capital	Cost	Wtd. Cost
2009 Capital Improvements	\$ 653	O&M Escalation Rate	4.0%	Equity	11.40%	5.22%
2010 Capital Improvements	\$ 100	Property Tax Escalation	1.0%	L-T Debt	7.05%	3.82%
		Income Tax Rate	38.60%		100.00%	9.04%

UNS Electric, Inc.
Forecasted Non-Fuel Revenue Requirement for the Black Mountain Generating Station



EXHIBIT

KCG-2

UNS Electric, Inc.
Forecasted Financial Impact of BMGS Rate Base Treatment

Exhibit KCG-2

\$ in Thousands

Income Statement Impact

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Base Rate Revenues	\$ 6,304	\$ 10,862	\$ 10,807	\$ 10,627	\$ 10,286	\$ 9,976	\$ 9,695	\$ 9,438	\$ 9,206
O&M Expense	\$ 703	\$ 1,252	\$ 1,303	\$ 1,355	\$ 1,409	\$ 1,465	\$ 1,524	\$ 1,585	\$ 1,648
Property Taxes	247	427	432	436	440	445	449	454	458
Book Depreciation	973	1,670	1,673	1,675	1,678	1,681	1,685	1,688	1,691
Total Operating Expense	\$ 1,922	\$ 3,350	\$ 3,407	\$ 3,466	\$ 3,528	\$ 3,591	\$ 3,658	\$ 3,726	\$ 3,798
Operating Income	\$ 4,382	\$ 7,512	\$ 7,400	\$ 7,161	\$ 6,759	\$ 6,385	\$ 6,037	\$ 5,712	\$ 5,408
Interest Expense	\$ 1,360	\$ 2,259	\$ 2,135	\$ 2,021	\$ 1,914	\$ 1,815	\$ 1,722	\$ 1,633	\$ 1,543
Income Tax Expense	\$ 1,166	\$ 2,028	\$ 2,032	\$ 1,984	\$ 1,870	\$ 1,764	\$ 1,665	\$ 1,575	\$ 1,492
Incremental Net Income	\$ 1,855	\$ 3,226	\$ 3,232	\$ 3,156	\$ 2,975	\$ 2,806	\$ 2,649	\$ 2,505	\$ 2,373

Operating Cash Flow Impact

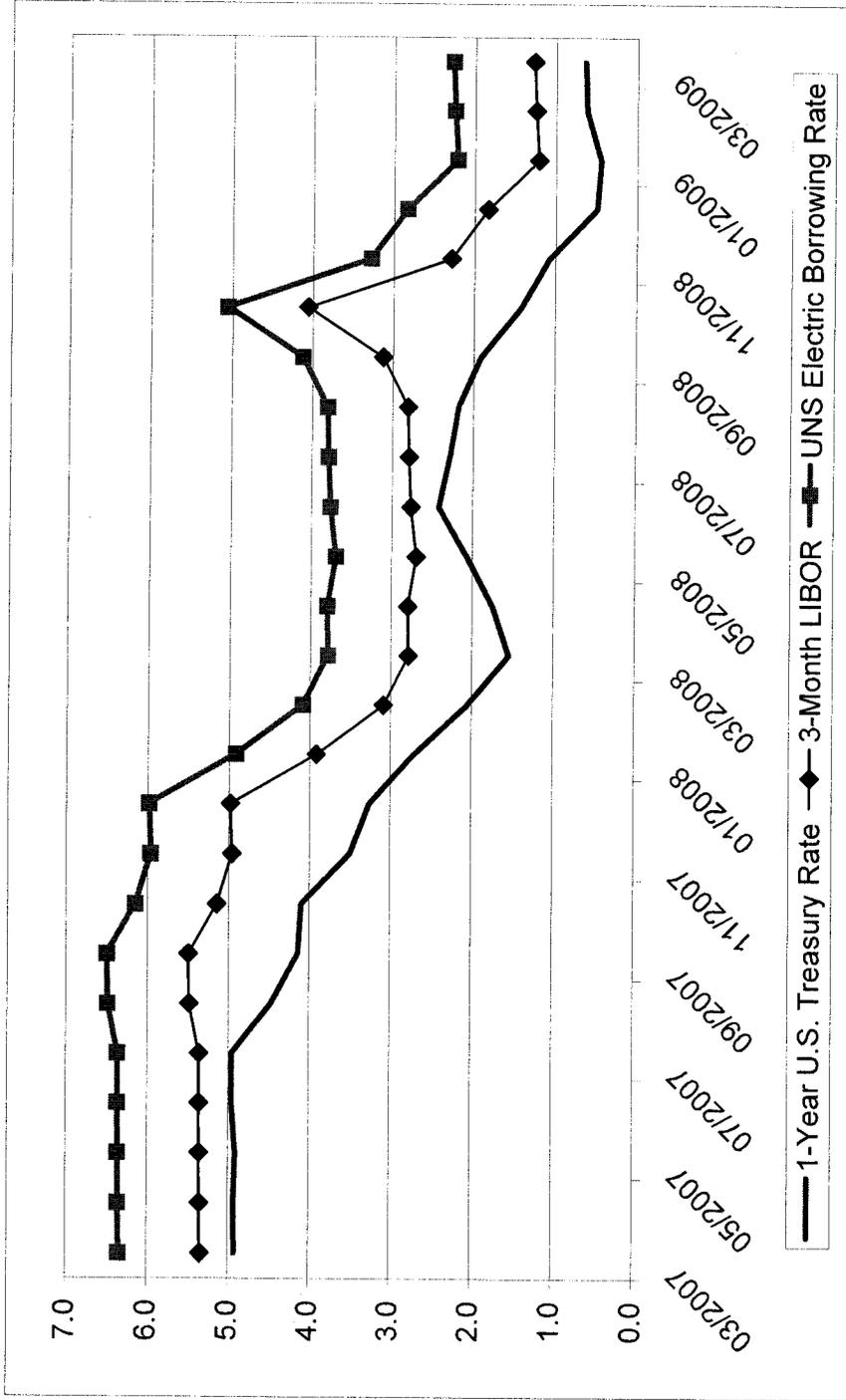
Incremental Net Income	\$ 1,855	\$ 3,226	\$ 3,232	\$ 3,156	\$ 2,975	\$ 2,806	\$ 2,649	\$ 2,505	\$ 2,373
Add: Book Depreciation	973	1,670	1,673	1,675	1,678	1,681	1,685	1,688	1,691
Add: Deferred Income Taxes	334	1,665	1,433	1,225	1,037	865	784	783	784
Incremental Operating Cash Flow	\$ 3,162	\$ 6,560	\$ 6,338	\$ 6,057	\$ 5,690	\$ 5,353	\$ 5,118	\$ 4,975	\$ 4,848

EXHIBIT

KCG-3

Exhibit KCG-3

UNS Electric, Inc.
Comparison of Short-Term Interest Rates (%)

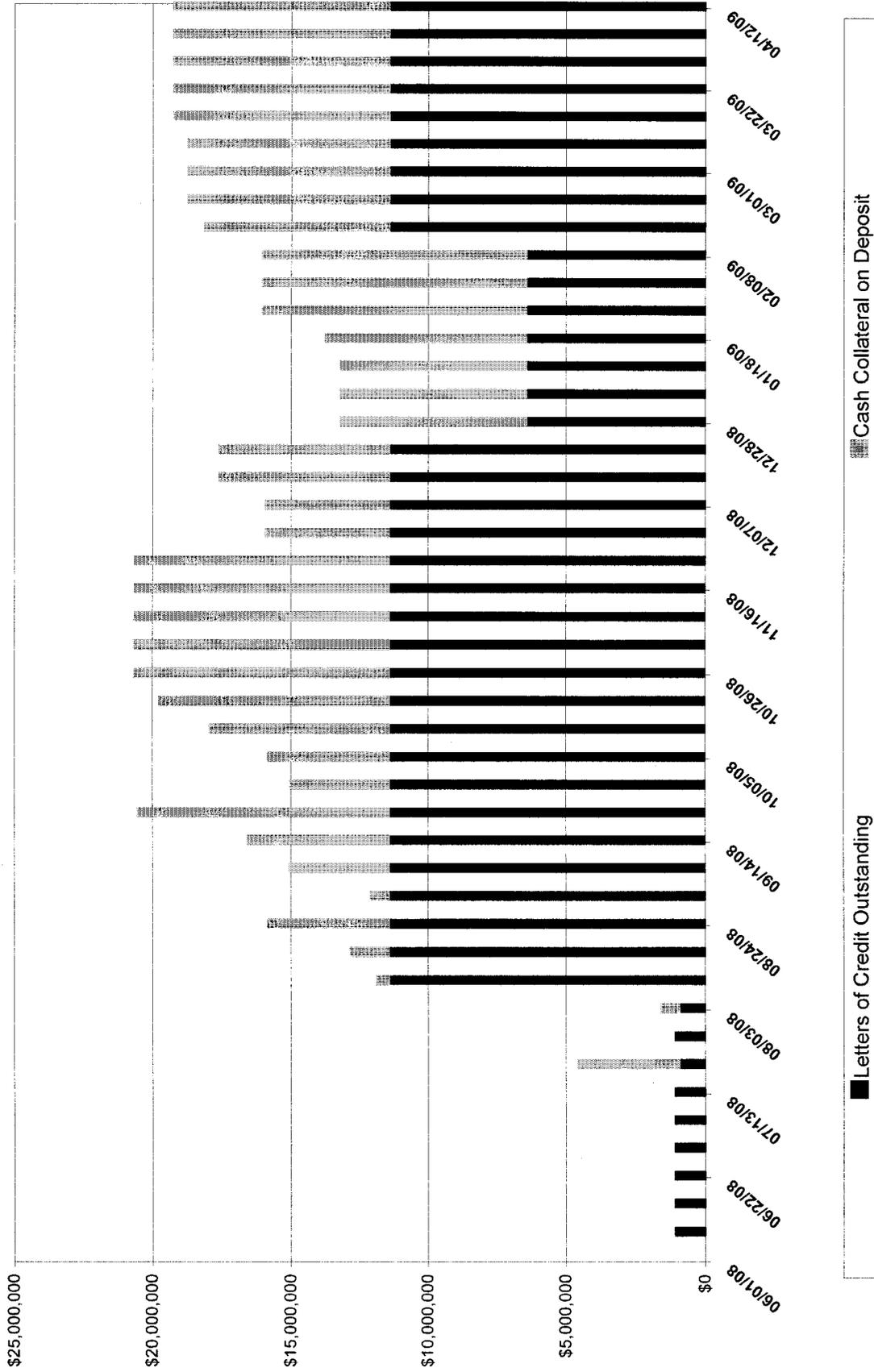


Source: U.S. Treasury Bill yields are from the Federal Reserve Board of Governors Web site (www.federalreserve.gov). LIBOR rates are from the British Bankers' Association Web site (www.bba.org.uk).

EXHIBIT

KCG-4

UNS Electric, Inc.
Wholesale Credit Support Outstanding



Direct Testimony of
Martha B. Pritz

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES - CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-04204A-09-____
UNS ELECTRIC, INC. 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 UNS ELECTRIC, INC.)
DEVOTED TO ITS OPERATIONS)
THROUGHOUT THE STATE OF ARIZONA.)
)
)

Direct Testimony of

Martha B. Pritz

on Behalf of

UNS Electric, Inc.

April 30, 2009

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1 **I. INTRODUCTION.**

2
3 **Q. Please state your name and business address.**

4 A. My name is Martha B. Pritz. My business address is One South Church Avenue,
5 Tucson, AZ 85701.

6
7 **Q. What is your position with UNS Electric, Inc. (“UNS Electric” or the**
8 **“Company”)?**

9 A. I am not employed directly by UNS Electric. I am employed by Tucson Electric Power
10 Company (“TEP”) as the Director of Financial Planning. TEP is a subsidiary of
11 UniSource Energy Corporation (“UniSource Energy”). In my position, I provide
12 forecasting and analytical support services to the subsidiaries of UniSource Energy,
13 including TEP, UNS Electric and UNS Gas, Inc. (“UNS Gas”).

14
15 **Q. Please describe your education and experience.**

16 A. I have a Master of Science degree in Finance from the University of Colorado, Denver
17 campus, and a Bachelor of Arts degree in Communication from the University of
18 Colorado, Boulder campus. I am a member of the Chartered Financial Analyst (“CFA”)
19 Institute and am a CFA charterholder. I am also a member of the Society of Utility and
20 Regulatory Financial Analysts.

21
22 I joined TEP in 1999 as a Senior Financial Analyst. I was promoted to Lead Financial
23 Analyst in 2000, then to Director of Financial Planning in 2002. In these positions, I
24 have gained substantial experience in financial analysis and the preparation of financial
25 forecasts.

1 **Q. What is the purpose of your direct testimony?**

2 A. In my direct testimony, I recommend an appropriate capital structure, a reasonable cost
3 of equity, and a cost of debt for use in determining the Company's weighted average
4 cost of capital. I then show the resulting weighted average cost of capital.

5

6 I am sponsoring Schedule A-3, which is the Summary of Capital Structure. I am also
7 sponsoring Schedules D-1 through D-4, which show UNS Electric's Cost of Capital.

8

9 **Q. Please summarize your recommendations.**

10 A. Based on a capital structure consisting of 45.76% equity and 54.24% long-term debt, an
11 11.40% return on equity, and a 7.05% cost of long-term debt, I recommend a weighted
12 average cost of capital of 9.04%.

13

14 **II. FINANCIAL CONDITION OF UNS ELECTRIC.**

15

16 **Q. Please describe UNS Electric's financial condition as of December 31, 2008.**

17 A. As of December 31, 2008, UNS Electric's overall financial condition, while stronger
18 than in the past, is still weak by some measures.

19

20 The Company's equity ratio of 43.84% is in line with those of industry peers. Also, the
21 Company realized a lower cost of long-term debt when it refinanced maturing 7.61%
22 notes in August 2008 with new notes carrying an average interest rate of 6.80%.

23

24 However, the Company's earned return on equity ("ROE") for 2008 was just 4.6%
25 despite the fact that new rates based on an allowed ROE of 10% were in effect for 7
26 months of the year, including the summer months when sales were highest. With

27

1 earnings far below the recommended ROE, it may be difficult for the Company to
2 continue to attract capital at reasonable rates.

3
4 Also, while UNS Electric's Purchased Power and Fuel Adjustment Clause ("PPFAC")
5 gives some predictability to regulated cash flows, the operating cash generated by the
6 Company in 2008 fell far short of capital spending. Due to recurring weakness in
7 earnings and cash flow, the Company has been unable to pay a dividend since its
8 inception in August 2003. In contrast, the vast majority of investor-owned electric
9 utilities pay dividends, with Edison Electric Institute Index companies paying out an
10 average of 66.6% of earnings for the 12-month period ending September 30, 2008.¹

11
12 **Q. Is UNS Electric's debt rated by rating agencies?**

13 A. Yes, as shown in Exhibit MBP-1, UNS Electric's revolving credit facility (a joint credit
14 facility shared with UNS Gas) and senior unsecured debt are each rated by Moody's
15 Investor Services ("Moody's"). These debt obligations are rated Baa3. The Baa3 rating
16 is an investment-grade rating, although the lowest one possible. The credit facility
17 rating was assigned in July 2008 and the rating on the senior notes was assigned in
18 August 2008.

19
20 **Q. What outlook has Moody's assigned to the ratings?**

21 A. Moody's has assigned a Stable outlook.

22
23 **Q. Has Moody's described the factors that could cause them to downgrade the
24 ratings?**

25 A. Moody's issued a Credit Opinion on July 9, 2008, following the rating of the credit
26 facility and in advance of the rating of UNS Electric's August 2008 note issuance. The

27

¹ Edison Electric Institute, Dividends, Q4 2008 Financial Update: 2.

1 Credit Opinion states that if deferred regulatory balances at UNS Electric or UNS Gas
2 become higher than expected, or if the time to recovery of costs is significantly
3 extended, the rating or outlook could be lowered. Significant cost increases or
4 regulatory lag could result in weaker financial metrics, causing a downgrade. The
5 complete Credit Opinion is attached as Exhibit MBP-2.

6
7 **III. CAPITAL STRUCTURE.**

8
9 **Q. Please describe UNS Electric's capital structure as of December 31, 2008.**

10 A. As of December 31, 2008, UNS Electric had common stock equity of \$83.8 million and
11 total long-term debt of \$108.0 million, consisting of \$100.0 million of senior unsecured
12 notes and revolving credit agreement borrowings of \$8.0 million. After adjusting the
13 long-term debt for unamortized issuance costs, the long-term debt balance at the end of
14 the year was \$107.3 million. Based on these figures, the Company's capital structure is
15 43.84% equity and 56.16% long-term debt.

16
17 **Q. Is the capital structure you recommend for purposes of determining a weighted
18 average cost of capital the same as UNS Electric's capital structure as of December
19 31, 2008?**

20 A. No, there is an adjustment that needs to be made to arrive at the weighted average cost
21 of capital for rate setting purposes.

22
23 **Q. Please describe the adjustment you recommend be made to the capital structure.**

24 A. The capital structure appropriate for use in determining rates should exclude UNS
25 Electric's revolving credit facility borrowings. The \$8.0 million of credit facility
26 borrowings were not used to finance the Company's requested rate base. Instead, as of
27 the end of the test year, UNS Electric had used its credit facility to post cash collateral

1 of \$6.7 million in support of forward energy purchases and to fund a portion of
2 construction work in progress (“CWIP”) not included in the Company’s requested rate
3 base. Additionally, although the credit facility borrowings were classified as long-term
4 debt on the Company’s balance sheet at December 31, 2008, these borrowings have
5 since been repaid as of March 2009. Since the revolver borrowings were not used for
6 the purpose of funding plant in service in rate base, the balance should not be included
7 in the capital structure for rate setting purposes.
8

9 **Q. After making this adjustment to UNS Electric’s December 31, 2008 capital**
10 **structure, what is the resulting capital structure that should be used for purposes**
11 **of calculating the Company’s weighted average cost of capital (“WACC”)?**

12 **A.** The capital structure that should be used includes UNS Electric’s common equity
13 balance of \$83.8 million and its unsecured senior note balance of \$99.3 million. Using
14 these figures, the recommended capital structure consists of 45.76% common equity
15 and 54.24% long-term debt.
16

17 **IV. COST OF COMMON EQUITY.**
18

19 **Q. Please describe the methods used in determining a fair rate of return on common**
20 **equity.**

21 **A.** In determining a fair return on equity, investors are likely to use one or more of the
22 models commonly recommended for analysis of an equity investment. In order to
23 estimate the ROE that equity investors would determine to be reasonable, I have chosen
24 to use three of the most widely-used models: the discounted cash flow model (“DCF”);
25 the capital asset pricing model (“CAPM”); and the bond yield plus risk premium model.
26
27

1 Q. Can the three methods of determining the cost of common equity be applied
2 directly to UNS Electric?

3
4 A. No. Since UNS Electric is not a publicly traded company, data from a proxy group of
5 companies was used in the DCF and CAPM models.

6
7 A. Proxy Group of Companies.

8
9 Q. Please describe the selection process for the proxy group of companies.

10 A. We started with all companies classified by Value Line Investment Survey (“Value
11 Line”) as electric utilities. The list of companies was then narrowed using the following
12 tests:

- 13 a) retail electric revenue made up at least 50% of the company’s total revenue;
14 b) purchased energy comprised at least 30% of the company’s energy
15 requirements;
16 c) at least 50% of the company’s gross plant balance was electric plant;
17 d) transmission and distribution plant was at least 40% of total net plant;
18 e) maximum generation capacity of 4,000 MW;
19 f) no more than 4,000,000 customers;
20 g) equity capitalization of at least 30%;
21 h) market capitalization maximum of \$5 billion;
22 i) no pending mergers or acquisitions.

23
24 This gave us a list of 10 companies suitable for use as a proxy group for UNS Electric.
25 A list of the companies is shown in Exhibit MBP-3.

26
27

1 Rearranging the formula, one can solve for the return required by the investor:

$$2 \quad K = \frac{D_1}{P_0} + g$$

3
4 For cases in which the expected growth of the dividend isn't constant, another form of
5 the DCF model must be used. The non-constant or multi-stage growth model allows
6 calculation of a required return should the dividend growth rate be expected to change
7 such that it grows at a constant rate only after n number of years. The calculation is:

$$8 \quad P_0 = \frac{D_1}{1 + K} + \frac{D_2}{(1 + K)_2} + \dots + \frac{D_n}{(1 + K)_n} + \frac{D_n(1 + g)}{K - g} \times \frac{1}{(1 + K)_n}$$

9
10
11 Using the current stock price, the expected dividends for periods 1 through n , and the
12 expected growth rate after year n , one can solve for the return on equity required by
13 investors.

14
15 **Q. Which form of the DCF model have you chosen to use?**

16 A. I have chosen to use the non-constant growth form of the DCF model.

17
18 **Q. Why have you chosen the non-constant growth form of the DCF model?**

19 A. Three- to five-year growth projections for UNS Electric's peer group of companies are
20 published by Value Line, Zacks Investment Research ("Zacks") and SNL Financial
21 ("SNL"). Given that information from these sources is widely available to investors,
22 it's appropriate that it be incorporated into the DCF model in determining near-term
23 dividend growth. Since the growth estimates do not extend beyond five years, another
24 growth rate needs to be used after the first five years. This change in growth rates
25 necessitates use of the non-constant growth DCF model.

1 **Q. How did you determine the near-term growth rate to be used for each company?**

2 A. As shown on Exhibit MBP-4, I have included estimates of dividend and earnings
3 growth rates from Value Line, Zacks and SNL. These forward-looking estimates are
4 more suitable for use in the DCF model than relying only on historical rates.
5 Expectations about earnings growth are a factor in forming expectations about dividend
6 growth, so for each of the peer group companies, the near-term growth rate used in the
7 DCF model is the average of the growth rates shown.

8

9 **Q. How did you determine the expected dividends for the first five years?**

10 A. The expected first-year dividend was calculated based on the most recent quarterly
11 payments. For companies that did not increase their dividends in the past year, the
12 assumption was made that the dividends would not change in the coming year. For
13 companies that increased their dividends within the past year, the assumption was made
14 that the next increase would be at the same in the coming year. If an increase is
15 anticipated, the near-term growth rate shown on Exhibit MBP-4 was used. The
16 resulting quarterly payments were summed to arrive at an expected first-year dividend
17 (D_1 in the non-constant growth DCF model).

18

19 The dividends for years 2 through 5 were calculated by applying the near-term growth
20 rate for each company to its expected first-year dividend. The resulting projected
21 dividends are shown on Exhibit MBP-5.

22

23 **Q. How was the long-term growth rate for the DCF model chosen?**

24 A. In determining a long-term growth rate, an investor is likely to consider estimates of
25 growth for a proxy group of companies, for the electric utility industry as a whole, and
26 for the U.S. economy as a whole.

27

1 **Q. Please describe the estimate of growth for peer companies.**

2 A. As discussed above, 5-year growth rates for each of UNS Electric's peer companies
3 were calculated by averaging the published estimates from Value Line, Zacks and SNL.
4 The median value of those rates is 6.5%.

5
6 **Q. Please describe the estimate of growth for the electric utility industry.**

7 A. As an investor looks for additional indicators of long-term growth, an estimate of
8 industry growth is likely to be considered. Zacks' estimate for the electric utility
9 industry shows a 5-year forecast of stock growth of 8.6%. It would be reasonable for an
10 investor seeking to determine a long-term growth rate to start with this industry-specific
11 growth rate.

12
13 **Q. Please describe the estimate of growth in the U.S. economy.**

14 A. Given that electric utilities provide a basic service, an investor would be likely to look
15 to long-term overall U.S. economic growth as another indicator of long-term utility
16 growth.

17
18 In order to estimate a long-term growth rate for the U.S. economy, one can look to
19 historic gross domestic product ("GDP") growth for guidance. For the period from
20 1929 to 2008, real GDP growth has been 3.3% per year. In addition to GDP growth
21 averaging 3.3% over a very long period of time, the figure is also representative of GDP
22 growth over a number of shorter periods of time representing a variety of business
23 climates. That being the case, no adjustment is made for the current economic
24 conditions. To real GDP growth, an estimate of inflation must be added to arrive at a
25 nominal growth rate figure suitable for use in the DCF model.

26
27

1 **Q. How can an estimate of implied inflation be determined?**

2 A. An estimate of long-term inflation to be added to real GDP growth can be obtained by
3 comparing the yields of constant maturity fixed-rate U.S. treasuries to the yields of
4 constant maturity Treasury Inflation-Protected Securities (“TIPS”). Care must be used
5 in selecting an appropriate timeframe from which to estimate implied inflation. As seen
6 in Exhibit MBP-6, the implied inflation rates at the end of February 2009 were well
7 below the average for the period from January 2007 to August 2008, before the turmoil
8 in the financial markets began.

9
10 Exhibit MBP-6 includes the Federal Reserve Bank of Cleveland’s adjusted measure of
11 implied inflation based on 10-year U.S. treasury yields. The adjusted implied inflation
12 data from the Federal Reserve Bank of Cleveland includes calculations made to correct
13 for biases in TIPS-derived implied inflation. The lack of liquidity in the TIPS market
14 relative to liquidity in nominal treasuries causes a bias. Also affecting TIPS-derived
15 implied inflation is an inflation risk premium in TIPS returns. In October 2008, the
16 Federal Reserve Bank of Cleveland made the decision to suspend its calculation of
17 adjusted implied inflation because it believed the rush to liquidity was affecting the
18 accuracy of its calculation.

19
20 In light of the current uncertainty in the financial markets, I recommend averaging two
21 figures to arrive at an estimate of long-term inflation expectations. The first figure is
22 the average adjusted implied inflation rate for the period from January 2007 through
23 August 2008, representative of expectations prior to the disruption in the financial
24 markets. That figure is 2.68%. The second figure is the February 2009 unadjusted
25 implied inflation based on 20-year treasuries, 1.52%. The average of these two figures
26 is 2.1%. Adding 2.1% to the previously-discussed real GDP growth figure of 3.3%
27 results in a 5.4% long-term nominal growth expectation for the U.S. economy.

1 Given growth estimates ranging from 5.4% for the U.S. economy to 6.5% for the proxy
2 group of companies and 8.6% for the electric utility industry, 6.5% is a reasonable
3 representation of investor expectations for long-term growth.
4

5 **Q. Using the selected inputs for the non-constant DCF model, what is the result?**

6 A. Using the inputs identified above, the DCF model shows a cost of equity of 12.1%.
7 A summary of the inputs and the resulting point estimate are shown on Exhibit MBP-7.
8

9 **C. Capital Asset Pricing Model.**
10

11 **Q. Please explain the CAPM method of determining the cost of equity.**

12 A. The Capital Asset Pricing Model is based on the assumption that by investing in a
13 highly diversified portfolio of assets, an investor can eliminate company-specific risk in
14 that portfolio. Therefore, when evaluating the required return on a single stock, an
15 investor would expect to earn an overall market rate of return, plus or minus an
16 adjustment reflecting the variability in expected returns for the individual stock relative
17 to the overall market. This measure of relative variability or risk is expressed as beta
18 (β). Beta values for publicly traded companies are published by companies such as
19 Value Line and are based on historical observations. A beta value of 1.0 would indicate
20 that a security's returns move in tandem with the market's returns. A value greater than
21 1.0 would indicate that changes in a security's returns are greater than changes in the
22 market's returns. Under the CAPM, the total rate of return expected by an investor is
23 represented by the sum of a risk-free rate of return (typically measured using U.S.
24 treasury rates) plus a market risk premium for overall market risk, adjusted for the beta
25 value of the individual stock. Mathematically, the CAPM is expressed as follows:
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$$K = R_f + \beta (R_m - R_f)$$

in which:

K = required rate of return

R_f = risk free rate of return

β = a security's risk

R_m = required return on market

Q. Please describe the application of the CAPM model in calculating the cost of equity for UNS Electric.

A. Since UNS Electric is not a publicly traded company, the CAPM calculations were made for the previously described peer group of companies.

Q. What risk-free rate is used for the model?

A. For the risk-free rate of return, the average February 2009 rate for 20-year constant-maturity nominal treasuries, 3.83%, was used. Long-term treasury yields are appropriate since investors form expectations of common stock returns based on long-term expected cash flows. This is true even if a particular investor does not intend to hold a stock for the long term.

Q. How were the beta values for each of the proxy companies determined?

A. The beta values for each company are published values, primarily from Value Line.

Q. How was the market risk premium for the CAPM model determined?

A. As discussed above, the market risk premium is equal to the required return on the overall market minus the risk-free rate. It is a fairly common practice to estimate the expected market risk premium using observed differences in historical returns on common stocks and long-term U.S. Treasury bonds. Using historical data for the period

1 1926-2008 from Morningstar's SBBI 2009 yearbook, a market risk premium of 6.5%
2 was obtained. This estimate represents the arithmetic average of the difference between
3 20-year treasury returns and average returns on large company stocks.

4
5 In order to adequately reflect increased risk premiums required by investors in the
6 current economic environment, I adjusted the 6.5% historical market risk premium
7 upward by an additional 2.29%. This adjustment is based on the observed increase in
8 long-term credit spreads since August 2008, just before the financial markets began to
9 deteriorate. The credit spread selected represents the spread between yields on
10 Baa/BBB rated bonds (a rating representative of the proxy group of companies being
11 used) and 30-year U.S. Treasury bonds. In August 2008, bondholders required a yield
12 on Baa-rated public utility bonds that was 248 basis points above 30-year treasuries. As
13 of January 2009, bondholders were requiring a yield of 477 basis points over 30-year
14 treasuries, an increased premium of 229 basis points. This is shown on Exhibit MBP-
15 10. Since shareholders bear even greater investment risk than bondholders, the risk
16 premium they require should be at least as high as that of bondholders.

17
18 The total market risk premium, summing the two components (6.50% and 2.29%), is
19 8.79%.

20
21 **Q. What result is obtained from the CAPM model using the inputs described above?**

22 A. As seen in Exhibit MBP-8, the average cost of equity calculated for UNS Electric's peer
23 group is 10.1%.

24
25 **Q. Why is it appropriate to use the second component of the risk premium?**

26 A. The current extraordinary situation in the capital market results in the unmodified
27 CAPM producing illogical results. If the second component of the risk premium were

1 not included in the calculation, the indicated return on equity would be only 8.4%, far
2 too low to be attractive to rational investors. As of January 2009, the average bond
3 yield for Baa-rated public utility bonds was 7.9%. At an 8.4% return on equity, an
4 investor would be receiving only .5% for the incremental risk of investing in equity
5 instead of debt. Since dividend payments are not contractually required like interest
6 payments are, and since equity investors stand well behind bondholders in the event of
7 bankruptcy or financial restructuring, a substantially higher risk premium is required by
8 equity investors relative to observed bond yields.

9
10 It is important to remember that cost of equity “methods cannot be applied in a robotic,
11 mechanistic manner.”² Rather, such methods must rely on judgment and “objective
12 common-sense economic reasoning.”³ A “robotic” application of the CAPM, under the
13 current extraordinary economic situation, results in a cost of equity barely above
14 average utility bond yields of comparable utilities. Thus, the second component is
15 required to more accurately reflect the cost of equity of UNS Electric.

16
17 **D. Bond Yield plus Risk Premium Method.**

18
19 **Q. Please explain the bond yield plus risk premium model for determining the cost of**
20 **equity.**

21 **A.** The bond yield plus risk premium method of determining the cost of equity is based on
22 the fundamental premise that investors require a higher return for taking on greater
23 investment risk. This relationship of return to risk is often depicted by the Security
24 Market Line which shows the risk and return available on various capital market
25 investments at a given point in time. While an investor’s appetite for risk may change
26

27 ² Morin, *New Regulatory Finance* (Public Utilities Reports, Inc. 2006) at 443.

³ *Id.*

1 over time, an investor always expects to earn a higher return on corporate debt than on
2 U.S. treasury debt. An even higher rate of return is required on a common stocks since
3 the investor gets only a company's residual returns after all other obligations have been
4 met. The risk premium used in this method of estimating cost of equity is an estimate
5 of difference between the returns required by stockholders and those required by debt
6 holders. The risk premium is added to a required bond yield to arrive at a total cost of
7 equity.

8
9 **Q. What bond yield have you selected for use in this model?**

10 A. The bond yield selected for use in this model is the yield on Baa-rated utility debt. The
11 average yield on Baa-rated utility bonds for January 2009 was 7.90% based on data
12 from the Mergent Bond Record. This is shown in Exhibit MBP-9.

13
14 **Q. What method of determining a risk premium have you selected for use in this
15 model?**

16 A. To determine the risk premium, I chose to examine the equity risk premiums implied in
17 the allowed ROEs granted by utility commissions in recent years. By comparing the
18 allowed returns on equity to bond yields, a premium can be calculated for use in this
19 model. Exhibit MBP-11 shows the allowed ROEs for the period from January 2006
20 through January 2009. As shown in Exhibit MBP-12, the average premium was 4.07%
21 above average utility bond yields.

22
23 **Q. What return on equity is indicated using the bond yield plus risk premium
24 method?**

25 A. Using the bond yield and risk premium described above, the indicated ROE is 11.97%
26 or 12.0%, rounded.

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E. Cost of Equity for Peer Group of Companies.

Q. Please summarize the results of the DCF, CAPM and bond yield plus risk premium methods you chose for determining a return on equity.

A. The returns for UNS Electric's proxy group as indicated by the models are:

DCF	12.1%
CAPM	10.1%
Risk Premium	12.0%

F. Cost of Equity for UNS Electric.

Q. What do you recommend as the appropriate cost of equity for UNS Electric?

A. The average ROE indicated by the three models above is 11.4%. An appropriate cost of equity for UNS Electric would be no lower than the 11.4% calculated for the proxy group of companies because an investment in UNS Electric would be no less risky than investing in the proxy group of companies. In fact, given that it is currently unable to pay a dividend and that its small size makes it more vulnerable to financial stresses, UNS Electric would most likely be viewed by investors as riskier than the proxy group of companies. I recommend 11.4% as a conservative return on equity for UNS Electric.

V. COST OF DEBT.

Q. What cost of debt should be used in determining the Company's weighted average cost of capital?

A. The cost of debt that should be used is 7.05%, which reflects the interest on UNS Electric's \$100 million of long-term notes, amortization of debt issuance costs, and half

1 the fees associated with joint revolving credit facility shared with UNS Gas. As
 2 explained above, the credit facility balance as of December 31, 2008 is properly
 3 excluded from the proposed capital structure because the borrowings were not used to
 4 finance the Company's rate base. However, the fees associated with the maintenance
 5 of a credit facility are included in the cost of debt as the credit facility provides needed
 6 liquidity for the Company's ongoing operations. The fees include commitment fees and
 7 amortization of initial fees. This treatment of credit facility fees is consistent with the
 8 cost of debt calculations approved by the Arizona Corporation Commission in past rate
 9 proceedings for UNS Electric, UNS Gas and TEP.

10
 11 **VI. WEIGHTED AVERAGE COST OF CAPITAL.**

12
 13 **Q. What is the Company's weighted average cost of capital?**

14 **A.** Given the capital structure, cost of debt and cost of equity recommended above, UNS
 15 Electric's weighted average cost of capital is 9.04%. The calculation follows.

	<u>Weight of Component</u>	<u>Cost of Component</u>	<u>Weighted Cost of Capital</u>
Common Equity	45.76%	11.40%	5.22%
Long-term Debt	<u>54.24%</u>	7.05%	<u>3.82%</u>
	<u>100.00%</u>		<u>9.04%</u>

1 **VII. SUMMARY OF SCHEDULES.**

2
3 **Q. Please describe the data in Schedule A-3.**

4 A. Schedule A-3 shows the Company's capital structure for the years ending December 31,
5 2008 (the test year) and December 31, 2007. It also shows the capital structure for the
6 projected year ending December 31, 2009 under both present and proposed rates.

7
8 A second version of Schedule A-3 is provided to show, in the projected year columns,
9 the impact of the purchase of the Black Mountain Generating Station ("BMGS"), as
10 described in the Direct Testimony of Mr. Kentton C. Grant.

11
12 **Q. Please describe the data in Schedules D-1 through D-4.**

13 A. Schedule D-1 shows the Company's actual capital structure and WACC as of December
14 31, 2008, as well as the proposed capital structure and WACC. Schedule D-1, Page 2
15 shows the capital structure and WACC for the projected year ending December 13,
16 2008. Schedule D-2 shows the Company's actual cost of debt as of December 31, 2008,
17 as well as the proposed cost of debt. Schedule D-2, Page 2 shows the projected cost of
18 debt for the year ending December 31, 2009. Schedules D-3 and D-4 show the costs of
19 preferred and common stock, respectively.

20
21 Also included are versions of Schedules D-1 through D-4 that show the impact of the
22 proposed purchase of BMGS on proposed test year and projected year costs of capital.
23 The purchase is assumed to be financed with 45.76% common equity and 54.24% long-
24 term debt, consistent with the capital structure recommended above.

25
26 **Q. Does that conclude your direct testimony?**

27 A. Yes, it does.

EXHIBIT

MBP-1

Because of recent rating actions relating to Syncora Guarantee Inc., MBIA Insurance Corporation and its supported subsidiaries, and MBIA Insurance Corporation of Illinois, ratings appearing on this website may not yet reflect current information. For current information, visit <http://www.moody's.com/guarantors>.



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UNS Electric, Inc.

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Issuer Research

Related Research

Research

Page 1 (1 - 2 of 2 records)

Report Type	Date	Title
Credit Opinion	9 JUL 2008	UNS Electric, Inc.
Rating Action	8 JUL 2008	Moody's assigns Baa3 to UNS Electric/UNS Gas credit facility

Issuer Details

Ticker:
Domicile: UNITED STATES
Previous Name:

Broad Industry: PUBLIC UTILITY
Specific Industry: INTEGRATED ELECTRIC UTILITY

Analyst Information

Analyst: ▶ Laura Schumacher
Phone Number: 212-553-3853
Backup Analyst:
Managing Director: William L. Hess
Rating Group: Corporate Finance

Rating Information

Long Term Rating: Baa3, Aug 7 2008 , BACKED Senior Unsecured - Dom Curr
ST Most Recent Rating:
Outlook: Stable, 8 JUL 2008
Watchlist Status: No
Direction:
Date:

Current Rating List

3 records

▶ Important information on Insured ratings

6.5% GTD SR NOTES due 2015						
Id	Class Description	Curr	Rating	Rating Date	Rating Action	Watch Status
MDY:831087277	BACKED Senior Unsecured USD		Baa3	7 AUG 2008	Assign	Not on watch
7.1% GTD SR NOTES due 2023						
Id	Class Description	Curr	Rating	Rating Date	Rating Action	Watch Status
MDY:831087280	BACKED Senior Unsecured USD		Baa3	7 AUG 2008	Assign	Not on watch
GTD REVOLVING CREDIT FACILITY due 2011						
Id	Class Description	Curr	Rating	Rating Date	Rating Action	Watch Status
MDY:831045021	BACKED Senior Unsecured USD Bank Credit Facility		Baa3	8 JUL 2008	Assign	Not on watch

▶ Important information on Insured ratings

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10 MAR 2009, 19:58 Eastern Time

EXHIBIT

MBP-2



Credit Opinion: UNS Electric, Inc.

UNS Electric, Inc.

Tucson, Arizona, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Bkd Sr Unsec Bank Credit Facility	Baa3
Ult Parent: UniSource Energy Corporation	
Outlook	Stable
Sr Sec Bank Credit Facility	Ba1

Contacts

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Opinion

Corporate Profile

UNS Electric, Inc. (UNSE: Baa3 guaranteed revolving credit facility, stable outlook) is an electric transmission and distribution utility serving approximately 90,000 retail customers in Mohave and Santa Cruz counties of Arizona. UNSE is a subsidiary of UniSource Energy Services (UES) which is also the parent of UNS Gas, Inc. (UNSG), a gas utility serving approximately 146,000 customers in an area covering approximately 50% of the state of Arizona. UES is a wholly owned subsidiary of UniSource Energy Corporation (UNS: Ba1 senior secured bank credit facility (security limited to stock of certain subsidiaries), stable outlook). UNS' largest subsidiary is Tucson Electric Power (TEP: Baa3 senior unsecured, stable outlook), a vertically integrated electric utility serving approximately 400,000 retail customers in southeastern Arizona and also engaged in wholesale power marketing in the western U.S.

Recent Developments

On July 8, 2008, Moody's assigned a rating of Baa3 to UNSE and UNSG joint \$60 million senior unsecured guaranteed credit facility. The facility is guaranteed by UNSE's and UNSG's intermediate parent company UES. The rating outlook is stable.

On May 27, 2008, the Arizona Corporation Commission (ACC) authorized UNSE a \$4 million (2.5%) base rate increase predicated on a 10% ROE and a 48.85% equity ratio. The utility had originally filed for an \$8.5 million (5.5%) rate increase based upon a 11.8% ROE and 48.85% equity ratio. The case was decided in 18 months which is roughly within the time frame of other Arizona rate cases though it is still significantly longer than the one year time frame that states generally attempt to decide rate cases. The test year used in the rate case was year-end June 2006 indicating some regulatory lag will likely continue given additional investments UNSE has already made in its system. Additionally, UNSE was awarded two mechanisms which should help reduce regulatory lag: a Purchased Power and Fuel Adjustment Clause (PPFAC), which has a capped initial factor but allows for a true-up over the subsequent twelve month period; and, the ACC also approved the concept of line extension fees which should result in almost immediate recovery from customers of a portion of the capital costs associated with hooking up new customers.

Rating Rationale

The Baa3 rating for the shared guaranteed credit facility is driven by the relatively stable and predictable nature of UNSE's and UNSG's regulated cash flows, as well as their strong combined financial profile which provide the basis of the UES guarantee. For the past several years, cash flow credit metrics at both UNSE and USE have been at or above the ranges demonstrated by electric utilities rated within the Baa range. The rating also considers the traditionally challenging regulatory environment in Arizona, but contemplates recent decisions which appear intended to provide more timely recovery of certain costs.

The rating assumes UNSE and UNSG will be reasonably successful in managing their regulatory relationships with an objective of achieving more timely recovery and an opportunity to earn a fair return. The rating also incorporates an expectation that increasing capital expenditures will be financed in a manner consistent with maintaining current financial strength.

The key rating and outlook drivers are as follows:

Regulatory Environment

Virtually all of UNSE's and UNSG's operations are regulated. Moody's generally views a significant percentage of regulated operations as positive for credit quality as regulated cash flows tend to be more stable and predictable than those of unregulated companies. This key factor is tempered somewhat by the regulatory environment of Arizona, which Moody's ranks below average for U.S. regulatory jurisdictions in terms of expectation of timely recovery of costs and predictability of rate decisions.

Fuel and Purchased Power and Gas Recovery

UNSE is essentially a regulated transmission and distribution company. Through May 2008, virtually all of UNSE's power supply needs were met via a fixed-price all requirements contract with Pinnacle West Marketing and Trading (Pinnacle West), a subsidiary of Pinnacle West Capital Corporation (Pinnacle: Baa3 senior unsecured, negative outlook). Recovery of UNSE's cost of purchased power under the Pinnacle West contract had been specifically approved by the ACC and included in UNSE's rates. Going forward, UNSE will procure power primarily from the market via a portfolio of committed long and short-term contracts including a tolling agreement with its affiliated Black Mountain Generating Station, as well as spot purchases. Effective June 1, 2008, UNSE's costs for fuel and purchased power will be recovered via an ACC approved PPFAC with two components: a capped forward component and an uncapped true-up component. Although the initial forward PPFAC component is expected to be capped below the level required to immediately recover UNS Electric's actual cost for fuel and purchased power, the true-up component is uncapped and is intended to recover excess costs over the following twelve month period. Moody's notes that the PPFAC is a new adjustment mechanism for UNSE and we remain cautious regarding the potential for longer deferral periods in the event power costs, and associated deferral balances, should rise significantly above levels anticipated by the ACC.

UNSG recovers the cost of its gas via a purchased gas adjustment (PGA) mechanism that compares the rolling twelve month average actual cost of gas to the cost assumed in base rates. Adjustments for over or under recoveries may be made monthly to the PGA subject to an annual cap. Differences between actual and recovered gas costs accumulate in a "gas bank" and may be recovered or returned via a surcharge or surcredit when the balance in the gas bank exceeds certain limits. These mechanisms have generally limited the level of purchased gas cost deferrals for UNSG.

Regulatory Lag Expected to Continue

While UNSE and UNSG each have fuel recovery mechanisms that are designed to reduce long-term deferrals, the capped PPFAC and growing capital expenditures at UNSE, the significant rate case time frame and use of historic test years are likely to continue to exacerbate UNSE's and UNSG's under-earning situation. While both utilities have an allowed ROE of 10%, it appears unlikely that either will achieve that level in the near-to medium term.

UNSE has a growing capital expenditure plan, increasing its need for further rate relief in the near-term. UNSG has also been attempting more frequent rate relief to support its capital expenditures and its increased operating costs. In UNSG's most recent rate increase, which became effective December 2007, the ACC approved a base rate increase of \$5 million (4%) versus a request of \$9 million (7%); the request, filed in July 2006, was based on a test year ended December 2005. In February 2008 UNSG filed for a \$10 million base rate increase premised on an 11% ROE and a September 2007 test year. The ACC Staff did not accept this filing as it was filed so quickly after UNSG's last rate increase became effective. We anticipate UNSG will file another rate case in the second half of 2008.

Position within UniSource Energy

The rating also recognizes the position of UNSE and UNSG as indirect subsidiaries of UNS through UES. UES is an intermediate holding company with no operations or debt. Debt at UNSE and UNSG is guaranteed by UES, which creates cross-support. UES has not historically received any dividend payments from its utility subsidiaries, and none are anticipated for the foreseeable future. Between 2005 and 2007, UNS contributed approximately \$40 million of equity to these subsidiaries in support of their capital programs and to strengthen their balance sheets.

Credit Metrics

UNSE's cash flow credit metrics have historically been strong; generally at or above the upper end of the ranges indicated in Moody's rating methodology for electric utilities rated Baa. For example, the ratio of cash from operations excluding changes in working capital (CFO - Pre WC) to Debt (adjusted in accordance with Moody's standard analytical adjustments), has been above 20% for the past several years. Credit metrics are expected to

decline somewhat over the next few years, with CFO - Pre WC / Debt moving into the upper teens. The anticipated weakening in metrics reflects the impact of the termination of UNS Electric's full requirements power supply agreement with Pinnacle as well as its continuing growing capital expenditure program.

UNSG's credit metrics have also historically remained reasonably stable and generally within the ranges indicated for regulated gas distribution utilities rated Baa in Moody's regulated gas distribution methodology. Metrics are expected to improve modestly if reasonable rate relief occurs in the near-term.

Liquidity Profile

UNSE has been incurring significant capital expenditures to service its rapidly growing service territory. In 2007, UNS Electric's cash from operations of approximately \$22 million covered approximately half of capital expenditures and payments for services to UniSource. The shortfall was funded via a combination of an equity contribution from UNS and draws on UNSE's and UNSG's shared credit facility.

UNSG has also been investing to provide service in its territory, although in 2006 and 2007 cash from operations of approximately \$30 million was sufficient to cover capital expenditures of approximately \$23 million and service payments to UNS of approximately \$5 million. Capital expenditures are expected to increase slightly in 2008, but then return to historical levels.

Over the last three years, UNS has made \$40 million of equity contributions to UNSE and UNSG to help fund capital expenditures. Equity contributions are not expected to be significant over the near-term and capital expenditures are likely to be funded via a combination of internal cash flows and external debt financing.

UNSE has \$60 million of senior unsecured notes maturing August 11, 2008. Moody's anticipates UNSE will seek to refinance these notes prior to their maturity. UNS Gas has no debt maturities until 2011.

UNSE's and UNSG's short term liquidity needs are supported by a joint UNS Gas/UNS Electric \$60 million credit facility which matures August 2011. Either borrower may borrow up to a maximum of \$45 million, so long as the combined amount does not exceed \$60 million. As of March 31, 2008, UNSE had \$30 million drawn under the facility while UNSG has no short-term borrowings outstanding. The UNS Gas/UNS Electric credit facility contains two financial covenants applicable to each borrower: for UNSE a maximum debt to capital ratio of 65% and a minimum interest coverage ratio of 2.25 times, for UNS Gas a maximum debt to capital ratio of 67%, and a minimum interest coverage of 2.25 times. As of March 31, 2008, UNSG and UNSE were well in compliance with their respective covenants and Moody's anticipates the borrowers will remain comfortably within these limits. The credit facility requires a material adverse change (MAC) representation at each new borrowing. In Moody's opinion, the requirement of a MAC representation significantly increases the risk that the credit facility may not be available when liquidity needs are greatest.

Rating Outlook

The stable outlook reflects the relatively stable cash flows anticipated to be generated by UNSE and UNSG and Moody's assumption that increases in the cost of fuel and purchased power will, in fact, be recovered on a relatively timely basis.

What Could Change the Rating - Up

Given the anticipated decline in credit metrics, the potential for large deferral balances, and the limited liquidity provided by the joint credit facility, due in part to the MAC clause, an upward revision in the rating or outlook is not likely over the near-to-medium term.

What Could Change the Rating - Down

The rating or outlook could be adjusted downward if deferral balances grow to be materially larger than anticipated, or if the time to recovery is significantly extended. Continued regulatory lag at UNSG or UNSE or cost increases which result in a sustained deterioration of financial metrics, for example, a ratio of CFO - Pre WC / Debt falling to below 15% for an extended period, could cause the rating to be adjusted downward.

Rating Factors

UNS Electric, Inc.

821044834

Select Key Ratios for Global Regulated Electric Utilities

Rating	Aa	Aa	A	A	Baa	Baa	Ba	Ba
Level of Business Risk	Medium	Low	Medium	Low	Medium	Low	Medium	Low

CFO pre-W/C to Interest (x) [1]	>6	>5	3.5-6.0	3.0-5.7	2.7-5.0	2-4.0	<2.5	<2
CFO pre-W/C to Debt (%) [1]	>30	>22	22-30	12-22	13-25	5-13	<13	<5
CFO pre-W/C - Dividends to Debt (%) [1]	>25	>20	13-25	9-20	8-20	3-10	<10	<3
Total Debt to Book Capitalization (%)	<40	<50	40-60	50-75	50-70	60-75	>60	>70

[1] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items

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EXHIBIT

MBP-3

UNS Electric, Inc.
Comparable Company Data

	Electric Customers	Common Equity as % of Total Capital	Long-Term Issuer Credit Rating		Market Capitalization (\$ Millions)	
			S&P	Moody's		
			S&P	Fitch		
ALLETE, Inc. (1)	157,000	58%	BBB+	Baa1	-	\$ 1,052
CH Energy Group, Inc. (2)	300,600	52%	A	A2	A-	\$ 811
Empire District Electric Company	168,280	42%	BBB-	Baa2	BBB-	\$ 598
Hawaiian Electric Industries, Inc. (3)	440,411	45%	BBB	Baa2	-	\$ 2,004
MGE Energy, Inc (4)	137,000	55%	AA-	Aa3	-	\$ 756
Northeast Utilities	1,902,221	35%	BBB	Baa2	BBB	\$ 3,749
NorthWestern Corporation (5)	391,048	46%	BBB	Baa2	BBB-	\$ 843
NSTAR	1,169,300	37%	A+	A2	A-	\$ 3,897
Portland General Electric Company (6)	811,315	47%	BBB+	Baa2	-	\$ 1,218
UIL Holdings Corporation (7)	324,476	39%	-	Baa3	-	\$ 756
Median Value	357,762	45.5%	BBB+	Baa2	BBB	\$ 948

Notes

- (1) No Fitch ratings available for ALLETE, Inc. or its subsidiary companies.
- (2) S&P Long-Term Issuer Rating for Central Hudson Gas & Electric Corp. is A. Moody's Long-Term Issuer Rating for Central Hudson Gas & Electric Corp. is A2. Fitch Long-Term Issuer Rating for Central Hudson Gas & Electric Corp. is A-.
- (3) Moody's Senior Unsecured Rating for Hawaiian Electric Industries, Inc. is Baa2. No Fitch ratings available for Hawaiian Electric Industries, Inc. or its subsidiary companies.
- (4) S&P Long-Term Issuer Rating for Madison Gas and Electric Company is AA-. Moody's Long-Term Issuer Rating for Madison Gas and Electric Company is Aa3. No Fitch ratings available for MGE Energy, Inc. or its subsidiaries.
- (5) Moody's Senior Unsecured Rating for NorthWestern Corporation is Baa2.
- (6) No Fitch ratings available for Portland General Electric Company.
- (7) No S&P or Fitch ratings available for UIL Holdings Corporation or its subsidiaries.

Source: SNL Financial

EXHIBIT

MBP-4

UNS Electric, Inc.
Projected Growth Rates for Earnings and Dividends
Comparable Company Group

	Value Line Investment Survey Dividend Growth (3 to 5 Years)	Projected Earnings Growth			5-Year Growth Rate for DCF
		Value Line Investment Survey (3 to 5 Years)	Zacks Investment Research (5-Year)	SNL Financial (5-Year)	
ALLETE, Inc.	2.5%	-0.9%	6.5%	6.5%	3.7%
CH Energy Group, Inc.	0.0%	7.6%	NA	NA	3.8%
Empire District Electric Company	2.3%	12.5%	NA	NA	7.4%
Hawaiian Electric Industries, Inc.	1.2%	8.8%	4.5%	3.0%	4.4%
MGE Energy, Inc	1.2%	2.9%	NA	NA	2.1%
Northeast Utilities	7.3%	5.0%	9.8%	8.5%	7.7%
NorthWestern Corporation	NA	NA	10.0%	10.0%	10.0%
NSTAR	6.6%	7.5%	7.2%	5.5%	6.7%
Portland General Electric Company	5.5%	10.7%	6.3%	5.3%	6.9%
UIL Holdings Corporation	0.0%	3.2%	6.4%	4.8%	3.6%
Median Value for Group	2.3%	7.5%	6.5%	5.5%	5.5%

Notes:

Dividend and earnings growth projections not available from Value Line for NorthWestern Corporation

Earnings growth projections not available from Zacks Investment Research for CH Energy Group, Inc., Empire District Electric Company, and MGE Energy, Inc.

Earnings growth projections not available from SNL Financial for CH Energy Group, Inc., Empire District Electric Company, and MGE Energy, Inc.

Sources: Value Line, Zacks Investment Research, SNL Financial

EXHIBIT

MBP-5

**UNS Electric, Inc.
Calculation of Expected First-Year Dividend
Comparable Company Group**

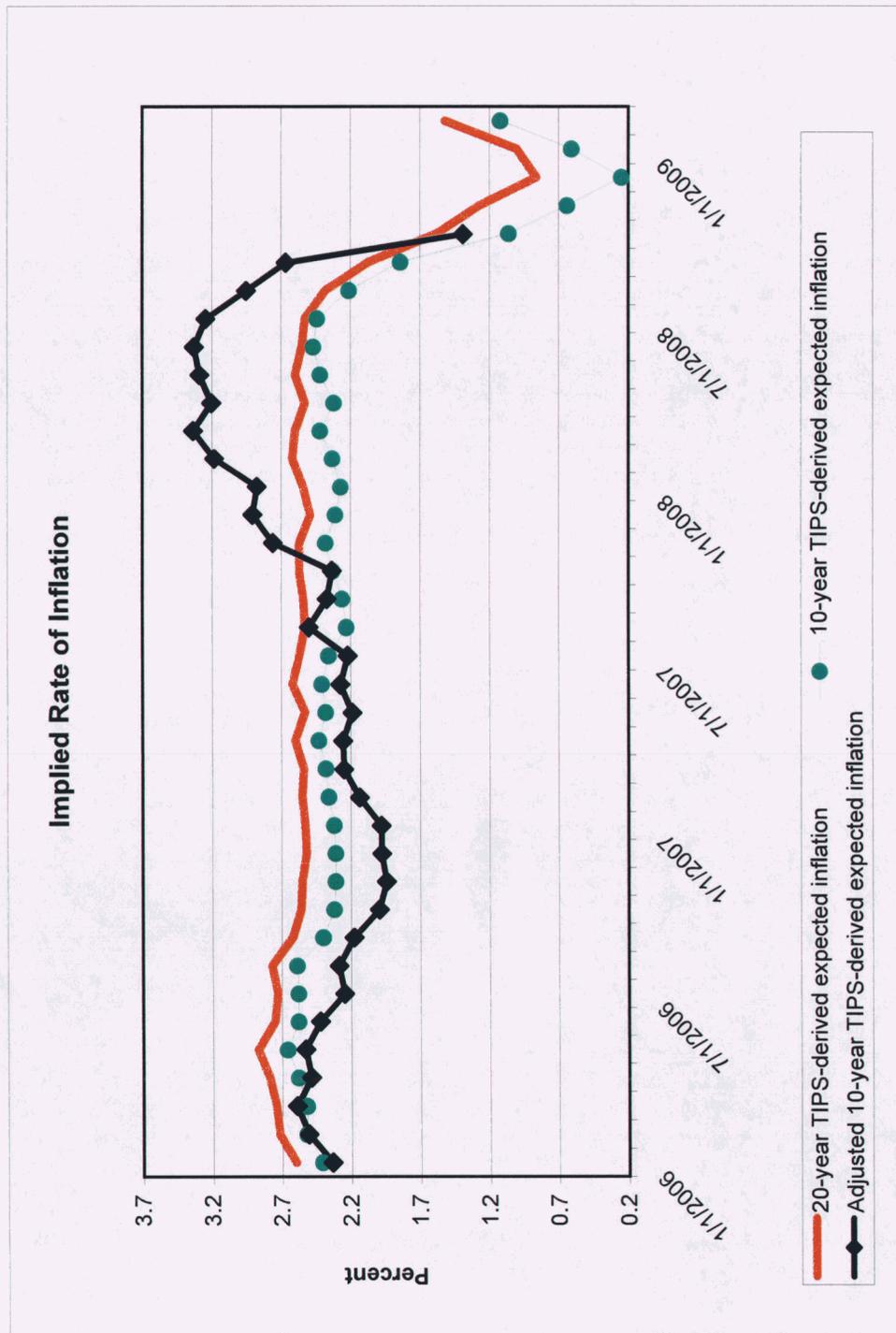
	Current Quarterly Dividend	Last Change in Dividend Payment	Recent Ex-Dividend Date	5-Year Growth Rate for DCF	Expected Quarterly Dividends (as of 2/28/09)					Expected First-Year Dividend
					1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	
ALLETE, Inc.	\$ 0.440	1Q 2009	02/11/09	3.7%	\$0.440	\$0.440	\$0.440	\$0.440	\$0.456	\$1.776
CH Energy Group, Inc.	\$ 0.540	None Recent	01/07/09	3.8%	\$0.540	\$0.540	\$0.540	\$0.540	\$0.540	\$2.160
Empire District Electric Company	\$ 0.320	None Recent	02/25/09	7.4%	\$0.320	\$0.320	\$0.320	\$0.320	\$0.320	\$1.280
Hawaiian Electric Industries, Inc.	\$ 0.310	None Recent	02/26/09	4.4%	\$0.310	\$0.310	\$0.310	\$0.310	\$0.310	\$1.240
MGE Energy, Inc	\$ 0.362	3Q 2008	02/25/09	2.1%	\$0.362	\$0.369	\$0.369	\$0.369	\$0.369	\$1.469
Northeast Utilities	\$ 0.238	1Q 2009	02/25/09	7.7%	\$0.238	\$0.238	\$0.238	\$0.238	\$0.256	\$0.968
NorthWestern Corporation	\$ 0.335	1Q 2009	02/13/09	10.0%	\$0.335	\$0.335	\$0.335	\$0.335	\$0.369	\$1.374
NSTAR	\$ 0.375	1Q 2009	01/07/09	6.7%	\$0.375	\$0.375	\$0.375	\$0.375	\$0.400	\$1.525
Portland General Electric Company	\$ 0.245	2Q 2008	12/23/08	6.9%	\$0.245	\$0.262	\$0.262	\$0.262	\$0.262	\$1.031
UIL Holdings Corporation	\$ 0.432	None Recent	12/10/08	3.6%	\$0.432	\$0.432	\$0.432	\$0.432	\$0.432	\$1.728

Source: Dividend information is from Yahoo! Finance and SNL Financial

EXHIBIT

MBP-6

UNS Electric, Inc.
 Implied Rate of Inflation from U.S. Treasury Securities



Sources: Federal Reserve Bank of Cleveland and Federal Reserve Board of Governors

EXHIBIT

MBP-7

**UNS Electric, Inc.
Non-Constant Growth DCF Analysis
Comparable Company Group**

	Recent Avg. Share Price	Projected Dividends					Long-Term Growth	Estimated Cost of Equity
		Year 1	Year 2	Year 3	Year 4	Year 5		
ALLETE, Inc.	\$ 29.66	\$1.78	\$1.84	\$1.91	\$1.98	\$2.05	6.5%	11.9%
CH Energy Group, Inc.	\$ 46.94	\$2.16	\$2.24	\$2.33	\$2.42	\$2.51	6.5%	10.7%
Empire District Electric Company	\$ 16.12	\$1.28	\$1.37	\$1.48	\$1.58	\$1.70	6.5%	14.7%
Hawaiian Electric Industries, Inc.	\$ 18.89	\$1.24	\$1.29	\$1.35	\$1.41	\$1.47	6.5%	12.6%
MGE Energy, Inc	\$ 30.94	\$1.47	\$1.50	\$1.53	\$1.56	\$1.59	6.5%	10.6%
Northeast Utilities	\$ 23.15	\$0.97	\$1.04	\$1.12	\$1.21	\$1.30	6.5%	10.8%
NorthWestern Corporation	\$ 22.62	\$1.37	\$1.51	\$1.66	\$1.83	\$2.01	6.5%	13.3%
NSTAR	\$ 33.16	\$1.53	\$1.63	\$1.74	\$1.85	\$1.98	6.5%	11.1%
Portland General Electric Company	\$ 17.74	\$1.03	\$1.10	\$1.18	\$1.26	\$1.35	6.5%	12.4%
UIL Holdings Corporation	\$ 23.99	\$1.73	\$1.79	\$1.85	\$1.92	\$1.99	6.5%	13.1%
Average Value for Group								12.1%

Source: Share prices are from Yahoo! Finance

EXHIBIT

MBP-8

UNS Electric, Inc.
Application of Capital Asset Pricing Model
Comparable Company Group
(Using February 2009 Risk-Free Rate and Adjusted Risk Premium)

	Risk-Free Rate	Beta	Equity Risk Premium	Risk Premium Adjustment	Estimated Cost of Equity
ALLETE, Inc.	3.83%	+ 0.75	x (6.50%	+ 2.29%	) = 10.4%
CH Energy Group, Inc.	3.83%	+ 0.70	x (6.50%	+ 2.29%	) = 10.0%
Empire District Electric Company	3.83%	+ 0.75	x (6.50%	+ 2.29%	) = 10.4%
Hawaiian Electric Industries, Inc.	3.83%	+ 0.70	x (6.50%	+ 2.29%	) = 10.0%
MGE Energy, Inc	3.83%	+ 0.70	x (6.50%	+ 2.29%	) = 10.0%
Northeast Utilities	3.83%	+ 0.75	x (6.50%	+ 2.29%	) = 10.4%
NorthWestern Corporation	3.83%	+ 0.68	x (6.50%	+ 2.29%	) = 9.8%
NSTAR	3.83%	+ 0.70	x (6.50%	+ 2.29%	) = 10.0%
Portland General Electric Company	3.83%	+ 0.65	x (6.50%	+ 2.29%	) = 9.5%
UIL Holdings Corporation	3.83%	+ 0.70	x (6.50%	+ 2.29%	) = 10.0%

Average Value for Group

10.1%

Notes

Risk-free rate is 20-Year Treasury Constant Maturity Rate (Average for February 2009).

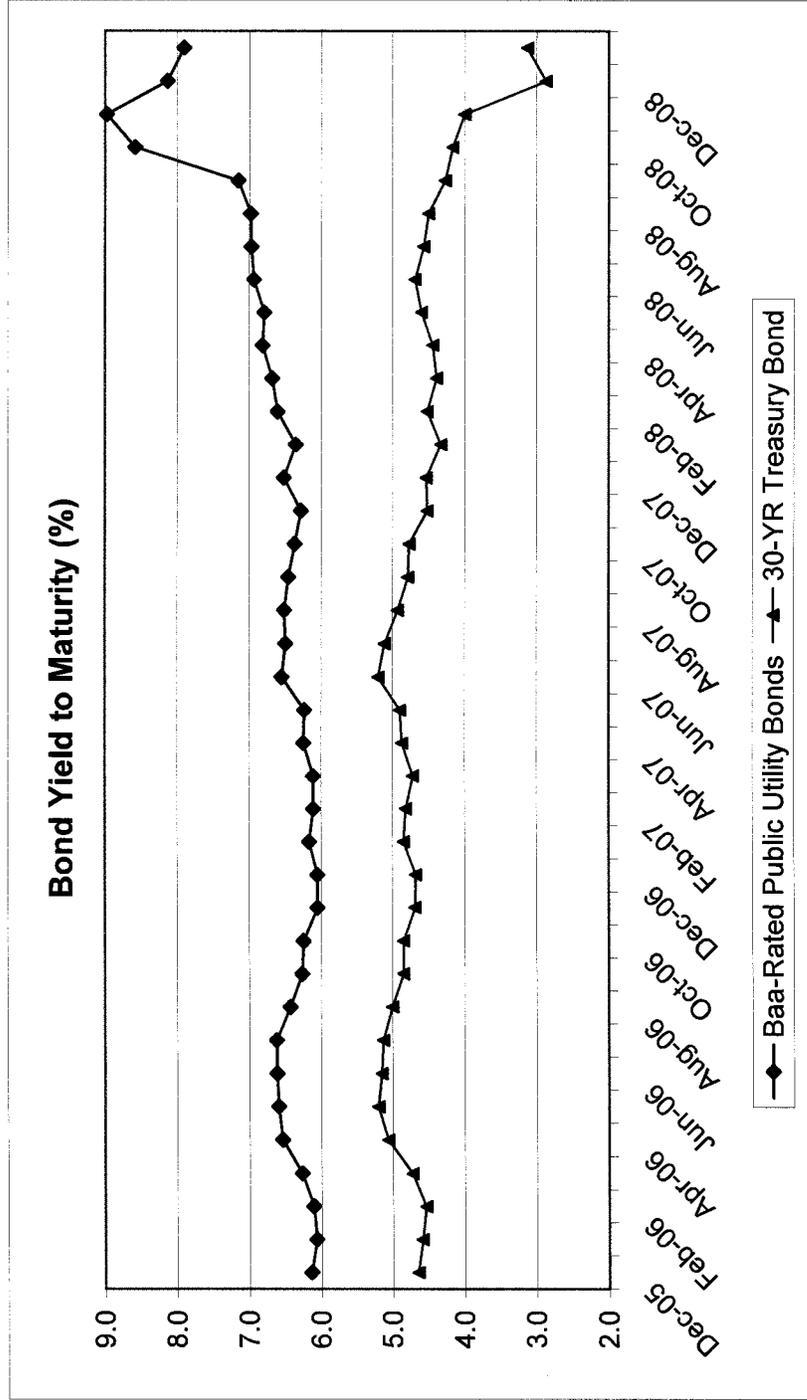
Sources: 20-Year U.S. Treasury Constant Maturity Rate is from the Federal Reserve Board of Governors Web site (www.federalreserve.gov). Beta value for NorthWestern Corporation is from Yahoo! Finance. All other beta values are from Value Line. Equity Risk Premium is from Morningstar SBBI 2009 Yearbook. Equity Risk Premium = 6.5% Equity Risk Premium + 2.29% Risk Premium Adjustment

EXHIBIT

MBP-9

Exhibit MBP-9

**UNS Electric, Inc.
Yields on Baa Public Utility Bonds and U.S. Treasury Bonds**



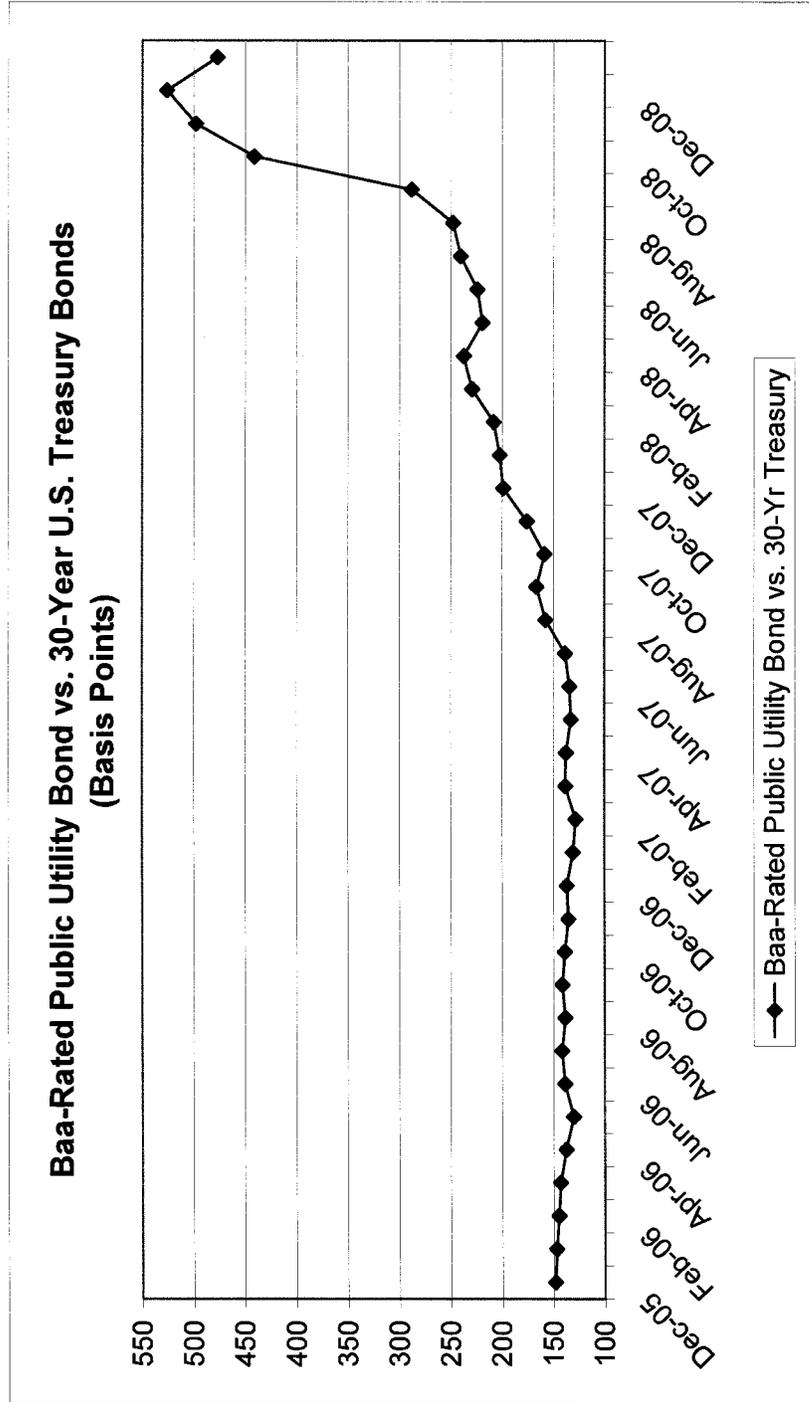
Sources: Public Utility bond yields are from Mergent Bond Record. 30-Yr. U.S. Treasury bond yields are from Mergent Bond Record (Dec 2005 - Jan 2006 data) and the Federal Reserve Board of Governors Web site (www.federalreserve.gov, Feb 2006 - January 2009 data).

EXHIBIT

MBP-10

Exhibit MPB-10

UNS Electric, Inc.
Public Utility Bond Credit Spreads

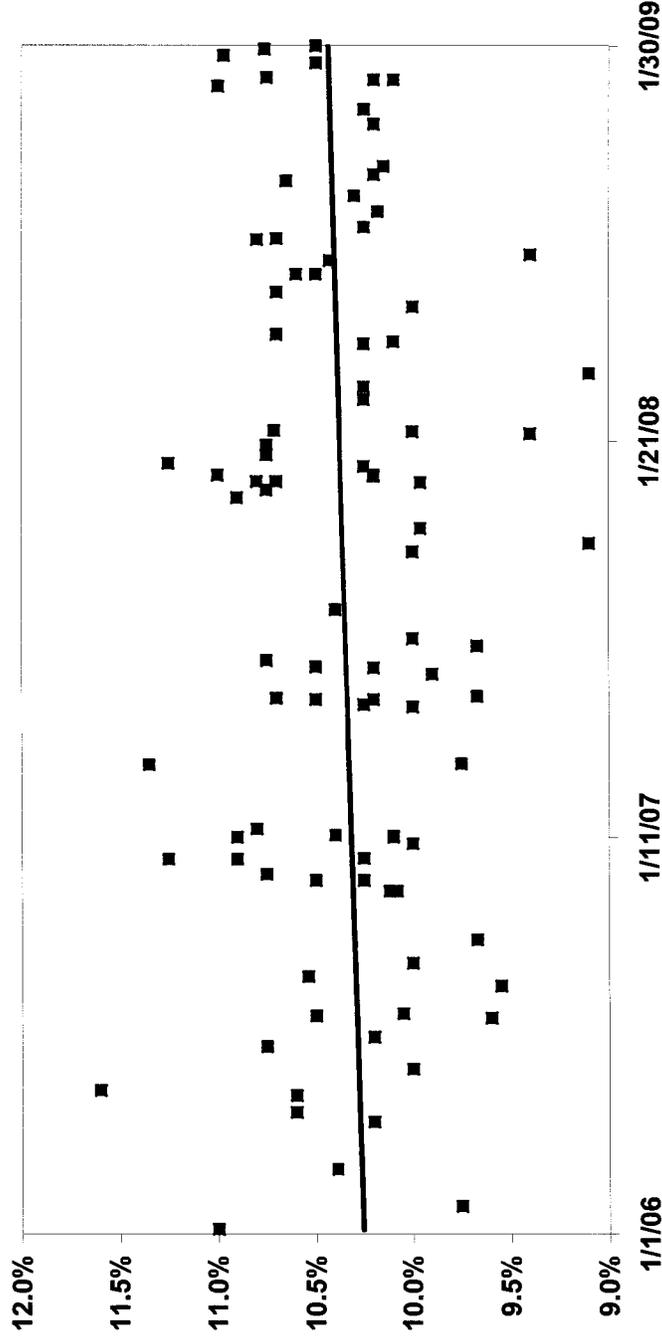


Sources: Public Utility bond yields are from Mergent Bond Record. 30-Yr. U.S. Treasury bond yields are from Mergent Bond Record (Dec 2005 - Jan 2006 data) and the Federal Reserve Board of Governors Web site (www.federalreserve.gov, Feb 2006 - January 2009 data).

EXHIBIT

MBP-11

UNS Electric, Inc.
Allowed ROEs for Electric Utilities



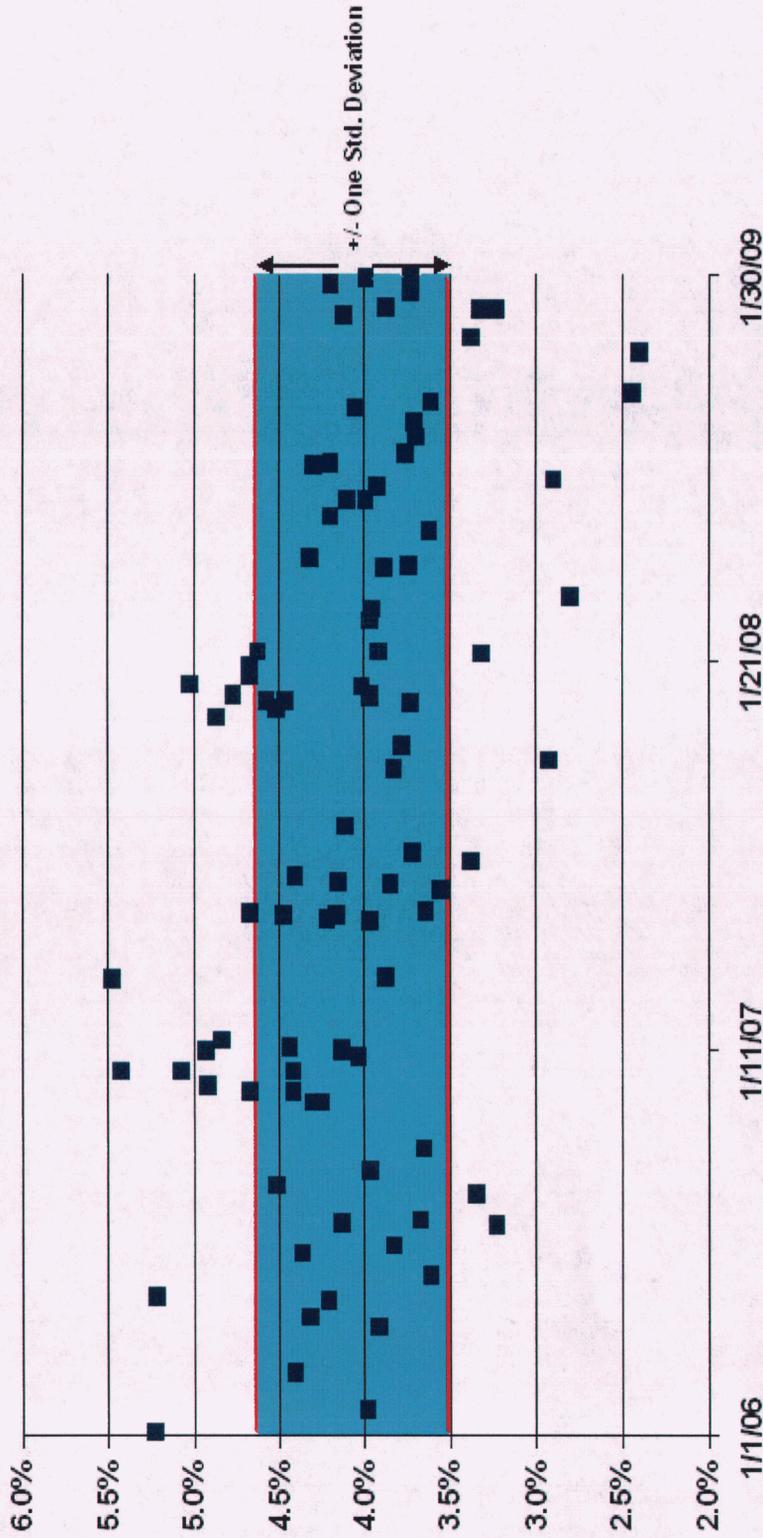
Note: Trend line shown derived from least-squares linear regression.
Source: SNL Financial.

EXHIBIT

MBP-12

Exhibit MBP - 12

UNS Electric, Inc.
Allowed ROE Risk Premium over Avg. Public Utility Bond Yield



Sources: Allowed ROE risk premiums from SNL Financial; Average Public Utility bond yields from Mergent Bond Record.

Direct Testimony of
Karen G. Kissinger

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

- KRISTIN K. MAYES CHAIRMAN
- GARY PIERCE
- PAUL NEWMAN
- SANDRA D. KENNEDY
- BOB STUMP

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-04204A-09-____
UNS ELECTRIC, INC. 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 UNS ELECTRIC, INC.)
DEVOTED TO ITS OPERATIONS)
THROUGHOUT THE STATE OF ARIZONA)
)
)

Direct Testimony of

Karen G. Kissinger

on Behalf of

UNS Electric, Inc.

April 30, 2009

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V.	Summary of: "E" Schedules – Financial Statements and Statistical Schedules.....	10

Exhibits

Exhibit KGK-1	UNS Electric, Inc. Audited Financial Statements for years ended December 31, 2008 and 2007.	
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1 **I. INTRODUCTION.**

2
3 **Q. Please state your name and address.**

4 A. My name is Karen G. Kissinger and my business address is 4350 East Irvington Road,
5 Tucson, Arizona, 85714.
6

7 **Q. What is your position with UNS Electric, Inc. (“UNS Electric” or the “Company”)?**

8 A. I am Vice President and Controller of UNS Electric, Inc. (“UNS Electric” or “Company”)
9 as well as Vice President, Controller, and Chief Compliance Officer for UniSource
10 Energy Corporation (“UniSource Energy”). My present functional areas of responsibility
11 include internal and external financial reporting, plant and property accounting, payroll,
12 customer and revenue accounting, accounts payable, tax planning and tax compliance
13 reporting, and energy settlements for all UniSource Energy owned utilities.
14

15 **Q. Please describe your education and experience.**

16 A. I received a Bachelor of Arts Degree in Spanish from the University of Virginia in 1977.
17 I received a Master of Business Administration with a Concentration in Accounting from
18 the University of Arizona in 1982. I am a Certified Public Accountant licensed to
19 practice in the State of Arizona. I am a member of the American Institute of Certified
20 Public Accountants and the Arizona State Society of Certified Public Accountants.
21 Before joining Tucson Electric Power Company (“TEP”)¹ in 1991, I was employed by
22 Deloitte Haskins & Sells, and its successor by merger, Deloitte & Touche, in the audit
23 department for approximately eight and one-half years. I was designated by Deloitte &
24 Touche as a public utility specialist, and provided audit and consulting services to a client
25 base comprised of both public and cooperative electric utilities. Since 1991, I have been
26 employed by TEP as Vice President and Controller and as UniSource Energy’s Vice
27

¹ TEP is a subsidiary of UniSource Energy Corporation and an affiliate of UNS Electric, Inc

1 President and Controller since the time of its formation. I was named the Vice President
2 and Controller of UNS Electric when it was formed in 2003.

3
4 **Q. What is the purpose of your direct testimony?**

5 A. My direct testimony supports UNS Electric's rate request in this proceeding. I am the
6 sponsoring witness for the historical accounting and tax data reflected in UNS Electric's
7 rate case Application included in the "E" Schedules – (Financial Statements and
8 Statistical Schedules). I also sponsor the depreciation, property tax and the income tax
9 pro forma adjustments in Schedules B and C.

10
11 **II. PRO FORMA ADJUSTMENTS.**

12
13 **Q. Please explain the consideration of pro forma adjustments in the rate case process.**

14 A. Public utility rates are based on the reasonable and prudently-incurred costs of providing
15 safe, reliable service. The revenue requirement underlying rates is developed on the basis
16 of a test year that reflects a level of operating revenues and expenses and net plant
17 investment that is representative of normal conditions that may be expected to exist
18 during the time that resulting rates may be in effect. This affords the utility a reasonable
19 opportunity to achieve a fair rate of return, as authorized by the respective regulatory
20 authority.

21
22 Pro forma adjustments are made to recorded test year amounts that do not reflect the
23 levels of expenses required for the provision of service or that are not representative of
24 the levels expected to occur during the period when the new rates will be in effect. Such
25 adjustments may be made in the form of eliminations, annualizations, or normalizations.

1 Elimination adjustments are made to remove out-of-period or non-recurring transactions,
2 or items that are not costs or revenues related to the provision of utility service. Thus,
3 they are not eligible for reflection in revenue requirements.

4
5 Annualization adjustments are made to reflect the full, 12-month revenue or expense
6 level of certain components of operating income. Annualization adjustments are
7 typically computed using end-of-test-year quantities, and the most current known and
8 measurable prices and rates. An example in this case would be adjusting recorded
9 depreciation expense to reflect the full effect of plant additions and retirements during the
10 test year.

11
12 Normalization adjustments reflect that the recorded test year operating revenues and
13 expenses may not be representative of a normal level for ratemaking purposes. Certain
14 events may have affected recorded transactions in an atypical manner. Moreover, some
15 transactions eligible for reflection in revenue requirements are incurred at intervals less
16 frequent than annually, provide benefits extending beyond a single year, or reoccur in
17 significantly different amounts each year. As a result, the amounts recorded in the test
18 year may not be viewed as "normal," thus requiring a restatement for ratemaking
19 purposes. Normalization adjustments are made in such instances when a test-year level
20 of revenues or expenses is not representative of what would be expected on an on-going
21 basis. An example in this case would be the adjustment for property tax expense to
22 reflect the change in statutory assessment ratio to the ratio anticipated to be in place in
23 2010, the time the revenues are anticipated to become effective.

24
25 **Q. Were the pro forma adjustments that you are sponsoring in your testimony**
26 **prepared by you or under your supervision?**

27 **A.** Yes, they were.

1 **Q. Have the pro forma adjustments for which you are responsible in this rate filing**
2 **been computed in accordance with sound ratemaking principles and all applicable**
3 **rules and policies of the Arizona Corporation Commission (“Commission”)?**

4 A. Yes. To the best of my knowledge, all of the adjustments that I am sponsoring have been
5 so calculated.

6
7 **III. RATE BASE ADJUSTMENT: ACCUMULATED DEFERRED INCOME TAXES.**

8
9 **Q. Please explain the Accumulated Deferred Income Tax (“ADIT”) adjustment.**

10 A. The adjustment reduces rate base for the computed balance of Accumulated Deferred
11 Income Taxes, a source of non-investor capital, based on adjusted test year rate base and
12 operating results and the Company’s existing income tax ratemaking authority.

13
14 **Q. What are deferred income taxes?**

15 A. Deferred income taxes represent the tax effect of differences that arise between the time
16 period when revenues and expenses are recognized for financial reporting purposes and
17 when they are considered for income tax return purposes. For public utilities, the largest
18 such difference is that which exists as a result of the use of accelerated methods and
19 shorter lives in computing tax depreciation as compared with the manner in which book
20 and regulatory depreciation is computed. The process of apportioning income taxes
21 among accounting periods is referred to as “interperiod tax allocation.” For this purpose,
22 it is useful to distinguish between “timing differences” and “permanent differences.”

23
24 Timing differences represent differences between book income before income taxes and
25 taxable income which originate in one or more periods, and reverse or turn around, in one
26 or more subsequent periods. Because of their capital intensity, the difference between
27 book and tax depreciation is typically the largest timing difference affecting public

1 utilities. Expenses that are deducted by utilities currently for tax purposes, but deferred
2 on the books as regulatory assets for future recognition in rates is another example of a
3 timing difference.

4
5 Permanent differences exist between book income and taxable income, and do not
6 reverse in subsequent periods. Examples of permanent differences include non-taxable
7 interest income from municipal bonds and non-deductible lobbying expenses.

8
9 Deferred income taxes are computed for timing differences, but not for permanent
10 differences. The typical accounting for deferred taxes involves recognition of a deferred
11 income tax provision (expense) on the income statement for the tax effect of the timing
12 differences, with a corresponding entry made to a balance sheet accumulated deferred
13 income tax reserve account. As the timing differences reverse over time, the deferred tax
14 component of income tax expense becomes negative and the balance of the reserve
15 account is extinguished.

16
17 **Q. How do deferred income taxes affect public utility ratemaking?**

18 A. The reflection of deferred income taxes in ratemaking is labeled "normalization". Some
19 regulatory bodies permit utilities to recognize deferred income taxes associated with all
20 book-tax timing differences in ratemaking ("full normalization"), while others only
21 permit the recognition of certain timing differences required by the Internal Revenue
22 Code to be recognized in utility ratemaking ("partial normalization"). To the extent that
23 normalization is permitted in ratemaking, the resulting deferred income taxes are
24 reflected as a component of income tax expense, with the corresponding balance sheet
25 reserve for accumulated deferred taxes deducted from rate base as non-investor capital,
26 reflecting the availability of such amounts for plant investment or operating purposes

27

1 between the time they are collected from customers and ultimately remitted to taxing
2 authorities.

3
4 **Q What income tax ratemaking authority has been granted to UNS Electric?**

5 A. UNS Electric's systems were formerly owned by Citizens Utilities, who operated various
6 properties throughout the state of Arizona, each having its separate designated service
7 territory, rate schedules and service rules. For electric operations, Citizens operated
8 under separate divisions in northern Arizona and southern Arizona. The pro forma
9 income tax expense calculations prepared in connection with the 1996 Citizens Rate
10 Case, resulting in Decision No. 59951 (January 3, 1997), clearly indicate the use of a full
11 normalization of all books – tax timing differences. For ratemaking purposes, both of the
12 electric plant divisions acquired from Citizens have been permitted to provide deferred
13 income taxes in rate making for all timing differences. In the Citizens Electric rate case
14 covered by Decision No. 59951, the filing and resulting revenue requirement and rate
15 structure were prepared on a combined basis, providing precedent for the consolidation of
16 rate designs for Mohave and Santa Cruz County customers in UNS Electric's rate
17 applications. This combined-division basis and use of full normalization was affirmed
18 for use by UNS Electric in Decision No. 66028 (July 3, 2003)(approving the acquisition
19 of the systems by UNS Electric) and again in UNS Electric's most recent rate case order,
20 Decision No. 70360 (May 27, 2008).

21
22 **Q. How was the tax cost of the electric plant assets determined in connection with
23 computing the ADIT balance deducted from rate base as of the end of the test year?**

24 A. Consistent with prior Commission decisions, the two Citizens Electric Divisions were
25 effectively combined into a single entity, UNS Electric, upon acquisition of the Citizens
26 electric assets by UniSource Energy. Due to this acquisition, a new tax basis reflecting
27 the actual amounts for the acquired assets was established. For rate making purposes,

1 this tax basis is adjusted to reflect the fixed acquisition discount established by the
2 Commission in Decision No. 66028 and affirmed in Decision No. 70360. Upon
3 acquisition of the assets by UNS Electric from Citizens, all book-tax timing differences
4 arising since that time have been fully normalized by UNS Electric, consistent with the
5 prior rate treatment afforded to the assets when owned by Citizens.

6
7 **Q. What does the ADIT adjustment include?**

8 A. The adjustment reduces rate base for the computed balance of ADIT, based on adjusted
9 test-year rate base and operating results. This reflects the ADIT associated with assets
10 owned by UNS Electric at the end of the test year, and the results of operations for the
11 test year. There are no incremental effects included for any potential future events.

12
13 **IV. OPERATING INCOME ADJUSTMENTS.**

14
15 **A. Base Case.**

16
17 **Q. Please explain the Depreciation Expense adjustment.**

18 A. The Depreciation Expense adjustment is computed to reflect in pro forma operating
19 expense an annual depreciation amount based on depreciable plant in service as of the
20 end of the test year and book depreciation rates as presented in detail in the testimony of
21 witness Dr. Ronald E. White. The calculation of the adjustment properly considers the
22 effects of depreciation associated with vehicles that are charged to clearing accounts or
23 expense categories other than depreciation. This adjustment does not include any
24 amounts related to BMGS. The depreciation expense requested for BMGS is presented
25 separately.

1 **Q. Please explain the Property Tax adjustment for the Base Case.**

2 A. The Property Tax adjustment is intended to reflect in pro forma test year operating
3 expenses an amount based on final, adjusted plant in service at the end of the test year,
4 using the statutory assessment ratio of 21%, which is the rate scheduled to become
5 effective January 1, 2010, and the most currently known average property tax rates. To
6 the extent that more current average tax rate information becomes available during the
7 conduct of this rate case, the Company is willing to update that part of the tax adjustment.
8 This adjustment does not include any amounts related to BMGS. The property tax
9 expense requested for BMGS is presented separately.

10

11 **Q. Please explain the Income Tax Expense adjustment for the Base Case.**

12 A. The Income Tax Expense adjustment is computed with the intent to reflect in pro forma
13 test year operating expenses an amount of income taxes based on final adjusted operating
14 revenues, operating expense, and rate base. It is computed in two parts. The first part is
15 pro forma current income tax expense, the tax liability computed as though an actual
16 income tax return was being prepared on final adjusted test year taxable operating
17 income. For this purpose, it was necessary to identify all operating book-tax differences
18 ("Schedule M items"), both timing and permanent, and then recompute based on adjusted
19 test year operating revenues and expenses, if necessary. The tax deduction for interest
20 was computed using a synchronization methodology reflecting final adjusted rate base
21 and the weighted cost of debt in the capital structure.

22

23 The second part of the income tax calculation is deferred income tax expense. Deferred
24 income taxes are computed on the Schedule M items representing timing differences for
25 which the Company has obtained normalization ratemaking authority from the
26 Commission as previously described in my testimony.

27

1 **B. Black Mountain Generating Station.**²
2

3 **Q. Please explain the Depreciation expense adjustment for BMGS.**

4 A. This adjustment reflects the annual depreciation expense associated with BMGS, using
5 the depreciation rates calculated in the depreciation study by Dr. Ron White. Since the
6 station was not owned by UNS Electric at the end of the test year, it was not included in
7 the base case calculation of depreciation expense.
8

9 **Q. Please explain the Property Tax expense adjustment for BMGS.**

10 A. This adjustment reflects the inclusion of property taxes solely for BMGS, calculated
11 using the final, adjusted station plant in service at the end of the test year, using the
12 statutory assessment ratio of 21%, which is the rate scheduled to become effective
13 January 1, 2010, and the most currently known average property tax rates.
14

15 **Q. Please explain the Income Tax expense adjustment for BMGS.**

16 A. The Income Tax Expense adjustment is computed with the intent to reflect in pro forma
17 test year operating expenses an amount of income taxes based on final adjusted operating
18 revenues, operating expense, and rate base solely for BMGS. It is computed in two parts.
19 The first part is pro forma current income tax expense, the tax liability computed as
20 though an actual income tax return was being prepared on final adjusted test year taxable
21 operating income for BMGS. For this purpose, it was necessary to identify all operating
22 book-tax differences (“Schedule M items”), both timing and permanent, and then
23 recompute based on adjusted test year operating revenues and expenses, if necessary. The
24 tax deduction for interest was computed using a synchronization methodology reflecting
25 final adjusted rate base and the weighted cost of debt in the capital structure.
26

27 ² These adjustments assume BMGS will be acquired, and the Commission will include it in rate base with the necessary approvals, as discussed in the Direct Testimony of Mr. Kentton Grant, Mr. Dallas Dukes and Mr. Thomas McKenna.

1 The second part of the BMGS income tax calculation is deferred income tax expense.
2 Deferred income taxes are computed on the BMGS Schedule M items representing
3 timing differences for which the Company has obtained normalization ratemaking
4 authority from the Commission as previously described in my testimony.
5

6 **V. SUMMARY OF "E" SCHEDULES – FINANCIAL STATEMENTS AND**
7 **STATISTICAL SCHEDULES.**
8

9 **Q. Please explain the Company's "E" Schedules.**

10 A. The "E" Schedules were prepared in accordance with the filing requirements contained in
11 AAC R14-2-103. They are comprised of Schedule Nos. E-1 through E-9, containing
12 annual financial statements and key operating statistics and financial data extracted from
13 the Company's regulatory books of account.
14

15 **Q. On what basis are the regulatory books of account of UNS Electric maintained?**

16 A. The Company's regulatory books of account are maintained in accordance with the
17 Uniform System of Accounts of the Federal Energy Regulatory Commission ("FERC"),
18 as required by A.A.C. R14-2-212.G.2.
19

20 **Q. Have there been any significant changes to the Company's accounting policies or**
21 **principles since UNS Electric's last test year, calendar year 2006?**

22 A. No.
23

24 **Q. Have the financial statements been audited?**

25 A. Yes. The 2003 (from inception date) and calendar years 2004-2008 financial statements
26 were audited by the firm of PricewaterhouseCoopers LLP (Independent Certified Public
27

1 Accountants). The audited financial statements for 2008 and 2007 are provided as
2 Exhibit KGK-1.

3

4 **Q. Please describe Schedule E-1.**

5 A. Schedule E-1 contains the comparative balance sheets of UNS Electric for the test year
6 ending December 31, 2008, and the two prior calendar years ending December 31, 2007,
7 and December 31, 2006.

8

9 **Q. Please describe Schedule E-2.**

10 A. This schedule sets forth comparative income statements for the test year ending
11 December 31, 2008, and the two prior calendar years ending December 31, 2007 and
12 2006. The income statement for the test year supports the actual test period income
13 statement shown on Schedules C-1 and C-2.

14

15 **Q. Please describe Schedule E-3.**

16 A. This Schedule presents the comparative statements of cash flows for the test year ending
17 December 31, 2008 and the two prior calendar years ending December 31, 2007 and
18 2006.

19

20 **Q. Please describe Schedule E-4.**

21 A. This Schedule reports the changes that occurred in stockholders' equity (deficit) during
22 the period beginning January 1, 2006 and ending December 31, 2008. Changes occurring
23 each year in both the number of shares outstanding and in the amounts of the various
24 elements of stockholders' equity are reflected.

25

26

27

1 **Q. Please describe Schedule E-5.**

2 A. Page 1 of Schedule E-5 presents a summary of the balances in the various electric utility
3 plant account categories and accumulated depreciation at December 31, 2008 and
4 December 31, 2007, and the net changes therein during 2008, with plant in service
5 presented on a functional basis. Pages 2 and 3 of Schedule E-5 present the same
6 information on a more detailed basis, by individual electric plant account.

7

8 **Q. Please describe Schedule E-6.**

9 A. Schedule E-6 contains Operating Income Statements for the test year and two previous
10 calendar years. Retail revenues are reported by rate class. Operating Expenses are
11 reported by major category.

12

13 **Q. Please describe Schedule E-7.**

14 A. This Schedule reports key electric operating statistics, in a comparative format, for the
15 test year ending December 31, 2008 and the two prior calendar years ending December
16 31, 2007 and 2006.

17

18 **Q. Please describe Schedule E-8.**

19 A. This Schedule shows the taxes charged to operating expenses by tax type for the test year
20 ended December 31, 2008 and the two prior calendar years ended December 31, 2007
21 and 2006.

22

23 **Q. Please describe Schedule E-9.**

24 A. This Schedule is intended to disclose important facts required for a proper understanding
25 of the financial statements. We have included here the Company's FERC Form 1 for the
26 year ended December 31, 2008. The footnotes and other statistical data contained therein

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provide additional information to facilitate understanding of the remaining information contained in Schedules E.

Q. Does this conclude your direct testimony?

A. Yes, it does.

EXHIBIT

KGK-1

UNS Electric, Inc.
Financial Statements
Years Ended December 31, 2008 and 2007



Report of Independent Auditors

To the Board of Directors and Stockholder of
UNS Electric, Inc.:

In our opinion, the accompanying balance sheets and statements of capitalization and the related statements of income, cash flows, changes in stockholder's equity and comprehensive income present fairly, in all material respects, the financial position of UNS Electric, Inc. (the "Company") at December 31, 2008 and December 31, 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chicago, Illinois
April 8, 2009

UNS ELECTRIC, INC.
STATEMENTS OF INCOME

	Years Ended December 31,	
	2008	2007
	- Thousands of Dollars -	
Operating Revenues		
Electric Retail Sales	\$ 181,639	\$ 165,146
Electric Wholesale Sales	10,168	234
Other Revenues	3,104	3,579
Total Operating Revenues	194,911	168,959
Operating Expenses		
Purchased Energy	127,698	110,871
Fuel	7,626	-
Other Operations and Maintenance	30,270	30,099
Depreciation and Amortization	13,574	13,021
Taxes Other than Income Taxes	3,694	3,475
Total Operating Expenses	182,862	157,466
Operating Income	12,049	11,493
Other Income		
Interest Income	207	289
Other	519	1,828
Total Other Income	726	2,117
Interest Expense		
Long-Term Debt	6,546	6,273
Interest on Capital Leases	20	22
Allowance for Funds Used During Construction	(182)	(740)
Other	218	167
Total Interest Expense	6,602	5,722
Income Before Income Taxes	6,173	7,888
Income Taxes	2,409	3,134
Net Income	\$ 3,764	\$ 4,754

See Notes to Financial Statements.

UNS ELECTRIC, INC.
STATEMENTS OF CASH FLOWS

Years Ended December 31,
2008 **2007**

- Thousands of Dollars -

	2008	2007
Cash Flows from Operating Activities		
Cash Receipts from Electric Retail Sales	\$ 196,541	\$ 178,109
Performance Deposit Receipts	24,250	-
Cash Receipts from Electric Wholesale Sales	9,410	-
Income Tax Refunds Received	487	-
Interest Received	179	288
Other Cash Receipts	1,953	1,231
Purchased Energy Costs Paid	(125,975)	(107,621)
Performance Deposit Payments	(30,870)	-
Payment of Other Operations and Maintenance Costs	(18,586)	(18,106)
Taxes Paid, Net of Amounts Capitalized	(17,789)	(16,403)
Fuel Costs Paid	(8,152)	-
Wages Paid, Net of Amounts Capitalized	(5,549)	(4,859)
Payment of Affiliate Charges	(5,171)	-
Interest Paid, Net of Amounts Capitalized	(5,019)	(5,618)
Income Taxes Paid	(1,200)	(4,769)
Other Cash Payments	(958)	(445)
Net Cash Flows - Operating Activities	13,551	21,807
Cash Flows from Investing Activities		
Capital Expenditures	(29,664)	(37,582)
Proceeds from Sale of Land and Buildings	80	1,376
Net Cash Flows - Investing Activities	(29,584)	(36,206)
Cash Flows from Financing Activities		
Proceeds from Issuance of Long-Term Debt	100,000	-
Repayment Long-Term Debt	(60,000)	-
Proceeds from Borrowings under Revolving Credit Facility	26,000	14,000
Repayment of Borrowings under Revolving Credit Facility	(44,000)	(7,000)
Equity Investment from UniSource Energy Services	270	10,000
Customer Advance Receipts	1,326	2,835
Customer Advance Refunds	(718)	(919)
Intercompany Repayments	-	(6,586)
Other Cash Payments	(706)	(92)
Net Cash Flows - Financing Activities	22,172	12,238
Net Increase (Decrease) in Cash and Cash Equivalents	6,139	(2,161)
Cash and Cash Equivalents, Beginning of Period	2,667	4,828
Cash and Cash Equivalents, End of Period	\$ 8,806	\$ 2,667

See Notes to Financial Statements.

UNS ELECTRIC, INC.
BALANCE SHEETS

	December 31, 2008	December 31, 2007
- Thousands of Dollars -		
ASSETS		
Utility Plant		
Plant in Service	\$ 223,098	\$ 204,700
Utility Plant under Capital Leases	706	706
Construction Work in Progress	18,758	14,395
Total Utility Plant	242,562	219,801
Less Accumulated Depreciation and Amortization	(39,126)	(38,822)
Less Accumulated Amortization of Capital Lease Assets	(492)	(401)
Total Utility Plant - Net	202,944	180,578
Investments and Other Property	521	629
Current Assets		
Cash and Cash Equivalents	8,806	2,667
Accounts Receivable - Retail and Other	11,664	11,198
Unbilled Accounts Receivable	9,992	8,145
Accounts Receivable - Wholesale	115	-
Allowance for Doubtful Accounts	(1,379)	(848)
Accounts Receivable - Due from Affiliates	4,052	243
Income Tax Receivable	108	787
Regulatory Assets - Derivative Instruments	16,571	708
Materials and Supplies	8,984	7,678
Collateral Posted for Derivative Contracts	6,620	-
Energy Contracts - Derivative Instruments	1,585	3,435
Deferred Income Taxes - Current	704	352
Regulatory Assets - Other	260	-
Interest Receivable - Other	70	67
Other	935	547
Total Current Assets	69,087	34,979
Other Assets		
Regulatory Assets - Derivative Instruments	7,214	298
Regulatory Assets - Pension and Other Postretirement Benefits	2,575	663
Regulatory Assets - Other	243	735
Energy Contracts - Derivative Instruments	1,517	7,779
Unamortized Debt Discount and Expense	728	191
Preliminary Engineering	368	368
Deferred Income Taxes	-	4,294
Other	4	4
Total Other Assets	12,649	14,332
Total Assets	\$ 285,201	\$ 230,518

See Notes to Financial Statements.

UNS ELECTRIC, INC.
BALANCE SHEETS

	December 31, 2008	December 31, 2007
- Thousands of Dollars -		
CAPITALIZATION AND OTHER LIABILITIES		
Capitalization		
Common Stock Equity	\$ 83,755	\$ 79,789
Capital Lease Obligations	147	258
Long-Term Debt	108,000	26,000
Total Capitalization	191,902	106,047
Current Liabilities		
Accounts Payable - Purchased Power	5,849	8,537
Accounts Payable	4,822	4,621
Accounts Payable - Due from Affiliates	6,785	3,395
Energy Contracts - Derivative Instruments	18,156	733
Current Maturities of Long-Term Debt	-	60,000
Regulatory Liability - Over Recovered Purchased Energy Costs	6,459	-
Accrued Taxes Other than Income Taxes	4,086	3,325
Customer Deposits	4,066	3,730
Interest Accrued	2,870	1,890
Accrued Employee Expenses	1,167	741
Regulatory Liabilities - Other	1,078	-
Regulatory Liabilities - Derivative Instruments	-	3,410
Current Obligations under Capital Leases	103	97
Other	100	261
Total Current Liabilities	55,541	90,740
Deferred Credits and Other Liabilities		
Customer Advances for Construction	12,606	12,103
Regulatory Liability - Net Cost of Removal for Interim Retirements	10,548	2,067
Energy Contracts - Derivative Instruments	8,731	1,651
Deferred Employee Benefits	3,716	1,855
Deferred Income Taxes	2,048	-
Deferred Reclamation Costs	100	328
Regulatory Liabilities - Derivative Instruments	-	6,426
Regulatory Liability - Over Recovered Purchased Energy Costs	-	9,287
Other	9	14
Total Deferred Credits and Other Liabilities	37,758	33,731
Total Capitalization and Liabilities	\$ 285,201	\$ 230,518

See Notes to Financial Statements.

UNS ELECTRIC, INC.
STATEMENTS OF CAPITALIZATION

			December 31,	
			2008	2007
COMMON STOCK EQUITY			- Thousands of Dollars -	
Common Stock--No Par Value			\$ 58,887	\$ 58,617
	<u>2008</u>	<u>2007</u>		
Shares Authorized	1,000	1,000		
Shares Outstanding	1,000	1,000		
Accumulated Earnings			24,868	21,140
Accumulated Other Comprehensive Income			-	32
Total Common Stock Equity			83,755	79,789
CAPITAL LEASE OBLIGATIONS				
Total Capital Lease Obligations			250	355
Less Current Maturities			(103)	(97)
Total Long-Term Capital Lease Obligations			147	258
LONG-TERM DEBT				
Issue	Maturity	Interest Rate		
Senior Unsecured Notes - Note A	8/7/2015	6.50%	50,000	-
Senior Unsecured Notes - Note B	8/7/2023	7.10%	50,000	-
Senior Unsecured Notes - Note C	8/11/2008	7.61%	-	60,000
Credit Agreement - Revolving Credit Facility	8/11/2011	Variable*	8,000	26,000
Total Stated Principal Amount			108,000	86,000
Less Current Maturities			-	(60,000)
Total Long-Term Debt			108,000	26,000
Total Capitalization			\$ 191,902	\$ 106,047

* Interest accrues at a rate of LIBOR plus 1.0% or the greater of the federal funds rate plus 0.5% or the agent bank's reference rate. The weighted average interest rate on borrowings under the UNS Gas / UNS Electric Revolver at December 31, 2008 was 1.50%.

See Notes to Financial Statements.

UNS ELECTRIC, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY AND COMPREHENSIVE INCOME

	Common Shares Outstanding	Common Stock	Accumulated Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity
- Thousands of Dollars -					
Balances at December 31, 2006	1,000	\$ 48,617	\$ 16,386	\$ (66)	\$ 64,937
Comprehensive Income:					
2007 Net Income	-	-	4,754	-	4,754
Decrease in Postretirement Medical Liability (net of \$64 income taxes)	-	-	-	98	98
Total Comprehensive Income					<u>4,852</u>
Equity Contribution from UniSource Energy Services	-	10,000	-	-	10,000
Balances at December 31, 2007	1,000	\$ 58,617	\$ 21,140	\$ 32	\$ 79,789
Impact of Change in Pension Plan Measurement Date	-	-	(36)	-	<u>(36)</u>
Comprehensive Income:					
2008 Net Income	-	-	3,764	-	3,764
Employee Benefit Obligations					
Amortization of net actuarial loss and prior service credit included in net periodic benefit cost (net of \$1 income taxes)	-	-	-	(1)	(1)
Reclassification of Postretirement Benefit to Regulatory Asset (net of \$20 income taxes)	-	-	-	(31)	(31)
Total Comprehensive Income					<u>3,732</u>
Equity Contribution from UniSource Energy Services	-	270	-	-	270
Balances at December 31, 2008	1,000	\$ 58,887	\$ 24,868	\$ -	\$ 83,755

See Notes to Financial Statements.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF OPERATIONS

UNS Electric, Inc. (UNS Electric) is an electric transmission and distribution company serving approximately 90,000 retail customers in Mohave and Santa Cruz counties. UniSource Energy Services, Inc. (UES), an intermediate holding company, owns all of the common stock of UNS Electric and UNS Gas, Inc. UniSource Energy Corporation (UniSource Energy) owns all of the common stock of UES.

References to “we” and “our” are to UNS Electric.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

Our accounting policies conform to accounting principles generally accepted in the United States of America (GAAP), including the accounting principles for rate-regulated enterprises. Certain amounts reported in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on Net Income.

ACCOUNTING FOR RATE REGULATION

The Arizona Corporation Commission (ACC) and the Federal Energy Regulatory Commission (FERC) regulate portions of UNS Electric’s utility accounting practices and electric rates. The ACC has authority over certain rates charged to retail customers, the issuance of securities, and transactions with affiliated parties. The FERC regulates UNS Electric’s rates for wholesale power sales and interstate transmission services.

UNS Electric generally uses the same accounting policies and practices used by unregulated companies for financial reporting under GAAP. However, sometimes these principles, such as the Financial Accounting Standards Board’s (FASB) Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation* (FAS 71), require special accounting treatment for regulated companies to show the effect of regulation. For example, in setting UNS Electric’s retail rates, the ACC may not allow UNS Electric to currently charge our customers to recover certain expenses, but instead may require that these expenses be charged to customers in the future. In this situation, FAS 71 requires that UNS Electric defer these items and show them as regulatory assets on the balance sheet until we are allowed to charge our customers. UNS Electric then amortizes these items as expense to the income statement as those charges are recovered from customers. Similarly, certain revenue items may be deferred as regulatory liabilities, which are also eventually amortized to the income statement as rates to customers are reduced.

The conditions a regulated company must satisfy to apply the accounting policies and practices of FAS 71 include:

- an independent regulator sets rates;
- the regulator sets the rates to recover the specific costs of providing service; and
- the service territory lacks competitive pressures to reduce rates below the rates set by the regulator.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

FAS 71 may, at some future date, be discontinued due to changes in the regulatory and competitive environments. If UNS Electric stopped applying FAS 71 to its regulated operations, it would write off the related balances of its regulatory assets as an expense and would write off its regulatory liabilities as income on its income statement. UNS Electric's cash flows would not be affected if it stopped applying FAS 71 unless a regulatory order limited its ability to recover the cost of its regulatory assets. We believe our electric operations continue to meet the criteria for FAS 71. See Note 3.

UTILITY PLANT

UNS Electric reports its utility plant at cost. Utility plant includes material and labor costs, contractor costs, construction overhead costs, and an allowance for funds used during construction (AFUDC). We charge maintenance and repairs to operating expense as incurred.

AFUDC represents the estimated cost of debt and equity funds that finance utility plant construction. We recover AFUDC in rates through depreciation expense over the useful life of the related asset. UNS Electric imputed the cost of capital on construction expenditures at an average rate of 8.84% for 2008 and 13.51% for 2007. The component of AFUDC attributable to borrowed funds is included as a reduction of Other Interest Expense on the income statement and totaled \$0.2 million in 2008 and \$0.7 million in 2007. The equity component is included in Interest Income and totaled \$0.3 million in 2008 and \$0.4 million in 2007.

We compute depreciation of utility plant on a straight-line basis over the service lives of the assets. The average annual depreciation rates for UNS Electric's utility plant were 4.47% in 2008 and 4.60% in 2007.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and highly liquid investments with original maturities of three months or less.

MATERIALS AND SUPPLIES

UNS Electric carries materials and supplies in inventory at the lower of average cost or market.

COMPUTER SOFTWARE COSTS

UNS Electric capitalizes all costs incurred to purchase computer software and amortizes those costs over the estimated economic life of the product. We would immediately expense capitalized computer software costs if the software were determined to be no longer useful.

DEBT

We defer costs related to the issuance of debt. These costs include underwriters' commissions, discounts or premiums, and other costs such as legal, accounting and regulatory fees and printing costs. We amortize these costs over the life of the debt using the straight-line method, which approximates the effective interest method. Unamortized debt issuance costs were \$0.7 million at December 31, 2008 and \$0.2 million at December 31, 2007. See Note 6.

We report outstanding revolving credit balances as long-term debt when management has the intention and has the ability to roll-over outstanding balances for a period that is greater than one year.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

UTILITY OPERATING REVENUES

UNS Electric records utility operating revenues when services are provided or commodities are delivered to customers. Operating revenues include unbilled revenues which are earned (service has been provided) but not billed by the end of an accounting period.

Amounts delivered are determined through systematic monthly readings of customer meters. At the end of the month, the usage since the last meter reading is estimated and the corresponding unbilled revenue is calculated. Unbilled revenue is calculated based on daily generation or purchased volumes, estimated customer usage by class, estimated line losses and estimated average customer rates. Accrued unbilled revenues are reversed the following month when actual billings occur. The accuracy of the unbilled revenue estimate is affected by factors that include fluctuations in energy demands, weather, line losses, and changes in the composition of customer classes.

UNS Electric has rate-adjustment mechanisms in place that allow for a revenue surcharge or surcredit (that adjusts the customer's base rate for delivered purchased power) to collect or return under- or over-recovery of costs. These rate-adjustment mechanisms are revised periodically and may increase or decrease the level of costs recovered through base rates for any difference between the total amount collected under the clauses and the recoverable costs incurred. See Note 3.

We record an Allowance for Doubtful Accounts to reduce accounts receivable for revenue amounts that are estimated to be uncollectible. UNS Electric establishes an allowance for doubtful accounts based on historical experience and any specific customer collection issues.

Other Revenues primarily consist of miscellaneous fees, including service connection and late fees, and rental revenue from pole attachments.

PURCHASED ENERGY COSTS

UNS Electric defers differences between purchased energy costs and the recovery of such costs in rates. Where applicable, fuel cost over-recoveries (the excess of fuel costs recovered in base rates over fuel costs incurred) are deferred as current regulatory liabilities and under-recoveries (the excess of fuel costs incurred over fuel costs recovered in base rates) are deferred as current regulatory assets. See Note 3.

RELATED PARTY TRANSACTIONS

UNS Electric receives certain corporate, operation and administrative support services from affiliates. These costs consist primarily of employee compensation and benefits. Tucson Electric Power Company (TEP), a regulated public utility serving retail electric customers in southern Arizona, is UniSource Energy's largest operating subsidiary. Services from TEP totaled \$8 million in 2008 in 2007. Services from UNS Gas totaled \$0.1 million in 2008 and in 2007. Southwest Energy Solutions, Inc., another UniSource Energy affiliate, charged UNS Electric \$0.9 million in 2008 and in 2007 for meter reading services.

In 2008, TEP and UNS Electric began selling power to each other at prices based on the Dow Jones Four Corners Daily Index. TEP had wholesale power sales to UNS Electric of \$24 million. UNS Electric had wholesale power sales of \$9 million to TEP.

In 2008, TEP charged UNS Electric \$2 million for control area services. No such services were provided in 2007.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

In May 2008, UED began providing energy from its Black Mountain Generating Station (BMGS) to UNS Electric, through a power sale agreement. UED charged UNS Electric \$7 million for this energy. UNS Gas charged UNS Electric \$7 million for gas used by the BMGS facility.

INCOME TAXES

GAAP requires us to report some of our assets and liabilities differently for our financial statements than we do for income tax purposes. We reflect the tax effects of these differences as deferred income tax assets or liabilities in our balance sheets. We measure these deferred tax assets and liabilities using current income tax rates. Federal and state income tax credits are accounted for as a reduction of income tax expense in the year in which the credit arises.

UNS Electric is a member of the UniSource Energy consolidated income tax filing. UNS Electric is allocated income taxes based on its taxable income and deductions as reported in the UniSource Energy consolidated and/or combined tax return filings. The tax liability is allocated in accordance with the income tax regulations. As a result, the regular tax liability of UNS Electric is calculated on a stand alone basis and the liability is then owed to UniSource Energy through intercompany accounts. UniSource Energy has the ultimate responsibility for payment of consolidated tax liabilities to taxing authorities and maintaining intercompany tax accounts with its subsidiaries. The Alternative Minimum Tax (AMT) liability of UNS Electric is also computed in accordance with tax regulations. This method for allocating consolidated AMT among group members considers the contribution that one member's AMT attributes provide in offsetting the consolidated AMT liability that would otherwise result if the member were not included in the consolidated group.

TAXES OTHER THAN INCOME TAXES

UNS Electric acts as a conduit or collection agent for excise tax (sales tax) as well as franchise fees and regulatory assessments. UNS Electric records liabilities payable to governmental agencies when it charges its customers for these amounts. Neither the amounts charged nor payable are reflected in the income statement.

RENEWABLE ENERGY STANDARDS TARIFF (REST)

In June 2008, the ACC approved a REST surcharge for UNS Electric. The surcharge is intended to recover the cost of qualified renewable expenditures, such as payments to customers who have renewable energy resources or the incremental cost of renewable power generated or purchased by UNS Electric. To the extent that the surcharge matches qualified renewable expenditures, UNS Electric recognizes revenue that is reflected in the income statement as Other Revenue. Any surcharge collected in excess of qualified renewable expenditures will be reflected in the financial statements as a current regulatory liability. Conversely, qualified renewable expenditures in excess of the REST surcharge will be reflected as a current regulatory asset. See Note 3.

DERIVATIVE FINANCIAL INSTRUMENTS

UNS Electric is exposed to energy price risk associated with its purchased power requirements, volumetric risk associated with its seasonal load and operational risk associated with its power plants, transmission and transportation systems. This risk is mitigated through the PPFAC mechanism which provides an adjustment to UNS Electric's retail rates to recover the actual costs of purchased power, transmission and transportation. UNS Electric further reduces its risks through a variety of derivative and non-derivative instruments. See Note 4.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

On the date the company enters into a contract that is considered a derivative instrument, we apply one of the following accounting treatments:

- **Cash Flow Hedges:** UNS Electric has no cash flow hedges.
- **Mark-to-Market transactions:** UNS Electric derivatives such as forward power purchases and gas swaps that did not qualify for cash flow hedge accounting treatment or did not qualify for the normal scope exception. In December 2006, UNS Electric received authorization from the ACC to defer the unrealized gains and losses on the balance sheet as a regulatory asset or a regulatory liability rather than as a component of Accumulated Other Comprehensive Income (AOCI) or in the income statement.

These mark-to-market contracts are subject to specified risk parameters established and monitored by UniSource Energy's Risk Management Committee.

- **Normal Purchase and Normal Sale transactions** are forward energy purchase and sales contracts entered into by UNS Electric to support the current load forecast and entered into with counterparty with load serving requirements or generating capacity. These contracts are not required to be marked-to-market and are accounted for on an accrual basis. On an ongoing basis we evaluate our counterparties for non-performance risk to ensure it does not impact our ability to obtain the normal scope exception.

We consider the effect of counterparty credit risk in determining the fair value of derivative instruments that are in a net asset position, after incorporating collateral posted by counterparties, and allocate the credit risk adjustment to individual contracts. We also incorporate the impact of our own credit risk, after considering collateral posted, on instruments that are in a net liability position and allocate the credit risk adjustment to all individual contracts.

We present cash collateral and derivative assets and liabilities, associated with the same counterparty, separately in our financial statements and we bifurcate all derivatives into their current and long-term portions on the balance sheet.

FAIR VALUE OF FINANCIAL INSTRUMENTS NOT CARRIED AT FAIR VALUE

The fair value of a financial instrument is the market price that would be received to sell an asset or transfer a liability at the measurement date.

UNS Electric's senior unsecured notes of \$100 million outstanding at December 31, 2008 and \$60 million outstanding at December 31, 2007 have estimated fair value of \$97 million and \$60 million, respectively. UNS Electric used quoted market prices, where available, or calculated the present value of remaining cash flows at the balance sheet date using current market rates for bonds with similar characteristics with respect to credit rating and time-to-maturity. In 2008, we also incorporate the impact of our own credit risk using a credit default swap rate when determining the fair value of fixed rate long-term debt.

The use of different market assumptions and/or estimation methodologies may yield different estimated fair value amounts.

Borrowings under the revolving credit facility outstanding of \$8 million at December 31, 2008 have an estimated fair value of \$8 million. UNS Electric considers the principal amounts of variable rate debt to be a reasonable estimate of their fair value.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

EVALUATION OF ASSETS FOR IMPAIRMENT

UNS Electric evaluates its Utility Plant and other long-lived assets for impairment whenever events or circumstances occur that may indicate the carrying value of the assets may be impaired. If the fair value of the asset, determined based on the undiscounted expected future cash flows, from the long-lived asset is less than the carrying value of the asset, impairment would be recorded.

ASSET RETIREMENT OBLIGATIONS

FASB Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* (FAS 143) requires entities to record the fair value of a liability for a legal obligation to retire an asset in the period in which the liability is incurred. FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (FIN 47), requires entities to record the fair value of a liability regarding a legal obligation to perform asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity.

UNS Electric records a liability for the estimated present value of a conditional asset retirement obligation related as follows:

- when it is able to reasonably estimate the fair value of any future obligation to retire as a result of an existing or enacted law, statute, ordinance or contract; or
- if it can reasonably estimate the fair value.

When the liability is initially recorded at net present value, we capitalize the cost by increasing the carrying amount of the related long-lived asset. Over time, we adjust the liability to its present value by recognizing accretion expense as an operating expense in the income statement each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, we either settle the obligation for its recorded amount or incur a gain or loss if the actual costs differ from the recorded liability amount.

UNS Electric records cost of removal for its transmission and distribution assets through depreciation rates and recover those amounts in rates charged to its customers. There are no legal obligations associated with these assets. UNS Electric records its obligation for estimated costs of removal as regulatory liabilities.

RECENTLY ISSUED ACCOUNTING STANDARDS

UNS Electric adopted the following recently issued accounting standards:

- FAS 157, *Fair Value Measurement*, issued September 2006, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FAS 157 clarifies that the exchange price is the price in the principal market in which the reporting entity would transact for the asset or liability. See Note 10.
- FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* – issued and effective October 2008, provides guidance clarifying how FAS 157 *Fair Value Measures* (FAS 157) should be applied in markets that are not active. The guidance reaffirms the notion of fair value as an exit price as of the measurement date. The FSP emphasizes that approaches other than the market value approach to determine fair value, such as the use of management's internal assumptions about future cash flows and appropriately risk-adjusted discount rates, may be appropriate. See Note 10.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

The following recently issued accounting standards are not yet reflected in the UNS Electric financial statements:

- FAS 161, *Disclosures About Derivative Instruments and Hedging Activities* an amendment to FAS 133, *Accounting for Derivative Instruments and Hedging Activities*, issued March 2008, requires enhanced disclosures about an entity's derivative and hedging activity. The standard requires that the objectives for using derivative instruments be disclosed in terms of underlying risk so that the reader understands the purpose of derivative use in terms of the risks that the entity is intending to manage. The standard also requires disclosure of the location in the financial statements of derivative balances as well as the location of gains and losses incurred during the reporting period. The standard will be applicable for fiscal years or interim periods beginning on or after November 15, 2008 with early adoption encouraged. We will adopt the requirements of this pronouncement in the first quarter of 2009.
- FSP FAS 132(R)-1 *Employers' Disclosures about Postretirement Benefit Plan Assets* issued in December 2008, amends Statement 132(R)-1 to require more detailed disclosures about employers' plan assets, including employers' investment strategies, major categories of plan assets, concentrations of risk within plan assets, and valuation techniques used to measure the fair value of plan assets. We will adopt the requirements of this pronouncement in our December 31, 2009 year-end financial statements.

USE OF ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3. REGULATORY MATTERS

2008 UNS Electric Rate Order

In the May 2008 rate order, the ACC approved a rate increase of 2.5% (\$4 million) effective in June 2008. As a result of the May 2008 rate order limiting recovery of deferred rate case costs, UNS Electric expensed \$0.3 million of the \$0.6 million deferred costs in May 2008.

Purchased Power and Fuel Adjustment Clause (PPFAC)

UNS Electric's retail rates include a PPFAC, which allows for a separate surcharge or surcredit to the base rate for delivered purchased power to collect or return under- or over-recovery of costs. Allowable PPFAC costs include fuel, purchased power (less proceeds from most wholesale sales) and transmission costs.

As part of the May 2008 ACC rate order, a new PPFAC rate of approximately \$0.087 per kWh took effect on June 1, 2008. The PPFAC mechanism has a forward component and a true-up component. The forward component of the PPFAC rate is based on forecasted fuel and purchased power costs. The true-up component reconciles actual fuel and purchased power costs with the amounts collected in the preceding PPFAC year and any amounts to be refunded/collected from customers in the coming year's PPFAC rate. The true-up component is updated on June 1 of each year, beginning June 1, 2009. The retail rates prior to June 2008 included a charge for fuel and purchased power of approximately \$0.07 per kWh (base rate recovery of \$0.052 per kWh and a transmission surcharge of \$0.018).

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

The following table shows the balance of over-recovered purchased power costs:

	December 31,	
	2008	2007
	-Thousands of Dollars-	
Under (Over) Recovered Purchased Power Costs – Regulatory Basis as Billed to Customers	\$ 308	\$ (4,025)
Estimated Purchased Power Costs Recovered through Accrued Unbilled Revenues	(6,768)	(5,262)
Over - Recovered Purchased Power Costs (PPFAC)	\$ (6,460)	\$ (9,287)

At December 31, 2008, the PPFAC balance is shown in Current Liabilities as Regulatory Liabilities – Over-Recovered Purchased Energy Costs. At December 31, 2007, the balance is shown as a noncurrent liability in Deferred Credits and Other Liabilities – Over-Recovered Purchased Power Costs.

Purchased Power Agreement

In June 2008, UED and UNS Electric entered into a 5-year Power Purchase Agreement (PPA) under which UED sells all the output of BMGS to UNS Electric. The PPA is a tolling arrangement in which UNS Electric takes operational control of BMGS and assumes all risk of operation and maintenance costs, including fuel. UNS Electric accounts for the PPA as an operating lease. The costs associated with the PPA are recoverable through UNS Electric's PPFAC.

Other Regulatory Assets and Liabilities

In addition to Over-Recovered Purchased Power costs, UNS Electric had the following Regulatory Assets and Liabilities:

	December 31,	
	2008	2007
	-Thousands of Dollars-	
Current Regulatory Assets		
Derivatives Instruments	\$ 16,571	\$ 708
Self-Insured Medical and Short-Term Disability Assets	260	-
Other Regulatory Assets		
Derivatives Instruments	7,214	298
Pension and Other Postretirement Benefits	2,575	665
Rate Case Costs	242	600
Deferred Environmental Portfolio Surcharge	-	132
Current Regulatory Liabilities		
REST	(871)	-
Demand-Side Management (DSM)	(207)	-
Derivative Instruments	-	(3,410)
Other Regulatory Liabilities		
Net Cost of Removal for Interim Retirements	(10,548)	(2,067)
Derivative Instruments	-	(6,426)

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

Regulatory assets are either being collected in rates or are expected to be collected through rates in a future period, as described below:

- Derivative instruments represent the unrealized gains or losses on contracts entered into to hedge the variability of purchased energy costs that are expected to be recovered through the PPFAC. UNS Electric does not earn a return on these costs.
- Self-Insured Medical and Short-Term Disability assets are recorded based on historical ratemaking treatment allowing UNS Electric to recover self-insured medical costs and short-term disability costs on a pay-as-you-go or cash basis. While these assets do not earn a return, they are fully recovered in rates over an approximate one-year period.
- Pension and Other Postretirement Benefits represent the unfunded status of UNS Electric's share of the UES pension and other postretirement benefit plans that it expects, based on past regulatory actions, to recover through rates. UNS Electric does not earn a return on these costs.
- In May 2008, the ACC approved recovery of \$0.3 million of rate case costs, over 3 years. UNS Electric does not earn a return on the regulatory asset balance.
- Deferred Environmental Portfolio Surcharge (EFPS) was authorized by the ACC to fund environmental improvement projects. In 2008, the EFPS program was replaced by the Renewable Energy Standards Tariff. See below. UNS Electric did not earn a return on the regulatory asset balance.

Regulatory liabilities represent items that UNS Electric expects to pay to customers through billing reductions in future periods or use for the purpose for which they were collected from customers, as described below:

- Renewable Energy Standards Tariff (REST) represents the REST surcharge collected in excess of qualified renewable expenditures. The ACC approved a REST surcharge for UNS Electric, effective June 1, 2008, to allow UNS Electric to recover the cost of qualified renewable expenditures, such as payments to customers who have renewable energy resources or the incremental cost of renewable power generated or purchased by UNS Electric. Any surcharge collected in excess of qualified renewable expenditures will be reflected in the financial statements as a current regulatory liability. Conversely, qualified renewable expenditures in excess of the REST surcharge will be reflected as a current regulatory asset. The REST plan includes an adjustor mechanism which allows UNS Electric to file an application with the ACC to apply any shortage or surplus in the prior year's program expenses to the subsequent year's REST surcharge.
- In May 2008, the ACC approved a Demand-Side Management (DSM) surcharge which is intended to cover UNS Electric's DSM programs such as Low Income Weatherization. Any surcharge collected in excess of qualified DSM expenditures will be reflected in the financial statements as a current regulatory liability. Conversely, qualified DSM expenditures in excess of the surcharge will be reflected as a current regulatory asset.
- Net Cost of Removal for Interim Retirements represents an estimate of the cost of future asset retirement obligations. These are amounts collected through revenue for the net cost of removal of interim retirements for which removal costs have not yet been expended. In June 2008, to comply with ACC requirements, UNS Electric reclassified \$7 million of Net Cost of Removal for Interim Retirements from Accumulated Depreciation to a regulatory liability.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

INCOME STATEMENT IMPACT OF APPLYING FAS 71

If UNS Electric had not applied FAS 71, net income would have been \$15 million lower in 2008 as UNS Electric would have recognized under-recovered purchased energy and unrealized losses on its commodity derivative instruments as an expense to its income statement, rather than as regulatory assets or a reduction to its regulatory liabilities. If UNS Electric had not applied FAS 71, net income would have been \$1 million higher in 2007 as UNS Electric would have been able to recognize over-recovered purchased power costs as a credit to the income statement rather than record an increase to regulatory liabilities.

FUTURE IMPLICATIONS OF DISCONTINUING APPLICATION OF FAS 71

UNS Electric regularly assesses whether it can continue to apply FAS 71 to its operations. If UNS Electric stopped applying FAS 71 to its regulated operations, it would write-off the related balances of its regulatory assets as an expense and would write-off its regulatory liabilities as income on its income statement. Based on the regulatory asset and liability balances, if UNS Electric had stopped applying FAS 71 to its regulated operations, it would have recorded an extraordinary after-tax loss of \$4 million and an after-tax loss in AOCI of \$1 million at December 31, 2008. Discontinuing application of FAS 71 would not affect UNS Electric's cash flows.

NOTE 4. ACCOUNTING FOR DERIVATIVE INSTRUMENTS, TRADING ACTIVITIES AND HEDGING ACTIVITIES

FUEL AND POWER TRANSACTIONS

UNS Electric enters into forward contracts to purchase a specified amount of capacity or energy at a specified price over a given period of time, within established limits, to take advantage of favorable market opportunities and reduce exposure to energy price risk associated with their gas and purchased power requirements, volumetric risk associated with their seasonal load and operational risk associated with their power plants and transmission systems. UNS Electric also has natural gas supply agreements under which it purchases all of its gas requirements at spot market prices. In an effort to minimize price risk on these purchases, UNS Electric enters into gas price swap agreements under which they purchase gas at fixed prices and simultaneously sell gas at spot market prices. All of the contracts and agreements referred to in this paragraph are considered derivative instruments.

UNS Electric has recorded its commodity contract gains and losses to be recovered through the PPFA as regulatory assets since 2006. See Note 3.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

The following table discloses unrealized gains and losses on energy contracts that are reported on the balance sheet as a regulatory asset or a regulatory liability rather than as a component of AOCI or in the income statement.

Mark-to-Market Transactions – Increase (Decrease) Recorded in Regulatory Accounts on the Balance Sheet	2008	2007
	-Thousands of Dollars-	
Recorded in Current Regulatory Assets – Derivatives:		
Gas Swaps	\$ 5,243	\$ 708
Forward Power Purchases	10,620	-
Recorded in Current Regulatory Liabilities – Derivatives:		
Forward Power Purchases	3,410	(3,410)
Recorded in Other Regulatory Assets – Derivatives:		
Gas Swaps	1,770	298
Forward Power Purchases	5,146	-
Recorded in Other Regulatory Liabilities – Derivatives:		
Forward Power Purchases	6,426	(3,210)
Total Increase (Decrease)	\$ 32,615	\$ (5,614)

The fair value of derivative assets and liabilities were as follows:

	December 31	
	2008	2007
	Mark-to-Market Contracts	
	-Thousands of Dollars-	
Current Assets	\$ 1,585	\$ 3,435
Current Liabilities	(18,156)	(733)
Net Current Assets (Liabilities)	\$(16,571)	\$ 2,702
Noncurrent Assets	\$ 1,517	\$ 7,779
Noncurrent Liabilities	(8,731)	(1,651)
Net Noncurrent Assets (Liabilities)	\$ (7,214)	\$ 6,128

As cash collateral is disclosed separately in the balance sheet, the above balances exclude any cash collateral posted with counterparties. UNS Electric had no derivatives instruments accounted for as cash flow hedges at the balance sheet dates.

At December 31, 2008, UNS Electric had contracts that will settle through the fourth quarter of 2013. Amounts presented, above, as Net Current Assets (Liabilities), are expected to be reclassified into earnings within the next twelve months.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

Credit Risk Adjustment

When the fair value of our derivative contracts are reflected as an asset, the counterparty owes us and this creates credit risk. We minimize our credit risk by (1) entering into transactions with high-quality counterparties, (2) limiting our exposure to each counterparty, (3) monitoring the financial condition of the counterparties and (4) requiring collateral in accordance with the counterparty master agreements. Using a combination of market credit default swap data and historical recovery rates for subordinated bonds, we consider the impact of counterparty credit worthiness in determining the fair value of our derivatives as well as its possible effect on continued qualification for cash flow hedge accounting. At December 31, 2008, the impact of counterparty credit risk on the fair value of derivative asset contracts was less than \$0.5 million.

We also consider the impact of our own credit risk on instruments that are in a net liability position, after deducting collateral posted, using market credit default swap data and allocate the credit risk adjustment to all individual contracts in a net liability position. At December 31, 2008, the impact of our own credit risk was less than \$0.5 million.

Concentration of Credit Risk

The use of contractual arrangements to manage the risks associated with changes in energy commodity prices creates credit risk exposure resulting from the possibility of nonperformance by counterparties pursuant to the terms of their contractual obligations. UNS Electric enters into contracts for the physical delivery of energy which contain remedies in the event of non-performance by the supply counterparties. In addition, volatile energy prices can create significant credit exposure from energy market receivables and mark-to-market valuations.

As of December 31, 2008, UNS Electric was not exposed to other counterparties' creditworthiness.

As of December 31, 2008, to provide credit enhancements for forward energy purchase contracts and hedging activities, UNS Electric posted cash collateral of \$7 million and letters of credit of \$7 million.

NOTE 5. UTILITY PLANT

The following table shows Utility Plant in Service and depreciable lives by major class at December 31:

	2008	2007	Depreciable Lives
	-Thousands of Dollars-		
Plant in Service:			
Electric Generation Plant	\$ 16,775	\$ 16,650	38 – 49 years
Electric Distribution Plant	163,511	143,132	23 – 50 years
Electric Transmission Plant	29,331	28,179	20 – 50 years
General Plant	9,173	9,371	5 – 40 years
Intangible Plant	4,308	7,368	5 – 32 years
Total Plant in Service	\$223,098	\$ 204,700	
Utility Plant under Capital Leases	\$ 706	\$ 706	

Intangible Plant primarily represents transmission access and computer software costs.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6. DEBT, CREDIT FACILITIES AND CAPITAL LEASE OBLIGATIONS

LONG-TERM DEBT

In August 2008, UNS Electric issued \$100 million of senior unsecured debt: \$50 million at 6.5%, due 2015 and \$50 million at 7.1%, due 2023 (UNS Electric 2008 Long-Term Debt). The UNS Electric Long-Term Debt is guaranteed by UES. The notes may be prepaid with a make-whole call premium reflecting a discount rate equal to an equivalent maturity U.S. Treasury security yield plus 50 basis points.

UNS Electric used \$60 million of the proceeds to repay its 7.61% senior unsecured notes that matured on August 11, 2008. The remaining proceeds were used to repay UNS Electric's outstanding borrowings under the UNS Gas/UNS Electric Revolver and for general corporate purposes. UNS Electric capitalized \$1 million of costs related to the issuance of the debt and will amortize these costs over the life of the debt.

The UNS Electric Long-Term Debt contains certain restrictive covenants, including restrictions on transactions with affiliates, mergers, liens to secure indebtedness, restricted payments and incurrence of indebtedness. As of December 31, 2008, UNS Electric was in compliance with the covenants.

The incurrence of indebtedness covenant requires UNS Electric to meet certain tests before additional indebtedness may be incurred. These tests include:

- A ratio of Consolidated Long-Term Debt to Consolidated Total Capitalization of no greater than 65%.
- An Interest Coverage Ratio (a measure of cash flow to cover interest expense) of at least 2.50 to 1.00.

However, UNS Electric may, without meeting these tests, refinance indebtedness and incur short-term debt in an amount not to exceed \$5 million. UNS Electric may not declare or make distributions or dividends (restricted payments) on its common stock unless (a) immediately after giving effect to such action no default or event of default would exist under its senior unsecured note agreement and (b) immediately after giving effect to such action, it would be permitted to incur an additional dollar of indebtedness under the debt incurrence test. As of December 31, 2008, UNS Electric was in compliance with the terms of the senior unsecured note agreement.

The senior unsecured notes may be accelerated upon the occurrence and continuance of an event of default under the senior unsecured note agreement. Events of default include failure to make payments required thereunder, certain events of bankruptcy or commencement of similar liquidation or reorganization proceedings or a change of control of UES or UNS Electric. In addition, an event of default may occur if UNS Electric, UES or UNS Gas default on any payments required in respect of certain indebtedness that is outstanding in an aggregate principal amount of at least \$4 million or if any such indebtedness becomes due or capable of being called for payment prior to its scheduled payment date or if there is a default in the performance or compliance with the other terms of such indebtedness and, as a result of such default, such indebtedness has become, or has been declared, due and payable, prior to its scheduled payment date.

CAPITAL LEASE OBLIGATIONS

UNS Electric has two trucks under capital lease with an initial term to 2011. Both leases may be continued with the same rental terms until either party gives 90 days notice and provide for the purchase of the leased asset at fair market value at the end of the lease.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

The following provides future payments on UNS Electric's capital lease obligations at December 31, 2008:

	Capital Lease Obligations
	-Thousands of Dollars-
2009	\$ 115
2010	115
2011	38
Total 2009-2011	268
Imputed Interest	(18)
Total	\$ 250

REVOLVING CREDIT AGREEMENT

The UNS Gas/UNS Electric Revolver is a \$60 million revolving credit facility which matures in August 2011. Either UNS Gas or UNS Electric may borrow up to a maximum of \$45 million, so long as the combined amount borrowed does not exceed \$60 million. UNS Gas is only liable for UNS Gas's borrowings, and similarly, UNS Electric is only liable for UNS Electric's borrowings under the UNS Gas/UNS Electric Revolver. UES guarantees the obligations of both UNS Gas and UNS Electric.

UNS Electric has the option of paying interest at LIBOR plus 1.0% or the greater of the federal funds rate plus 0.5% or the agent bank's reference rate.

The UNS Gas/UNS Electric Revolver contains restrictions on additional indebtedness, liens, mergers and sales of assets. The UNS Gas/UNS Electric Revolver also contains a maximum leverage ratio and a minimum cash flow to interest coverage ratio for each borrower. As of December 31, 2008, UNS Electric was in compliance with the terms of the UNS Gas/UNS Electric Revolver.

The borrowings by UNS Electric under the UNS Gas/Electric Revolver were as follows:

	-Thousands of Dollars-	
	December 31, 2008	December 31, 2007
Balance on the Revolver	\$ 8,000	\$26,000
Weighted Average Interest Rate	1.5%	5.89%
Outstanding Letters of Credit	\$ 6,500	\$ -

At December 31, 2008 and December 31, 2007, UNS Electric's borrowings under the UNS Gas/UNS Electric Revolver were excluded from Current Liabilities and presented as Long-Term Debt, as UNS Electric has the ability and the intent to keep the borrowings outstanding under the UNS Gas/UNS Electric Revolver for the next twelve months. The outstanding letters of credit support power and gas purchases and hedges and are off-balance sheet obligations for UNS Electric.

UNS Electric repaid \$4 million in February 2009, and repaid the remaining \$4 million in March 2009 under the UNS Gas/UNS Electric Revolver.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 7. COMMITMENTS AND CONTINGENCIES

We record liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines and penalties and other sources when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

PURCHASE AND TRANSPORTATION COMMITMENTS

At December 31, 2008, UNS Electric had unrecognized firm non-cancelable purchase commitments as follows:

	2009	2010	2011	2012	2013	Thereafter	Total
-Thousands of Dollars-							
Fuel (including Transportation)	\$ 21,593	\$ 10,096	\$ 3,139	\$ 1,359	\$ 1,335	\$ 12,786	\$ 50,308
Purchased Power	41,091	29,644	12,771	7,607	7,588	-	98,701
Transmission	2,592	1,764	882	-	-	-	5,238
Total Unrecognized Firm Commitments	\$ 65,276	\$ 41,504	\$16,792	\$ 8,966	\$ 8,923	\$ 12,786	\$ 154,247

Since UNS Electric's all-requirements purchased power contract expired in May 2008, UNS Electric has entered into agreements with various energy suppliers for purchased power at market prices to meet energy requirements. In general, these contracts provide for capacity payments and energy payments based on actual power taken under the contracts. These contracts expire in various years through 2013. Certain of these contracts are at a fixed price per MW and others are indexed to natural gas prices. The commitment amounts included in the table above are based on market prices as of December 31, 2008. UNS Electric paid \$53 million in 2008 for purchased power under these contracts.

UNS Electric imports the power it purchases over the Western Area Power Administration's (WAPA) transmission lines. UNS Electric's transmission capacity agreements with WAPA provide for annual rate adjustments and expire in 2011 and 2017. However, the effects of both purchased power and transmission cost adjustments are mitigated through a purchased power rate-adjustment mechanism. UNS Electric paid \$7 million in 2008 and in 2007 for transmission under committed contracts.

In 2008, to supply gas to the BMGS, UNS Electric entered into a gas supply and a transportation agreement with UNS Gas. These contracts expire in 2028. UNS Electric paid UNS Gas \$7 million in 2008 for gas supply and transportation under these contracts.

OPERATING LEASES

UNS Electric has entered into operating leases, primarily for office facilities and office equipment, with varying terms, provisions, and expiration dates. In addition, in June 2008, UNS Electric entered into a 5-year Power Purchase Agreement (PPA) with UED, which UNS Electric accounts for as an operating lease.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

UNS Electric's estimated future minimum payments under non-cancelable operating leases at December 31, 2008 were:

	Operating Leases
	-Thousands of Dollars-
2009	\$ 10,569
2010	10,529
2011	10,529
2012	10,338
2013	4,335
Total 2009-2013	46,300
Thereafter	24
Total	\$ 46,324

UNS Electric's operating lease expense was \$6.4 million in 2008 and \$0.4 million in 2007.

ENVIRONMENTAL CONTINGENCIES

UNS Electric owns and operates the Valencia Power Plant (Valencia), located in Nogales, Arizona. The Valencia plant consists of three gas and diesel-fueled combustion turbine units, with a fourth unit that commenced operations in June 2006. UNS Electric has continued efforts initiated by the site's previous owner to remediate the soil and groundwater contamination at its Valencia facility. The initial estimate for the cost of remediation was \$0.6 million. The ultimate cost, however, will depend on the extent of contamination found as the project progresses and when final remediation occurs. Under the purchase agreement for Valencia, UNS Electric's obligation is limited to \$1.5 million. UNS Electric recorded operating expenses of \$0.2 million in 2008 and \$0.1 million in 2007.

NOTE 8. INCOME AND OTHER TAXES

INCOME TAXES

We record deferred tax liabilities for amounts that will increase income taxes on future tax returns. We record deferred tax assets for amounts that could be used to reduce income taxes on future tax returns. UNS Electric determined that a valuation allowance on the deferred income tax assets for the years ended December 31, 2008 and December 31, 2007 was not necessary. We reached this conclusion based on our interpretation of tax rules, tax planning strategies, scheduled reversals of temporary differences, and projected future taxable income.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

UniSource Energy includes UNS Electric's taxable income in its consolidated federal income tax return. Deferred tax assets (liabilities) consist of the following:

	2008	2007
	-Thousands of Dollars-	
Gross Deferred Income Tax Liabilities		
Plant	\$(10,391)	\$ (5,648)
Other	(124)	(238)
Gross Deferred Income Tax Liabilities	(10,515)	(5,886)
Gross Deferred Income Tax Assets		
Alternative Minimum Tax Credit (AMT)	860	374
Customer Advances	5,005	4,516
Contributions in Aid of Construction	2,002	1,287
Purchased Power and Fuel Adjustment Clause	-	3,644
Compensation and Benefits	758	455
Other	546	256
Gross Deferred Income Tax Assets	9,171	10,532
Net Deferred Income Tax Assets (Liabilities)	\$ (1,344)	\$ 4,646

The net deferred income tax asset (liability) is included in the balance sheet in the following accounts:

	2008	2007
	-Thousands of Dollars-	
Deferred Income Taxes – Current Assets	\$ 704	\$ 352
Deferred Income Taxes – Noncurrent Assets	-	4,294
Deferred Income Taxes – Noncurrent Liabilities	(2,048)	-
Net Deferred Income Tax Asset (Liability)	\$ (1,344)	\$ 4,646

Income tax expense (benefit) included in the income statement includes amounts both payable currently and deferred for payment in future periods as indicated below:

	2008	2007
	-Thousand of Dollars-	
Current Tax Expense (Benefit)		
Federal	\$ (3,544)	\$ 2,512
State	(80)	470
Deferred Tax Expense		
Federal	5,190	47
State	842	105
Total Federal and State Income Tax Expense	\$ 2,408	\$ 3,134

The following reconciles the provision for income taxes at the federal statutory rate of 35% to the effective rate:

	2008	2007
	-Thousands of Dollars-	
Federal Income Tax Expense at Statutory Rate	\$ 2,159	\$ 2,760
State Income Tax Expense, Net of Federal Deduction	285	364
Other	(36)	10
Total Federal and State Income Tax Expense	\$ 2,408	\$ 3,134

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

UNS Electric incurred a \$9 million net operating loss in 2008 that will be carried back to generate \$3.2 million in tax refunds. The receivable is included in intercompany accounts receivable on the balance sheet.

Uncertain Tax Positions

UNS Electric adopted Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109 (FIN 48) as of January 1, 2007. FIN 48 requires us to determine whether it is “more likely than not” that we will sustain a tax position under examination. Each tax position is measured to determine the amount of benefit to recognize in the financial statements.

At the end of 2008 and 2007, UNS Electric had no uncertain tax positions.

OTHER TAX MATTERS

On its 2003 and 2004 tax returns, UNS Electric elected to utilize an accounting method relating to the capitalization of indirect costs to production activities and self-constructed assets.

In 2005, the Internal Revenue Service (IRS) issued a ruling limiting the ability of electric and gas utilities to use the new accounting method. Based on settlement guidelines issued by the IRS in March 2007, this issue has been settled with the IRS. In 2008, UNS Electric received a \$0.3 million refund of taxes and interest. The refunds had no income statement impact to UNS Electric in 2008.

NOTE 9. PENSION AND POSTRETIREMENT BENEFIT PLANS

UNS Electric does not maintain a separate pension plan or other postretirement benefit plan for its employees. All regular employees are eligible to participate in the pension plan maintained by our parent, UES. A small group of active employees are also eligible to participate in a postretirement medical benefit plan. UES allocates net periodic benefit cost based on service cost for participating employees.

PENSION PLAN

The noncontributory, defined benefit pension plan provides benefits based on years of service and the employee's average compensation. We recognize the underfunded status of our defined benefit pension plans as a liability on our balance sheets. The underfunded status is measured as the difference between the fair value of the plans assets and the projected benefit obligation for pension plans. We recognize a regulatory asset to the extent these future costs are probable of recovery in rates.

Pension Contributions

The Pension Protection Act of 2006 (The Pension Act) establishes minimum funding targets for pension plans beginning in 2008. A plan's funding target is the present value of all benefits accrued or earned as of the beginning of the plan year. While the annual targets are not legally required, if a plan does not meet the annual funding targets, the plan's benefit payment options are limited and a funding deficiency notice must be sent to all plan participants. All UNS Electric plans are in compliance with The Act.

In 2009, to meet the funding requirements of The Pension Act, UNS Electric expects to contribute \$0.8 million to the pension plan.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

OTHER POSTRETIREMENT BENEFIT PLAN

UNS Electric assumed a \$1.3 million liability for postretirement medical benefits for current retirees and a small group of active employees at the acquisition of the Arizona electric system assets. The selected active employees participate in a Postretirement Benefit Plan covering employees of UniSource Energy. Beginning in 2008, UNS Electric records changes in its other postretirement obligation, not yet reflected in net periodic benefit cost, as a regulatory asset, as such amounts are probable of future recovery in rates. Amounts previously recorded in AOCI have been reclassified to a regulatory asset.

The pension and other postretirement benefit related amounts (excluding tax balances) included in UNS Electric's balance sheet are:

	Pension Benefits		Other Postretirement Benefits	
	Years Ended December 31,			
	2008	2007	2008	2007
	-Thousands of Dollars-			
Regulatory Pension Asset included in				
Regulatory Assets	\$2,478	\$ 663	\$ 97	\$ -
Accrued Benefit Liability included in Accrued				
Employee Expenses	-	-	(77)	(75)
Accrued Benefit Liability included in Deferred				
Employee Benefits	(3,015)	(1,180)	(572)	(584)
Accumulated Other Comprehensive (Gain) Loss	-	-	-	(52)
Net Amount Recognized	\$ (537)	\$ (517)	\$ (552)	\$ (711)

OBLIGATIONS AND FUNDED STATUS

In accordance with FAS 158, we measured the actuarial present values of all pension benefit obligations and other postretirement benefit plans at December 31, 2008. In 2007, the measurement date was December 1. As a result of the change in the measurement date, we recorded a loss of less than \$0.1 million to retained earnings.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

The tables below reflect UES' plan information as a whole. The change in projected benefit obligation and plan assets and reconciliation of the funded status are as follows:

	Pension Benefits		Other Postretirement Benefits	
	Years Ended December 31,			
	2008	2007	2008	2007
	-Thousands of Dollars-			
Change in Projected Benefit Obligation				
Benefit Obligation at Beginning of Year	\$ 7,352	\$ 7,461	\$ 1,154	\$ 1,658
Actuarial (Gain) Loss	1,833	(1,417)	277	(275)
Interest Cost	501	440	77	91
Service Cost	917	1,017	-	-
Measurement Date Change	118	-	-	-
Benefits Paid	(236)	(149)	(314)	(320)
Projected Benefit Obligation at End of Year	10,485	7,352	1,194	1,154
Change in Plan Assets				
Fair Value of Plan Assets at Beginning of Year	4,889	3,865	-	-
Actual Return on Plan Assets	(1,951)	173	-	-
Benefits Paid	(236)	(149)	(362)	(363)
Employer Contributions	1,200	1,000	314	320
Participant Contributions	-	-	48	43
Measurement Date Change	35	-	-	-
Fair Value of Plan Assets at End of Year	3,937	4,889	-	-
Funded Status at End of Year	\$ (6,548)	\$ (2,463)	\$ (1,194)	\$ (1,154)

At December 31, 2008, UNS Electric's proportionate share of the pension plan's funded status is approximately 46%.

The following table provides the components of UES' regulatory assets that have not been recognized as components of periodic benefit cost as of December 31, 2008:

	Pension Benefits	Other Postretirement Benefits
	-Thousands of Dollars-	
Net Loss	\$ 3,259	\$ 214
Prior Service Cost (Benefit)	2,002	(36)

The accumulated benefit obligation for the UES defined benefit pension plan was \$6.8 million at December 31, 2008 and \$4.5 million at December 31, 2007. Changes in actuarial assumptions including an increase in the discount rate impacted the accumulated benefit obligation. At December 31, 2008 the UES defined benefit pension plan had accumulated benefit obligations in excess of plan assets.

	December 31,	
	2008	2007
	-Thousands of Dollars-	
Projected Benefit Obligation at End of Year	\$10,485	\$7,352
Accumulated Benefit Obligation at End of Year	6,760	4,501
Fair Value of Plan Assets at End of Year	3,937	4,889

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

The components of UES' net periodic benefit costs and other amounts recognized in the income statement are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
	-Thousands of Dollars-			
Components of Net Periodic Cost				
Service Cost	\$ 917	\$ 1,017	\$ -	\$ -
Interest Cost	501	440	71	90
Expected Return on Plan Assets	(430)	(318)	-	-
Prior Service Cost Amortization	258	258	(3)	(3)
Recognized Actuarial (Gain) Loss	(19)	-	-	4
Net Periodic Benefit Cost	\$ 1,227	\$ 1,397	\$ 68	\$ 91

In 2008, UNS Electric recognized 47% of total net periodic pension benefit costs and 53% of other postretirement benefit costs based on relative employee participation.

A portion of the net periodic benefit cost was capitalized as a cost of construction and the remainder was included in Other Operating and Maintenance costs.

The amounts recognized by UES as regulatory assets or in AOCI are as follows:

	Pension Benefits	
	2008	2007
	-Thousands of Dollars-	
Changes in Plan Assets and Benefit Obligations Recognized as Regulatory Asset		
Current Year Actuarial (Gain) Loss	\$ 4,214	\$ (1,271)
Amortization of Actuarial Gain (Loss)	19	-
Prior Service (Cost) Amortization	(258)	(258)
Measurement Plan Change	(20)	-
Total Recognized as Regulatory Asset	\$ 3,955	\$ (1,529)

	Other Postretirement Benefits		
	Regulatory		AOCI
	Asset	AOCI	AOCI
	2008		2007
	-Thousands of Dollars-		
Changes in Benefit Obligation Recognized as Regulatory Assets or in AOCI			
Current Year Actuarial (Gain) Loss	\$ 277	-	\$ (274)
Amortization of Actuarial Gain (Loss)	-	-	(4)
Prior Service (Cost) Amortization	-	3	3
Reclassification from AOCI to Regulatory Asset	(99)	99	-
Total Recognized as Regulatory Assets or in AOCI	\$ 178	102	\$ (275)

UNS Electric recognized changes in benefit obligations in AOCI of less than \$0.1 million both before tax and net of tax.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

For the pension plan, we amortize prior service costs on a straight-line basis over the average remaining service period of employees expected to receive benefits under the plan. UES will amortize \$0.3 million of prior service cost and \$0.2 million of net loss from regulatory assets into net periodic benefit cost in 2009. The estimated net loss and prior service benefit for the defined benefit postretirement plans that will be amortized from regulatory assets into net periodic benefit cost in 2009 are less than \$0.1 million, respectively.

Weighted-Average Assumptions Used to Determine Benefit Obligations as of the Measurement Date,

	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Discount Rate	6.30%	6.80%	6.50%	6.50%
Rate of Compensation Increase	3.00 – 4.00%	3.00 – 4.00%	-	-

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Costs for Period Ended December 31,

	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Discount Rate	6.80%	5.90%	6.50%	5.60%
Rate of Compensation Increase	3.00 – 4.00%	3.00 – 4.00%	-	-
Expected Return on Plan Assets	7.75%	8.30%	-	-

Net periodic benefit cost is subject to various assumptions and determinations, such as the discount rate, the rate of compensation increase, and the expected return on plan assets. We estimated the expected return on plan assets based on a review of the plans' asset allocations. We also consulted with a third-party investment consultant and the plans' actuary who consider factors such as:

- market and economic indicators
- historical market returns
- correlations and volatility
- central banks' and government treasury departments' forecasts and objectives, and
- recent professional or academic research.

Changes that may arise over time with regard to these assumptions and determinations will change amounts recorded in the future as net periodic benefit cost.

	December 31,	
	2008	2007
Assumed Health Care Cost Trend Rates		
Health Care Cost Trend Rate Assumed for Next Year (Pre-65)	7.5%	8%
Health Care Cost Trend Rate Assumed for Next Year (Post-65)	7.5%	10%
Ultimate Health Care Cost Trend Rate Assumed	5%	5%
Year that the Rate Reaches the Ultimate Trend Rate	2017	2013

A one-percentage-point change in assumed health care cost trend rates would have an impact of less than \$0.1 million on UES' benefit obligation on the December 31, 2008 amounts reported.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

Pension Plan Assets

UES calculates the market-related value of plan assets using the fair value of plan assets on the measurement date. The pension plan asset allocations by asset category are as follows:

Asset Category	Plan Assets	
	December 31, 2008	December 1, 2007
Equity Securities	67%	66%
Debt Securities	31%	33%
Cash	2%	1%
Total	100%	100%

The policy for the UES pension plan is to provide exposures to equity and debt securities by investing in a balanced fund. The fund will hold no more than 75% of its total assets in stocks.

Estimated Future Benefit Payments

The following benefit payments, which reflect future service, as appropriate, are expected to be paid by UES:

	Pension Benefits	Other Postretirement Benefits
	- Thousands of Dollars -	
2009	\$ 299	\$ 127
2010	403	126
2011	650	124
2012	915	122
2013	833	119
Years 2014-2018	6,253	532

DEFINED CONTRIBUTION PLANS

UNS Electric offers a defined contribution savings plan to all eligible employees. The Internal Revenue Code identifies the plan as a qualified 401(k) plan. Participants direct the investment of contributions to certain funds in their account. UNS Electric matches part of a participant's contributions to the plan. UNS Electric made matching contributions of less than \$0.3 million in each of 2008 and 2007.

NOTE 10. FAIR VALUE MEASUREMENTS

Effective January 1, 2008, we adopted FAS 157, *Fair Value Measurements* (FAS 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. As defined in FAS 157, fair value is the exit price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date. FAS 157 clarifies that the exchange price is the price in the principal market in which the reporting entity would transact for the asset or liability. With limited exceptions, the provisions of FAS 157 are applied prospectively. There was no transition adjustment as a result of adopting FAS 157.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

As permitted by FSP FAS 157-2, we have elected to defer the adoption of the nonrecurring fair value measurement disclosures of nonfinancial assets and liabilities, such as asset retirement obligations, until January 1, 2009.

FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, issued October 2008, provides guidance clarifying how FAS 157 should be applied in markets that are not active. The guidance reaffirms the notion of fair value as an exit price as of the measurement date. The FSP emphasizes that approaches other than the market value approach to determine fair value, such as the use of management's internal assumptions about future cash flows and risk-adjusted discount rates, may be appropriate. The FSP, which is effective upon issuance and applicable to prior periods for which financial statements have not yet been issued, did not have a material impact on our financial statements.

In accordance with FAS 157, we have categorized our financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by FAS 157 are as follows:

- Level 1. Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market (examples include active exchange-traded equity securities and listed derivatives).
- Level 2. Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate bonds, which trade infrequently), pricing models whose inputs are observable for substantially the full term of the asset or liabilities (examples include most non-exchange-traded derivatives, including interest rate swaps), and pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.
- Level 3. Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include long-dated or complex derivatives including certain long-dated options on gas and power).

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

The following tables set forth, by level within the fair value hierarchy, UNS Electric's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2008. As required by FAS 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
December 31, 2008				
- Thousands of Dollars -				
Assets				
Cash Equivalents ⁽¹⁾	\$ 4,171	\$ -	\$ -	\$4,171
Collateral Posted ⁽²⁾	-	6,620	-	6,620
Energy Contracts ⁽³⁾	-	96	3,007	3,103
Total Assets	4,171	6,716	3,007	13,894
Liabilities				
Energy Contracts ⁽³⁾	-	(8,115)	(18,772)	(26,887)
Total Liabilities	-	(8,115)	(18,772)	(26,887)
Net Total Assets and (Liabilities)	\$ 4,171	\$ (1,399)	\$ (15,765)	\$ (12,993)

(1) Cash Equivalents are based on observable market prices and are comprised of the fair value of Money Market Funds.

(2) Collateral provided for energy contracts with counterparties to reduce credit risk exposure.

(3) Energy contracts include gas swap agreements (Level 2), forward power purchase contracts (Level 3), and forward power purchase contracts indexed to gas (Level 3), entered into to take advantage of favorable market conditions and reduce exposure to energy price risk. The valuation techniques are described below.

Energy Contracts

UNS Electric primarily applies the market approach for recurring fair value measurements and endeavors to utilize the best available information. Where observable inputs are available for substantially the full terms of the asset or liability, such as gas swap derivatives valued using New York Mercantile Exchange (NYMEX) pricing, adjusted for basin differences, the instrument is categorized in Level 2.

Derivatives valued using an aggregate pricing service or published prices that represent a consensus reporting of multiple brokers are categorized in Level 3. For both power and gas prices, UNS Electric obtains quotes from brokers, major market participants, exchanges or industry publications as well as its own price experience from active transactions in the market. UNS Electric primarily uses one set of quotations each for power and for gas, and then uses the other sources as validation of those prices. The broker providing quotes for power prices states that the market information provided is indicative only, but believes it to be reflective of market conditions as of the time and date indicated. In addition, energy derivatives include contracts where published prices are not readily available. These include contracts for delivery periods during non-standard time blocks, contracts for delivery during only a few months of a given year when prices are quoted only for the annual average, or contracts for delivery at illiquid delivery points. In these cases, UNS Electric applies certain management assumptions to value such contracts. These assumptions include applying historical price curve relationships to calendar year

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (continued)

quotes, applying percentage multipliers to value non-standard time blocks, including the impact of counterparty credit risk, using current and historical default and recovery rates, our own credit risk, using credit default swap data, and including adjustments for transmission and line losses to value contracts at illiquid delivery points. UNS Electric reviews these assumptions on a quarterly basis.

UNS Electric's assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The following tables set forth a reconciliation of changes in the fair value of forward power purchase contracts classified as Level 3 in the fair value hierarchy for the year ended:

	<u>December 31, 2008</u>
	- Thousands of Dollars -
Balance, beginning of year	\$ 9,836
Gains and (Losses) (Realized/Unrealized) Recorded to Regulatory Assets/Liabilities	(25,601)
Balance, end of year	<u>\$ (15,765)</u>

Losses on mark-to-market contracts include the reclassification of realized gains and losses on the settlement of derivative contracts. All of the Level 3 unrealized gains and losses are attributable to the change in fair value of Level 3 assets and liabilities held at the reporting date.

There were no transfers in or out of Level 3 derivatives.

NOTE 11. COMMON STOCK EQUITY

DIVIDEND RESTRICTIONS

Currently the ACC limits UNS Electric's ability to pay dividends of no more than 100% of its earnings to UES. Additionally, the terms of the senior unsecured note agreements contain dividend restrictions. See Note 6. UNS Electric made no dividend payments to UES in 2008 or in 2007.

CAPITAL CONTRIBUTION

UES made capital contributions to UNS Electric of less than \$0.5 million in 2008 and \$10 million in 2007.

UniSource Energy made no capital contributions to UNS Electric in 2008 and \$10 million in 2007.

UNS ELECTRIC, INC.
NOTES TO FINANCIAL STATEMENTS (concluded)

NOTE 12. SUPPLEMENTAL CASH FLOW INFORMATION

A reconciliation of net income to net cash flows from operating activities follows:

	Years Ended December 31,	
	2008	2007
	-Thousands of Dollars-	
Net Income	\$ 3,764	\$ 4,754
Adjustments to Reconcile Net Income to Net Cash Flows		
Depreciation and Amortization Expense	13,574	13,021
Depreciation Recorded to Other O&M Expense	568	447
Amortization of Deferred Debt-Related Costs Included in Interest Expense	154	219
Provision for Bad Debts	1,201	763
Deferred Income Taxes	6,033	152
Pension and Postretirement Expense	608	681
Pension and Postretirement Funding	(798)	(761)
Changes in Assets and Liabilities which Provided (Used)		
Cash Exclusive of Changes Shown Separately		
Accounts Receivable	(3,098)	(877)
Materials and Supplies Inventory	(1,306)	160
Cash Collateral Posted for Energy Contracts	(6,620)	-
Income Tax Receivable/Payable	679	(592)
Accounts Payable	(1,977)	(603)
Interest Accrued	980	120
Taxes Accrued	761	50
Over Recovered Purchased Power Costs	(2,828)	2,915
Other	1,856	1,358
Net Cash Flows – Operating Activities	\$13,551	\$21,807

Direct Testimony of
Dallas J. Duke

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 KRISTEN K. MAYES - CHAIRMAN

4 GARY PIERCE

5 PAUL NEWMAN

6 SANDRA D. KENNEDY

7 BOB STUMP

8 IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-04204A-09-
9 UNS ELECTRIC, INC. FOR THE)
10 ESTABLISHMENT OF JUST AND)
11 REASONABLE RATES AND CHARGES)
12 DESIGNED TO REALIZE A REASONABLE)
13 RATE OF RETURN ON THE FAIR VALUE OF)
14 THE PROPERTIES OF UNS ELECTRIC, INC.)
15 DEVOTED TO ITS OPERATIONS)
16 THROUGHOUT THE STATE OF ARIZONA.

17 Direct Testimony of

18 Dallas J. Dukes

19 on Behalf of

20 UNS Electric, Inc.

21
22
23
24
25 April 30, 2009
26
27

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1 **I. INTRODUCTION.**

2
3 **Q. Please state your name and business address.**

4 A. My name is Dallas J. Dukes and my business address is One South Church Avenue,
5 Tucson, Arizona, 85702.

6
7 **Q. By whom are you employed and what are your duties and responsibilities?**

8 A. I am the Manager of Rates and Revenue Requirements and Economic Forecasting for
9 Tucson Electric Power Company ("TEP"). I am responsible for monitoring and
10 determining revenue requirements, customer pricing and rates structures for all the
11 regulated subsidiaries of UniSource Energy Corporation ("UniSource Energy"),
12 including UNS Electric, Inc. ("UNS Electric" or the "Company").

13
14 **Q. Please describe your background and work experience.**

15 A. I hold a Bachelors of Science degree in Accounting from Indiana University. I am also a
16 Certified Public Accountant. I have over eighteen years experience within the utility
17 industry. Before assuming my current position, I was employed as the Director of
18 Accounting for TEP.

19
20 Prior to working for TEP, I was employed by Citizens Gas & Coke Utility ("Citizens
21 Gas"), for approximately five years. Citizens Gas serves approximately 265,000
22 customers in the Indianapolis, Indiana area. The majority of my time at Citizens Gas was
23 spent as the Controller.

24
25 Before then, I was the Controller and Director of Regulatory Affairs for Fountaintown
26 Natural Gas Company, and Southeastern Indiana Natural Gas Company. Prior to that, I
27 was employed by the Indiana Office of Utility Consumer Counselor ("OUCC") for

1 approximately seven years. The majority of my time at the OUCC was spent as a
2 Principal Accountant. My primary duties at the OUCC were to perform professional
3 investigative audits and to represent the public's interest as an expert witness in
4 proceedings before the Indiana Utility Regulatory Commission.

5
6 **Q. Could you please summarize your Direct Testimony?**

7 A. I am supporting the Company's request for a rate increase by sponsoring Schedules A-1,
8 A-2, and A-5, Schedules B-1, B-2, B-3, B-4 and B-5, and the pro forma accounting
9 adjustments on Schedule B listed below:

- 10 (i) Acquisition Discount;
- 11 (ii) Post Test Year Non-Revenue Producing Plant;
- 12 (iii) Working Capital.

13
14 I am also sponsoring Schedules C-1, C-2 and C-3, and the pro forma accounting
15 adjustments reflected on Schedules C listed below:

- 16 (iv) Retail Revenue & Purchased Power Annualization;
- 17 (v) Wholesale Revenue & Purchased Power;
- 18 (vi) Normalization of Fuel and Purchased Power expense;
- 19 (vii) Demand-Side Management & Renewable Revenue & Expense;
- 20 (viii) Payroll Expense;
- 21 (ix) Payroll Tax Expense;
- 22 (x) Pension and Benefits;
- 23 (xi) Post Retirement Medical;
- 24 (xii) Rate Case Expense;
- 25 (xiii) Bad Debt Expense;
- 26 (xiv) Interest on Customer Deposits;
- 27 (xv) Workers Compensation Expense;

- 1 (xvi) Miscellaneous Expense;
2 (xvii) A&G Expense Capitalized.

3
4 I am also providing information related to the proposed rate adjustment that would occur
5 upon the acquisition of Black Mountain Generating Station ("BMGS") by UNS Electric,
6 including certain modified A and C Schedules.

7
8 **Q. Please describe the information contained in summary Schedule A-1.**

9 A. Schedule A-1 provides a summary of the increase in revenue requirement that UNS
10 Electric as is seeking through a rate increase in this case. Lines 1 through 8 of Schedule
11 A-1 present the data utilized in determining the Company's revenue requirement. The
12 data is presented pursuant to three valuation methodologies: (1) original cost rate base
13 ("OCRB"); (2) reconstruction cost new less depreciation ("RCND"); and (3) fair value
14 rate base ("FVRB"). FVRB is determined by adding together the original cost and
15 RCND rate base amounts and dividing that total by two. This gives equal weight to both
16 methods when determining the fair value amount. This method of determining the fair
17 value is consistent with prior Commission practice.

18
19 The test-year that the Company utilized for this rate case is the twelve months ending
20 December 31, 2008. As set forth in Schedule A-1, the OCRB is \$176 million and the
21 RCND rate base is \$354 million. Under standard Arizona Corporation Commission
22 ("Commission") practice, the fair value rate base is considered to be \$265 million.

23
24 Schedule A-1 supports a finding that UNS Electric presently has an operating income
25 deficiency of \$8.3 million and is requesting an increase in base rates of \$13.5 million.
26 This is an increase of 7.43% over test year retail revenues.

1 **Q. Is the 7.43% increase over test year retail revenue reflective of the average retail**
2 **rate impact?**

3 A. No. The 7.43% reflects the change over test year unadjusted retail revenue as required by
4 the Commission in the standard Schedule A-1 presentation. However, the average retail
5 rate impact is a little more complicated to explain.

6

7 **Q. Why is the average retail rate impact more complicated to explain?**

8 A. It has to do with test year revenues including a small base rate and a significant PPFAC
9 rate increase that went into effect June 1, 2008 (five months into the test year). The pro
10 forma base power supply cost in this filing is adjusted to reflect present wholesale power
11 market prices -- which are significantly lower than test year levels. The comparison is
12 further complicated by the fact that the reduced wholesale power market prices are being
13 passed along to customers in the form of a significant decrease in PPFAC rates effective
14 June 1, 2009, much of which is caused by a negative True-up Component. And that True-
15 up Component ends June 1, 2010, creating an effective increase in the PPFAC rates. The
16 following table explains the varying impact to retail rates:

17

18

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Table 1

UNS Electric, Inc.
Average Retail Rate Impact Comparisons
in Cents per kWh

	Present	Rates To Be In Effect June 09 - May 10	% Change From Present	Requested Rates If Put Into Effect Prior To June 2010	% Change From June 09 May 10	Requested Rates If Put Into Effect On or After June 1, 2010	% Change From June 09 May 10	% Change From Present
Delivery & Customer Charge	3.00	3.00	0.0%	3.84	28.1%	3.84	28.1%	28.1%
Average Base Power Supply Rate *	7.00	7.00	0.0%	6.77	-3.3%	6.77	-3.3%	-3.3%
PPFAC Forward Component **	1.73	-0.30	-117.5%	0.00	N/M	0.00	N/M	-100.0%
PPFAC True-up Component **	-0.26	-0.75	N/M	-0.75	N/M	0.00	N/M	N/M
Total Average Retail Rate ***	11.47	8.94	-22.0%	9.86	10.3%	10.62	18.7%	-7.5%

N/M = Not Meaningful; % Change is not meaningful if the initial value is negative.

Note * = Based on Billed Sales Mix in Test Year

Note ** = PPFAC Forward and True-up Components will be re-set in June 2010 based on market conditions and sales mix changes at that time. These estimates assume no material change in these conditions.

Note *** = Excluding REST, DSM and applicable taxes and fees

As can be seen in that table, UNS Electric currently has a total Average Retail Rate (the average rate customers pay excluding REST, DSM and applicable taxes and fees) of 11.47 cents per kWh. This includes a PPFAC Forward Component of 1.73 cents per kWh and a PPFAC True-Up Component of -0.26 cents per kWh – for a total PPFAC rate of 1.47 cents per kWh.

Starting June 1, 2009, UNS Electric anticipates a substantial decrease to its PPFAC rates. In fact, the total PPFAC rate is expected to be -1.05 cents per kWh (a PPFAC Forward Component of -0.30 cents per kWh and a PPFAC True-Up Component -0.75 cents per kWh). This drops the total Average Retail Rate of 8.94 cents per kWh – an approximate 22.1% decline in the average retail rate. In short, there are multiple moving parts at work: (1) the requested base rate increase here; and (2) the annual PPFAC adjustments. That is what makes describing this increase more complicated.

1 **Q. So, Mr. Dukes, what would be the impact if rates go into effect between June 1, 2009**
2 **and May 31, 2010 – the duration of the next annual PPFAC rate?**

3 A. If the requested rates go into effect between June 1, 2009 and May 31, 2010, the average
4 retail rate would increase by approximately 10.3% from the rates in effect at that time.
5 This is because: (1) the Delivery and Customer charge would increase to 3.84 cents per
6 kWh from 3.00 cents per kWh; and (2) the Average Base Power Supply Rate would drop
7 to 6.77 cents per kWh from 7.00 cents per kWh; and (3) the PPFAC Forward Component
8 would re-set to 0.00 cents per kWh from -0.30 cents per kWh – resulting in a Total
9 Average Retail Rate of 9.86 cents per kWh or an 10.3% increase from 8.94 cents per
10 kWh (Total Average Retail Rate in effect after June 1, 2009 when the PPFAC Rate drops
11 to -1.05 cents per kWh.)
12

13 **Q. What happens June 1, 2010?**

14 A. UNS Electric expects making a subsequent increase in PPFAC rates on June 1, 2010,
15 when the proposed 2009 True-Up Component is re-set. In fact, UNS Electric anticipates
16 that the PPFAC True-Up Component will be re-set to 0.00 cents per kWh from -0.75
17 cents per kWh. This results in the Total Average Retail Rate of 10.62 cents per kWh or
18 an 18.7% increase from 8.94 cents per kWh (Total Average Retail Rate in effect after
19 June 1, 2010 when the PPFAC True-Up Component re-sets to 0.00 cents per kWh from -
20 0.75 cents per kWh). So, the Total Average Retail Rate after June 1, 2010 reflects: (1)
21 the requested base rate increase; and (2) the increase in the PPFAC True-Up Component.
22

23 In short, as a result of this anticipated change in PPFAC rates, the average retail rate
24 impact of our current request varies depending upon the timing of when the new rates are
25 put into effect. I note here, however, that the expected increase could vary significantly if
26 natural gas, wholesale market conditions and sales mix change from current expectations,
27 thereby necessitating a different PPFAC Components.

1 **Q. What does the 7.43% figure mean as compared to the Total Average Retail Rate**
2 **that customers will experience?**

3 A. The 7.43% merely represents the need for an increase in base rates of \$13.5 million as
4 compared to test year unadjusted revenues. It does not, however, represent the
5 comparison between the current Total Average Retail Rate of 11.47 cents per kWh and
6 the Total Average Retail Rate after June 1, 2010 of 10.62 cents per kWh assuming all the
7 factors I described above.

8
9 So, when compared with the average rates currently in effect prior to June 1, 2009, the
10 end result is that customers are expected to realize a Total Average Retail Rate *decrease*
11 of 7.5% as a result of this current rate request and the anticipated PPFAC changes
12 described above. In short, even though the Company is requesting an increase in base
13 rates in this case the Total Average Retail Rate is anticipated to drop – *if* what the
14 Company anticipates comes to fruition.

15
16 **Q. What about the increase to the customers' fixed monthly charges and non-fuel**
17 **delivery charges?**

18 A. Regardless of when the increase becomes effective the Company is requesting a 28.1%
19 increase in those charges. This increase represents a blend of the \$0.50 increase in the
20 monthly customer charges and an increase in the average non-fuel base rate from 3.00
21 cents per kWh to 3.84 cents per kWh.

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1 **II. PRO FORMA ADJUSTMENTS.**

2
3 **Q. Please explain the consideration of pro forma adjustments in the rate case process.**

4 **A.** Public utility rates are based on the prudently incurred costs of providing safe, reliable
5 service. The revenue requirement is based on a test-year that reflects a level of operating
6 revenues, expenses and net plant investment that is representative of normal conditions
7 that are expected to exist during the time that resulting rates will be in effect. The revenue
8 requirement calculation also contains a component to afford the utility a reasonable
9 opportunity to achieve a fair rate of return.

10
11 Pro forma adjustments are made to recorded test-year amounts that are not required for
12 the provision of service or that are not representative of the levels expected to occur
13 during the period in which the new rates will be in effect. Such adjustments may be
14 made in the form of eliminations, annualizations, or normalizations.

15
16 Elimination adjustments are made to remove out-of-period or non-recurring transactions,
17 or items that are not costs or revenues related to the provision of utility service; thus, not
18 eligible for reflection in revenue requirements.

19
20 Annualization adjustments are made to reflect the full, twelve-month revenue or expense
21 level of certain components of operating income. They are typically computed using
22 end-of-test-year quantities and the most current known and measurable prices and rates.
23 Examples in this case include restating test-year operating revenues to reflect customer
24 levels at the end of the test-year, adjusting payroll expense to reflect current salary rates
25 and changes in employee levels during the test-year, and adjusting recorded depreciation
26 expense to reflect the full effect of plant additions and retirements during the test-year.

27

1 Normalization adjustments reflect that the recorded test-year operating revenues and
2 expenses may not be representative of a normal level for ratemaking purposes. Certain
3 events may have affected recorded transactions in an atypical manner. Moreover, some
4 transactions eligible for reflection in revenue requirements are incurred at intervals less
5 frequently than annually, provide benefits extending beyond a single year, or reoccur in
6 significantly different amounts each year. As a result, the amounts recorded in the test-
7 year may not be viewed as “normal,” thus requiring a restatement for ratemaking
8 purposes. Normalization adjustments are made in such instances when a test-year level
9 of revenues or expenses is not representative of what would be expected on an on-going
10 basis. Examples in this case include the adjustment for bad debt expense, the overtime
11 factor implicit in the payroll adjustment, and the adjustment to normalize the level of
12 outside legal expense.

13
14 **Q. Were the pro forma adjustments that you are sponsoring in your Direct Testimony**
15 **prepared by you or under your supervision?**

16 **A.** Yes, they were.
17

18 **III. RATE BASE ADJUSTMENTS.**

19
20 **i. Acquisition Discount.**

21
22 **Q. Please explain the Acquisition Discount adjustment.**

23 **A.** Effective August 11, 2003, UniSource Energy acquired from Citizens Communications
24 Company (“Citizens”) its remaining electric utility assets located in Arizona. The
25 Commission approved a Settlement Agreement regarding this acquisition (“Settlement
26 Agreement”) in Decision No. 66028 (July 3, 2003) subject to the conditions set forth in
27 the Decision. This adjustment is necessary in order to properly reflect the discount, or

1 negative acquisition premium, authorized by the Commission. Decision No. 66028 calls
2 for the use of a \$93.6 million “negative acquisition premium” (see page 8, line 20) in the
3 calculation of rate base for ratemaking purposes to reflect this lower purchase price.
4

5 **Q. Is an acquisition adjustment normally recognized?**

6 A. No, the Commission has not generally recognized acquisition adjustments. Under
7 Commission rules, the original cost of utility property is the cost “at the time it is first
8 devoted to public service.” Arizona Administrative Code (“AAC”) R14-2-102.A.6. In
9 the case of an asset sale of a utility, the assets will have been devoted to service before
10 the sale. Thus, the sale does not affect the original cost of the assets, either positively or
11 negatively. In other words, the relevant cost is the “cost of [the] property to the person
12 first devoting it to public service.” AAC R14-2-103.A.3.e. Thus, an acquisition
13 adjustment is normally not appropriate. However, UniSource Energy and the
14 Commission did agree to the specific negative acquisition adjustment noted above. This
15 pro forma adjustment is necessary so that the acquisition adjustment is limited for
16 ratemaking purposes to the specific value agreed to by the Company and approved by the
17 Commission.
18

19 **Q. Please explain further.**

20 A. UniSource Energy actually paid \$104.3 million less than the original cost for the electric
21 assets that it acquired from Citizens. In accordance with United States Generally Accepted
22 Accounting Principles (“GAAP”), this amount had to be shown on the Company’s books
23 as a negative acquisition adjustment. This GAAP acquisition discount is larger than the
24 acquisition discount approved by the Commission as described above. Normally, an
25 acquisition discount would not be considered for ratemaking purposes at all. However, in
26 this case, the discount agreed to by the Company must be recognized. Essentially, this pro
27 forma adjustment takes the GAAP discount and reduces it to the value of the discount

1 authorized by the Commission. Put another way, the GAAP discount must be eliminated
2 for ratemaking purposes, thus increasing its original cost rate base. This increased rate
3 base must then be reduced by the value of the agreed upon discount. Overall, this
4 adjustment results in a net increase to rate base.

5
6 **Q. Please explain the accounting details further.**

7 A. When I refer to the "value" of the agreed upon discount, I mean the \$93.6 million figure
8 stated in the Settlement Agreement, less amortization. The amortization has been
9 calculated through December 31, 2008. Amortization reflects the fact that the assets
10 which were purchased do not have an infinite life. Pursuant to the Settlement Agreement
11 approved by the Commission, the amortization rate is the same as the depreciation rate
12 for corresponding plant accounts. (Settlement Agreement at page 18.) According to
13 Commission and the Federal Energy Regulatory Commission ("FERC") directives, the
14 acquisition adjustment was a credit to accumulated depreciation. (Settlement Agreement
15 at page 17.)

16
17 **Q. Is the Acquisition Discount adjustment consistent with the last UNS Electric rate**
18 **case, Docket No. E-04204A-06-0783?**

19 A. Yes. The adjustment was prepared and calculated in the same manner as was approved
20 by the Commission in the last UNS Electric rate case order, Decision No. 70360 (May
21 27, 2008)("the last UNS Electric Rate Order").

22
23 **ii. Post Test Year Non-Revenue Producing Plant.**

24
25 **Q. Please explain the Non-Revenue Producing Post Test Year Plant adjustment.**

26 A. This adjustment allows UNS Electric to begin recovering its investments made before the
27 end of the test year. In other words, before the test year was over, UNS Electric invested

1 every single dollar in this adjustment in plant primarily to serve existing customers. This
2 adjustment includes only plant that will not generate additional revenues beyond the test
3 year amount. These investments were not in service by the end of the test year, but will
4 be in service when rates established in this case go into effect. These are investments in
5 items such as transportation equipment, general plant, replacements and relocations of
6 existing facilities.

7
8 **Q. Is the Company advocating that the Commission should allow the recovery of and**
9 **on plant investment expended by the end of the test year, but not in service?**

10 A. Yes. The Commission should allow UNS Electric to recover such costs. UNS Electric
11 made these investments to serve existing customers. UNS Electric will not begin
12 recovering on these investments until the time the investments are reflected in rate base
13 within a rate proceeding. Including post test year non-revenue producing plant in rate
14 base will allow UNS Electric to recover its investment and an opportunity to earn a
15 reasonable return in a timely manner. If this current case follows an expected course,
16 new rates will go into effect in June 2010 at the earliest. The Company's next rate case
17 will likely not be filed until April of 2011, with rates most likely not effective until June
18 2012. So the recovery of and on investments actually made before the end of the 2008,
19 but not technically in service, will not produce additional revenues until June 2012. In
20 other words, without this adjustment, UNS Electric would not begin recovering its
21 investment for over 3 ½ years after the investments were made to serve existing
22 customers.

23
24 **Q. Is this adjustment consistent with past Commission practice?**

25 A. Yes. The Commission has included revenue-neutral post test year plant in rate case in a
26 number of cases. For example, in Decision No. 68176 (Sept. 30, 2005), the Commission
27 included more than \$2.9 million in revenue-neutral post test year plant in rate base. In its

1 last rate case, UNS Electric requested recovery of post test year plant, but it did not limit
2 the request to revenue-neutral plant. The Commission rejected the request, noting that it
3 was not revenue-neutral, and that previous decisions approving post-test year plant were
4 limited to revenue neutral plant, Decision No. 70360. In accordance with Decision No.
5 70360, UNS Electric has limited its request for post test year plant in this case to
6 revenue-neutral plant.

7
8 **iii. Working Capital.**

9
10 **Q. What is Working Capital?**

11 A. Working Capital is generally viewed as investor funding in excess of the balance of net
12 utility plant reflected in rate base that is required for the provision of utility service.

13
14 **Q. What are the items of Working Capital for which the Company requests a return?**

15 A. The components of Working Capital that the Company is requesting be included in rate
16 base are:

- 17 (i) Materials and Supplies;
18 (ii) Prepayments; and
19 (iii) Cash Working Capital.

20 The amounts requested for rate base inclusion for the materials and supplies and
21 prepayments are based on test-year recorded balances, adjusted to reflect normal levels.

22 The cash working capital component was determined by the use of the Lead-Lag Study
23 Methodology, to be covered in-depth later herein.

24
25 **Q. What is Cash Working Capital?**

26 A. The receipt of customer revenues for the provision of service, and the disbursement of
27 cash for the payment of the various costs of providing service rarely occur

1 simultaneously. This is the fundamental consideration underlying the concept of Cash
2 Working Capital. Cash Working Capital is generally viewed as the component of
3 working capital that represents the amount of invested cash required to pay day-to-day
4 operating expenses incurred in rendering service to customers. It may either increase or
5 decrease rate base. If the computation of Cash Working Capital produces a positive
6 result, it is indicative that there is an additional investment for which a return is
7 warranted, and thus, the amount is added to rate base. If the computation produces a
8 negative result, there is an implicit non-investor funding of Cash Working Capital,
9 requiring a rate base deduction.

10
11 **Q. Please explain the Working Capital adjustment.**

12 A. The Working Capital adjustment was computed in two pieces. First, as indicated on page
13 2 of Schedule B-5, the recorded end-of-test-year balances for Materials and Supplies, and
14 Prepayments are adjusted to reflect the 13-month average monthly balances, in
15 recognition of the variability in the monthly balances of the accounts. This is consistent
16 with the treatment of such accounts in prior rate cases.

17 Second, Working Capital is adjusted for the reflection in rate base of a measure of Cash
18 Working Capital, developed through the preparation of a comprehensive lead-lag study.

19
20 **Q. What is a lead-lag study?**

21 A. A lead-lag study is a detailed analysis of the dynamic movement of funds throughout the
22 organization, between the receivable and payable balance sheet accounts and related
23 revenues and expenses that are reflected in the operating income component of revenue
24 requirements. The method is generally viewed as the most accurate measure of Cash
25 Working Capital. The Commission has stated a clear preference for the use of lead-lag
26 studies in support of requested working capital amounts in rate cases.

1 The focal point of all lead-lag studies is the "point of service." That is the instant in time
2 at which customers receive service and, coincident therewith, the utility incurs the cost of
3 providing that service. A lead-lag study measures the average length of time between the
4 provision of service and the ultimate receipt of payment from the customer ("revenue
5 lag"). The result is compared with the average length of time between the point at which
6 the utility incurs a cost of providing that service and the date upon which it makes the
7 related cash disbursement ("payment lead" if payment precedes the cost benefit, or
8 "payment lag" if the payment occurs after the cost benefit). Cash Working Capital
9 reflects the effect on costs of service of the difference between the revenue lag and
10 payment leads or lags.

11
12 As may be seen on page 3 of Schedule B-5, a lead-lag study computes the Cash Working
13 Capital associated with each component of cost of service. The revenue lag is constant
14 for all cost categories. The various major expenses are analyzed separately for purposes
15 of developing a specific payment lead or lag. Once the applicable expense lead or lag is
16 known, it is compared with the revenue lag to determine the net lead or lag for that study
17 category. After dividing the net lead or lag by 365 days to arrive at an annual percentage
18 factor, the result is multiplied by the corresponding adjusted test-year expense amount to
19 quantify the Cash Working Capital requirement associated with that cost of service item.
20 Consistent with past Commission policy, the effect of non-cash expenses such as
21 depreciation and deferred income taxes are reflected in the study at a zero requirement.

22
23 **Q. How was the average revenue lag computed?**

24 **A.** The revenue lag is comprised of three distinct parts: the service lag, the billing lag, and
25 the customer payment lag.
26
27

1 The service lag is measured from the midpoint of the period of service to the end of the
2 period, the date upon which meters are read. A key underlying assumption is that service
3 is taken uniformly throughout the period. With each customer being billed under twelve
4 monthly billing cycles during the year, the average service lag is computed as 15.21 days
5 [365 days / (12 X 2)].
6

7 The billing lag is typically measured from the meter read date to the date customer bills
8 are prepared and balances entered into accounts receivable. The billing lag was computed
9 based on actual meter read dates and bill mailing schedules used by UNS Gas during the
10 test-year.
11

12 The customer payment lag is measured from the point at which the customer bill enters
13 accounts receivable to the date that either a payment is received or the account is written
14 off as uncollectible. That lag was determined by computing the average accounts
15 receivable turnover for six months during the test-year. The accounts receivable turnover
16 measures the average time during which a balance remains in accounts receivable and is
17 computed by dividing the sum of the daily ending balances of accounts receivable by the
18 sum of revenues billed and charged to accounts receivable during the study month.
19

20 **Q. How were the payment leads and lags computed?**

21 A. The payment leads and lags were developed based on analyses of actual payment history,
22 contractual and statutory payment dates, and samples of expenditures.
23

24 **Q. What was the overall result of the lead-lag study?**

25 A. The study showed that there was negative cash working capital and a corresponding
26 decrease was made as a pro forma adjustment to rate base.
27

1 **IV. OPERATING INCOME ADJUSTMENTS.**

2
3 **iv. Retail Revenue & Purchased Power Annualization.**

4
5 **Q. Please explain the Retail Revenue & Purchased Power Annualization.**

6 A. This adjustment is necessary to annualize test year revenue and expenses to reflect a full
7 year of the rates that went into effect June 1st, 2008. This adjustment includes the impact
8 of the PPFAC rate that went into effect as well on June 1, 2008.

9
10 **Q. Why is it necessary to adjust the expense levels to reflect the average base cost of**
11 **fuel and purchased power as well as the PPFAC rate that went into effect June 1,**
12 **2008?**

13 A. It is necessary to maintain the operating income neutrality of the PPFAC process. The
14 PPFAC process allows for recovery of all eligible fuel, purchased power and purchased
15 transmission cost ("PPFAC eligible cost") without profit. The amount included in
16 revenue in the form of base power supply charges and PPFAC charges must be equal to
17 the amount of PPFAC eligible cost reflected within expenses. Thus when we annualize
18 the revenue to reflect the PPFAC rate as of June 1, 2008, we must also annualize the
19 PPFAC eligible cost to be equivalent.

20
21 **v. Wholesale Revenue & Purchased Power.**

22
23 **Q. Please explain the Wholesale Revenue & Purchase Power Adjustment.**

24 A. This adjustment is necessary to insure that there is no confusion in establishing the base
25 cost of fuel, purchased power and purchased transmission cost in this filing to serve retail
26 customers. As I will explain with the next adjustment "Normalization of Fuel and
27 Purchased Power Revenue and Expense" - PPFAC eligible costs are being adjusted to

1 reflect the impact of the PPFAC rate that will go into effect as of June 1, 2009. That rate
2 includes and estimated margin on wholesale transactions. The customers benefit from
3 100% of any wholesale profits through a reduction in their PPFAC rate.
4

5 **Q. Can you elaborate?**

6 A. Yes. For book purposes the revenue associated with wholesale sales is recorded and
7 100% of that is also booked as a PPFAC regulatory liability (ultimately to credit
8 customers through the PPFAC). There are also expenses associated with producing those
9 revenues and those are expensed as incurred. Without adjustment the profit on those
10 sales would flow through the income statement. Therefore an adjustment is made to the
11 Company's actual books to bring the expenses up to the revenue level.
12

13 By making that adjustment, there is no operating income from wholesale transactions.
14 That "profit" is maintained in the PPFAC regulatory liability, which is then credited to
15 customers through the PPFAC. So, the PPFAC rate reflects any profit in wholesale
16 transactions and reduces the ultimate cost to customers. Therefore, we take the cost and
17 the revenue out of the test year (which zero themselves out) because the profit on
18 wholesale transactions is already reflected in the PPFAC rates, and the total average cost
19 of PPFAC eligible expenses being passed along to customers.
20

21 **vi. Normalization of Revenue and Expense for Fuel and Purchased Power.**

22
23 **Q. Please explain the Normalization of Revenue and Expense for Fuel and Purchased
24 Power adjustment.**

25 A. This adjustment reduces the revenues and expenses associated with the recovery of fuel,
26 purchased power and purchased transmission expense. On April 1, 2009, as required by
27 its approved Plan of Administration, UNS Electric submitted updated information

1 supporting a change in its annual Purchase Power and Fuel Adjustment Clause
2 (“PPFAC”) rate. That submission results in an overall system average recovery rate for
3 fuel, purchased power and purchased transmission cost at \$0.067738 per kWh of sold
4 energy when applied to test year billing determinants. This is 21% less than the overall
5 system average rate of \$0.086191 billed within rates from January 1st, 2008 through
6 December 31st, 2008. This adjustment normalizes test year PPFAC eligible cost and the
7 revenue to recover PPFAC eligible cost to this average rate – thus establishing an
8 “Average Base Power Supply Rate” to be included in rates and used in the PPFAC
9 reconciliation process of \$0.067738 per kWh..

10
11 **Q. Why is this adjustment necessary?**

12 A. This adjustment is necessary so the test year reflects the Company’s most recent
13 estimation of fuel, purchased power and purchased transmission expense to be recovered
14 from our customers.

15
16 **Q. Several adjustments to PPFAC eligible revenue and PPFAC eligible cost have been
17 made in the Company’s filing. What is the net end result of all of these
18 adjustments?**

19 A. The net result is that adjusted retail revenues for customer charges and delivery charges
20 reflect the most recent rates that went into effect June 1, 2008 applied to the customer
21 levels at the end of the test year and usage levels adjusted for normal weather. And the
22 PPFAC eligible revenues and PPFAC eligible cost are based on the overall average rate
23 effective June 1, 2009, applied to the test year adjusted customer and consumption levels.
24 Thus the PPFAC eligible revenue and PPFAC eligible cost have "zero" impact on
25 operating income (no rate increase impact), but establish an overall base cost of fuel,
26 purchased power and purchased transmission of \$0.067738 per kWh – which is our best
27 estimate of the cost at this point in time.

1 **Q. How will this new “Average Base Power Supply Rate” impact the PPFAC process**
2 **when the new rates established in this case go into effect?**

3 A. If the rates established in this case go into effect prior to June 1, 2010, then the PPFAC
4 forward component rate will be re-set at “ZERO” and the customers bills will reflect the
5 new base power supply rates for their class (per the new tariffs approved by the
6 Commission until June 1, 2010) and the PPFAC rate will only reflect the true-up
7 component rate in effect until June 1, 2010. If they are approved to be effective on June
8 1, 2010, a new PPFAC forward component rate will be calculated based on the projected
9 cost per kWh for June 2010 through May 2011 and compared to the “Average Base
10 Power Supply Rate” set in this proceeding. If these new rates go into effect after June 1,
11 2010, then the PPFAC forward component rate that went into effect June 1, 2010, will
12 need to be adjusted to the difference between the projected costs in the PPFAC filing less
13 the new “Average Base Power Supply Rate”.

14
15 **vii. Demand-Side Management (“DSM”) Revenue & Expense.**

16
17 **Q. Please explain the DSM Revenue & Expense adjustment.**

18 A. This adjustment excludes from test year revenue and expenses the activity directly related
19 to the DSM adjustor mechanism approved in Commission Decision No. 70360.

20
21 **viii. Payroll Expense.**

22
23 **Q. Please explain the Payroll Expense adjustment.**

24 A. The Payroll Expense adjustment is intended to reflect in operating expenses an
25 annualized level of salaries and wages based on current rates of pay and the number of
26 employees on the UNS Electric payroll at the end of the test-year. That annualized level
27 is then adjusted for the known pay rate increase that will go into effect January 1, 2009

1 and the estimated pay rate increase that will go into effect January 1, 2010. The pay rate
2 increase as of January 1, 2010, will be known prior to the close of the record in this
3 proceeding and prior to rates going into effect based on a decision in this proceeding. If
4 necessary, the rate can be updated if it varies significantly from the estimate.
5

6 **Q. Is the Payroll Expense adjustment consistent with the last UNS Electric rate case,
7 Docket No. E-04204A-06-0783?**

8 A. Yes. The adjustment was prepared and calculated in the same manner as was approved
9 by the Commission in the last UNS Electric Rate Order.
10

11 **ix. Payroll Tax Expense.**
12

13 **Q. Please explain the Payroll Tax Expense adjustment.**

14 A. The Payroll Tax Expense adjustment was computed in a manner similar to, and consistent
15 with, the payroll adjustment. An annualized level of payroll taxes was computed using
16 current payroll tax rates, the same end-of-test-year employee levels and current salary
17 rates that were used in the payroll adjustment.
18

19 **Q. Is the Payroll Tax Expense adjustment consistent with the last UNS Electric rate case,
20 Docket No. E-04204A-06-0783?**

21 A. Yes. The adjustment was prepared and calculated in the same manner as was approved
22 by the Commission in the last UNS Electric Rate Order.
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x. Pension and Benefits.

Q. Please explain the Pension and Benefits adjustment.

A. The Pension and Benefits adjustment is intended to reflect in operating expenses a level of pension and benefits expense reflecting the end-of-test-year work force, current pension and benefit actuarial expense level, and a normal level of business activity. The employee benefits covered by this adjustment include pensions, the Company's share of contributions to the employees' 401(k) plan, and current medical costs.

Q. Is the Pension and Benefits adjustment consistent with the last UNS Electric rate case, Docket No. E-04204A-06-0783?

A. Yes. The adjustment was prepared and calculated in the same manner as was approved by the Commission in the last UNS Electric Rate Order.

xi. Post Retirement Medical.

Q. Please explain the Post Retirement Medical adjustment.

A. The Post Retirement Medical adjustment is intended to reflect in operating expenses a level of post retirement medical payments reflecting the end-of-test-year work force level.

Q. Is the Post Retirement Medical adjustment consistent with the last UNS Electric rate case, Docket No. E-04204A-06-0783?

A. Yes. The adjustment was prepared and calculated in the same manner as was approved by the Commission in the last UNS Electric Rate Order.

1 **xii. Rate Case Expense.**

2
3 **Q. Please explain the Rate Case Expense adjustment.**

4 A. The Rate Case Expense adjustment addresses the outside costs already incurred, and
5 expected to be incurred, in connection with this rate case. This amount is an estimate of
6 the anticipated final cost and will be updated before this proceeding concludes. The
7 adjustment amortizes the balance to expense over three years. This is the approximate
8 time period between when UNS Electric filed this rate case and when the next rate case
9 will likely occur. The adjustment also reflects the collection of the anticipated remaining
10 balance of rate case expense allowed to be recovered in the last UNS Electric Rate Order.
11 That remaining balance will also be amortized over the anticipated life of rates in this
12 case.

13
14 **xiii. Bad Debt Expense.**

15
16 **Q. Please explain the Bad Debt Expense adjustment.**

17 A. Bad Debt Expense is adjusted to a level reflective of final, pro forma weather-
18 normalized, customer-annualized test-year operating revenues, and the average
19 percentage of actual account write-offs experienced during the past three years. This
20 method of calculating bad debt expense is consistent with past Commission accepted
21 practice.

22
23 **Q. Is the Bad Debt Expense adjustment consistent with the last UNS Electric rate case,
24 Docket No. E-04204A-06-0783?**

25 A. Yes. The adjustment was prepared and calculated in the same manner as was approved
26 by the Commission in the last UNS Electric Rate Order.

1 **xiv Interest on Customer Deposits.**

2
3 **Q. Please explain the Interest on Customer Deposits adjustment.**

4 A. This adjustment normalizes test year interest expense to reflect the currently applicable
5 interest rate and balance of customer deposits as of the end of the test year.

6
7 **xv. Workers Compensation Expense.**

8
9 **Q. Please explain the Workers Compensation Expense adjustment.**

10 A. This adjustment is necessary to normalize the workers compensation expense level within
11 the test year to an expected recurring level. This adjustment reduces the test year level to
12 reflect a three year average for the expense which has fluctuated between a credit of \$4
13 thousand in one of those years and as much as \$212 thousand in expense in another.

14
15 **Q. Is the Workers Compensation Expense adjustment consistent with the last UNS
16 Electric rate case, Docket No. E-04204A-06-0783?**

17 A. Yes. The adjustment was prepared and calculated in the same manner as was approved
18 by the Commission in the last UNS Electric Rate Order.

19
20 **xvi. Miscellaneous Expenses.**

21
22 **Q. Please explain the Miscellaneous Expense adjustment.**

23 A. This adjustment removes test-year expenses that should not be included in revenue
24 requirements because they are for out-of-period activity, not reflective of test-year
25 activity and/or should not be recovered from customers. Also included in this adjustment
26 is an increase to test year postage expense to reflect the postage rate increases that went
27

1 into effect May 12, 2008 and May 11, 2009. Additionally, the normalization of outside
2 legal cost is contained within this adjustment.

3
4 **Q. Please explain why you normalized outside legal expense.**

5 A. This adjustment is being made to reflect a three-year average of outside legal costs.
6 Legal costs by their nature are for primarily "individual" non-recurring activities. In this
7 case, the test year activity did not fairly reflect a normal and recurring level, prior to
8 adjustment, the test year contained \$141 thousand in outside legal costs related to the last
9 UNS Electric rate case filing that were disallowed recovery of and thus written off within
10 the test year. Once that adjustment is made the test year level is only \$28 thousand,
11 which is not reflective of normal and recurring levels. In 2005, 2006 and 2007 the
12 Company spent \$128, \$106 and \$181 thousand respectively, on outside legal costs,
13 excluding UNS Electric rate case activity. That results in a three-year average of \$138
14 thousand which is reflective of normal and recurring levels and is consistent with
15 expected spending levels.

16
17 **Q. Is the normalization of outside legal expenses adjustment consistent with prior
18 Decisions of the Commission?**

19 A. Yes. The adjustment was prepared and calculated in the same manner as was approved
20 by the Commission in the last UNS Gas Rate Order (Decision No. 70360).

21
22 **xvii. A&G Expense Capitalized.**

23
24 **Q. Please explain the A&G Expense Capitalized adjustment.**

25 A. The A&G Expense Capitalized adjustment is necessary to normalize the level of
26 administrative and general charges capitalized during the test year. The charges
27

1 capitalized are for services performed by personnel in support areas like Information
2 Services, Plant Accounting, and Operational Systems Support.

3
4 A study was performed during the test year to evaluate the time spent by these service
5 areas in support of capital activities. A new capitalization rate was determined and put
6 into effect in the first quarter of 2009. This new rate was used to normalize test year
7 activity and more properly reflect the known capitalization rate going forward.

8
9 **V. SUMMARY OF SCHEDULES.**

10
11 **i. A Schedules.**

12
13 **Q. Have you described Schedule A-1 earlier in your Direct Testimony?**

14 A. Yes. Again, Schedule A-1 is a summary of the increase in revenue requirement that UNS
15 Electric is seeking as a rate increase in this case.

16
17 **Q. Please describe the information contained in Schedule A-2.**

18 A. Schedule A-2 presents a summary of the results of operations for the test-year and two
19 prior calendar years, compared with the projected year. Lines 1-16 of Schedule A-2 set
20 forth the summary of operations for the years ending December 31, 2006 and December
21 31, 2007, and the test-year ending December 31, 2008. Schedule A-2 also presents
22 projected results of operations for the year ending December 31, 2009 under the headings
23 “present rates” and “proposed rates”.

1 **Q. Please describe the information contained in Schedule A-5.**

2 A. Schedule A-5 presents statements of changes in financial position for the years ending
3 December 31, 2006 and December 31, 2007, the test-year ending December 31, 2008 and
4 the projected year ending December 31, 2009.

5
6 **ii. B Schedules.**

7
8 **Q. Please describe the information contained in Schedule B-1.**

9 A. This schedule summarizes the elements of UNS Electric's rate base on both a net
10 recorded original cost and RCND basis as of December 31, 2008, along with the pro
11 forma adjustments to rate base. Rate base is comprised of net utility plant, certain
12 regulatory assets, and working capital, with deductions from rate base for accumulated
13 deferred income taxes ("ADIT"), customer advances for construction and customer
14 deposits.

15
16 **Q. What is shown on Schedules B-2, B-3 and B-4?**

17 A. Schedule B-2 shows the pro forma adjustments to the original cost rate base. The
18 information presented includes the actual per-books balances at the end of the test-year,
19 pro forma adjustments, and the adjusted balances. Schedule B-3 provides the same detail
20 by functional account classifications as shown in Schedule B-2, except that it is shown on
21 an RCND basis. Schedule B-4 shows the plant in service accounts on an reconstructed
22 cost new ("RCN") and RCND basis.

23
24 **Q. Please explain briefly the basis for the determination of the RCND rate base.**

25 A. Plant in service and customer advances for construction reported at RCN are summarized
26 from the results of a detailed plant cost trending study. The accumulated depreciation
27 and ADIT reported on a RCN basis have been computed by multiplying the

1 corresponding original cost balances by a ratio, the numerator of which is gross RCN of
2 depreciable plant, and the denominator of which is gross original cost of depreciable
3 plant. All other rate base elements are reflected at original cost.
4

5 **Q. Please describe the plant cost trending study.**

6 A. The trending study was prepared to establish a measure of the cost to reconstruct utility
7 plant in service at current cost levels. The December 31, 2008 recorded balance in each
8 plant account was analyzed by vintage component and adjusted to current cost levels by
9 applying trending factors to each vintage total. For example, the RCN value for 1984
10 vintage assets in Account No. 362, Distribution Plant – Station Equipment was computed
11 as follows:

$$\begin{aligned} & \text{Original Cost of 1984 vintage assets in Acct. 362} \times \frac{\text{2008 Cost Index for Acct 362}}{\text{1984 Cost Index for Acct. 362}} \end{aligned}$$

12
13
14
15
16 For most accounts, the Handy-Whitman Index of Public Utility Construction Costs for
17 the Plateau Region has been employed. For plant accounts 303, 391, 393, 394, and 398,
18 the “Marshall Valuation Service Cost Index” was used. For plant accounts 392, 395, 396,
19 and 397, the Bureau of Labor Statistics producer price index was used. Where the Handy-
20 Whitman Index was used for the trend factors, they are based on the index numbers
21 released by Handy-Whitman for June 30, 2008. More current data has not yet been
22 released.
23

24 **Q. What is the Handy-Whitman Index?**

25 A. It is an index of public utility construction costs that has been published continuously
26 since 1924 by Whitman, Requardt and Associates of Baltimore, Maryland. The Handy-
27 Whitman Index is a well-recognized, widely used and generally accepted method for

1 measuring differences in property values for insurance and other purpose, including the
2 valuation of public utility property for rate case purposes. It has been used by UniSource
3 Energy's utilities and other companies in proceedings before the Commission for many
4 years.

5
6 The Handy-Whitman Index is comprised of index numbers for various accounts
7 prescribed by the Uniform System of Accounts and for six geographical divisions of the
8 country, including the Plateau Division, in which Arizona and New Mexico are located.
9 These index numbers result from a comparison of the current prices of materials, labor,
10 and equipment to prices in a base year. Index numbers are determined for each year as of
11 January 1 and July 1.

12
13 The index numbers are used to determine cost trend factors, which are then applied to
14 known original costs of like plant and property to determine the fluctuation in cost
15 between the date of original installation and the date of valuation.

16
17 **Q. What is the Marshall Index?**

18 A. The Marshall Index, prepared by the firm of Marshall & Swift, is an index of construction
19 cost trend valuations. It was used in development of costs reported in the RCND Study for
20 those plant accounts not reported by Handy-Whitman. The Bureau of Labor producer
21 price index was then used when neither the Handy-Whitman nor the Marshall indices were
22 available.

23
24 **Q. Please explain Schedule B-5.**

25 A. This schedule summarizes the various elements of working capital that the Company is
26 requesting for inclusion in rate base in this rate case.

27

1 **Q. Why are the original costs and RCND costs of working capital the same in Schedule**
2 **B-5?**

3 A. They are the same because the original costs are at current prices or have been adjusted to
4 current prices, meaning they have not been significantly affected by inflationary factors.
5

6 **iii. C Schedules.**
7

8 **Q. Please describe the Company's "C" Schedules in its filing.**

9 A. Schedules C-1 through C-3 present the development of the net operating income
10 component of revenue requirements submitted for Commission consideration in this rate
11 case filing.
12

13 **Q. Please explain Schedule C-1.**

14 A. Schedule C-1 shows the actual Income Statement for the twelve months ending
15 December, 31 2008, the test-year in this case. It also summarizes the effect of the
16 proposed pro forma adjustments to recorded operating revenues and expenses, and the
17 resulting adjusted net operating income.
18

19 **Q. What is the purpose of Schedule C-2?**

20 A. Schedule C-2 presents the detailed pro forma adjustments that reflect the full annual
21 impact of operating changes, annualizations, normalizations, and other adjustments made
22 to revenues and expenses.
23

24 **Q. What is the purpose of Schedule C-3?**

25 A. Schedule C-3 contains the development of the Gross Revenue Conversion Factor. That
26 factor is used to convert the computed test-year return deficiency to an equivalent annual
27

1 revenue increase amount. It effectively recognizes that there will be additional bad debt
2 expense and income taxes associated with any adjustment to annual revenue levels.
3

4 **VI. BLACK MOUNTAIN GENERATING STATION ADJUSTMENTS.**

5
6 **Q. Please explain the BMGS Operating and Maintenance expense adjustment.**

7 A Mr. Kentton Grant explains in his Direct Testimony the Company's request and
8 justifications for the inclusion of the BMGS as a post test year addition to rate base.
9 Implicit in this request is the inclusion of the normal and recurring operating cost of the
10 facility. Correspondingly, I have added annualized operating expenses of the facility to
11 the pro forma expenses of UNS Electric.
12

13 **Q. Please explain the BMGS PPA Operating Savings adjustment.**

14 A. I have adjusted the purchased power expense to insure that the customer's rates are not
15 impacted at the time BMGS is transferred and the rate reclassification takes place. This
16 adjustment reflects a credit equivalent to the non-fuel revenue requirement associated with
17 BMGS being in rate base and the non-fuel expenses to operate it. Although not identical to
18 the cost of the BMGS purchase power agreement ("PPA") with UniSource Energy
19 Development Company that is presently in place and being recovered from customers as a
20 PPFAC eligible cost, this credit to purchased power expense is very comparable to the
21 annual costs incurred by UNSE under the BMGS PPA. And since any difference between
22 this credit and the actual avoided cost of the BMGS PPA will be completely reconcilable
23 through the PPFAC process, the customers of UNSE will not pay any more or any less
24 than the actual cost incurred for purchased power expense.
25
26
27

1 **VII. SUMMARY OF BLACK MOUNTAIN GENERATING STATION SCHEDULES.**

2
3 **A. Schedules A-1 BMGS, A-2 BMGS, A-5 BMGS.**

4
5 **Q. Please describe Schedule A-1 BMGS.**

6 A. Schedule A-1 BMGS provides a summary of the increase in revenue requirement that
7 UNS Electric is seeking in this case. This requested increase is equivalent to the increase
8 shown in Schedule A-1.

9
10 The test year that the Company utilized for this rate case is the twelve months ending
11 December 31, 2008. As set forth in Schedule A-1 BMGS, the original cost rate base is
12 \$237 million and the RCND rate base is \$419 million. Pursuant to Commission practice,
13 the fair value rate base is considered to be \$328 million.

14
15 Schedule A-1 BMGS supports a finding that UNS Electric presently has an operating
16 income deficiency of \$8.3 million and is therefore requesting an increase in retail fixed
17 monthly and delivery charge revenues of \$13.5 million.

18
19 **Q. Please describe the information contained in Schedule A-2 BMGS.**

20 A. Schedule A-2 BMGS presents a summary of the results of operations for the test year and
21 two prior calendar years, compared with the projected year. Lines 1-16 of Schedule A-2
22 BMGS set forth the summary of operations for the years ending December 31, 2006 and
23 December 31, 2007, and the test year ending December 31, 2008. Schedule A-2 BMGS
24 also presents projected results of operations for the year ending December 31, 2009 under
25 the headings "present rates" and "proposed rates".
26
27

1 **Q. Please describe the information contained in Schedule A-5 BMGS.**

2 A. Schedule A-5 BMGS presents statements of changes in financial position for the years
3 ending December 31, 2006 and December 31, 2007, the test year ending December 31,
4 2008 and the projected year ending December 31, 2009.

5

6 **B. Schedules C-1 BMGS, C-2 BMGS.**

7

8 **Q. Please explain Schedule C-1 BMGS.**

9 A. Schedule C-1 BMGS begins with the adjusted column from Schedule C-1 and is labeled
10 "Adjusted (Original)". Then Schedule C-1 BMGS contains a column that summarizes
11 the proposed pro forma operating income adjustments directly related to the inclusion of
12 the BMGS in plant-in-service, labeled "BMGS Pro Forma Adjustments". These two
13 columns are then netted to produce the column labeled "BMGS Adjusted". Because
14 schedule C-1 BMGS starts with the adjusted column from Schedule C-1, the column
15 labeled "BMGS Adjusted" reflects the total impact of all proposed pro forma operating
16 income adjustments.

17

18 **Q. What is the purpose of Schedule C-2 BMGS?**

19 A. Schedule C-2 BMGS presents the detailed pro forma adjustments that reflect the full
20 annual impact with the inclusion of the BMGS in plant-in-service, summarized on
21 Schedule C-1 BMGS in column "BMGS Pro Forma Adjustments".

22

23 **Q. Does this conclude your Direct Testimony?**

24 A. Yes, it does.

25

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES - CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-04204A-09-____
UNS ELECTRIC, INC. 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 UNS ELECTRIC, INC.)
DEVOTED TO ITS OPERATIONS)
THROUGHOUT THE STATE OF ARIZONA.)

UNS ELECTRIC, INC.

TESTIMONY AND EXHIBITS

VOLUME 2 OF 4

April 30, 2009

Direct Testimony of
D. Bentley Erdwurm

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES - CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-04204A-09-____
UNS ELECTRIC, INC. 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 UNS ELECTRIC, INC.)
DEVOTED TO ITS OPERATIONS)
THROUGHOUT THE STATE OF ARIZONA.)
)
)

Direct Testimony of

D. Bentley Erdwurm

on Behalf of

UNS Electric, Inc.

April 30, 2009

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1 **I. INTRODUCTION.**

2
3 **Q. Please state your name and business address.**

4 A. My name is Bentley Erdwurm. My business address is One South Church Avenue,
5 Tucson, Arizona, 85701.

6
7 **Q. What is your position with UNS Electric, Inc. (“UNS Electric” or the**
8 **“Company”)?**

9 A. I am employed by Tucson Electric Power Company (“TEP”) as a Lead Analyst in the
10 Pricing and Economic Forecasting department. In this role, I prepare cost of service
11 studies and rate design proposals. I also perform these functions for UNS Electric, Inc.
12 (“UNS Electric” or the “Company”).

13
14 **Q. Please describe your education and experience.**

15 A. I earned my Master of Science in Economics from Texas A&M University, and my
16 Bachelor of Arts from the University of Dallas. I have over twenty-five years of utility
17 experience in the areas of cost allocation and rate design, forecasting, valuation and fair
18 market value determination, and utility mergers and acquisitions. I have testified before
19 state regulators in Arizona, Texas and Alabama on these issues. I testified on behalf of
20 TEP in general rates cases since the early 1990’s on issues related to cost allocation,
21 rate design and unbundling. Moreover, I have testified on behalf of UNS Gas, Inc.
22 (“UNS Gas”) in its last two general rate cases and on behalf of UNS Electric in its last
23 general rate case filed in 2006. My UNS Gas testimony and UNS Electric testimony
24 related to issues of cost allocation and rate design.

25
26
27

1 **Q. What is the purpose of your direct testimony?**

2 A. I am sponsoring Schedules G and H, which summarize the class cost of service study
3 (“CCOSS”), rate design and proof of revenue for this filing. I also sponsor the Weather
4 Normalization and Year-End Customer Annualization pro-forma adjustments shown in
5 Schedule C-2. My testimony will explain: (i) weather normalization; (ii) customer
6 annualization; (iii) the class cost of service study; and (iv) proposed rate design
7 changes. I am also sponsoring the Company’s CCOSS and its use of the Average and
8 Peaks Method. I discuss UNS Electric’s proposed rate design and specifically describe
9 the Company’s proposal to expand time period differentials in the Time-of-Use Rates,
10 thereby providing an enhanced incentive to shift load to off-peak periods. I will also
11 describe a newly-proposed Super-Peak Time-of-Use option. I have prepared tariffs
12 reflecting the rate reclassification associated with Black Mountain Generating Station
13 (“BMGS”), as supported by Company witness Mr. Kentton Grant. Finally, I will
14 discuss the Company’s Customer Assistance Residential Energy Support or “CARES”
15 program and expansion of low-income assistance programs.

16
17 **Q. Please summarize your recommendations.**

18 A. I recommend:

- 19 1. Acceptance of the Company’s weather normalization and customer
20 annualization adjustments;
- 21 2. Acceptance of the CCOSS methodology;
- 22 3. Acceptance of a normalization adjustment to the CARES discounts to reflect
23 growing subscription levels;
- 24 4. Acceptance of proposed revenue increases by class;
- 25 5. Increasing customer charges to levels closer to those supported by the CCOSS.
26 Accordingly, the Company is proposing to increase the Residential customer
27 charge from \$7.50 to \$8.00; the Small General Service customer charge from

1 \$12.00 to \$12.50; and the Large General Service customer charge from \$15.50
2 to \$16.00. Other cost-based proposed customer charges are shown in Schedule
3 H-3.

4 6. Acceptance of the redesign of the time-of-use ("TOU") rates to expand the price
5 differential between time periods;

6 7. Acceptance of Super-Peak Demand Response tariffs;

7 8. Acceptance of tariffs reflecting the reclassification of rates associated with UNS
8 Electric's proposed purchase of BMGS;

9 9. Decreasing the customer charge for CARES customers from \$7.50 to \$3.50.
10 (Additionally, the Company proposes to discount the CARES base power supply
11 rate and retain existing CARES percentage discounts and the \$8.00 discount for
12 customers using over 1,000 kWh per month). The CARES customer charge
13 proposal is motivated by public policy considerations unrelated to the cost of
14 providing service. UNS Electric further proposes to freeze the forward and true-
15 up components at zero for the PPFAC for CARES customers when new rates
16 (including the discounted base power supply rate) are effective.

17 10. Acceptance of Company proposal to mitigate the impact of the rate increase on
18 CARES customers, and to expand low-income assistance programs to
19 households with incomes of up to 200% of poverty.
20

21 **Q. Please summarize the anticipated bill impact of the proposed rate increase on**
22 **residential customers?**

23 A. Bill impacts are shown in Exhibit DBE-1, page 1 of 2, for four residential customer
24 (non-CARES) types:

- 25 • Small Residential customer with monthly usage averaging 444 kWh;
- 26 • Median Residential customer with monthly usage averaging 681 kWh;
- 27 • Average Residential customer with monthly usage averaging 874 kWh;

- Larger Residential customer with monthly usage averaging 1,058 kWh.

By definition, half of all bills have usage lower than the median. Exhibit DBE-1, page 1 of 2, shows that the median residential customer will see his current annual bill (excluding DSM and REST) fall from \$973.61 (line 13) to \$766.77 (line 14) – a 21.2% reduction (line 16) – due to the June 1, 2009 implementation of a downward adjustment in the PPFAC rate. With UNS Electric’s proposed rate increase in this case, the median customer’s bill would subsequently increase from the \$766.77 level to \$905.14 (line 15), a \$138.37 increase. This is an 18.0% increase (line 17) when calculated off a low base of \$766.77 from the PPFAC adjustment. This effectively results in a *net decrease of 7.0%* (line 18), taking into account both the PPFAC adjustment and the rate increase request here. That is the net percentage change experienced by the median customer in moving from current rates to proposed rates (see line 20). Exhibit DBE-1 shows that the small, median, average, and larger customers all see net decreases in bills of between 6.5% and 7.4% when moving from current to proposed rates (line 18) (inclusive of the downward PPFAC rate adjustment to take place June 1, 2009 and lasting through May 31, 2010).

Exhibit DBE-1, page 2 of 2 shows impacts for Residential CARES customers. Exhibit DBE-1, page 2 of 2, shows that CARES customers will see even larger net percentage decreases in bills than percentage decreases seen by non-CARES residential customers. CARES customers with monthly usage of 945 kWh will receive the full benefit of the bill reductions attributable to the June 1, 2009 downward adjustment in the PPFAC rate, but will not see increases attributable to UNS Electric’s proposed rate increase in this case. The 945 kWh threshold exceeds CARES median use of 621 kWh per month and CARES average use of 772 kWh per month. In fact, the median and average CARES customer, along with the small (411 kWh per month) and large (899 kWh per month)

1 customers shown on page 2 of DBE-1, all see slight *decreases* attributable to the
2 implementation of new rates (note that all the percentage changes on line 17 of
3 Schedule DBE-1, page 2 of 2, are *negative*.) For these reasons, it is accurate to say that
4 all CARES customers using less than 945 kWh per month will be held harmless from
5 UNS Electric's proposed rate increase in this case (and will actually receive a rate
6 decrease). Even CARES customers using more than 945 kWh per month will still avoid
7 most of the increase. As a CARES customer's usage passes 945 kWh and continues to
8 grow, this customer will face relatively more exposure to the rate increase, which is
9 appropriate given the Company's conservation objectives. However, even a
10 hypothetical CARES customer using five times the average usage (3,860 kWh per
11 month) will see his bill decrease by 22.2% due to the June 1, 2009 implementation of a
12 downward adjustment in the PPFAC rate. And with UNS Electric's proposed rate
13 increase in this case, this heavy use CARES customer's bill would subsequently
14 increase by only 3.6% relative to the level established with the June 1, 2009 PPFAC
15 adjustment. This effectively results in a *net decrease of 19.4%* from current rates,
16 taking into account both the PPFAC downward adjustment and the proposed rate
17 increase request here. When this 19.4% net decrease (current to proposed rates -
18 inclusive of the downward PPFAC rate adjustment to take place June 1, 2009) for the
19 heavy use CARES customer using 3,860 per month is compared to the smaller net
20 decreases in non-CARES residential bills for the four customer types shown on Exhibit
21 DBE-1, page 1, (decreases between 6.5% and 7.4% when moving from current to
22 proposed rates), the adequacy and generosity of the CARES discounts are apparent.

23
24 The Company proposes to set the CARES base power supply rate at \$0.071660 upon
25 implementation of new rates. This base power supply rate is discounted from the
26 regular residential level. Further, upon implementation of new rates, UNS Electric
27 proposes that the forward and true-up components of the PPFAC rate be set to zero and

1 frozen for CARES customers. This provides CARES customers an attractive and stable
2 rate option.

3
4 **II. WEATHER NORMALIZATION ADJUSTMENT.**

5
6 **Q. What is the purpose of a weather normalization adjustment?**

7 A. A weather normalization adjustment is performed to represent test year sales, revenues
8 and costs under normal weather conditions. Energy consumption for several UNS
9 Electric classes of customers is weather sensitive. For instance, a significant portion of
10 energy usage in the summer comes from air conditioning. Some summers, however, are
11 warmer than normal and the Company receives more revenues and incurs more costs as
12 a result. This is because it takes more energy for customers to cool their homes and
13 businesses when the average temperature is higher during the summer months. But a
14 cooler than normal summer can result in the Company receiving less revenues and
15 incurring less costs, because less energy is needed to cool homes and businesses.
16 Hence, the purpose of weather normalization is to “average” out these differences, so
17 one can get a better sense as to what the Company is likely to receive in revenues and
18 incur as costs during a particular year. In other words, the weather normalization
19 adjustment quantifies the change in kWh sales, revenue and costs that would have
20 occurred if the weather in the test year had been typical. An analogous concept applies
21 in the winter, where customers will use a significant percentage of energy to heat their
22 homes and businesses.

23
24 **Q. How is annual usage normalized based on the weather in order to make this
25 adjustment?**

26 A. The industry uses a variable known as heating degree days (“HDD”) to measure heating
27 load and another variable known as cooling degree days (“CDD”) to measure cooling

1 load. Electric heating requirements are small when average daily temperatures are
2 greater than 65 degrees Fahrenheit, and cooling requirements are small when the
3 average daily temperatures are less than 65 degrees Fahrenheit. In other words,
4 customers will generally have no need for heating when temperatures are at or above 65
5 degrees Fahrenheit, and customers will have no need for cooling when temperatures are
6 at or below 65 degrees Fahrenheit. Therefore, a HDD is measured by subtracting the
7 average of the maximum and minimum temperature for that day from 65 degrees. A
8 CDD is measured by subtracting 65 degrees from the average of the maximum and
9 minimum temperature for that day. Negative results for both CDD and HDD
10 calculations are set to zero.

11
12 In order to obtain the necessary data to determine HDD and CDD, UNS Electric records
13 daily temperatures at three locations – Kingman and Nogales in Arizona and Needles in
14 California. This temperature data is used to calculate HDD and CDD. These
15 calculations are then compared to what the typical or normal weather has been in those
16 areas. This is done for each month. The normal weather for each calendar month is then
17 determined as the average monthly HDD's and CDD's that has been recorded over the
18 last ten years.

19
20 **Q. Please provide an overview of weather normalization.**

21 A. To quantify how much a summer month's electricity usage changes in response to
22 weather's deviating from normal, the statistical technique of linear regression analysis
23 was used. The analysis focused on the consumption behavior of a single average
24 customer – specifically on this customer's use-per-customer ("UPC"). Regression
25 models estimate how much electricity UPC changed in response to a change of one
26 CDD. Regression analysis is used to estimate how much a dependent variable "y" (e.g.,
27 UPC) changes in response to some change in an independent variable "x" (e.g., CDD).

1 This estimate, the slope coefficient, represents the change in "y" divided by the change
2 in "x".

3
4 When regression is used for weather adjustments, one multiplies the slope coefficient
5 (change in UPC/change in CDD) by the deviation from normal weather (i.e., the
6 difference in normal and actual CDD (CDDN – CDDA)). The result of this calculation
7 is the weather adjustment in kWh per customer. To obtain the total weather adjustment,
8 the weather adjustment per customer is simply multiplied by number of customers.

9
10 Similar adjustments are calculated for each month (with HDD substituted where
11 appropriate) and for each applicable class of service.

12
13 **Q. Please describe your weather normalization calculations in more detail.**

14 A. I performed weather normalization calculations for the residential customer class
15 separately from general customers. For the residential class, I used historical weather
16 and UPC data to calculate the weather adjustment. For cooler months with heating
17 requirements, I calculated an incremental UPC per HDD above base usage. To put it
18 another way, I calculated the amount of energy a residential customer used to heat his or
19 her home per degree per day. Likewise, for warmer months with cooling requirements,
20 I calculated an incremental UPC per CDD above base usage, or the amount of energy a
21 residential customer used to cool his or her home per degree per day.

22
23 For non-residential classes, I performed similar adjustments, but only for the cooling
24 requirements. This is because none of the non-residential weather adjustments are
25 based on heating requirements (typically driven by HDD's). Non-residential heating
26 load changes little in response to the HDD variation experienced in the UNS Electric
27

1 service territory. In fact, given the mild winters, it is not unusual to find commercial
2 and industrial customers using air conditioning during the "coldest" winter months.

3
4 In UNS Electric's weather data locations, the base load month (fewest historic HDD)
5 for heating requirements is July or August, and the base load month for cooling
6 requirements (fewest historic CDD) is December, January, or February. To recognize
7 that customers typically do not use heating equipment anywhere in Arizona in the
8 summer, I limited my HDD weather adjustment calculations to the months of January
9 through April and November and December of the test year. Regression analyses
10 resulted in a heating factor, or monthly heat load per HDD. The monthly heating factor
11 was multiplied by the respective month's deviation from normal HDD to develop the
12 composite weather adjustment per customer, with this result subsequently multiplied by
13 the number of customers to obtain the total weather adjustment. The CDD weather
14 adjustment calculation was similarly calculated.

15
16 **Q. What did the results of your calculations show?**

17 A. Although some months were less extreme than normal (*i.e.* less cold in the winter
18 and/or less warm in the summer), the overall weather for the year was slightly more
19 extreme than normal. Therefore sales were slightly higher than normal resulting in a
20 "negative" adjustment to kWh and to revenue and costs.

21
22 **Q. Did you weather-normalize all rate classes?**

23 A. No, I weather normalized only those rate classes where sales are weather sensitive.
24 Sales to the Large Power Service ("LPS") and electric light classes were not weather
25 sensitive and consequently were not weather normalized. Small General Service
26 ("SGS") and Large General Service ("LGS") sales in Havasu and Kingman had
27 statistically significant weather sensitivity and were weather normalized; however

1 Nogales' SGS and LGS sales were not weather sensitive and were not weather
2 normalized.

3
4 **Q. What was the effect of weather adjustments on test year sales volumes?**

5 A. Because sales were slightly higher than normal, it is necessary to make negative
6 adjustments to reflect a "normalized" level of sales. The net result of these weather
7 normalization adjustments was to adjust the total actual sales volumes downward. The
8 weather adjustment was a negative 9,012,401 kWh. The total unadjusted kWh was
9 1,663,317,115 kWh (Schedule H-2, page 1 of 2). The weather adjustment accounts for
10 less than one-half of 1% of sales.

11
12 **III. CUSTOMER ANNUALIZATION ADJUSTMENT.**

13
14 **Q. Please describe the customer annualization adjustment.**

15 A. The customer annualization adjustment restates the number of test year bills and
16 volumes to be consistent with the number of customers on the system at the end of the
17 test year. The early months of the test year typically reflect more adjustment in the
18 number of customers. For instance, the first month of the test year must be adjusted for
19 11 months of growth to reach adjusted test-year end levels, whereas the eleventh month
20 of the test year only requires one month of adjustment. Adjustments to the monthly
21 volumes were made by multiplying the monthly customer differences by the UPC for
22 the month.

23
24 **Q. Why is your customer annualization adjustment reflective of test-year-end
25 customer values, as opposed to some other adjusting point?**

26 A. The customer annualization adjustment – when added to unadjusted (actual) billing
27 determinants – should result in adjusted billing determinants that will accurately reflect

1 the bills and volumes during the time rates will be in effect. Assuming that the end-of-
2 test-year customer levels are not substantially impacted by a cyclical (seasonal) pattern
3 (as is the case here), the last month of the test year is typically most indicative of
4 conditions during the time rates will be in effect.

5
6 **Q. What is the effect of the customer annualization adjustment on test year sales
7 volumes?**

8 A. The customer adjustment is a negative 11,151,325 kWh. This is approximately seven-
9 tenths of 1% of total unadjusted kWh sales of 1,663,317,115 kWh.

10
11 **IV. CLASS COST OF SERVICE STUDY.**

12
13 **Q. What is the purpose of a CCOSS?**

14 A. The purpose of a CCOSS is to assign each cost component to the respective classes in
15 order to determine an appropriate total cost to serve each class. A cost component may
16 be one of three things: (1) an individual rate base or expense account as defined in the
17 FERC Uniform System of Accounts; (2) a portion of a single FERC account (e.g., the
18 "coincident peak demand-related" portion of an account), or (3) some composite of
19 accounts. An example of a single FERC account is Account 364, which is a rate base
20 account for distribution and overhead lines (aptly named Distribution - Overhead
21 Lines).

22
23 **Q. What are the steps in designing a CCOSS?**

24 A. There are three basic steps involved in developing a CCOSS. Those steps are:
25 functionalization, classification, and allocation. Functionalization involves grouping
26 cost components by purpose or function. Some examples of functions include
27 transmission, distribution-primary lines, metering, and meter-reading. The CCOSS

1 presented by the Company in this proceeding identifies over twenty different functions.
2 The next step, classification, involves identifying each function as demand-related,
3 energy- related or customer-related. The final step, allocation, involves apportioning
4 each cost component to the classes of service (e.g., residential, commercial and
5 industrial).

6
7 **Q. Please describe how costs are classified for purposes of the CCOSS.**

8 A. Costs classified as demand are most affected by the level of kW by class. These
9 demand-classified costs are either coincident, meaning that they occur at the same time,
10 or non-coincident, meaning at times that may vary. Coincident demands tend to be more
11 correlated with cost at the production level. In other words, coincident demands address
12 whether there is purchased power and generation capacity for UNS Electric's entire
13 system needs. Consequently, non-coincident demands become more correlated with
14 cost as we move downstream through the distribution system to the end-users.

15
16 Costs classified as energy are most affected by kWh by class. The energy classification
17 can be affected either by time-of-day (e.g., on-peak, shoulder-peak, and off-peak) or
18 non-time-differentiated. Finally, costs classified as customer are based on class
19 customer counts – either non-weighted counts or weighted counts. Weighted counts
20 take into account not just the number of customers but the level of costs imposed by the
21 customers. In dealing with billing costs, for example, a residential customer may
22 defined as one “weighted customer” and an industrial customer that costs twenty times
23 as much to meter would count as twenty “weighted customers”.

24
25 **Q. Please describe the allocation step in designing a CCOSS?**

26 A. As I stated above, allocation involves assigning each cost component to the different
27 classes of service, including residential, commercial and industrial. Each function has a

1 single allocation factor that applies to all cost components in that function. The
2 allocation factor should be based upon an equitable method that harmonizes the cost-
3 causation with the functional cost being considered. In other words, the allocation
4 should be done in a way where the cost-causation for the functional cost considered is
5 properly identified.

6
7 **Q. Please describe the CCOSS model used in this proceeding**

8 A. The model, created in Microsoft Excel, starts with cost components by function, known
9 as functionalized costs. The model presents functionalized and classified costs
10 vertically (*i.e.*, in rows down the spreadsheet) and the allocation of costs to rate classes
11 horizontally (*i.e.*, in columns across the spreadsheet). Each functionalized and
12 classified cost is then fully allocated to the customer classes. The percentage of a given
13 cost allocated to a specific class will depend on the function and its associated
14 allocation factor. A cost associated with billing customers, for example, should be
15 allocated so that it reasonably approximates the cost of billing the customers by class.
16 As mentioned above, a weighted customer basis would be used to derive a factor that
17 reflects both the number of customers by class and the level of costs each customer
18 class imposes.

19
20 **Q. Are there different types of allocation factors?**

21 A. Yes. Some allocation factors used are "external" allocation factors. External allocation
22 factors are determined independent of the magnitude of specific costs in the CCOSS.
23 That is, the external allocation factor is developed in an analysis separate from the
24 CCOSS. An example of an external allocation factor is the distribution substations –
25 demand sub-transmission allocation factor, which is the factor used for the allocation of
26 distribution substations component of distribution plant. This factor is further
27

1 functionalized as demand sub-transmission and is based on non-coincident peak
2 demands ("NCP").

3
4 The Demand Production allocation factor, an external allocation factor, is based on the
5 Average and Peaks Method, which recognizes both peak demand and energy as cost
6 drivers. The method is described in more detail below.

7
8 EFUEL is the external allocation factor used to allocate all of Purchased Power
9 (Account 555), as well as Accounts 547 and 565. These accounts represent a
10 substantial portion of the Company's expense. The EFUEL factor is based on energy
11 (sales); it has no peak demand component. In the last general rate case, the
12 Commission's order indicated that all purchased power expenses should be based on
13 energy. The Company's preferred method is to allocate a portion of purchased power
14 costs using the Average and Peaks Method; however the Company is not proposing this
15 method in this proceeding. In the last case, Staff argued that purchased power was
16 billed to the Company entirely on an energy basis, and therefore energy should be used
17 to allocate it. While the Company believes that the use of Average and Peaks is more
18 appropriate for at least a portion of purchased power, the Company's rate design
19 proposal would remain unchanged regardless of how purchased power is allocated. The
20 allocation of the proposed rate increase is based more on customer impact than cost
21 allocation, so the argument of whether to use Average and Peaks or energy becomes
22 purely academic, and inconsequential from a practical standpoint. The customer impact
23 issue is especially important in this case, given current economic conditions. The
24 Company may again propose the Average and Peak method to allocate a portion of
25 purchased power in the future, in a case where class cost causation is given more
26 emphasis relative to customer impact.

1 **Q. Are there also internal allocation factors?**

2 A. Yes, an internal allocation factor is calculated within the CCOSS model and is
3 dependent on the cost components found therein. For example, Deferred Taxes and Tax
4 Credits are allocated based on Total Plant in Service. Total Plant in Service is a
5 composite of different plant categories (e.g., transmission, distribution). To the extent
6 that plant categories allocated differently, the Total Plant in Service allocator will vary
7 based on the level of different plant types of net plant. Total Plant in Service, like all
8 internal allocation factors, is a weighted average of other allocation factors. The
9 relative sizes of cost components determine the weights in the weighed average.
10

11 **Q. Is there a listing of allocation factors?**

12 A. Yes. Allocation factors are listed in Schedule G-7. As shown, some factors are
13 "customer-related". Studies on metering, services, meter reading, customer service and
14 billing provide the basis for the customer-related factors. Additionally, there are factors
15 based on labor costs, throughput, or internal factors based on individual or aggregate
16 costs.
17

18 **Q. Please describe the Average and Peaks Method.**

19 A. The Average and Peaks 4CP factor is made up of two components: an average demand
20 component (with a percentage weight of the system load factor) and a peak demand
21 component (with a percentage weight of one minus the system load factor). The average
22 demand component was calculated by dividing the number of hours in the test-year into
23 the loss-adjusted energy. The peak demand component was calculated as a combination
24 of coincident peak demands (time of system peak) from June, July, August, and
25 September of the test-year. The system peak during a period of twelve consecutive
26 months occurs with greatest likelihood in these four summer months. The Average and
27 Peaks is used to allocate Demand Production (DPROD), Demand Transmission (DTRAN

1 & DTRAN2), and Demand Subtransmission (DTRANUB), which follows the approved
2 methodology in the last general rate case for UNS Electric and rate cases dating back to
3 the 1990's for Tucson Electric Power.
4

5 **Q. Does this methodology recognize differences in baseload versus other types of**
6 **capacity?**

7 A. Yes. This is because the allocator includes the peak component to recognize that the
8 system must have adequate capacity to satisfy demand at the time of the peak, and that
9 classes of customers should receive some allocation of costs reflecting contribution to
10 this peak. But the allocator also includes the average demand component to recognize
11 that different types of capacity – baseload, intermediate and peaking capacity – are
12 installed depending on energy use and the duration of load. Baseload capacity has a
13 relatively high capital cost, but a relatively low running (incremental O&M and fuel)
14 cost. Consequently, the average total cost per kWh, which is the sum of capital cost and
15 running cost, from baseload capacity falls as the utilization of the baseload capacity
16 increases.
17

18 Peaking capacity, on the other hand, has relatively low capital costs and relatively high
19 running costs. As a general rule, a system with a low load factor (peak demand high
20 relative to average demand) will have more peaking units, and a higher load factor
21 system will have more baseload units, other things equal. Typically, higher load factor
22 customers' energy use helps support the addition of baseload capacity. The average
23 demand component of the production allocator reflects the impact of energy use on the
24 mix of capacity and its cost.
25
26
27

1 **Q. Is Average and Peaks still applicable on a system with so much purchased power,**
2 **and so little of its own generation?**

3 A. Yes. The Average and Peaks Methodology is still appropriate, even though the Company
4 supplies the majority of its customers needs with purchased power rather than with its
5 own generation. This is because power suppliers typically will demand a higher average
6 price to serve a load with high peaks and a low load factor. The Average and Peaks
7 approach appropriately allocates more cost to customer groups with relatively high
8 coincident peak demand and relatively low system load factor, as opposed to an energy
9 only allocation approach. An energy-only allocation would lower the assigned cost to a
10 low load factor class, and result in a distorted message that a class' load factor – and
11 therefore a system's load factor – has no bearing on the price demanded by a purchased
12 power supplier. Again, since rate design is not affected by cost allocation in this case,
13 TEP accepts the Commission's approach of allocating all of purchased power on energy.
14

15 **Q. Is the Company's overall allocation approach for billing, metering and meter**
16 **reading consistent with past approaches approved by the Commission?**

17 A. Yes. Use of weighted customers for billing, metering and meter reading match the
18 approach approved in TEP's last general rate case.
19

20 **Q. What is the final objective of the CCOSS?**

21 A. Based on allocated costs, the goal is to confirm the extent to which present and
22 proposed rates generate revenue that recovers costs and provides for a reasonable return
23 on investment per customer class. The term "cost" covers both expenses, including
24 taxes, and the return on investment. The total cost to serve a particular class varies
25 depending on its customers' individual and combined consumption characteristics,
26 installed facilities, labor and other capital needed to reliably and safely serve customers
27 in the class.

1 If the proposed rates produce class revenues resulting in each class earning its required
2 return on invested capital, we say that "parity" has been reached. This is typically
3 characterized as a "return index" (actual return/ required return) of one (100%) for each
4 class. The CCOSS is designed to clearly present the costs and the allocation factors
5 applied to the costs. The cost model also includes sections summarizing costs, a list of
6 the allocation factors, and a revenue requirements summary. The G Schedules of the
7 filing are assembled using the results of the CCOSS.

8
9 **Q. In the rate design process, did you achieve parity?**

10 A. No. The impact on customers must be weighed against the benefits of moving to cost-
11 based rates. The Company's approach promotes "gradualism." It avoids large
12 percentage differences in class revenue increases. In other words, we balanced the
13 future need to move each class towards rates that are more reflective of cost of service
14 while recognizing that such a move must be tempered with other factors like
15 gradualism, and the avoidance of "rate shock".

16
17 **V. NORMALIZATION ADJUSTMENT TO CARES DISCOUNTS.**

18
19 **Q. Please explain this normalization adjustment.**

20 A. Subscription to the CARES program is increasing. A normalization adjustment of
21 \$61,797 adjusts the CARES discounts from their test-year level of \$690,468 to
22 \$752,265, which better approximates discounts that will prevail when rates are in effect.

1 **VI. RATE DESIGN.**

2

3 **Q. Is UNS Electric modifying its rate design from what was approved in the previous**
4 **rate case?**

5 A. For the most part, we are proposing similar rate design. But there are a few
6 modifications that we believe are necessary to what was approved in the last rate case.

7

8 **Q. What are the changes in its proposed rate design?**

9 A. The primary changes are to:

- 10 1. Increase customer charges toward cost-based levels supported by the CCOSS;
11 2. Redesign TOU rates to expand the differentials (i.e. the difference in the base
12 power supply charge) between On-Peak, Should-Peak and Off-Peak periods;
13 3. Implement Super-Peak Demand Response rates;
14 4. Implement a reclassification of rates associated with BMGS;

15

16 **Q. Using your proposed rate design, please summarize the proposed test-year revenue**
17 **increases by class.**

18 A. These increases to test-year revenues are:

- 19 • Residential: 7.98%
20 • Residential CARES: -9.04%
21 • Small General Service: 8.36%
22 • Large General Service: 8.03%
23 • Large Power Service: 7.95%
24 • Interruptible Power Service: 10.06%
25 • Lighting: 8.39%

26

27

1 Based on *adjusted* test-year revenue, all increases are the same proportion of 9.21%,
2 except Residential CARES, which is -9.41%. (See Schedule H-1).
3

4 **1. Customer Charge Changes.**

5
6 **Q. Are you proposing customer charge increases on most pricing plans?**

7 A. Yes. The Company is asking to increase the monthly customer charges to levels closer
8 to the cost-based levels indicated in the Class Cost of Service Study. The requested
9 increases are modest, in that UNS Electric proposes an increase of \$0.50 per month to
10 the monthly customer charge for Residential Service, SGS and LGS. However, this
11 increase will reduce how much high-use customers subsidize lower-use customers for
12 the costs of metering, meter reading, billing, and other customer-specific equipment
13 installed on the customers' premises (and will more accurately reflect those costs per
14 customer). It is also a step towards providing more incentive for encouraging energy
15 efficiency programs because the revenue requirement is less dependent on customers
16 consuming electricity. Overall, the average non-fuel charge increases from 3.00 cents
17 per kWh to 3.84 cents per kWh. The specific proposed customer charges are shown in
18 Schedule H-3.
19

20 **2. Expanded Differentials in TOU Rates.**

21
22 **Q. Please describe UNS Electric's current TOU program.**

23 A. UNS Electric has five individual voluntary TOU pricing plans including:

- 24 • Residential Weekends Off-Peak – RES-01-TOU-A
25 • Small General Service – SGS-10 TOU
26 • Large Power Service – LPS-TOU
27 • Large General Service – LGS-TOU-N; and

1 • Interruptible Power Service – IPS-TOU

2
3 All of these tariffs consist of both a Summer (May through October) and Winter
4 (November through April) billing cycle. The Summer On-Peak period is 2:00 p.m. to
5 6:00 p.m. and Summer Shoulder Periods are Noon (12:00 p.m.) to 2:00 p.m. and 6:00
6 p.m. to 8:00 p.m. The Winter On-Peak Periods are 6:00 a.m. to 10:00 a.m. and 5:00 p.m.
7 to 9:00 p.m. All other hours are Off-Peak. For residential customers, all weekend hours
8 (and all hours for six selected holidays) are Off-peak. For other customer classes, the
9 TOU hour designation applies every day. The Commission approved these TOU pricing
10 plans in Decision No. 70440 (July 28, 2008).

11
12 **Q. What exactly is UNS Electric proposing to do to the Residential TOU pricing plan?**

13 A. UNS Electric has adjusted the base power supply charges so there is more of a difference
14 between the per-kWh On-Peak charge (in both summer and winter) as compared to the
15 Shoulder-Peak and Off-Peak charges. For the Summer period, the Shoulder-Peak charge
16 would be proportionally higher than the Off-Peak charge. This will provide a more
17 accurate and pronounced price signal to customers that using energy during peak periods
18 is substantially more expensive than during other periods of the day.

19
20 **Q. Can you show what the relative differences are between the various base power
21 supply charges and how that will change under UNS Electric's proposal?**

22 A. Certainly. Under UNS Electric's current TOU rate design (Pricing Plan RES-01 TOU-
23 A), during the summer: (1) the Off-Peak base power supply charge is about 84% of the
24 On-Peak charge; (2) the Shoulder-Peak base power supply charge is about 89% of the
25 On-Peak charge; and (3) the Off-Peak base power supply charge is about 94% of the
26 Shoulder-Peak charge. During the winter, the Off-Peak base power supply charge is
27 about 81% of the On-Peak charge.

1 Under UNS Electric's proposal (Pricing Plan RES-01 PSHFT), during the summer: (1)
2 the Off-Peak base power supply charge would be about 34% of the On-Peak charge; (2)
3 Shoulder-Peak base power supply charge would be about 47% of the On-Peak charge;
4 and (3) Off-Peak charge would be about 72% of the Shoulder-Peak charge. During the
5 winter, the Off-Peak base power supply charge would be about 26% of the On-Peak base
6 power supply charge.
7

8 **Q. Is UNS Electric proposing to increase the percentage difference between On-Peak,**
9 **Shoulder-Peak, and Winter-Peak base power supply charges for non-residential**
10 **customers?**

11 A. Yes. UNS Electric believes all five of its TOU rate schedules should have larger
12 differences between the base power supply charges because non-residential customers
13 should see those same price signals and have the same incentive to shift usage to less
14 expensive periods of the day.
15

16 **Q. Are the differentials between the various base power supply charges going to be the**
17 **same under the Non-Residential TOU Pricing Plans?**

18 A. Not exactly. The new TOU pricing plans have similar differentials between the base
19 power supply charges for each customer class, but they will not be the same. For
20 example, under the proposed Small General Service TOU pricing plan (SGS-10 PSHFT),
21 during the summer: (1) the Off-Peak base power supply charge would be about 34% of
22 the On-Peak charge; (2) Shoulder-Peak base power supply charge would be about 53% of
23 the On-Peak charge; and (3) Off-Peak charge would be about 64% of the Shoulder-Peak
24 charge. During the winter, the Off-Peak base power supply charge would be about 28%
25 of the On-Peak base power supply charge. Differentials will differ by customer class
26 because the classes have different usage profiles. For example, small general service
27

1 customers use around 14% of the annual kWh during the summer peak period, while
2 residential customers use only around 10% of usage during the summer on-peak period.
3

4 **Q. What are the benefits of UNS Electric's proposal to increase the percentage**
5 **differentials to the TOU base power supply charges?**

6 A. There are two main benefits. First, larger price differentials between On-Peak,
7 Shoulder-Peak and Off-Peak periods mean customers will see a bigger gap between the
8 price they pay for On-Peak power as compared to Shoulder-Peak or Off-Peak power.
9 This will provide an enhanced incentive to shift load to off-peak periods. In other
10 words, larger differentials increase the relative price of on-peak service and decrease the
11 price of off-peak service. This should lead to more customers using less energy at peak
12 times, and "shifting" the demand or load to other times in the day. By shifting load to
13 off-peak periods, this helps reduce the need for UNS Electric to find capacity during
14 peak times when that capacity is most expensive and is also in the shortest supply. So,
15 larger differentials should ease the burden on the Company to acquire the most costly
16 power during these peak periods.
17

18 Second, this design allows customers who save money under the current TOU rates to
19 save even more under the proposed changes to the existing TOU pricing plans.
20 Consider, for example, an average residential customer who is able to shift 30% of
21 summer peak usage to summer shoulder, 25% of summer shoulder to summer off-peak,
22 and 20% of winter peak usage to winter off-peak. This customer would save 5.1%
23 annually under the proposed time-of-use design. That is *over 2.5 times* more than the
24 1.9% annual savings to be realized under the current TOU tariffs. So, increasing the
25 percentage difference between the base power supply charges in the TOU rate structure
26 will allow residential customers to increase their savings annually on UNS Electric bills
27 as compared to the corresponding non-time-differentiated rate. Thus, our customers

1 will be able to receive the appropriate benefit of properly managing their electrical
2 usage. Larger differentials in non-residential TOU base power supply charges offer
3 enhanced saving opportunities to non-residential TOU customers as well.
4

5 **Q. How do your proposed TOU rates compare to the TEP's TOU rates?**

6 A. The larger peak, shoulder and off-peak differentials in UNS Electric's proposed
7 residential TOU rate are consistent with the larger differentials found in TEP's approved
8 Residential Time-of-Use Pricing Plan 70. The larger differentials are more effective in
9 inducing customers to shift usage in order to reduce costs, thereby helping a utility
10 improve its load profile and avoid costly capacity additions.
11

12 **Q. Will these proposed TOU rates replace the current TOU rates with the smaller
13 TOU differentials?**

14 A. Yes. UNS Electric proposes that customers on the current TOU option have a choice
15 between the proposed TOU pricing plans, or the standard non-TOU pricing plan.
16

17 **Q. Why is UNS Electric proposing changes to its TOU pricing plans that may reduce
18 revenues for UNS Electric?**

19 A. Customer savings means revenue losses for UNS Electric; but the Company sees long-
20 term benefit in curbing peak usage. Load shifting helps lower peak demand, which can
21 help defer capacity additions. These are real benefits for both the Company and its
22 customers. There likely will also be a short-term benefit to the extent that usage is
23 shifted to off-peak periods, and off-peak incremental costs are lower than on-peak and
24 shoulder-peak incremental costs.
25

26 Additionally, several UNS Electric customers have indicated that they expected larger
27 savings and a bigger reward when shifting load from peak than the savings they currently

1 received with the present TOU rates. UNS Electric is committed to an expanding TOU
2 program that is viewed positively by customers. All of these benefits will be better
3 achieved if the Commission approves the Company's proposal to restructure the TOU
4 rates and increase the percentage differences between On-Peak, Shoulder-Peak and Off-
5 Peak charges as described above.

6
7 **Q. Please provide a copy of your proposed Time-of-Use Rates.**

8 A. They are included with the proposed tariffs attached as Exhibit DBE-2A, DBE-2B,
9 DBE-3A and DBE-3B.

10
11 **3. Super-Peak Demand Response Rates.**

12
13 **Q. Please briefly discuss your proposed Super-Peak Demand Response rates.**

14 A. In the recent Tucson Electric Power Settlement, which served as the basis for the rate
15 proposals approved by the Commission in Decision No. 70628 (December 1, 2008),
16 TEP agreed to propose a set of demand response programs aimed at reducing peak
17 demand and helping to defer capacity additions. In that docket, TEP subsequently
18 proposed a set of "Super-Peak" Time-of-Use rates for residential customers and for
19 General Service customers with demands of less than 3 MW (3,000 kW). This type of
20 rate design designates for the customer a single, "super-peak" summer hour with
21 consumption for that hour priced significantly higher than consumption for any other
22 hour of the day. The super-peak hour does not apply on weekends or selected holidays.
23 The single hour chosen will start at either 2:00 p.m., 3:00 p.m., 4:00 p.m. or 5:00 p.m.
24 for summer months. Keeping the super-peak period to a single hour allows the
25 customer to make drastic reductions in usage during a critical time, without causing
26 undue inconvenience or discomfort. Customers reducing load during the peak hour are
27 also likely to save money. This approach is very well suited to our extreme desert

1 environment, where customers who choose not to forgo the use of high energy use
2 equipment and air conditioning for three or four consecutive hours may be willing to
3 idle this equipment and/or rely on fans instead of air conditioning for a single hour.
4

5 **Q. For which UNS Electric rates classes are you proposing these Super-Peak Rates?**

6 A. They are proposed for Residential Service, Small General Service, and Large General
7 Service. We are not proposing Super-Peak Demand Response rates for customers with
8 loads over 3 MW at this time.
9

10 **Q. Why are you excluding customers over 3 MW from the demand response
11 program?**

12 A. TEP is currently working with stakeholders on some demand response programs for
13 larger customers. Often, demand response rates for larger customers have
14 interruptibility provisions. When some consensus among the TEP stakeholders is
15 reached and a demand response program is filed with the Commission, UNS Electric
16 will work with stakeholders in its service territory to formulate programs that have a
17 high probability of achieving peak demand reductions and will receive customer
18 acceptance. UNS Electric hopes that the work currently being done by TEP and its
19 stakeholders will provide a good starting point for discussions between UNS Electric
20 and its stakeholders.
21

22 **Q. Why are you proposing to expand TOU rate options with the Super-Peak Option?**

23 A. Including TOU rates within the overall rate design will provide a stronger price signal to
24 customers to shift load out of the critical peak period. Reducing peak means that less
25 power will be needed when it is most costly. Consequently, less power will have to be
26 purchased from the spot market during peak times. This will result in savings for the
27 Company and its customers. TOU customers who “shave” the peak and “fill in” the off-

1 peak valleys reduce the average price that they pay for electricity. A TOU rate rewards
2 customers who help lower average system costs. As a DSM measure, TOU is a low cost
3 program with large benefits in reducing peak. Further, reducing peak period demand and
4 shifting consumption to off-peak times helps increase load factor, which also reduces cost
5 through the more intensive utilization of fixed resources. The Super-Peak option focuses
6 on the most critical benefits of TOU rates. The Super-Peak tariffs are included with the
7 proposed tariffs attached as Exhibits DBE-2A, DBE-2B, DBE-3A and DBE-3B.

8
9 **4. Rate Reclassification – Black Mountain Generating Station.**

10
11 **Q. Please discuss the proposed reclassification of rates upon the acquisition of BMGS.**

12 **A.** As described in the testimony of Company witness Mr. Kentton Grant, UNS Electric is
13 proposing to purchase BMGS from UniSource Energy Development Company
14 (“UED”), a sister company of UNS Electric. UED was the developer of the BMGS and
15 currently sells power to UNS Electric from the BMGS under the terms of a five-year
16 tolling agreement that was accepted by the Federal Energy Regulatory Commission
17 (“FERC”) in 2008. Upon the filing of a notification of transfer of ownership of BMGS
18 to UNS Electric, the Company would implement a revenue-neutral rate reclassification
19 to be approved in this rate case.

20
21 UNS Electric is proposing a rate reclassification that would result in an increase to the
22 Company’s non-fuel base rates and a simultaneous and equivalent rate decrease to the
23 Company’s base power supply rates. The average retail rate being requested without
24 BMGS in rate base in this proceeding is \$0.1062 per kWh. Of that amount:

- 25 • \$0.0678 per kWh is for the recover of fuel, purchased power and purchased
26 transmission (shown as Base Power Supply charges on customers' bills); and
27

- 1 • \$0.0384 per kWh is for non-fuel cost recovery (shown as Customer and
2 Delivery charges on customers' bills).

3 With BMGS in rate base the total average rate will still be \$0.1062 per kWh – but the
4 average Base Power Supply charge will be \$0.0611 per kWh and the average non-fuel
5 charge will be \$0.0451 per kWh. Thus, a customer will not see a change in his total
6 bill, just a change in certain rate components. In effect, placing BMGS in rate base
7 results in shifting \$0.0067 per kWh (rounded to \$0.007 per kWh or 7 mills per kWh)
8 from the Base Power Supply Charge to non-fuel base rates. The effects on rates of the
9 adjustments to non-fuel base rates and the equivalent PPFAC adjustment are shown in
10 the proposed tariffs and H-Schedules.

11
12 **VII. LOW-INCOME PROGRAMS.**

13
14 **Q. Please describe the Company's proposal for its CARES pricing plan.**

15 **A.** As discussed, UNS Electric proposes to hold most CARES customers harmless from the
16 proposed rate decreases. This has been accomplished by lowering the CARES
17 customer charge (before any applicable percentage discount) to \$3.50 per month from
18 the current level of \$7.50 per month. Additionally, CARES customers will pay a
19 reduced base power supply rate, and the PPFAC forward and true-up components will
20 be set to zero and frozen for CARES customers upon implementation of new rates.
21 CARES customers will also still receive the *additional* percentage discounts (30% for
22 0-300 kWh; 20% for 301-600 kWh, and 10% for 601-1000 kWh) and the flat \$8.00 per
23 month discount for customers with monthly usage in excess of 1,000 kWh. As Exhibit
24 DBE-2 page 2, line 18 shows, many CARES customers will actually see decreases in
25 bills after rate implementation.

1 **Q. Is UNS Electric willing to expand CARES eligibility beyond the 150% of poverty**
2 **threshold?**

3 A. Yes. UNS Electric realizes that customers beyond the 150% of poverty level also
4 struggle to pay utility bills. Consequently, UNS Electric encourages the Commission to
5 offer a program that provides discounts to customers falling between the 150% and the
6 200% of poverty thresholds. However, UNS Electric's support of an expanded program
7 is contingent upon the program costs being fully recovered from other retail customers.
8 UNS Electric is willing to meet with stakeholders to discuss program expansion.
9

10 **VIII. PROPOSED TARIFFS.**

11
12 **Q. Are UNS Electric' proposed tariffs included with your Direct Testimony?**

13 A. Yes, the proposed tariffs are attached to my Direct Testimony as Exhibits DBE-2A
14 (clean copy) and DBE-2B (redlined copy). We are also providing proposed tariffs that
15 reflect the rates upon acquisition of BMGS as Exhibit DBE-3A (clean copy) and DBE-
16 3B (redlined copy).
17

18 **Q. Does this conclude your Direct Testimony?**

19 A. Yes, it does.
20
21
22
23
24
25
26
27

EXHIBIT

DBE-1

UNS ELECTRIC BILL IMPACTS - RESIDENTIAL
2009 RATE CASE

		Residential		
	Small	Median	Average	Large
Summer Usage	546	830	1,083	1,332

Excludes DSM & REST

1 Summer Current	\$65.74	\$98.12	\$126.97	\$155.35
2 Summer New June 1, 2009	\$51.92	\$77.11	\$99.55	\$121.64
3 Summer New Rates	\$61.27	\$91.06	\$117.60	\$143.72
4 % Change - Current to 6/1/09	-21.0%	-21.4%	-21.6%	-21.7%
5 % Change - 6/1/09 to New Rates	18.0%	18.1%	18.1%	18.1%
6 % Change - Current to New Rates	-6.8%	-7.2%	-7.4%	-7.5%

		Residential		
	Small	Median	Average	Large
Winter Usage	341	532	665	784

Excludes DSM & REST

7 Winter Current	\$42.96	\$64.15	\$79.31	\$92.88
8 Winter New June 1, 2009	\$34.33	\$50.68	\$62.48	\$73.03
9 Winter New Rates	\$40.35	\$59.80	\$73.75	\$86.23
10 % Change - Current to 6/1/09	-20.1%	-21.0%	-21.2%	-21.4%
11 % Change - 6/1/09 to New Rates	17.5%	18.0%	18.0%	18.1%
12 % Change - Current to New Rates	-6.1%	-6.8%	-7.0%	-7.2%

Annual Bill

Excludes DSM & REST

13 Annual Current	\$652.23	\$973.61	\$1,237.65	\$1,489.38
14 Annual New June 1, 2009	\$517.53	\$766.77	\$972.20	\$1,168.04
15 Annual New Rates	\$609.74	\$905.14	\$1,148.08	\$1,379.70
16 % Change - Current to 6/1/09	-20.7%	-21.2%	-21.4%	-21.6%
17 % Change - 6/1/09 to New Rates	17.8%	18.0%	18.1%	18.1%
18 % Change - Current to New Rates	-6.5%	-7.0%	-7.2%	-7.4%

19 Average Monthly Usage (Annual)

	444	681	874	1,058
--	-----	-----	-----	-------

CURRENT			
Residential Service			
Customer Charge		\$7.50	
Energy Charge 1st 400 kWhs		\$0.011255	
Energy Charge, all additional kWhs		\$0.021269	
Base Power Supply Charge, all kWh		\$0.077993	
PPFAC per kWh		\$0.014746	
SUMMER JUNE 1, 2009			
Residential Service			
Customer Charge		\$7.50	
Energy Charge 1st 400 kWhs		\$0.011255	
Energy Charge, all additional kWhs		\$0.021269	
Base Power Supply Charge, all kWh		\$0.077993	
PPFAC per kWh		(\$0.010564)	
NEW RATES			
Residential Service			
Customer Charge		\$8.00	
Energy Charge 1st 400 kWhs		\$0.020070	
Energy Charge, all additional kWhs		\$0.030084	
Base Power Supply Charge, all kWh		\$0.074812	
PPFAC per kWh		\$0.000000	

UNS ELECTRIC BILL IMPACTS - RESIDENTIAL CARES
2009 RATE CASE

Bill Impacts	Residential		
	Small	Median	Average
Summer Usage	506	757	957
Excludes DSM & REST			
1 Summer Current	\$48.95	\$80.82	\$101.34
2 Summer New June 1, 2009	\$38.70	\$63.57	\$79.54
3 Summer New Rates	\$37.21	\$62.86	\$79.58
4 % Change - Current to 6/1/09	-20.9%	-21.3%	-21.5%
5 % Change - 6/1/09 to New Rates	-3.8%	-1.1%	0.1%
6 % Change - Current to New Rates	-24.0%	-22.2%	-21.5%

Bill Impacts	Residential		
	Small	Median	Average
Winter Usage	316	485	587
Excludes DSM & REST			
7 Winter Current	\$32.29	\$47.03	\$56.33
8 Winter New June 1, 2009	\$25.89	\$37.21	\$44.45
9 Winter New Rates	\$23.76	\$35.65	\$43.24
10 % Change - Current to 6/1/09	-19.8%	-20.9%	-21.1%
11 % Change - 6/1/09 to New Rates	-8.2%	-4.2%	-2.7%
12 % Change - Current to New Rates	-26.4%	-24.2%	-23.3%

Annual Bill	Residential		
	Small	Median	Average
Excludes DSM & REST			
13 Annual Current	\$487.41	\$767.10	\$946.04
14 Annual New June 1, 2009	\$387.55	\$604.71	\$743.93
15 Annual New Rates	\$365.85	\$591.06	\$736.92
16 % Change - Current to 6/1/09	-20.5%	-21.2%	-21.4%
17 % Change - 6/1/09 to New Rates	-5.6%	-2.3%	-0.9%
18 % Change - Current to New Rates	-24.9%	-22.9%	-22.1%
19 Average Monthly Usage (Annual)	411	621	772

CURRENT		
Residential Service		
Customer Charge	\$7.50	\$0.011255
Energy Charge 1st 400 kWhs		\$0.021269
Energy Charge, all additional kWhs		\$0.077993
Base Power Supply Charge, all kWh		\$0.014746
PPFAC per kWh		
SUMMER JUNE 1, 2009		
Residential Service		
Customer Charge	\$7.50	\$0.011255
Energy Charge 1st 400 kWhs		\$0.021269
Energy Charge, all additional kWhs		\$0.077993
Base Power Supply Charge, all kWh		(\$0.010564)
PPFAC per kWh		
NEW RATES		
Residential Service		
Customer Charge	\$3.50	\$0.011255
Energy Charge 1st 400 kWhs		\$0.021269
Energy Charge, all additional kWhs		\$0.071660
Base Power Supply Charge, all kWh		\$0.000000
PPFAC per kWh		

Discounts on Monthly Bills:	
0-300 kWh	30.0%
301-600 kWh	20.0%
601-1000 kWh	10.0%
1001+ kWh	\$8.00

EXHIBIT

DBE-2a



**Pricing Plan C.A.R.E.S.
Customer Assistance Residential Energy Support**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This C.A.R.E.S. pricing plan is available to those residential customers presently taking service under the Company's residential service pricing plan whose gross annual income is not more than one hundred fifty percent (150%) of the federal poverty level guideline effective at the time qualification and annual certification is sought. Residential customers who desire to qualify for such pricing plan must initially make application to the Company for qualification and must provide verification to the Company that the customer's household gross income does not exceed one hundred fifty percent (150%) of the federal poverty level. Subsequent to the initial certification, the residential customer who seeks to retain eligibility for the C.A.R.E.S. pricing plan must provide a personal certification that the household gross income of the residential dwelling unit involved does not exceed one hundred fifty percent (150%) of the federal poverty level. Eligibility information provided by the customer on the application form is subject to verification by the Company. Samples of the existing CARES participants will be re-certified every two years prior to January 1 and when a customer changes residence.

CHARACTER OF SERVICE

Single phase, 60 hertz, at one standard voltage.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 3.50 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charge.

All energy charges below are on a per kWh basis for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ² Base Power	Total ³
First 400 kWh	\$0.011255	\$0.071660	\$0.082915
All Additional kWhs	\$0.021269	\$0.071660	\$0.092929

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge. All CARES participants are excluded from The Purchased Power and Fuel Adjustment Clause ("PPFAC").
3. Total bundled energy charger for all kWhs per rate component.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: C.A.R.E.S.
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**Pricing Plan C.A.R.E.S.
Customer Assistance Residential Energy Support**

DISCOUNT

For all qualified C.A.R.E.S. residential customers, the monthly bill shall be computed in accordance to the rates above including the following discount:

For Bills with Usage of:	The Total Bill (Before Taxes & Regulatory Assessment) will be Discounted by:
0 – 300 kWh	30%
301 – 600 kWh	20%
601 – 1,000 kWh	10%
1,001 + kWh	\$8.00

As shown above, additional usage triggers progressively smaller discounts. The percentage discounts above apply to the entire bill. For example, the entire bill for a customer using 500 kWh will be discounted by 20%, while the entire bill for a customer using 700 kWh will be discounted by 10%.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$1.355 per month
Meter Reading	\$0.377 per month
Billing & Collection	\$1.602 per month
Customer Delivery	<u>\$0.166 per month</u> \$3.50 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy 1st 400 kWhs	
Transmission	\$0.002299
Sub-Transmission	\$0.004813
Delivery	\$0.003828
Production not included in Power Supply	\$0.000315
Local Delivery-Energy All Additional kWhs	
Transmission	\$0.002299
Sub-Transmission	\$0.004813
Delivery	\$0.013842
Production not included in Power Supply	\$0.000315

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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Pricing Plan C.A.R.E.S.
Customer Assistance Residential Energy Support

Power Supply Charge (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.071660

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
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District: Entire Electric Service Area

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**Pricing Plan C.A.R.E.S. - M
Customer Assistance Residential Energy Support
Low Income Medical Life Support Program**

AVAILABILITY

This C.A.R.E.S. Low income Medical Life Support Program pricing plan is available in all territories served by the Company in Mohave and Santa Cruz Counties, Arizona, where facilities of adequate capacity and the required phase and voltage are adjacent to the premises served.

APPLICABILITY

This C.A.R.E.S. Low Income Medical Life Support Program is available to all qualified C.A.R.E.S. residential customers who are medically life-support dependent and who meet the eligibility requirements.

ELIGIBILITY REQUIREMENTS

To be eligible for the C.A.R.E.S. Low Income Medical Life Support Program, a customer must meet the following requirements:

- A. Require the use of medical equipment that is considered essential for sustaining life and is operated at the residence;
- B. Submit to UNS Electric, Inc. a statement signed by the attending physician that verifies that the customer is medically life-support dependent and states the type of essential medical equipment in use at the residence; and
- C. Submit to UNS Electric, Inc. verification by the physician to remain eligible for the program beyond two years.

The following equipment is representative of that which may be qualified as being essential under the program:

- Ventilator
- Oxygen concentrator
- Peritoneal Dialysis Cycler
- Hemo Dialysis Equipment
- Feeding Pump
- Infusion Pump
- Suction Machine
- Small Volume Nebulizer
- Oximeter

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 3.50 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charge.

All energy charges below are on a per kWh basis for all summer and winter months.

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**Pricing Plan C.A.R.E.S. - M
Customer Assistance Residential Energy Support
Low Income Medical Life Support Program**

	Delivery Services-Energy ¹	Power Supply Charges ² Base Power	Total ³
First 400 kWh	\$0.011255	\$0.071660	\$0.082915
All Additional kWhs	\$0.021269	\$0.071660	\$0.092929

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge. All CARES participants are excluded from The Purchased Power and Fuel Adjustment Clause ("PPFAC").
3. Total is calculated above for illustrative purposes.

DISCOUNT

The monthly bill for customers eligible under the C.A.R.E.S. Low Income Medical Life Support Program shall be computed in accordance to the rates above including the following discount:

For Bills with Usage of:	The Total Bill (Before Taxes & Regulatory Assessment) will be Discounted by:
0 – 600 kWh	30%
601 – 1,200 kWh	20%
1,201 – 2,000 kWh	10%
2,001 + kWh	\$8.00

As shown above, additional usage triggers progressively smaller discounts. The percentage discounts above apply to the entire bill. For example, the entire bill for a customer using 700 kWh will be discounted by 20%, while the entire bill for a customer using 1,400 kWh will be discounted by 10%.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$1.355 per month
Meter Reading	\$0.377 per month
Billing & Collection	\$1.602 per month
Customer Delivery	<u>\$0.166 per month</u> \$3.50 per month

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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Pricing Plan C.A.R.E.S. - M
Customer Assistance Residential Energy Support
Low Income Medical Life Support Program

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy 1 st 400 kWhs	
Transmission	\$0.002299
Sub-Transmission	\$0.004813
Delivery	\$0.003828
Production not included in Power Supply	\$0.000315
Local Delivery-Energy All Additional kWhs	
Transmission	\$0.002299
Sub-Transmission	\$0.004813
Delivery	\$0.013842
Production not included in Power Supply	\$0.000315

Power Supply Charge (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.071660

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
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District: Entire Electric Service Area

Tariff No.: C.A.R.E.S. - M
Effective: PENDING
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**UNS Electric, Inc.
Pricing Plan RES-01
Residential Service**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

CHARACTER OF SERVICE

Single phase, 60 hertz, at one standard voltage.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 8.00 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh	\$0.020070	\$0.074812	Varies	\$0.094882
All Additional kWhs	\$0.030084	\$0.074812	Varies	\$0.104896

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: RES-01
Effective: PENDING
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**UNS Electric, Inc.
Pricing Plan RES-01
Residential Service**

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$3.097 per month
Meter Reading	\$0.862 per month
Billing & Collection	\$3.661 per month
Customer Delivery	<u>\$0.380 per month</u>
	\$8.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy 1 st 400 kWhs	
Transmission	\$0.002299
Sub-Transmission	\$0.004813
Local Delivery Energy	\$0.012643
Production not included in Power Supply	\$0.000315
Delivery Services - Energy All Additional kWhs	
Transmission	\$0.002299
Sub-Transmission	\$0.004813
Local Delivery Energy	\$0.022657
Production not included in Power Supply	\$0.000315

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.074812
PPFAC (see Rate Rider-1 for current rate)	Varies

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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Effective: PENDING
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**UNS Electric, Inc.
Pricing Plan RES-01
Residential Service**

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

Available as an optional rate to Customers served under the Company's Pricing Plan RS, Residential Service.

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

Service is restricted to private single family dwellings or individually metered apartments.

Not applicable to three phase service, resale, breakdown, temporary, standby, auxiliary service, or service to individual motors exceeding 40 amperes at a rating of 230 volts or which will cause excessive voltage fluctuations.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single phase, 60 hertz, at one standard voltage.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 8.00 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.020070	\$0.159138	Varies	\$0.179208
Shoulder Peak	\$0.020070	\$0.074812	Varies	\$0.094882
Off-Peak	\$0.020070	\$0.054158	Varies	\$0.074228
All Additional kWhs				
On-Peak	\$0.030084	\$0.159138	Varies	\$0.189222
Shoulder Peak	\$0.030084	\$0.074812	Varies	\$0.104896
Off-Peak	\$0.030084	\$0.054158	Varies	\$0.084242

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: RES-01 TOU-A
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UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.020070	\$0.159138	Varies	\$0.179208
Off-Peak	\$0.020070	\$0.041894	Varies	\$0.061964
All Additional kWhs				
On-Peak	\$0.030084	\$0.159138	Varies	\$0.189222
Off-Peak	\$0.030084	\$0.041894	Varies	\$0.071978

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

TIME-OF-USE PERIODS

Summer TOU periods:

Summer weekdays except Memorial Day, Independence Day (July 4), and Labor Day. If Independence Day falls on Saturday, the Weekend schedule applies on the preceding Friday, July 3. If Independence Day falls on Sunday, the Weekend schedule applies on the following Monday, July 5.

On-Peak: 2:00 p.m. to 6:00 p.m.
 Shoulder-Peak 12:00 p.m. (noon) to 2:00 p.m. and 6:00 p.m. to 8:00 p.m.
 Off-Peak: 12:00 a.m. (midnight) to 12 p.m (noon) and 8:00 p.m. to 12:00 a.m. (midnight).

Summer weekend days (Saturday and Sunday), Memorial Day, Independence Day (or July 3 or July 5, under above conditions), and Labor Day.

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 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak

On-Peak: (There are no On-Peak weekend hours)
 Shoulder-Peak: (There are no Shoulder-Peak weekend hours)
 Off-Peak: All hours.

Winter TOU periods:

Winter weekdays except Thanksgiving Day, Christmas Day, and New Years Day. If Christmas Day and New Years Day fall on Saturdays, the Weekend schedule applies on the preceeding Fridays, December 24 and December 31. If Christmas Day and New Years Day fall on Sundays, the Weekend schedule applies on the following Mondays, December 26 and January 2.

On-Peak: 6:00 a.m. to 10:00 a.m. and 5:00 p.m. to 9:00 p.m.
 Shoulder-Peak: There are no shoulder peak periods in the winter.
 Off-Peak: 12:00 a.m. (midnight) to 6:00 a.m., 10:00 a.m. to 5:00 p.m., and 9:00 p.m. to 12:00 a.m. (midnight).

WinterWeekend days (Saturday and Sunday), Thanksgiving Day, Christmas Day (or December 24 or December 26, under above conditions), and New Years Day (or December 31 or January 2, under above conditions).

On-Peak: (There are no On-Peak weekend hours)
 Shoulder-Peak: (There are no Shoulder-Peak weekend hours)
 Off-Peak: All hours.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$3.097 per month
Meter Reading	\$0.862 per month
Billing & Collection	\$3.661 per month
Customer Delivery	<u>\$0.380 per month</u>
	\$8.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy 1st 400 kWhs	
Transmission	\$0.002299
Sub-Transmission	\$0.004813
Local Delivery Energy	\$0.012643
Production not included in Power Supply	\$0.000315
Delivery Services - Energy All Additional kWhs	
Transmission	\$0.002299
Sub-Transmission	\$0.004813
Local Delivery Energy	\$0.022657
Production not included in Power Supply	\$0.000315

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 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.159138
Shoulder-Peak	\$0.074812
Off-Peak	\$0.054158
Base Power Supply Winter	
On-Peak	\$0.159138
Off-Peak	\$0.041894
PPFAC (see Rate Rider-1 for current rate)	Varies

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU
Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

Off-Peak: 12:00 a.m. (midnight) to 2 p.m. and 6:00 p.m. to 12:00 a.m. (midnight)

Weekends (Saturday and Sunday), Memorial Day, Independence Day (or July 3 or July 5, under above conditions), and Labor Day.

On-Peak: *(There are no On-Peak weekend hours)*

Shoulder-Peak: *(There are no Shoulder-Peak weekend hours)*

Off-Peak: All weekend hours.

The Version (i.e., A, B, C, or D) available to a specific customer shall be determined on the basis of a rule documented in this pricing plan's Plan of Administration. This rule helps promote load diversity, a beneficial result of a demand response program.

Winter TOU periods:

Winter weekdays except Thanksgiving Day, Christmas Day, and New Years Day. If Christmas Day and New Years Day fall on Saturdays, the Weekend schedule applies on the preceeding Fridays, December 24 and December 31. If Christmas Day and New Years Day fall on Sundays, the Weekend schedule applies on the following Mondays, December 26 and January 2.

On-Peak: 6:00 a.m. to 10:00 a.m. and 5:00 p.m. to 9:00 p.m.

Shoulder-Peak: There are no shoulder peak periods in the winter.

Off-Peak: 12:00 a.m. (midnight) to 6:00 a.m., 10:00 a.m. to 5:00 p.m., and 9:00 p.m. to 12:00 a.m. (midnight).

WinterWeekend days (Saturday and Sunday), Thanksgiving Day, Christmas Day (or December 24 or December 26, under above conditions), and New Years Day (or December 31 or January 2, under above conditions).

On-Peak: *(There are no On-Peak weekend hours)*

Shoulder-Peak: *(There are no Shoulder-Peak weekend hours)*

Off-Peak: All weekend hours.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$3.097 per month
Meter Reading	\$0.862 per month
Billing & Collection	\$3.661 per month
Customer Delivery	<u>\$0.380 per month</u>
	\$8.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy 1 st 400 kWhs	
Transmission	\$0.002299
Sub-Transmission	\$0.004813
Local Delivery Energy	\$0.012643

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: RES-01 SP TOU
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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU
Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

Production not included in Power Supply	\$0.000315
Delivery Services - Energy All Additional kWhs	
Transmission	\$0.002299
Sub-Transmission	\$0.004813
Local Delivery Energy	\$0.022657
Production not included in Power Supply	\$0.000315

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.488770
Shoulder-Peak	\$0.074812
Off-Peak	\$0.054158
Base Power Supply Winter	
On-Peak	\$0.159138
Off-Peak	\$0.041894
PPFAC (see Rate Rider-1 for current rate)	Varies

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: RES-01 SP TOU
 Effective: PENDING
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**UNS Electric, Inc.
Pricing Plan SGS-10
Small General Service**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the monthly usage is not more than 7,500 kWh in any two (2) consecutive months. Customers who use more than 7,500 kWh for two (2) or more consecutive months shall not be eligible for this pricing plan and shall take service under the Large General Service pricing plan. However, service is available for customer-owned, operated, and maintained area, street, or stadium lighting, and for firm irrigation service with a maximum monthly demand less than 25 kW

CHARACTER OF SERVICE

Single phase, 60 hertz at one standard voltage. Three phase for eligible loads over 5 kW.

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$12.50 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh	\$0.032440	\$0.072649	Varies	\$0.105089
All Additional kWhs	\$0.042454	\$0.072649	Varies	\$0.115103

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$4.381 per month
Meter Reading	\$1.434 per month
Billing & Collection	\$6.061 per month
Customer Delivery	\$0.624 per month
	\$12.50 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services - Energy 1 st 400 kWhs	
Transmission	\$0.001889
Sub-Transmission	\$0.003993
Local Delivery Energy	\$0.026252
Production not included in Power Supply	\$0.000306
Delivery Services - Energy All Additional kWhs	
Transmission	\$0.001889
Sub-Transmission	\$0.003993
Local Delivery Energy	\$0.036266
Production not included in Power Supply	\$0.000306

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.072649
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

Service under this schedule is for the exclusive use of the Customer and shall not be resold or shared with others.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection,

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Pricing Plan SGS-10
Small General Service**

Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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**UNS Electric, Inc.
Pricing Plan SGS-10 TOU
Small General Service Time-of-Use**

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.032440	\$0.136759	Varies	\$0.169199
Off-Peak	\$0.032440	\$0.038539	Varies	\$0.070979
All Additional kWhs				
On-Peak	\$0.042454	\$0.136759	Varies	\$0.179213
Off-Peak	\$0.042454	\$0.038539	Varies	\$0.080993

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$4.381 per month
Meter Reading	\$1.434 per month
Billing & Collection	\$6.061 per month
Customer Delivery	<u>\$0.624 per month</u>
	\$12.50 per month

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**UNS Electric, Inc.
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Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services - Energy 1 st 400 kWhs	
Transmission	\$0.001889
Sub-Transmission	\$0.003993
Local Delivery Energy	\$0.026252
Production not included in Power Supply	\$0.000306
Local Delivery-Energy All Additional kWhs	
Transmission	\$0.001889
Sub-Transmission	\$0.003993
Local Delivery Energy	\$0.036266
Production not included in Power Supply	\$0.000306

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.136759
Shoulder-Peak	\$0.072649
Off-Peak	\$0.046759
Base Power Supply Winter	
On-Peak	\$0.136759
Off-Peak	\$0.038539
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

Service under this schedule is for the exclusive use of the Customer and shall not be resold or shared with others.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

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DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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UNS Electric, Inc.
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The Winter periods below apply to all winter days:

- On-Peak 6:00 a.m. to 10:00 a.m. and 5:00 p.m. to 9:00 p.m.
- Shoulder-Peak: There is no shoulder peak periods in the winter.
- Off-Peak: 12:00 a.m. (midnight) to 6:00 a.m., 10:00 a.m. to 5:00 p.m., and 9:00 p.m. to 12:00 a.m. (midnight)

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$4.381 per month
Meter Reading	\$1.434 per month
Billing & Collection	\$6.061 per month
Customer Delivery	<u>\$0.624 per month</u>
	\$12.50 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy 1st 400 kWhs	
Transmission	\$0.001889
Sub-Transmission	\$0.003993
Local Delivery Energy	\$0.026252
Production not included in Power Supply	\$0.000306
Delivery Services - Energy All Additional kWhs	
Transmission	\$0.001889
Sub-Transmission	\$0.003993
Local Delivery Energy	\$0.036266
Production not included in Power Supply	\$0.000306

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.423680
Shoulder-Peak	\$0.072649
Off-Peak	\$0.046759
Base Power Supply Winter	
On-Peak	\$0.136759
Off-Peak	\$0.038539
PPFAC (see Rate Rider-1 for current rate)	Varies

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UNS Electric, Inc.
Pricing Plan SGS-10 SuperPeak TOU
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TERMS AND CONDITIONS

Service under this schedule is for the exclusive use of the Customer and shall not be resold or shared with others.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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**UNS Electric, Inc.
Pricing Plan LGS
Large General Service**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is less than 1,000 kW.

CHARACTER OF SERVICE

Single or three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises. Customers may choose time-of-use service as well.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$16.00 per month
 Customer Charge, Single Phase service and minimum bill (Optional TOU) \$20.90 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$13.353 per kW

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh	\$0.004254	\$0.064326	Varies	\$0.068580

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration

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above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

DETERMINATION OF BILLING DEMAND

Normal service: If the time-of-use option is not chosen, the monthly billing demand shall be the highest measured fifteen (15) minute integrated reading of the demand meter during the billing month.

Time-of-Use: If time-of-use service is chosen, the monthly billing demand shall be the higher of:

- (i) the highest measured fifteen (15) minute integrated reading of the demand meter during the on-peak hours of the billing period,
- (ii) one-half the highest measured fifteen (15) minute integrated reading of the demand meter during the off-peak hours, or
- (iii) the contract capacity.

ON-PEAK HOURS

During the months of May through October, on-peak hours are those hours between 11:00 a.m. and 10:00 p.m. each day, Monday through Saturday. All other hours shall be considered off-peak hours.

During the months of November through April, on-peak hours are those hours between 7:00 a.m. and 7:00 p.m. each day, Monday through Friday. All other hours shall be considered off-peak hours.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$8.772 per month
Meter Reading	\$1.282 per month
Billing & Collection	\$5.394 per month
Customer Delivery	<u>\$0.552 per month</u>
	\$16.00 per month

Customer Charge (Optional TOU) Components of Delivery Services (Unbundling):

Meter Services	\$16.935 per month
Meter Reading	\$ 0.612 per month
Billing & Collection	\$ 3.168 per month
Customer Delivery	<u>\$ 0.185 per month</u>
	\$ 20.90 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge	\$13.353 per kW per month
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Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy – All kWh	
Transmission	\$0.001507
Sub-Transmission	\$0.003224
Local Delivery Energy	(\$0.000768)
Production not included in Power Supply	\$0.000291

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.064326
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

Standby, supplemental or breakdown service shall not be rendered under this pricing plan except for Qualifying Facilities or Independent Power Producers that have entered into a Service or Purchase Agreement with the Company.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

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ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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**UNS Electric, Inc.
Pricing Plan LGS-TOU-N
Large General Service Time-of-Use**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is less than 1,000 kW.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single or three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises. Customers may choose time-of-use service as well.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 16.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$13.35 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.004254	\$0.121221	Varies	\$0.125475
Shoulder Peak	\$0.004254	\$0.064326	Varies	\$0.068580
Off-Peak	\$0.004254	\$0.046221	Varies	\$0.050475

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.004254	\$0.121221	Varies	\$0.125475
Off-Peak	\$0.004254	\$0.032503	Varies	\$0.036757

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1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the higher of:

- (i) the highest measured fifteen (15) minute integrated reading of the demand meter during the on-peak and shoulder hours of the billing period,
- (ii) one-half the highest measured fifteen (15) minute integrated reading of the demand meter during the off-peak hours, or
- (iii) the contract capacity.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$8.772 per month
Meter Reading	\$1.282 per month
Billing & Collection	\$5.394 per month
Customer Delivery	<u>\$0.552 per month</u>
	\$16.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge	\$13.353 per kW per month
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Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy- All kWh	
Transmission	\$0.001507
Sub-Transmission	\$0.003224
Local Delivery Energy (negative charge)	(\$0.000768)
Production not included in Power Supply	\$0.000291

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.121221
Shoulder-Peak	\$0.064326
Off-Peak	\$0.046221
Base Power Supply Winter	
On-Peak	\$0.121221
Off-Peak	\$0.032503
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

Standby, supplemental or breakdown service shall not be rendered under this pricing plan except for Qualifying Facilities or Independent Power Producers that have entered into a Service or Purchase Agreement with the Company.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

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TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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UNS Electric, Inc.
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Large General Service SuperPeak Time-of-Use

(ii) one-half the highest measured fifteen (15) minute integrated reading of the demand meter during the off-peak hours, or
 (iii) the contract capacity.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$8.772 per month
Meter Reading	\$1.282 per month
Billing & Collection	\$5.394 per month
Customer Delivery	<u>\$0.552 per month</u>
	\$16.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge	\$13.353 per kW per month
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Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy – All kWh	
Transmission	\$0.001507
Sub-Transmission	\$0.003224
Local Delivery Energy (negative charge)	(\$0.000768)
Production not included in Power Supply	\$0.000291

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.363690
Shoulder-Peak	\$0.064326
Off-Peak	\$0.046221
Base Power Supply Winter	
On-Peak	\$0.121221
Off-Peak	\$0.032503
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

Standby, supplemental or breakdown service shall not be rendered under this pricing plan except for Qualifying Facilities or Independent Power Producers that have entered into a Service or Purchase Agreement with the Company.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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**UNS Electric, Inc.
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A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LPS
Large Power Service**

AVAILABILITY

Throughout the entire area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is 500 kW or greater, but if 10,000 kW or more, a service agreement spelling out minimum conditions must be entered into.

CHARACTER OF SERVICE

Three phase, 60 hertz, at the Company's standard transmission or distribution voltages that are available within the vicinity of the Customer's premises.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill (<69 kV Service) \$ 372.00 per month
 Customer Charge, Single Phase service and minimum bill (>69 kV Service) \$ 407.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge (<69 kV Service) \$21.221 per kW per month
 Demand Charge (>69 kV Service) \$14.930 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh	\$0.000000	\$0.051087	Varies	\$0.051087

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the

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base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

- 3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

Minimum Charge: The minimum charge shall be the customer charge plus the demand charge.

A credit of three percent (3%) will be applied to the demand charge if the customer receives Distribution Service at primary voltage.

The Customer agrees to maintain, as nearly as practicable, a unity power factor. In the event that the Customer's power factor for any billing month is less than eighty-five (85%), an adjustment shall be applied to the bill as follows:

Power Factor adjustment =
(Maximum Demand / (.15 + PF)) - Maximum Demand) x Demand Charge Where Maximum Demand is the highest measured fifteen (15) minute demand in kilowatts during the billing period.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the higher of:

- i. the highest measured fifteen-minute integrated reading of the demand meter during the on-peak hours of the billing period,
- ii. one-half the highest measured fifteen-minute integrated reading of the demand meter during the off-peak hours,
- iii. the highest demand metered during the preceding eleven (11) months, or
- iv. the contract capacity.

In the event a customer achieves permanent, verifiable demand reduction through involvement in UNS Electric, Inc.'s Demand-Side Management programs, such reductions will be applicable to adjusted demands billed during the eleven (11) month period prior to the installation of the DSM measures.

ON-PEAK HOURS

During the months of May through October, on-peak hours are those hours between 11:00 a.m. and 10:00 p.m. each day, Monday through Saturday. All other hours shall be considered off-peak hours.

During the months of November through April, on-peak hours are those hours between 7:00 a.m. and 7:00 p.m. each day, Monday through Friday. All other hours shall be considered off-peak hours.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling) (<69 kV Service):	
Meter Services	\$213.296 per month
Meter Reading	\$ 25.789 per month
Billing & Collection	\$132.801 per month
Customer Delivery	\$ 0.114 per month
	\$372.00 per month

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Customer Charge Components of Delivery Services (Unbundling) (>69 kV Service):

Meter Services	\$233.364 per month
Meter Reading	\$ 28.215 per month
Billing & Collection	\$145.296 per month
Customer Delivery	\$ 0.125 per month
	<u>\$407.00 per month</u>

Demand Charge Component is unbundled into Delivery Services-Demand:

Demand Charge (<69 kV Service)	\$21.221 per kW per month
Demand Charge (>69 kV Service)	\$14.930 per kW per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy	\$0.000000

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.0051087
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

Standby, supplementary, breakdown, and/or temporary service are available under this rate. At the Company's option, customers may have to enter into a Service or Purchase Agreement with the Company for this service.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

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TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

OTHER PROVISIONS

Service hereunder shall remain in full force and in effect until terminated by the customer unless otherwise provided for in the Service Agreement. Termination of service requires twelve (12) months advance notice in writing to the Company.

Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of two (2) years or longer, with a minimum contract demand capacity at the Company's option in view of the anticipated demand of the Customer.

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**UNS Electric, Inc.
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Large Power Service Time-of-Use**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is 500 kW or greater, but if 10,000 kW or more, a service agreement spelling out minimum conditions must be entered into.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Three phase, 60 hertz, at the Company's standard transmission or distribution voltages that are available within the vicinity of the Customer's premises.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill (<69 kV Service)	\$372.00 per month
Customer Charge, Single Phase service and minimum bill (>69 kV Service)	\$407.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge (<69 kV Service)	\$21.221 per kW per month
Demand Charge (>69 kV Service)	\$14.960 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.000000	\$0.099047	Varies	\$0.099047
Shoulder Peak	\$0.000000	\$0.051087	Varies	\$0.051087
Off-Peak	\$0.000000	\$0.039047	Varies	\$0.039047

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Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.000000	\$0.099047	Varies	\$0.099047
Off-Peak	\$0.000000	\$0.027033	Varies	\$0.027033

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local DeliveryEnergy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

Minimum Charge: The minimum charge shall be the customer charge plus the demand charge.

A credit of three percent (3%) will be applied to the demand charge if the customer receives Distribution Service at primary voltage.

The Customer agrees to maintain, as nearly as practicable, a unity power factor. In the event that the Customer's power factor for any billing month is less than eighty-five (85%), an adjustment shall be applied to the bill as follows:

Power Factor adjustment =

$(\text{Maximum Demand} / (.15 + \text{PF})) - \text{Maximum Demand} \times \text{Demand Charge}$ Where Maximum Demand is the highest measured fifteen (15) minute demand in kilowatts during the billing period.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the higher of:

- i. the highest measured fifteen-minute integrated reading of the demand meter during the on-peak hours of the billing period,
- ii. one-half the highest measured fifteen-minute integrated reading of the demand meter during the off-peak hours,
- iii. the highest demand metered during the preceding eleven (11) months, or

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iv. the contract capacity.

In the event a customer achieves permanent, verifiable demand reduction through involvement in UNS Electric, Inc.'s Demand-Side Management programs, such reductions will be applicable to adjusted demands billed during the eleven (11) month period prior to the installation of the DSM measures.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling) (<69 kV Service):

Meter Services	\$213.296 per month
Meter Reading	\$ 25.789 per month
Billing & Collection	\$132.801 per month
Customer Delivery	<u>\$ 0.114 per month</u>
	\$372.00 per month

Customer Charge Components of Delivery Services (Unbundling) (>69 kV Service):

Meter Services	\$233.364 per month
Meter Reading	\$ 28.215 per month
Billing & Collection	\$145.296 per month
Customer Delivery	<u>\$ 0.125 per month</u>
	\$407.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand:

Demand Charge (<69 kV Service)	\$21.221 per kW per month
Demand Charge (>69 kV Service)	\$14.930 per kW per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy	\$0.000000

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.099047
Shoulder-Peak	\$0.051087
Off-Peak	\$0.039047
Base Power Supply Winter	
On-Peak	\$0.099047
Off-Peak	\$0.027033
PPFAC (see Rate Rider-1 for current rate)	Varies

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Large Power Service Time-of-Use**

TERMS AND CONDITIONS

Standby, supplementary, breakdown, and/or temporary service are available under this rate. At the Company's option, customers may have to enter into a Service or Purchase Agreement with the Company for this service.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

OTHER PROVISIONS

Service hereunder shall remain in full force and in effect until terminated by the customer unless otherwise provided for in the Service Agreement. Termination of service requires twelve (12) months advance notice in writing to the Company.

Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of two (2) years or longer, with a minimum contract demand capacity at the Company's option in view of the anticipated demand of the Customer.

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above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

PENALTY FOR FAILURE TO INTERRUPT:

In the event that the Customer fails to interrupt its load when requested to do so by the Company, the customer shall pay an additional charge as follows:

Billing Demand Charge per kW @ \$10.00
Unbundled \$/kWh Charge is entirely a Delivery Charge

For a second failure to interrupt in any twelve (12) month period, the Customer will revert to the otherwise applicable firm pricing plan for a period of at least twelve (12) months.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the highest measured fifteen (15) minute integrated reading of the demand meter during the billing month. If demand is not metered, the billing demand shall be based on nameplate ratings of connected motors and equipment, or by a test as approved by the Company.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$13.547 per month
Meter Reading	\$ 0.429 per month
Billing & Collection	\$ 1.833 per month
Customer Delivery	\$ 0.192 per month
	\$ 16.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$4.664 per kW per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy – All kWh	
Transmission	\$0.002596
Sub-Transmission	\$0.005375
Local Delivery Energy	\$0.008848
Production not included in Power Supply	\$0.000281

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.053227
PPFAC (see Rate Rider-1 for current rate)	Varies

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TERMS AND CONDITIONS

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

The Company reserves the right to curtail service to the customer at any time and for such period of time that, in the sole judgment of the Company, the operation of the system requires curtailment by the customer.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach. Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of one (1) year or longer, with a minimum Contract Demand at the Company's option in view of the anticipated demand of the Customer.

The Company will endeavor to provide the customer with as much advance notice as possible of the required interruptions or curtailments. However, the customer shall interrupt or curtail service within fifteen (15) minutes, if so requested.

The Company reserves the right to have automatic equipment installed for immediate interruption of the customer's load. Should the Company's automatic equipment fail to interrupt the load, no penalty will be assessed.

The Company shall not be responsible for any loss or damage caused by or resulting from interruption or curtailment of service under this pricing plan.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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**UNS Electric, Inc.
Pricing Plan IPS-TOU
Interruptible Power Service Time-of-Use**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department

To any customer with a minimum demand of 50 and is interruptible within fifteen (15) minutes of verbal notice by the Company. The Customer must be able to interrupt service for up to eight (8) hours per day.

CHARACTER OF SERVICE

Three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$16.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$4.664 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.017100	\$0.101911	Varies	\$0.119011
Shoulder Peak	\$0.017100	\$0.053227	Varies	\$0.070327
Off-Peak	\$0.017100	\$0.041911	Varies	\$0.059011

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.017100	\$0.101911	Varies	\$0.119011
Off-Peak	\$0.017100	\$0.026779	Varies	\$0.043879

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.

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- 2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
- 3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m.. The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

PENALTY FOR FAILURE TO INTERRUPT:

In the event that the Customer fails to interrupt its load when requested to do so by the Company, the customer shall pay an additional charge as follows:

Billing Demand Charge per kW @ \$10.00
Unbundled \$/kWh Charge is entirely a Delivery Charge

For a second failure to interrupt in any twelve (12) month period, the Customer will revert to the otherwise applicable firm pricing plan for a period of at least twelve (12) months.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the highest measured fifteen (15) minute integrated reading of the demand meter during the billing month. If demand is not metered, the billing demand shall be based on nameplate ratings of connected motors and equipment, or by a test as approved by the Company.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$13.547 per month
Meter Reading	\$ 0.429 per month
Billing & Collection	\$ 1.833 per month
Customer Delivery	<u>\$ 0.192 per month</u>
	\$ 16.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge	\$4.664 per kW per month
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Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: IPS-TOU
Effective: PENDING
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**UNS Electric, Inc.
Pricing Plan IPS-TOU
Interruptible Power Service Time-of-Use**

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy- All kWh	
Transmission	\$0.002596
Sub-Transmission	\$0.005375
Local Delivery Energy	\$0.008848
Production not included in Power Supply	\$0.000281

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.101911
Shoulder-Peak	\$0.053227
Off-Peak	\$0.041911
Base Power Supply Winter	
On-Peak	\$0.101911
Off-Peak	\$0.026779
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

The Company reserves the right to curtail service to the customer at any time and for such period of time that, in the sole judgment of the Company, the operation of the system requires curtailment by the customer.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach. Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of one (1) year or longer, with a minimum Contract Demand at the Company's option in view of the anticipated demand of the Customer.

The Company will endeavor to provide the customer with as much advance notice as possible of the required interruptions or curtailments. However, the customer shall interrupt or curtail service within fifteen (15) minutes, if so requested.

The Company reserves the right to have automatic equipment installed for immediate interruption of the customer's load. Should the Company's automatic equipment fail to interrupt the load, no penalty will be assessed.

The Company shall not be responsible for any loss or damage caused by or resulting from interruption or curtailment of service under this pricing plan.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: IPS-TOU
Effective: PENDING
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**UNS Electric, Inc.
Pricing Plan IPS-TOU
Interruptible Power Service Time-of-Use**

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: IPS-TOU
Effective: PENDING
Page No.: 4 of 4



UNS Electric, Inc.
Pricing Plan LTG
Dusk-To-Dawn Lighting Service

AVAILABILITY

Throughout the entire area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

To any Customer, including public agencies, for the lighting of streets, alleys, thoroughfares, public parks, playgrounds, or other public or private property where such lighting is controlled by a photocell and a contract for service is entered into with the Company.

CHARACTER OF SERVICE

Service is supplied on Company-owned fixtures and poles which are maintained by the Company. The poles, fixtures, and lamps available are the standard items stocked by the Company, and service is rendered at standard available voltages.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE

The monthly bill shall be the sum of the following charges and adjustments for each light:

<u>Service Charge (per month):</u>	<u>Overhead Service</u>	<u>Underground Service</u>
Existing Wood Pole	\$0.0000	\$ 2.2683
New 30' Wood Pole (Class 6)	\$4.5353	\$ 6.8146
New 30' Metal or Fiberglass	\$9.0827	\$11.3500

Lighting Charge:

Based on the rated wattage value of each lamp installed per month: \$0.050422 per watt

Base Power Supply Charge: based on the rated wattage value of each lamp installed per month: \$0.007499 per watt

The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

CONTRACT PERIOD

All dusk-to-dawn lighting installations for public agencies will require an agreement for service.

All dusk-to-dawn lighting installations for other than public agencies will require a contract for service as follows:

Five (5) years initial term for installations on existing facilities, and

Five (5) years initial term, or longer at the Company's option, for installations requiring new and/or an extension of facilities.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: LTG
Effective: PENDING
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UNS Electric, Inc.
Pricing Plan LTG
Dusk-To-Dawn Lighting Service

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

New 30' Wood Pole (Class 6) - Overhead

Billing and Collections \$3.0000 per unit
Customer Delivery \$1.5353 per unit

New 30' Metal or Fiberglass - Overhead

Billing and Collections \$3.0000 per unit
Customer Delivery \$6.0827 per unit

Existing Wood Pole – Underground

Billing and Collections \$2.2683 per unit
Customer Delivery \$0.000 per unit

New 30' Wood Pole Class 6 – Underground

Billing and Collections \$3.0000 per unit
Customer Delivery \$3.8146 per unit

New 30' Metal or Fiberglass – Underground

Billing and Collections \$3.0000 per unit
Customer Delivery \$8.3500 per unit

Lighting Charge

Production (not included in Power Supply) \$0.000285 per watt
Delivery \$0.050138 per watt
Base Power Supply \$0.007499 per watt

TERMS AND CONDITIONS

1. Overhead extensions beyond one hundred fifty (150) feet and underground extensions beyond one hundred (100) feet will require specific agreements providing adequate revenue or arrangements for construction financing.
2. The Customer is not authorized to make connections to the lighting circuit or make attachments or alterations to the Company-owned pole.
3. Should a Customer request a relocation of a dusk-to-dawn lighting installation, the costs of such relocation must be borne by the customer.
4. The Customer is expected to notify the Company when lamp outages occur.
5. The Company will use diligence in maintaining service; however, monthly bills will not be reduced because of lamp outages.
6. The Company may require a refundable advance for the installation of new construction for facilities.
7. A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: LTG
Effective: PENDING
Page No.: 2 of 3



**UNS Electric, Inc.
Pricing Plan LTG
Dusk-To-Dawn Lighting Service**

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: LTG
Effective: PENDING
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**UNS Electric, Inc.
GreenWatts Pricing Plan**

AVAILABILITY/APPLICABILITY

GreenWatts is a Pricing Plan available to all UNS Electric, Inc. ("UNS Electric" or "Company") Customers at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

PRICING PLAN

A participating Customer under the GreenWatts Pricing Plan will be charged a monthly before-tax premium to the Customer's existing Pricing Plan according to the following schedule:

First twenty-kWh block of energy @	\$2.00
Each additional twenty-kWh block of energy @	\$1.50

The number of twenty-kWh blocks purchased is at the discretion of the GreenWatts Customer and is subject to the conditions of service described below.

CONDITIONS OF SERVICE

- Revenues from GreenWatts that are above the cost of producing or purchasing green credits for the GreenWatts program will be devoted to the cost of building, operating, and maintaining new solar power sources in the UNSE service territory.
- The total kWh under subscription cannot exceed the Customer's minimum monthly consumption during the prior twelve months. For a Customer with an insufficient billing history, subscription is limited to a total of four twenty-kWh blocks per month.
- The GreenWatts Customer is responsible for the premium payment for the subscribed number of blocks, regardless of the level of consumption in any given billing period.
- Customer must contact the Company to cancel or change subscriptions to GreenWatts. Any change or cancellation of a subscription shall take effect in the succeeding billing period.
- All provisions of the Customer's current applicable rate schedule will apply during service under GreenWatts.
- Energy provided under GreenWatts will be generated by renewable resources that are in addition to those resulting from the Environmental Portfolio Surcharge. The total amount of energy sold under GreenWatts shall not exceed the combined capacity of UniSource Energy's renewable resource portfolio.
- Energy generated for GreenWatts will be delivered to UNS Electric's distribution grid for general distribution.
- The premium charged for GreenWatts does not represent the sale or lease of generation assets.

TAX CLAUSE

To the charges computed under the above Pricing Plan, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: GW-1
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UNS Electric, Inc.
**Partial Requirements Service - Non-Firm Power Purchase from
Renewable Energy Resources and Qualifying Cogeneration
Facilities of 100 kW or Less Capacity**

AVAILABILITY

Available throughout Company's entire electric service area to any Customer with certified capacity of 100 kW or less generating through the use of renewable energy resources or qualifying cogeneration facilities providing non-firm power.

PRICE

For all energy billed which is supplied by the Customer to the Company, the price shall be at the Company's applicable avoided cost.

CONDITIONS OF PURCHASE

- 1) The Customer shall be responsible for all interconnection costs unless otherwise indicated by the Company. In addition, Customer shall conform to all applicable interconnection requirements as mandated either by government or by the Company.
- 2) The Customer shall operate its electric generating equipment in accordance with Company rules, regulations, and service requirements.
- 3) The Customer shall, at its option, operate in one of the following two system configurations:
 - a) Parallel Mode – The Customer's self-generation facilities first supply its own electric requirements with any excess power being sold to the Company at the Company's avoided cost. The Company shall sell power to the Customer as required by the Customer under the Company's applicable Pricing Plan.
 - b) Simultaneous Buy/Sell Mode – The Customer's total generation output is sold directly to the Company and the Customer's total electric requirements are met by sales from the Company. Billing for purchases and sales shall be calculated, at the Customer's option, in either of three methods:
 - i) Net bill method: The kWh sold to the Company shall be subtracted from the kWh purchased from Company. If the kWh calculation is net positive, the Company will sell the net kWh to the Customer under the applicable Pricing Plan. If the kWh calculation is net negative, the Company will purchase the net kWh from the Customer at the Company's avoided cost. Time of use bi-directional metering is not available.
 - ii) Separate bill method: All purchases and sales shall be treated separately with revenues from sales to the Customer calculated under the applicable Pricing Plan, and the purchase of power from the Customer at the Company's avoided cost.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: PRS
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UNS Electric, Inc.
**Partial Requirements Service - Non-Firm Power Purchase from
Renewable Energy Resources and Qualifying Cogeneration
Facilities of 100 kW or Less Capacity**

- iii) Net metering method: Applicable only where the Customer has a single solar to electricity or wind to electricity conversion system of AC electrical peak capability of 10 kW or less and meets all qualifications. The kWh sold to the Company shall be subtracted from the kWh purchased from the Company. If the kWh calculation is net positive, the Company will sell the net kWh to the Customer under the applicable Pricing Plan. If the kWh calculation is net negative, Company will carry the kWh forward and credit the net kWh of the next billing cycle. All negative kWh credits will be zeroed out annually after the January billing cycle.

Separate Qualifications for Net Metering

- (a) Service under this method shall be limited to 100 kWp (p=peak) aggregate Customer per calendar year.
 - (b) Installed solar to electricity or wind to electricity conversion system shall meet IEEE-929 standard, local, and National Electrical Code requirements.
 - (c) Installation shall be complete six months from pre-installation approval; thereafter, Customer must re-apply.
 - (d) Time of use net metering is not available.
- 4) The applicable Pricing Plan shall apply for all energy billed which is supplied by the Company to the Customer.
- 5) The Company may require a written contract and a minimum term of contract.
- 6) This Pricing Plan is not applicable for Customers with certified renewable generating capacity of over 100 kW. However, for such capacity the Company shall enter into individual agreements.
- 7) This rate is subject to the General Rules and Regulations of the Company on file with the Arizona Corporation Commission which are made a part hereof.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: PRS
Effective: PENDING
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UNS Electric, Inc.
Pricing Plan QF-A
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Full Requirements 100 kW or Less

AVAILABILITY

Throughout the entire area where the facilities of the Company are of adequate capacity and are adjacent to the premises. For all Qualifying Facilities ("QF") that have entered into a Service Agreement with the Company.

APPLICABILITY

To all QFs with 100 kW or less operating in the Buy/Sell Mode for full requirements, supplemental power, stand-by power, and maintenance power service.

CHARACTER OF SERVICE

Electric sales to the Company must be single or three phase, 60 Hertz, at a standard voltage subject to availability at the premises. The QF will have the option to sell energy to the Company at a voltage level different from that for purchases from the Company, however, the QF will be responsible for all costs incurred to accommodate such an arrangement.

DEFINITIONS

1. Qualifying Facilities - Cogeneration and small power production facilities where the facility's generator(s) and load are located at the same premise and that otherwise meet qualifying criteria for size, fuel use, efficiency and ownership as promulgated in 18 C.F.R., Chapter I, Part 292, Subpart B of Federal Energy Regulatory Commission regulations.
2. Buy/Sell Mode of Operation - The QF's total generation output is delivered to the Company and the QF's full requirements for service are provided by the Company or no electric requirements are required by the QF.
3. Full Requirements Service - Any instance whereby the Company provides all the electric requirements of a QF.
4. Energy - Electric energy which is supplied by the QF.
5. Firm Capacity - Capacity available, upon demand, at all times (except for forced outages and scheduled maintenance) during the period covered by the Agreement from the QF with an availability factor of at least 80%, as defined by the North American Electric Reliability Council.
6. Net Energy - The total kilowatt hours ("kWh") sold to the QF by the company less the total kWhs purchased by the Company from the QF.
7. Supplemental Power - Electric capacity and energy supplied by the Company regularly used by the QF in addition to that which the facility generates itself.
8. Stand-by Power - Electric capacity and energy supplied by the Company to replace energy ordinarily generated by a facility's own generation equipment during an unscheduled outage of the facility.
9. Maintenance Power - Electric capacity and energy supplied by the Company during scheduled outages of the QF.
10. Purchase Agreement - Agreements for the purchase of electric energy and capacity from and the sale of power to the QF entered into between the Company and QF.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: QF-A
Effective: PENDING
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**UNS Electric, Inc.
Pricing Plan QF-A
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Full Requirements 100 kW or Less**

BILLING FOR BUY/SELL

The customer will have the option of choosing either of the following two (2) methods for determining the bill for purchases and sales.

Combined Bill method:

The kWhs sold to the Company shall be subtracted from the kWhs purchased from the Company. If the calculation is positive, the Net Energy kWhs received from the Company will be priced at the applicable Electric Pricing Plan under which the QF would otherwise purchase its full requirements service. If the calculation is negative, the Net Energy kWhs delivered to the Company will be priced at the purchase rate shown below.

Separate Bill method:

All purchases and sales shall be treated separately with the sales to the QF billed at the applicable Electric Pricing Plan under which the QF would otherwise purchase its full requirements service, and purchases of energy for the QF at the purchase rate shown below.

RATES FOR SALES TO QFs

The rates and billings for sales of energy and capacity to the QF shall be priced at the rates in the otherwise applicable pricing plan for the Customer.

RATES FOR PURCHASES FROM QFs

Minimum Customer Charge per month at \$12.00 will be assessed each QF selling energy to the Company under this pricing plan.

Rates for Energy purchased from the QF shall be priced at short-run avoided cost.

Rates for Firm Capacity purchased from the QF shall be priced at long-run avoided cost based upon deferral of capacity additions indicated in Company's resource plan.

ADJUSTMENTS

Purchased Power Fuel Adjuster Clause ("PPFAC"): The energy charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

CONTRACT PERIOD

As provided for in the Service Agreement.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: QF-A
Effective: PENDING
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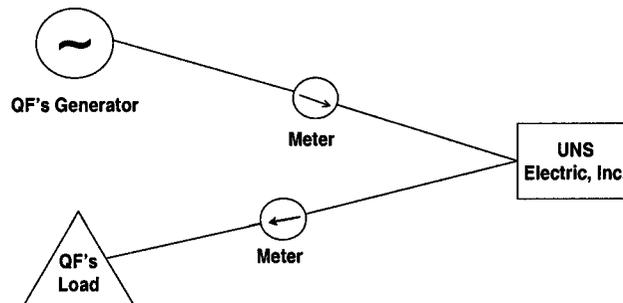
TERMS AND CONDITIONS

Subject to:

The Service Agreement, and

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

METER CONFIGURATION



TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.



UNS Electric, Inc.
Pricing Plan QF-B
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Partial Requirements 100 kW or Less

AVAILABILITY

In all territories served by the Company in Santa Cruz and Mohave Counties at all points where the adjacent facilities are adequate and suitable, for all Qualifying Facilities ("QF") that have entered into a Service Agreement with the Company.

APPLICABILITY

To all QFs with 100 kW or less operating in the Partial Requirements Mode for partial requirements, supplemental power, stand-by power, and maintenance power service.

CHARACTER OF SERVICE

Electric sales to the Company must be single or three phase, 60 Hertz, at a standard voltage subject to availability at the premises. The QF will have the option to sell energy to the Company at a voltage level different from that for purchases from the Company, however, the QF will be responsible for all costs incurred to accommodate such an arrangement.

DEFINITIONS

1. Qualifying Facilities - Cogeneration and small power production facilities where the facility's generator(s) and load are located at the same premise and that otherwise meet qualifying criteria for size, fuel use, efficiency and ownership as promulgated in 18 C.F.R., Chapter I, Part 292, Subpart B of Federal Energy Regulatory Commission regulations.
2. Partial Requirements Mode of Operation - A QF's generation output first goes to supply its own electric requirements with any excess energy (over and above its own requirements) then being sold to the Company. The Company supplies the QF's electric requirements not met by the QF's own-generation facilities. This also may be referred to as the "parallel mode" of operation.
3. Energy - Electric energy which is supplied by the QF
4. Firm Capacity - Capacity available, upon demand, at all times (except for forced outages and scheduled maintenance) during the period covered by the Agreement from the QF with an availability factor of at least 80%, as defined by the North American Electric Reliability Council.
5. Supplemental Power - Electric capacity and energy supplied by the Company regularly used by the QF in addition to that which the facility generates itself.
6. Stand-by Power - Electric capacity and energy supplied by the Company to replace energy ordinarily generated by a facility's own generation equipment during an unscheduled outage of the facility.
7. Maintenance Power - Electric capacity and energy supplied by the Company during scheduled outages of the QF.
8. Purchase Agreement - Agreements for the purchase of electric energy and capacity from and the sale of power to the QF entered into between the Company and QF.

RATES FOR SALES TO QFs

The rates and billings for sales of energy and capacity to the QF shall be priced at the rates in the otherwise applicable pricing plan for the Customer.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: QF-B
Effective: PENDING
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**UNS Electric, Inc.
Pricing Plan QF-B
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Partial Requirements 100 kW or Less**

RATES FOR PURCHASES FROM QFs

Minimum Customer Charge per month at \$12.00 will be assessed each QF selling energy to the Company under this pricing plan.

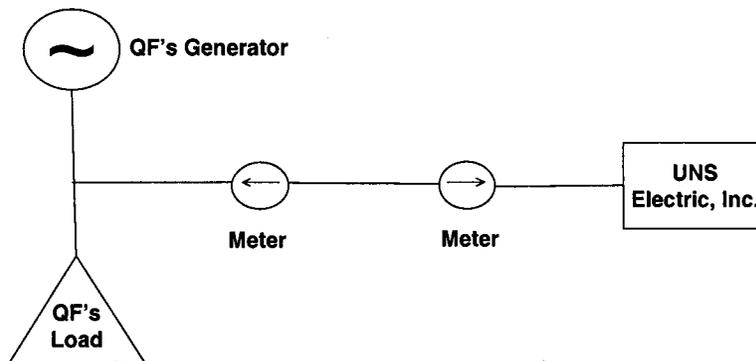
Rates for Energy purchased from the QF shall be priced at short-run avoided cost.

Rates for Firm Capacity purchased from the QF shall be priced at long-run avoided cost based upon deferral of capacity additions indicated in Company's resource plan.

ADJUSTMENTS

Purchased Power Fuel Adjuster Clause ("PPFAC"): The energy charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

METER CONFIGURATION



CONTRACT PERIOD

As provided for in the Service Agreement.

TERMS AND CONDITIONS

Subject to:

The Service Agreement, and

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: QF-B
Effective: PENDING
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**UNS Electric, Inc.
Pricing Plan QF-B
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Partial Requirements 100 kW or Less**

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: QF-B
Effective: PENDING
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UNS Electric, Inc.
Pricing Plan QF-C
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Optional Service Over 100 kW

AVAILABILITY

In all territories served by the Company in Santa Cruz and Mohave Counties at all points where the adjacent facilities are adequate and suitable, for all Qualifying Facilities ("QF") that have entered into a Service Agreement with the Company.

APPLICABILITY

To QFs operating in the Buy/Sell Mode for full requirements, or Partial Requirements Mode for partial requirements, supplemental power, stand-by power, and maintenance power service.

CHARACTER OF SERVICE

Electric sales to the Company must be single or three phase, 60 Hertz, at a standard voltage subject to availability at the premises. The QF will have the option to sell energy to the Company at a voltage level different from that for purchases from the Company, however, the QF will be responsible for all costs incurred to accommodate such an arrangement.

DEFINITIONS

1. Qualifying Facilities - Cogeneration and small power production facilities where the facility's generator(s) and load are located at the same premise and that otherwise meet qualifying criteria for size, fuel use, efficiency and ownership as promulgated in 18 C.F.R., Chapter I, Part 292, Subpart B of Federal Energy Regulatory Commission regulations.
2. Buy/Sell Mode of Operation - The QF's total generation output is delivered to the Company and the QF's full requirements for service are provided by the Company or no electric requirements are required by the QF.
3. Partial Requirements Mode of Operation - A QF's generation output first goes to supply its own electric requirements with any excess energy (over and above its own requirements) then being sold to the Company. The company supplies the QF's electric requirements not met by the QF's own-generating facilities. This also may be referred to as the "parallel mode" of operation.
4. Full Requirements Service - Any instance whereby the Company provides all the electric requirements of a QF.
5. Energy - Electric energy which is supplied by the QF.
6. Firm Capacity - Capacity available, upon demand, at all times (except for forced outages and scheduled maintenance) during the period covered by the Agreement from the QF with an availability factor of at least 80%, as defined by the North American Electric Reliability Council.
7. Net Energy - The total kilowatt hours ("kWh") sold to the QF by the company less the total kWhs purchased by the Company from the QF.
8. Supplemental Power - Electric capacity and energy supplied by the Company regularly used by the QF in addition to that which the facility generates itself.
9. Stand-by Power - Electric capacity and energy supplied by the Company to replace energy ordinarily generated by a facility's own generation equipment during an unscheduled outage of the facility.
10. Maintenance Power - Electric capacity and energy supplied by the Company during scheduled outages of the QF.
11. Purchase Agreement - Agreements for the purchase of electric energy and capacity from and the sale of power to the QF entered into between the Company and QF.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: QF-C
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**UNS Electric, Inc.
Pricing Plan QF-C
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Optional Service Over 100 kW**

BILLING FOR BUY/SELL

The customer will have the option of choosing either of the following two (2) methods for determining the bill for purchases and sales.

Combined Bill method:

The kWhs sold to the Company shall be subtracted from the kWhs purchased from the Company. If the calculation is positive, the Net Energy kWhs received from the Company will be priced at the applicable Electric Pricing Plan under which the QF would otherwise purchase its full requirements service. If the calculation is negative, the Net Energy kWhs delivered to the Company will be priced at the purchase rate shown below.

Separate Bill Method:

All purchases and sales shall be treated separately with the sales to the QF billed at the applicable Electric Pricing Plan under which the QF would otherwise purchase its full requirements service, and purchases of energy for the QF at the purchase rate shown below.

RATES FOR SALES TO QFs

Supplemental Service:

- A. Service Charge - The service charge shall be the basic service charge using the otherwise applicable retail pricing plan.
- B. Energy Charge - The energy charge shall be the energy charge using the otherwise applicable retail pricing plan.
- C. Demand Charge - The demand charge shall be the demand charge using the otherwise applicable retail pricing plan and it shall apply only to supplemental power and not to total requirements.

Standby Service:

- A. Service Charge - The service charge shall be the basic service charge using the otherwise applicable retail pricing plan.
- B. Energy Charge - The energy charge is \$0.045 per kWh per month.
- C. Demand Charge - The demand charge shall be the product of \$27.83 per kWh per month and the probability (*) that the QF has an unscheduled outage at the time of the company's peak.

(*) This value is initially set at ten percent (10%) for the first year and reset annually based upon actual experience with the QF.

Maintenance Service:

- A. Service Charge - The service charge shall be the basic service charge using the otherwise applicable retail pricing plan.
- B. Energy Charge - The energy charge is \$0.045 per kWh per month.
- C. Maintenance Service - Must be scheduled with the Company and may only be scheduled during the period October through April.

Only one service charge will be applied for each billing period.

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District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan QF-C
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Optional Service Over 100 kW

RATES FOR PURCHASES FROM QFs

Minimum Customer Charge per month at \$12.00 will be assessed each QF selling energy to the Company under this pricing plan. A service charge for purchases from the QF will only be charged if a service charge was not assessed for sales to the QF.

Rates for Energy purchased from the QF shall be priced at short-run avoided cost.

Rates for Firm Capacity purchased from the QF shall be priced at long-run avoided cost based upon deferral of capacity additions indicated in Company's resource plan.

Rates for capacity associated with Firm Capacity shall be as provided for in the Service Agreement.

ADJUSTMENTS

Purchased Power Fuel Adjuster Clause ("PPFAC"): The energy charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

METER CONFIGURATION

As provided for in the Service Agreement.

CONTRACT PERIOD

As provided for in the Service Agreement.

TERMS AND CONDITIONS

Subject to:

The Service Agreement, and

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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EXHIBIT

DBE-2b



**Pricing Plan C.A.R.E.S.
Customer Assistance Residential Energy Support**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This C.A.R.E.S. pricing plan is available to those residential customers presently taking service under the Company's residential service pricing plan whose gross annual income is not more than one hundred fifty percent (150%) of the federal poverty level guideline effective at the time qualification and annual certification is sought. Residential customers who desire to qualify for such pricing plan must initially make application to the Company for qualification and must provide verification to the Company that the customer's household gross income does not exceed one hundred fifty percent (150%) of the federal poverty level. Subsequent to the initial certification, the residential customer who seeks to retain eligibility for the C.A.R.E.S. pricing plan must provide a personal certification that the household gross income of the residential dwelling unit involved does not exceed one hundred fifty percent (150%) of the federal poverty level. Eligibility information provided by the customer on the application form is subject to verification by the Company. Samples of the existing CARES participants will be re-certified every two years prior to January 1 and when a customer changes residence.

CHARACTER OF SERVICE

Single phase, 60 hertz, at one standard voltage.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 3.504.00 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charge.

All energy charges below are on a per kWh basis for all summer and winter months.

	<u>Delivery Services-Energy¹</u>	<u>Power Supply Charges²</u>	<u>Total³</u>
		<u>Base Power</u>	
First 400 kWh	\$0.01125524411	\$0.07166066348	\$0.08291590759
All Additional kWhs	\$0.021269344253	\$0.07166066348	\$0.092929100773

1. Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply); Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge. All CARES participants are excluded from The Purchased Power and Fuel Adjustment Clause ("PPFAC").
3. Total bundled energy charger for all kWhs per rate component.

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: C.A.R.E.S.
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**Pricing Plan C.A.R.E.S.
Customer Assistance Residential Energy Support**

RATEDISCOUNT

For all qualified C.A.R.E.S. residential customers, the monthly bill shall be computed in accordance to the rates above with the Company's currently approved residential pricing plan except including the following discount:

For Bills with Usage of:	The Total Bill (Before Taxes & Regulatory Assessment) will be Discounted by:
0 – 300 kWh	30%
301 – 600 kWh	20%
601 – 1,000 kWh	10%
1,001 + kWh	\$8.00

As shown above, additional usage triggers progressively smaller discounts. The percentage discounts above apply to the entire bill. For example, the entire bill for a customer using 500 kWh will be discounted by 20%, while the entire bill for a customer using 700 kWh will be discounted by 10%.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$1.355629 per month
Meter Reading	\$0.377414 per month
Billing & Collection	\$1.602771 per month
Customer Delivery	\$0.166186 per month
	\$34.500 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy 1 st 400 kWhs	
Transmission	\$0.002299729
Sub-Transmission	\$0.0048135699
Delivery	\$0.00382815663
Production not included in Power Supply	\$0.000315320
Local Delivery-Energy All Additional kWhs	
Transmission	\$0.002299729
Sub-Transmission	\$0.0048135699
Delivery	\$0.01384225677
Production not included in Power Supply	\$0.00031520

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 District: Entire Electric Service Area

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**Pricing Plan C.A.R.E.S.
Customer Assistance Residential Energy Support**

Power Supply Charge (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.07166066348

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.



Pricing Plan C.A.R.E.S. - M
Customer Assistance Residential Energy Support
Low Income Medical Life Support Program

AVAILABILITY

This C.A.R.E.S Low income Medical Life Support Program pricing plan is available in all territories served by the Company in Mohave and Santa Cruz Counties, Arizona, where facilities of adequate capacity and the required phase and voltage are adjacent to the premises served.

APPLICABILITY

This C.A.R.E.S. Low Income Medical Life Support Program is available to all qualified C.A.R.E.S. residential customers who are medically life-support dependent and who meet the eligibility requirements.

ELIGIBILITY REQUIREMENTS

To be eligible for the C.A.R.E.S. Low Income Medical Life Support Program, a customer must meet the following requirements:

- A. Require the use of medical equipment that is considered essential for sustaining life and is operated at the residence;
B. Submit to UNS Electric, Inc. a statement signed by the attending physician that verifies that the customer is medically life-support dependent and states the type of essential medical equipment in use at the residence; and
C. Submit to UNS Electric, Inc. verification by the physician to remain eligible for the program beyond two years.

The following equipment is representative of that which may be qualified as being essential under the program:

- _ Ventilator
_ Oxygen concentrator
_ Peritoneal Dialysis Cyler
_ Hemo Dialysis Equipment
_ Feeding Pump
_ Infusion Pump
_ Suction Machine
_ Small Volume Nebulizer
_ Oximeter

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 3.508.00 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charge.

All energy charges below are on a per kWh basis for all summer and winter months.



**Pricing Plan C.A.R.E.S. - M
Customer Assistance Residential Energy Support
Low Income Medical Life Support Program**

	<u>Delivery Services-Energy¹</u>	<u>Power Supply Charges²</u> Base Power	<u>Total³</u>
First 400 kWh	\$0.01125541125	\$0.0716607993	\$0.08291597907
All Additional kWhs	\$0.02126928179	\$0.0716607993	\$0.092929407924

1. Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission, Local Delivery Energy and pProduction not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge. All CARES participants are excluded from The Purchased Power and Fuel Adjustment Clause ("PPFAC").
3. Total is calculated above for illustrative purposes.

RATEDISCOUNT discount

The monthly bill for customers eligible under the C.A.R.E.S. Low Income Medical Life Support Program shall be computed in accordance to the rates above including the following discount:

in accordance with the Company's currently approved residential pricing plan except:

<u>For Bills with Usage of:</u>	<u>The Total Bill (Before Taxes & Regulatory Assessment) will be Discounted by:</u>
0 – 600 kWh	30%
601 – 1,200 kWh	20%
1,201 – 2,000 kWh	10%
2,001 + kWh	\$8.00

<u>For Bills with Usage of:</u>	<u>The Total Bill (Before Taxes & Regulatory Assessment) will be Discounted by:</u>
0 – 600 kWh	30%
601 – 1,200 kWh	20%
1,201 – 2,000 kWh	10%
2,001 + kWh	\$8.00

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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**Pricing Plan C.A.R.E.S. - M
Customer Assistance Residential Energy Support
Low Income Medical Life Support Program**

As shown above, additional usage triggers progressively smaller discounts. The percentage discounts above apply to the entire bill. For example, the entire bill for a customer using 700 kWh will be discounted by 20%, while the entire bill for a customer using 1,400 kWh will be discounted by 10%.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$1.3553.393 per month
Meter Reading	\$0.377578 per month
Billing & Collection	\$1.6023.647 per month
Customer Delivery	\$0.166.382 per month
	\$3.508.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy 1 st 400 kWhs	
Transmission	\$0.0022993076
Sub-Transmission	\$0.0048133076
Delivery	\$0.003828076
Production not included in Power Supply	\$0.000315076
Local Delivery-Energy All Additional kWhs	
Transmission	\$0.0022993076
Sub-Transmission	\$0.0048133076
Delivery	\$0.01384203076
Production not included in Power Supply	\$0.0003153076

Power Supply Charge (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.07166003076

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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**Pricing Plan C.A.R.E.S. - M
Customer Assistance Residential Energy Support
Low Income Medical Life Support Program**

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01
Residential Service

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

Throughout the entire area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

Service is provided at one point of delivery measured through one meter and is restricted to private single family dwellings or individually metered apartments.

CHARACTER OF SERVICE

Single phase, 60 hertz, at one standard voltage.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 8.00 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

	<u>Delivery Services-Energy¹</u>	<u>Power Supply Charges²</u>		<u>Total³</u>
		<u>Base Power</u>	<u>PPFAC²</u>	
First 400 kWh	\$0.0281470070	\$0.07481266348	VariesAnnual	\$0.0948824495
All Additional kWhs	\$0.0300848161	\$0.07481266348	VariesAnnual	\$0.104896104509

1. Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply); Transmission, Sub-transmission, and Production not included in Power Supply.

2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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Effective: June 1, 2008 PENDING
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**UNS Electric, Inc.
Pricing Plan RES-01
Residential Service**

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.

2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED STANDARD OFFER SERVICE

Customer Charge	\$7.50 per month
Energy Charges:	
Delivery Charge, 1 st 400 kWhs	\$0.011255 per kwh
Delivery Charge, all additional kWhs	\$0.021269 per kwh
Base Power Supply Charge	\$0.077993 per kWh

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$3.097258 per month
Meter Reading	\$0.862829 per month
Billing & Collection	\$3.661542 per month
Customer Delivery	\$0.38071 per month
	\$8.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy 1 st 400 kWhs	
Transmission	\$0.002299729
Sub-Transmission	\$0.0048135699
Local Delivery Energy	\$0.0126439399

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 Title: Senior Vice President, General Counsel
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**UNS Electric, Inc.
Pricing Plan RES-01
Residential Service**

Production not included in Power Supply	\$0.000315320
Delivery Services - Energy All Additional kWhs	
Transmission	\$0.0022992729
Sub-Transmission	\$0.0048135699
Local Delivery Energy	\$0.0226579413
Production not included in Power Supply	\$0.00031520

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.07481266348
PPFAC (see Rate Rider-1 for current rate)	Annual RateVaries

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charges:

Meter Services	\$2.227 per month
Meter Reading	\$0.688 per month
Billing & Collection	\$3.601 per month
Customer Delivery	\$0.984 per month

Energy Charges (kWh):

Delivery Charge, 1 st 400 kWhs	
Transmission	\$0.003322 per kWh
Sub-transmission	\$0.003760 per kWh
Delivery	\$0.003821 per kWh
Production (not included in power supply)	\$0.000352 per kWh
Delivery Charge, all additional kWhs	
Transmission	\$0.003322 per kWh
Sub-transmission	\$0.003760 per kWh
Delivery	\$0.013835 per kWh
Production (not included in power supply)	\$0.000352 per kWh
Base Power Supply	\$0.077993 per kWh

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: RES-01
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**UNS Electric, Inc.
Pricing Plan RES-01
Residential Service**

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak

<u>All Additional kWhs</u>				
<u>On-Peak</u>	\$0.030084 9845	\$0.025746 02	\$0.159138 077993	\$0.158990 00
<u>Shoulder Peak</u>	\$0.030084 029845	\$0.029845 015732	\$0.074812 077993	\$0.074664 00
<u>Off-Peak</u>	\$0.030084 029845	\$0.029845 015732	\$0.054158 077993	\$0.054010 00
			<u>Varies Annual</u>	<u>\$0.107924</u> 189222883 5
			<u>Varies Annual</u>	<u>\$0.097907</u> 104896045 04
			<u>Varies Annual</u>	<u>\$0.097907</u> 084242385 0

<u>Winter</u>	<u>Delivery Services-Energy¹</u>		<u>Power Supply Charges²</u>		<u>Total³</u>
			<u>Base Power</u>	<u>PPFAC²</u>	
<u>First 400 kWh</u>					
<u>On-Peak</u>	\$0.020070 019831	\$0.015732 015732	\$0.159138 93	\$0.0779 00	<u>\$0.097907</u> 1792088821
<u>Shoulder Peak</u>		\$0.015732	\$0.041746 7993	\$0.07 00	<u>\$0.097907</u>
<u>Off-Peak</u>	\$0.020070 019831	\$0.015732 015732	\$0.041894 93	\$0.0779 00	<u>\$0.097907</u> 06196457 7
<u>All Additional kWhs</u>					
<u>On-Peak</u>	\$0.030084 025746	\$0.029845 015732	\$0.159138 077993	\$0.158990 00	<u>\$0.189222</u> 188835
<u>Shoulder Peak</u>		\$0.015732	\$0.041746 1894	\$0.04 077993	<u>\$0.097907</u>
<u>Off-Peak</u>	\$0.030084 015732	\$0.029845 015732	\$0.041894 077993	\$0.041746 00	<u>\$0.097907</u> 071978594

1. Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply); Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.

Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply.

2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak

purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED STANDARD OFFER SERVICE

Customer Charge \$7.50 per month

Energy Charges:

Delivery Charge, 1st 400 kWh \$0.011255 per kWh

Delivery Charge, all additional kWh \$0.021269 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.102086	\$0.102086
Shoulder-Peak	\$0.077993	N/A
Off-Peak	\$0.072092	\$0.068588

~~Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.~~

TIME-OF-USE PERIODS

Summer TOU periods:

Summer weekdays except Memorial Day, Independence Day (July 4), and Labor Day. If Independence Day falls on Saturday, the Weekend schedule applies on the preceeding Friday, July 3. If Independence Day falls on Sunday, the Weekend schedule applies on the following Monday, July 5.

On-Peak: 2:00 p.m. to 6:00 p.m.
 Shoulder-Peak: 12:00 p.m. (noon) to 2:00 p.m. and 6:00 p.m. to 8:00 p.m.
 Off-Peak: 12:00 a.m. (midnight) to 12 p.m (noon) and 8:00 p.m. to 12:00 a.m. (midnight).

Summer weekend days (Saturday and Sunday), Memorial Day, Independence Day (or July 3 or July 5, under above conditions), and Labor Day.

On-Peak: _____ (There are no On-Peak weekend hours)
 Shoulder-Peak: _____ (There are no Shoulder-Peak weekend hours)
 Off-Peak: _____ All hours.

Winter TOU periods:

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
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Residential Service Time-of-Use – Weekends Off-Peak

Winter weekdays except Thanksgiving Day, Christmas Day, and New Years Day. If Christmas Day and New Years Day fall on Saturdays, the Weekend schedule applies on the preceeding Fridays, December 24 and December 31. If Christmas Day and New Years Day fall on Sundays, the Weekend schedule applies on the following Mondays, December 26 and January 2.

On-Peak: _____ is 6:00 a.m. to 10:00 a.m. and 5:00 p.m. to 9:00 p.m.
 Shoulder-Peak: _____ There are no shoulder peak periods in the winter.
 Off-Peak: _____ is 12:00 a.m. (midnight) to 6:00 a.m., 10:00 a.m. to 5:00 p.m., and 9:00 p.m. to 12:00 a.m. (midnight).

Winter Weekend days (Saturday and Sunday), Thanksgiving Day, Christmas Day (or December 24 or December 26, under above conditions), and New Years Day (or December 31 or January 2, under above conditions).

On-Peak: _____ (There are no On-Peak weekend hours)
 Shoulder-Peak: _____ (There are no Shoulder-Peak weekend hours)
 Off-Peak: _____ All hours.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$33.314097 per month
Meter Reading	\$0.626862 per month
Billing & Collection	\$3.6763.661 per month
Customer Delivery	\$.3840.380 per month
	\$88.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

<u>Component</u>	<u>Rate</u>
Delivery Services- Energy 1 st 400 kWhs	\$0.003076
Transmission—Sub-Transmission	\$0.003076002299
Sub-Transmission—Delivery	\$0.003076004813
Local Delivery Energy—Production not included in Power Supply	\$0.012643 \$0.003076012404
Production not included in Power Supply	\$0.000315
Delivery Services - Energy All Additional kWhs Local Delivery Energy All Additional kWhs	
Transmission—Transmission	\$0.002299 \$0.003076
Sub-Transmission—Sub-Transmission	\$0.004813\$0.003076
Local Delivery Energy—Delivery	\$0.0226572418 \$0.003076
Production not included in Power Supply	\$0.000315 \$0.003076
Production not included in Power Supply	

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 Title: Senior Vice President, General Counsel
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UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak

Power Supply Charges (Unbundling) (\$/kWh):

<u>Component</u>	<u>Rate</u>
<u>Base Power Supply Summer</u>	
On-Peak	\$0.159138\$0.003076158990
Shoulder-Peak	\$0.074812\$0.003076074664
Off-Peak	\$0.054158\$0.003076054010
<u>Base Power Supply Winter</u>	
On-Peak	\$0.159138\$0.003076158990
Shoulder-Peak	\$0.041746\$0.041894\$0.041894\$0.003076
Off-Peak	\$0.041894\$0.003076041746
PPFAC (see Rate Rider-1 for current rate)	<u>Varies Annual Rate</u>

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

<u>Customer Charges:</u>	
Meter Services	\$2.227 per month
Meter Reading	\$0.688 per month
Billing & Collection	\$3.601 per month
Customer Delivery	\$0.984 per month

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak

Energy Charges (kWh):

Delivery Charge, 1 st 400 kWhs	
Transmission	\$0.003322 per kWh
Sub-transmission	\$0.003760 per kWh
Delivery	\$0.003821 per kWh
Production (not included in power supply)	\$0.000352 per kWh
Delivery Charge, all additional kWhs	
Transmission	\$0.003322 per kWh
Sub-transmission	\$0.003760 per kWh
Delivery	\$0.013835 per kWh
Production (not included in power supply)	\$0.000352 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.102086	\$0.102086
Shoulder-Peak	\$0.077993	N/A
Off-Peak	\$0.072092	\$0.068588

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU-A
Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

Available as an optional rate to Customers served under the Company's Pricing Plan RS, Residential Service.

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

Service is provided at one point of delivery measured through one meter and is restricted to private single family dwellings or individually metered apartments.

Not applicable to three phase service, resale, breakdown, temporary, standby, auxiliary service, or service to individual motors exceeding 40 amperes at a rating of 230 volts or which will cause excessive voltage fluctuations.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single phase, 60 hertz, at one standard voltage.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 88.00 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

<u>Summer</u>	<u>Delivery Services-Energy¹</u>	<u>Power Supply Charges²</u>		<u>Total³</u>
		<u>Base Power</u>	<u>PPFAC²</u>	
<u>First 400 kWh</u>				
<u>SuperOn-Peak</u>	<u>\$0.020070</u> <u>\$0.015732019834</u>	<u>\$0.488770632</u> <u>\$0.077993</u>	<u>AnnuaVari</u> <u>est</u>	<u>\$0.09790750884046</u> <u>3</u>
<u>Shoulder Peak</u>	<u>\$0.020070</u> <u>\$0.019831015732</u>	<u>\$0.074812664</u> <u>\$0.077993</u>	<u>VariesAnn</u> <u>ual</u>	<u>\$0.09790709488294</u> <u>494</u>
<u>Off-Peak</u>	<u>\$0.020070</u> <u>\$0.019831015732</u>	<u>\$0.054158010</u> <u>\$0.077993</u>	<u>VariesAnn</u> <u>ual</u>	<u>\$0.09790707422838</u> <u>40</u>

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 Title: Senior Vice President, General Counsel
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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU-A
Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

All Additional kWhs				
Super On-Peak	\$0.030084 \$0.025746029845	\$0.488770\$0.488632\$0.0 77993	Varies Ann ual	\$0.10792151885447 7
Shoulder Peak	\$0.030084 \$0. 029845015732	\$0.074812\$0.074664\$0.0 77993	Varies Ann ual	\$0.09790710489650 4
Off-Peak	\$0.030084 \$0. 029845015732	\$0.054158\$0.054010\$0.0 77993	Varies Ann ual	\$0.09790708424238 50

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.020070 \$0.019831\$0.015732	\$0.1591388990\$0.07799 3	Varies Ann ual	\$0.097907 1792088821
Shoulder Peak	\$0.020070 \$0.015732	\$0.041746\$0.07 7993	Annual	\$0.097907
Off-Peak	\$0.020070 \$0.019831\$0.015732	\$0.0418941746\$0.07799 3	Varies Ann ual	\$0.097907061964.06 1577
All Additional kWhs				
On-Peak	\$0.030084 \$0.029845\$0.025746	\$0.1591388990\$0.07799 3	Varies Ann ual	\$0.10792118922288 35
Shoulder Peak	\$0.030084 \$0.015732	\$0.077993	Annual	\$0.097907
Off-Peak	\$0.030084 \$0.029845\$0.015732	\$0.0418941746\$0.07799 3	Varies Ann ual	\$0.09790707197859 1

1. ~~Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply), Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.~~

~~Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply.~~

2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

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 Title: Senior Vice President, General Counsel
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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU-A
Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

Weekends (Saturday and Sunday), Memorial Day, Independence Day (or July 3 or July 5, under above conditions), and Labor Day.

On-Peak: (There are no On-Peak weekend hours)
Shoulder-Peak: (There are no Shoulder-Peak weekend hours)
Off-Peak: All weekend hours.

The Version (i.e., A, B, C, or D) available to a specific customer shall be determined on the basis of a rule documented in this pricing plan's Plan of Administration. This rule helps promote load diversity, a beneficial result of a demand response program.

Summer TOU periods:

Summer weekdays except Memorial Day, Independence Day (July 4), and Labor Day. If Independence Day falls on Saturday, the Weekend schedule applies on the preceeding Friday, July 3. If Independence Day falls on Sunday, the Weekend schedule applies on the following Monday, July 5.

On-Peak: 2:00 p.m. to 6:00 p.m.
Shoulder-Peak: 12:00 p.m. (noon) to 2:00 p.m. and 6:00 p.m. to 8:00 p.m.
Off-Peak: 12:00 a.m. (midnight) to 12 p.m. (noon) and 8:00 p.m. to 12:00 a.m. (midnight).

Summer weekend days (Saturday and Sunday), Memorial Day, Independence Day (or July 3 or July 5, under above conditions), and Labor Day.

On-Peak: (There are no On-Peak weekend hours)
Shoulder-Peak: (There are no Shoulder-Peak weekend hours)
Off-Peak: All hours.

Winter TOU periods:

Winter weekdays except Thanksgiving Day, Christmas Day, and New Years Day. If Christmas Day and New Years Day fall on Saturdays, the Weekend schedule applies on the preceeding Fridays, December 24 and December 31. If Christmas Day and New Years Day fall on Sundays, the Weekend schedule applies on the following Mondays, December 26 and January 2.

On-Peak: _____ is 6:00 a.m. to 10:00 a.m. and 5:00 p.m. to 9:00 p.m.
Shoulder-Peak: _____ †There are no shoulder peak periods in the winter.
Off-Peak: _____ is 12:00 a.m. (midnight) to 6:00 a.m., 10:00 a.m. to 5:00 p.m., and 9:00 p.m. to 12:00 a.m. (midnight).

Winter Weekend days (Saturday and Sunday), Thanksgiving Day, Christmas Day (or December 24 or December 26, under above conditions), and New Years Day (or December 31 or January 2, under above conditions).

On-Peak: (There are no On-Peak weekend hours)
Shoulder-Peak: (There are no Shoulder-Peak weekend hours)
Off-Peak: All weekend hours.

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District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU-A
Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$33.314097 per month
Meter Reading	\$0.626862 per month
Billing & Collection	\$3.6763.661 per month
Customer Delivery	\$3840.380 per month
	\$88.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy 1 st 400 kWhs	\$0.003076
Transmission—Sub-Transmission	\$0.003076002299
Sub-Transmission—Delivery	\$0.003076004813
Local Delivery Energy—Production not included in Power Supply	\$0.003076012643404
Production not included in Power Supply	\$0.000315
Delivery Services - Energy All Additional kWhs Local Delivery—Energy All Additional kWhs	
Transmission—Transmission	\$0.002299\$0.003076
Sub-Transmission—Sub-Transmission	\$0.004813\$0.003076
Local Delivery Energy—Delivery	\$0.022657418\$0.003076
Production not included in Power Supply	\$0.000315\$0.003076
Production not included in Power Supply	

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer:	
On-Peak	\$0.488770\$0.488632\$0.003076
Shoulder-Peak	\$0.074812\$0.003076074664
Off-Peak	\$0.054158\$0.003076054010
Base Power Supply Winter	
On-Peak	\$0.0030761591388990
Shoulder-Peak	\$0.003076
Off-Peak	\$0.0030760418941746
PPFAC (see Rate Rider-1 for current rate)	VariesAnnual Rate

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU-A
Residential Service SuperPeak Time-of-Use --
Weekends Off-Peak

Customer Charges:

Meter Services	\$2.227 per month
Meter Reading	\$0.688 per month
Billing & Collection	\$3.601 per month
Customer Delivery	\$0.984 per month

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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU-A
Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

Energy Charges (kWh):

Delivery Charge, 1st 400 kWhs

Transmission	\$0.003322 per kWh
Sub-transmission	\$0.003760 per kWh
Delivery	\$0.003821 per kWh
Production (not included in power supply)	\$0.000352 per kWh

Delivery Charge, all additional kWhs

Transmission	\$0.003322 per kWh
Sub-transmission	\$0.003760 per kWh
Delivery	\$0.013835 per kWh
Production (not included in power supply)	\$0.000352 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.102086	\$0.102086
Shoulder-Peak	\$0.077993	N/A
Off-Peak	\$0.072092	\$0.068588

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UNS Electric, Inc.
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Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan SGS-10
Small General Service**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the monthly usage is not more than 7,500 kWh in any two (2) consecutive months. Customers who use more than 7,500 kWh for two (2) or more consecutive months shall not be eligible for this pricing plan and shall take service under the Large General Service pricing plan. However, service is available for customer-owned, operated, and maintained area, street, or stadium lighting, and for firm irrigation service with a maximum monthly demand less than 25 kW

To any customer for any purpose where service is provided at one point of delivery and measured through one meter and where the monthly usage is not more than 7,500 kWh in any two (2) consecutive months. Customers who use more than 7,500 kWh for two (2) or more consecutive months shall not be eligible for this pricing plan and shall take service under the Large General Service pricing plan. However, service is available for customer-owned, operated, and maintained area, street, or stadium lighting, and for firm irrigation service with a maximum monthly demand less than 25 kW.

CHARACTER OF SERVICE

Single phase, 60 hertz at one standard voltage. Three phase for eligible loads over 5 kW.

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$12.50 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh	\$0.032440	\$0.0726499	Varies	\$0.105089
All Additional kWhs	\$0.042454	\$0.072649	Varies	\$0.115103

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan SGS-10
Small General Service**

3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

1. Delivery Services Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply.

2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED STANDARD OFFER SERVICE

Customer Charge	\$12.00 per month
Energy Charges:	
Delivery Charge, 1 st 400 kWhs	\$0.022449 per kwh
Delivery Charge, all additional kWhs	\$0.032463 per kwh
Base Power Supply Charge	\$0.075738 per kWh

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$4.381 per month
Meter Reading	\$1.434 per month
Billing & Collection	\$6.061 per month
Customer Delivery	\$0.6240 per month
	\$12.50 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan SGS-10
Small General Service**

<u>Component</u>	<u>Rate</u>
<u>Delivery Services - Energy 1st 400 kWhs</u>	
Transmission	\$0.001889
Sub-Transmission	\$0.003993
Local Delivery Energy	\$0.026252
Production not included in Power Supply	\$0.000306
<u>Delivery Services - Energy All Additional kWhs</u>	
Transmission	\$0.001889
Sub-Transmission	\$0.003993
Local Delivery Energy	\$0.036266
Production not included in Power Supply	\$0.000306

Power Supply Charges (Unbundling) (\$/kWh):

<u>Component</u>	<u>Rate</u>
Base Power Supply	\$0.072649
PPFAC (see Rate Rider-1 for current rate)	Varies

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charges:

Meter Services	\$3.450 per month
Meter Reading	\$1.173 per month
Billing & Collection	\$6.123 per month
Customer Delivery	\$1.245 per month

Energy Charges (kWh):

<u>Delivery Charge, 1st 400 kWhs:</u>	
Transmission	\$0.002568 per kWh
Sub-transmission	\$0.003105 per kWh
Delivery	\$0.016436 per kWh
Production (not included in power supply)	\$0.000340 per kWh
<u>Delivery Charge, all additional kWhs</u>	
Transmission	\$0.002568 per kWh
Sub-transmission	\$0.003105 per kWh
Delivery	\$0.026450 per kWh
Production (not included in power supply)	\$0.000340 per kWh
Base Power Supply	\$0.075738 per kWh

TERMS AND CONDITIONS

Service under this schedule is for the exclusive use of the Customer and shall not be resold or shared with others.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan SGS-10
Small General Service**

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan SGS-10 TOU
Small General Service Time-of-Use**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

Throughout the entire area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer for where the monthly usage is not more than 7,500 kWh in any two (2) consecutive months. Customers who use more than 7,500 kWh for two (2) or more consecutive months shall not be eligible for this pricing plan and shall take service under the Large General Service pricing plan. However, service is available for customer-owned, operated, and maintained area, street, or stadium lighting, and for firm irrigation service with a maximum monthly demand less than 25 kW.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single phase, 60 hertz at one standard voltage. Three phase for eligible loads over 5 kW.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 12.50 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.032440	\$0.136759-130888	Varies	\$0.169199 150958
Shoulder Peak	\$0.032440	\$0.07264966778	Varies	\$0.099218105089
Off-Peak	\$0.032440	\$0.040888046759	Varies	\$0.0733289199
All Additional kWhs				
On-Peak	\$0.042454	\$0.130888\$0.136759	Varies	\$0.179213160972
Shoulder Peak	\$0.042454	\$0.066778 \$0.072649	Varies	\$0.096862115103
Off-Peak	\$0.042454	\$0.040888\$0.046759	Varies	\$0.089213

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan SGS-10 TOU
Small General Service Time-of-Use**

070972

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.032440	\$0.136759	Varies	\$0.1633289499
Off-Peak	\$0.032440	\$0.0326688539	Varies	\$0.160972070979
All Additional kWhs				
On-Peak	\$0.042454	\$0.130888	Varies	\$0.179213052738
Off-Peak	\$0.042454	\$0.0326688539	Varies	\$0.06275280993

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED STANDARD OFFER SERVICE

Customer Charge \$12.00 per month

Energy Charges:

Delivery Charge, 1st 400 kWh \$0.022449 per kWh

Delivery Charge, all additional kWhs \$0.032463 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.097108	\$0.097108

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan SGS-10 TOU
Small General Service Time-of-Use**

Shoulder-Peak	\$0.075738	N/A
Off-Peak	\$0.067108	\$0.064368

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$4.3813.314 per month
Meter Reading	\$1.4340.626 per month
Billing & Collection	\$6.0613.676 per month
Customer Delivery	\$0.6240.384 per month
	\$12.5012.50 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services - Energy 1 st 400 kWhs	
Transmission	\$0.001889\$0.003076
Sub-Transmission	\$0.003993\$0.003076
Local Delivery Energy	\$0.026252\$0.003076
Production not included in Power Supply	\$0.000306\$0.003076
Local Delivery-Energy All Additional kWhs	
Transmission	\$0.001889\$0.003076
Sub-Transmission	\$0.003993\$0.003076
Local Delivery Energy	\$0.036266\$0.003076
Production not included in Power Supply	\$0.000306\$0.003076

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.136759 \$0.003076
Shoulder-Peak	\$0.072649 \$0.003076
Off-Peak	\$0.046759 \$0.003076

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan SGS-10 TOU
Small General Service Time-of-Use

Base Power Supply Winter	
On-Peak	\$0.136759 \$0.003076
Off-Peak	\$0.038539 \$0.003076
PPFAC (see Rate Rider-1 for current rate)	Varies

Customer Charges:

Meter Services	\$3.450 per month
Meter Reading	\$1.173 per month
Billing & Collection	\$6.123 per month
Customer Delivery	\$1.245 per month

Energy Charges (kWh):

Delivery Charge, 1 st 400 kWhs:	
Transmission	\$0.002568 per kWh
Sub-transmission	\$0.003105 per kWh
Delivery	\$0.016436 per kWh
Production (not included in power supply)	\$0.000340 per kWh

Delivery Charge, all additional kWhs	
Transmission	\$0.002568 per kWh
Sub-transmission	\$0.003105 per kWh
Delivery	\$0.026450 per kWh
Production (not included in power supply)	\$0.000340 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.097108	\$0.097108
Shoulder-Peak	\$0.075738	N/A
Off-Peak	\$0.067108	\$0.064368

TERMS AND CONDITIONS

Service under this schedule is for the exclusive use of the Customer and shall not be resold or shared with others.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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**UNS Electric, Inc.
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Small General Service Time-of-Use**

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

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Title: Senior Vice President, General Counsel
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UNS Electric, Inc.
Pricing Plan SGS-10 TOU
Small General Service Time-of-Use

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan SGS-10 SuperPeak TOU
Small General Service SuperPeak Time-of-Use

Off-Peak	\$0.032440 \$0.032146015732	\$0.077993046759615	Varies Annual	\$0.0979070791998761
All Additional kWhs				
Super On-Peak	\$0.042454 \$0.025746042160	\$0.423680 \$0.423547 \$0.077993	Varies Annual	\$0.1079214661345707
Shoulder Peak	\$0.042454 \$0.042160015732	\$0.072649 \$0.072505 \$0.077993	Varies Annual	\$0.0979071151034674
Off-Peak	\$0.042454 \$0.042160015732	\$0.046759 \$0.046615 \$0.077993	Varies Annual	\$0.0979070892138775

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan SGS-10 SuperPeak TOU
Small General Service SuperPeak Time-of-Use

Winter	Delivery Services-Energy ¹	Power Supply Charges ²			Total ³
		Base Power	PPFAC ²		
First 400 kWh					
On-Peak	\$0.032440 \$0.032146\$0.015732	\$0.0779931367596615	VariesAnnual		\$0.0979071691998761
Shoulder Peak	\$0.032440 \$0.015732	\$0.077993	Annual		\$0.097907
Off-Peak	\$0.032440 \$0.032146\$0.015732	\$0.0779930385398395	VariesAnnual		\$0.0979070709790541
All Additional kWhs					
On-Peak	\$0.042454 \$0.042160\$0.025746	\$0.136759 \$0.136615 \$0.077993	VariesAnnual		\$0.1079211792138775
Shoulder Peak	\$0.042454 \$0.015732	\$0.038539 \$0.038395 \$0.077993	Annual		\$0.097907
Off-Peak	\$0.042454 \$0.042160\$0.015732	\$0.038539\$0.038395 \$0.077993	VariesAnnual		\$0.0979070809930555

1. Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply), Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.

Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply.

2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration

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 Title: Senior Vice President, General Counsel
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UNS Electric, Inc.
Pricing Plan SGS-10 SuperPeak TOU
Small General Service SuperPeak Time-of-Use

The winter On-Peak periods are 6:00 a.m. – 10:00 a.m. and 5:00 p.m. – 9:00 p.m.. All other hours are Off-Peak.
 The Winter periods below apply to all winter days:

On-Peak 6:00 a.m. to 10:00 a.m. and 5:00 p.m. to 9:00 p.m.
 Shoulder-Peak: There is no shoulder peak periods in the winter.
 Off-Peak: 12:00 a.m. (midnight) to 6:00 a.m., 10:00 a.m. to 5:00 p.m., and 9:00 p.m. to 12:00 a.m. (midnight)

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$3,3144.381 -per month
Meter Reading	\$0.6261.434 per month
Billing & Collection	\$3.6766.061 per month
Customer Delivery	\$.3840.624 per month
	\$8.0012.50 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy 1 st 400 kWhs	
Transmission— Transmission	\$0.003076001889
Sub-Transmission— Sub-Transmission	\$0.003076003993
Local Delivery Energy— Delivery	\$0.0030760262525958
Production not included in Power Supply	\$0.003076000306
Production not included in Power Supply	
Delivery Services - Energy All Additional kWhs Local	
Delivery Energy All Additional kWhs	
Transmission— Transmission	\$0.001889\$0.003076
Sub-Transmission— Sub-Transmission	\$0.003993\$0.003076
Local Delivery Energy— Delivery	\$0.0362665972\$0.003076
Production not included in Power Supply	\$0.000306\$0.003076
Production not included in Power Supply	

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.423680 \$0.423547
	\$0.003076
Shoulder-Peak	\$0.072649 \$0.072505
	\$0.003076
Off-Peak	\$0.046759 \$0.046615
	\$0.003076
Base Power Supply Winter	
On-Peak	\$0.136759 \$0.136615

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan SGS-10 SuperPeak TOU
Small General Service SuperPeak Time-of-Use

	\$0.003076
Shoulder-Peak	\$0.038539
	\$0.038539\$0.038395
	\$0.003076
Off-Peak	\$0.038539\$0.038395
	\$0.003076
PPFAC (see Rate Rider-1 for current rate)	Varies Annual Rate

Customer Charges:

Meter Services	\$3.459 per month
Meter Reading	\$1.173 per month
Billing & Collection	\$6.123 per month
Customer Delivery	\$1.245 per month

Energy Charges (kWh):

<u>Delivery Charge, 1st 400 kWhs:</u>	
Transmission	\$0.002568 per kWh
Sub-transmission	\$0.003105 per kWh
Delivery	\$0.016436 per kWh
Production (not included in power supply)	\$0.000340 per kWh

<u>Delivery Charge, all additional kWhs</u>	
Transmission	\$0.002568 per kWh
Sub-transmission	\$0.003105 per kWh
Delivery	\$0.026450 per kWh
Production (not included in power supply)	\$0.000340 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.097108	\$0.097108
Shoulder-Peak	\$0.075738	N/A
Off-Peak	\$0.067108	\$0.064368

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan SGS-10 SuperPeak TOU
Small General Service SuperPeak Time-of-Use

TERMS AND CONDITIONS

Service under this schedule is for the exclusive use of the Customer and shall not be resold or shared with others.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan SGS-10 SuperPeak TOU
Small General Service SuperPeak Time-of-Use

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LGS
Large General Service**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is less than 1,000 kW.

Standard offer sales service to any customer for any purpose where such service is supplied at one point of delivery and measured through one meter and the maximum monthly demand is less than 1,000 kW.

CHARACTER OF SERVICE

Single or three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises. Customers may choose time-of-use service as well.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$16.00 per month
 Customer Charge, Single Phase service and minimum bill (Optional TOU) ~~\$20.90~~ 12.90 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge _____ \$143.3535-319 per kW

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

	<u>Delivery Services-Energy¹</u>	<u>Power Supply Charges²</u>		<u>Total³</u>
		<u>Base Power</u>	<u>PPFAC²</u>	
All kWh	\$0.004254	\$0.064326	Varies	\$0.068580

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery/Energy and Production not included in Power Supply
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

	<u>Delivery Services Energy¹ (kWh)</u>	<u>Power Supply Charges²</u>	=
		<u>Base Power</u> <u>PPFAC²</u>	<u>Total³</u>

1. Delivery Services Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply.

2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED STANDARD OFFER SERVICE

Customer Charge	\$ per month
Customer Charge, (optional TOU)	\$ per month
Demand Charge	\$ per kW
Energy Charges:	
Delivery	\$0.0 per kWh
Base Power Supply Charge	\$0.0 per kWh

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

DETERMINATION OF BILLING DEMAND

Normal service: If the time-of-use option is not chosen, the monthly billing demand shall be the highest measured fifteen (15) minute integrated reading of the demand meter during the billing month.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LGS
Large General Service**

Time-of-Use: If time-of-use service is chosen, the monthly billing demand shall be the higher of:

- (i) the highest measured fifteen (15) minute integrated reading of the demand meter during the on-peak hours of the billing period,
- (ii) one-half the highest measured fifteen (15) minute integrated reading of the demand meter during the off-peak hours, or
- (iii) the contract capacity.

ON-PEAK HOURS

During the months of May through October, on-peak hours are those hours between 11:00 a.m. and 10:00 p.m. each day, Monday through Saturday. All other hours shall be considered off-peak hours.

During the months of November through April, on-peak hours are those hours between 7:00 a.m. and 7:00 p.m. each day, Monday through Friday. All other hours shall be considered off-peak hours.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$8.7729289 per month
Meter Reading	\$1.282184 per month
Billing & Collection	\$5.394044 per month
Customer Delivery	\$0.55247 per month
	\$16.00 per month

Customer Charge (Optional TOU) Components of Delivery Services (Unbundling):

Meter Services	\$16.935935 per month
Meter Reading	\$ 0.612 per month
Billing & Collection	\$ 3.168 per month
Customer Delivery	\$ 0.185 per month
	\$ 20.900 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge	\$13.353650 per kW per month
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Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy – All kWh	
Transmission—Transmission	\$0.0015073076
Sub-Transmission—Sub-Transmission	\$0.003224076
Local Delivery Energy—Delivery	(\$0.000768)3076

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
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**UNS Electric, Inc.
Pricing Plan LGS
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Production not included in Power Supply Production not included in Power Supply	\$0.0002913076
--	----------------

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.06432603076
PPFAC (see Rate Rider-1 for current rate)	Varies Annual Rate

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charges:

Meter Services	\$ per month
Meter Reading	\$ per month
Billing & Collection	\$ per month
Customer Delivery	\$ per month

Customer Charges, (optional TOU):

Meter Services	\$ per month
Meter Reading	\$ per month
Billing & Collection	\$ per month
Customer Delivery	\$ per month

Demand Delivery(kW): \$ per kW

Energy Charges (kWh):

<u>Delivery:</u>	
Transmission	\$0.0 per kWh
Sub-transmission	\$0.0 per kWh
Delivery	\$0.0 per kWh
Production (not included in power supply)	\$0.0 per kWh
Base Power Supply	\$0.0 per kWh

TERMS AND CONDITIONS

Standby, supplemental or breakdown service shall not be rendered under this pricing plan except for Qualifying Facilities or Independent Power Producers that have entered into a Service or Purchase Agreement with the Company.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

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**UNS Electric, Inc.
Pricing Plan LGS
Large General Service**

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LGS-TOU-N
Large General Service Time-of-Use**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

Standard offer sales service to any customer for any purpose where such service is supplied at one point of delivery and measured through one meter and the maximum monthly demand is less than 1,000 kW.

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is less than 1,000 kW.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single or three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises. Customers may choose time-of-use service as well.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 168.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$13.65035266 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

<u>Summer</u>	<u>Delivery Services-Energy¹</u>	<u>Power Supply Charges²</u>		<u>Total³</u>
		<u>Base Power</u>	<u>PPFAC²</u>	
<u>First 400 kWh</u>				
<u>On-Peak</u>	<u>\$0.004254</u> \$0.015732 <u>04254</u>	<u>\$0.077993121221095</u>	<u>AnnualVaries</u>	<u>\$0.0979071254755349</u>
<u>Shoulder Peak</u>	<u>\$0.004254</u> \$0.004254 <u>015732</u>	<u>\$0.077993064326200</u>	<u>VariesAnnual</u>	<u>\$0.0685808454</u> <u>\$0.097907</u>

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
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Large General Service Time-of-Use

<u>Off-Peak</u>	<u>\$0.004254</u> <u>\$0.004254015732</u>	<u>\$0.077993</u> <u>046221095</u>	<u>Varies</u> <u>Annual</u>	<u>\$0.050475</u> <u>\$0.097907</u> <u>0349</u>
<u>All Additional kWhs</u>				
<u>— On-Peak</u>	<u>\$0.025746</u>	<u>\$0.077993</u>	<u>Annual</u>	<u>\$0.107921</u>
<u>— Shoulder Peak</u>	<u>\$0.015732</u>	<u>\$0.077993</u>	<u>Annual</u>	<u>\$0.097907</u>
<u>— Off-Peak</u>	<u>\$0.015732</u>	<u>\$0.077993</u>	<u>Annual</u>	<u>\$0.097907</u>

<u>Winter</u>	<u>Delivery Services- Energy¹</u>	<u>Power Supply Charges²</u>		<u>Total³</u>
		<u>Base Power</u>	<u>PPFAC²</u>	
<u>First 400 kWh</u>				
<u>— On-Peak</u>	<u>\$0.004254</u> <u>\$0.004254015732</u>	<u>\$0.077993</u> <u>121221095</u>	<u>Varies</u> <u>Annual</u>	<u>\$0.125475</u> <u>\$0.097907</u> <u>349</u>
<u>— Shoulder Peak</u>	<u>\$0.004254</u> <u>\$0.015732</u>	<u>\$0.077993</u>	<u>Annual</u>	<u>\$0.036631</u> <u>\$0.097907</u>
<u>— Off-Peak</u>	<u>\$0.004254</u> <u>\$0.004254015732</u>	<u>\$0.077993</u> <u>0325032377</u>	<u>Varies</u> <u>Annual</u>	<u>\$0.036757</u> <u>\$0.097907</u> <u>631</u>
<u>All Additional kWhs</u>				
<u>— On-Peak</u>	<u>\$0.025746</u>	<u>\$0.077993</u>	<u>Annual</u>	<u>\$0.107921</u>
<u>— Shoulder Peak</u>	<u>\$0.015732</u>	<u>\$0.077993</u>	<u>Annual</u>	<u>\$0.097907</u>
<u>— Off-Peak</u>	<u>\$0.015732</u>	<u>\$0.077993</u>	<u>Annual</u>	<u>\$0.097907</u>

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LGS-TOU-N
Large General Service Time-of-Use**

1. ~~Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of: Transmission, Sub-transmission and production not included in Power Supply), Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.~~

~~Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of: Transmission, Sub-transmission and production not included in Power Supply.~~

2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

Customer Charge	\$15.50 per month
Demand Charge	\$10.71 per kW
Energy Charges:	
Delivery	\$0.003254 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.089820	\$0.089820
Shoulder-Peak	\$0.067062	N/A
Off-Peak	\$0.059820	\$0.054333

~~Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.~~

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan LGS-TOU-N
Large General Service Time-of-Use

DETERMINATION OF BILLING DEMAND

Normal service: If the time of use option is not chosen, the monthly billing demand shall be the highest measured fifteen (15) minute integrated reading of the demand meter during the billing month.

Time of Use: If time of use service is chosen, the monthly billing demand shall be the higher of:

- (i) the highest measured fifteen (15) minute integrated reading of the demand meter during the on-peak and shoulder hours of the billing period,
- (ii) one-half the highest measured fifteen (15) minute integrated reading of the demand meter during the off-peak hours, or
- (iii) the contract capacity.

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**UNS Electric, Inc.
Pricing Plan LGS-TOU-N
Large General Service Time-of-Use**

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$3,3148.772 per month
Meter Reading	\$0.6261.282 per month
Billing & Collection	\$3,6765.394 per month
Customer Delivery	\$,3840.552 per month
	\$816.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge	\$3.65013.353266 per kW per month
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Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy 1 st 400 kWhs- All kWh	
— Transmission— Transmission	\$0.0030760015017
— Sub-Transmission— Sub-Transmission	\$0.003076003224
— Local Delivery Energy (negative charge)	(\$0.0030760768)
Delivery	
— Production not included in Power Supply	\$0.0030760291
Production not included in Power Supply	
Local Delivery Energy All Additional kWhs	
— Transmission	\$0.003076
— Sub-Transmission	\$0.003076
— Delivery	\$0.003076
— Production not included in Power Supply	\$0.003076

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
— On-Peak	\$0.121221 \$0.121095
	\$0.003076
— Shoulder-Peak	\$0.064326 \$0.064200
	\$0.003076
— Off-Peak	\$0.046221 \$0.046095
	\$0.003076
Base Power Supply Winter	
— On-Peak	\$0.121221
	\$0.121095 \$0.003076
— Shoulder-Peak	\$0.032503 \$0.003076

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**UNS Electric, Inc.
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Large General Service Time-of-Use**

Off-Peak	\$0.032503\$0.032377\$0.003076
PPFAC (see Rate Rider-1 for current rate)	Varies Annual Rate

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

<u>Customer Charges:</u>	
Meter Services	\$2.923 per month
Meter Reading	\$1.185 per month
Billing & Collection	\$6.145 per month
Customer Delivery	\$5.247 per month
<u>Demand Delivery(kW):</u>	
	\$10.710 per kW
<u>Energy Charges (kWh):</u>	
<u>Delivery:</u>	
Transmission	\$0.001326 per kWh
Sub-transmission	\$0.001600 per kWh
Delivery	\$0.000228 per kWh
Production (not included in power supply)	\$0.000100 per kWh
<u>Base Power Supply Charges (All energy charges below are charged on a per kWh basis):</u>	

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.089820	\$0.089820
Shoulder-Peak	\$0.067062	N/A
Off-Peak	\$0.059820	\$0.054333

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LGS-TOU-N
Large General Service Time-of-Use**

TERMS AND CONDITIONS

Standby, supplemental or breakdown service shall not be rendered under this pricing plan except for Qualifying Facilities or Independent Power Producers that have entered into a Service or Purchase Agreement with the Company.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan LGS-TOU-N SuperPeak TOU-N
Large General Service SuperPeak Time-of-Use

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is less than 1,000 kW.

Standard offer sales service to any customer for any purpose where such service is supplied at one point of delivery and measured through one meter and the maximum monthly demand is less than 1,000 kW.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single or three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises. Customers may choose time-of-use service as well.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 168.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$13.650353266 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	<u>Delivery Services-Energy¹</u>	<u>Power Supply Charges²</u>		<u>Total³</u>
		<u>Base Power</u>	<u>PPFAC²</u>	
<u>First 400 kWhAll kWh</u>				
<u>SuperOn -Peak</u>	<u>\$0.004254\$0.0157320425</u> 4	<u>\$0.36369007799336356</u> 6	<u>AnnualVarie s</u>	<u>\$0.09790736794436782</u> 9
<u>Shoulder Peak</u>	<u>\$0.004254\$0.004254015732</u>	<u>\$0.0779930643264200</u>	<u>VariesAnnua t</u>	<u>\$0.097907068580454</u>
<u>Off-</u>	<u>\$0.004254\$0.</u>	<u>\$0.077993046221095</u>	<u>VariesAnnua</u>	<u>\$0.097907050475349</u>

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan LGS-TOU-N SuperPeak TOU-N
Large General Service SuperPeak Time-of-Use

Peak	004254015732			
All Additional kWhs				
— On-Peak	\$0.025746	\$0.077993	Annual	\$0.107921
— Shoulder Peak	\$0.015732	\$0.077993	Annual	\$0.097907
— Off-Peak	\$0.015732	\$0.077993	Annual	\$0.097907

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³	
		Base Power	PPFAC ²		
First 400 kWh All kWh					
— On-Peak	\$0.004254\$0.004254015732	\$0.0779931212214096	VariesAnnual	\$0.0979071254755349	
— Shoulder Peak		\$0.004254\$0.015732	\$0.077993	Annual	\$0.097907
— Off-Peak	\$0.004254\$0.004254015732	\$0.07799303250332377	VariesAnnual	\$0.097907036757634	
All Additional kWhs					
— On-Peak		\$0.025746	\$0.077993	Annual	\$0.107921
— Shoulder Peak		\$0.015732	\$0.077993	Annual	\$0.097907
— Off-Peak		\$0.015732	\$0.077993	Annual	\$0.097907

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 Title: Senior Vice President, General Counsel
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UNS Electric, Inc.
Pricing Plan LGS-TOU-N SuperPeak TOU-N
Large General Service SuperPeak Time-of-Use

1. ~~Delivery Services-Energy is a bundled charge that includes: Local-Delivery-Energy (Local-Delivery and/or-Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply);-Transmission, Sub-ttransmission,- Local DeliveryEnergy and Production not included in Power Supply.~~

~~Delivery Services-Energy is a bundled charge that includes: Local-Delivery-Energy (Local-Delivery and/or-Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply.~~

2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

Customer Charge	\$15.50 per month
Demand Charge	\$10.71 per kW
Energy Charges:	
Delivery	\$0.003254 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.089820	\$0.089820
Shoulder-Peak	\$0.067062	N/A
Off-Peak	\$0.059820	\$0.054333

~~Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.~~

TIME-OF-USE PERIODS

The Summer periods below apply to all summer days:

SuperOn-Peak:	— Either: Version A: 2:00 p.m. to 3:00 p.m.;
	Version B: 3:00 p.m. to 4:00 p.m.;
	Version C: 4:00 p.m. to 5:00 p.m.; or
	Version D: 5:00 p.m. to 6:00 p.m.

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan ~~LGS-TOU-N~~ SuperPeak TOU-N
Large General Service SuperPeak Time-of-Use

Shoulder-Peak: Either: Version A: 3:00 p.m. to 6:00 p.m.;
Version B: 2:00 p.m. to 3:00 p.m. and 4:00 p.m. to 6:00 p.m.;
Version C: 2:00 p.m. to 4:00 p.m. and 5:00 p.m. to 6:00 p.m.; or
Version D: 2:00 p.m. to 5:00 p.m.

Off-Peak: 12:00 a.m. (midnight) to 2 p.m. and 6:00 p.m. to 12:00 a.m. (midnight)

The Version (i.e., A, B, C, or D) available to a specific customer shall be determined on the basis of a rule documented in this pricing plan's Plan of Administration. This rule helps promote load diversity, a beneficial result of a demand response program.

The Winter periods below apply to all winter days:

On-Peak: 6:00 a.m. to 10:00 a.m. and 5:00 p.m. to 9:00 p.m.
Shoulder-Peak: There is ~~no~~ shoulder peak periods in the winter.
Off-Peak: 12:00 a.m. (midnight) to 6:00 a.m., 10:00 a.m. to 5:00 p.m., and 9:00 p.m. to 12:00 a.m. (midnight).

TIME-OF-USE PERIODS

Summer Billing Months are May-October, Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan LGS-TOU-N SuperPeak TOU-N
Large General Service SuperPeak Time-of-Use

DETERMINATION OF BILLING DEMAND

Normal service: If the time-of-use option is not chosen, the monthly billing demand shall be the highest measured fifteen (15) minute integrated reading of the demand meter during the billing month.

Time of Use: If time-of-use service is chosen, the monthly billing demand shall be the higher of:

- (i) the highest measured fifteen (15) minute integrated reading of the demand meter during the on-peak and shoulder hours of the billing period,
- (ii) one-half the highest measured fifteen (15) minute integrated reading of the demand meter during the off-peak hours, or
- (iii) the contract capacity.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$3,3148.772 per month
Meter Reading	\$0.6261.282 per month
Billing & Collection	\$3.6765.394 per month
Customer Delivery	\$3840.552 per month
	\$816.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge	\$3.65013.353266 per kW per month
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Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy 1 st 400 kWhs – All kWh	
Transmission—Transmission	\$0.0030760015047
Sub-Transmission—Sub-Transmission	\$0.003076003224
Local Delivery Energy (negative charge)	(\$0.0030760768)
Delivery	
Production not included in Power Supply	\$0.0030760291
Production not included in Power Supply	
Local Delivery Energy All Additional kWhs	
Transmission	\$0.003076
Sub-Transmission	\$0.003076
Delivery	\$0.003076
Production not included in Power Supply	\$0.003076

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	

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On-Peak	\$0.363690 \$0.363566 \$0.003076
Shoulder-Peak	\$0.064326 \$0.064200 \$0.003076
Off-Peak	\$0.046221 \$0.046095 \$0.003076
Base Power Supply Winter	
On-Peak	\$0.121221 \$0.121095 \$0.003076
Shoulder-Peak	\$0.032503 \$0.003076
Off-Peak	\$0.032503 \$0.032377 \$0.003076
PPFAC (see Rate Rider-1 for current rate)	Varies Annual Rate

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charges:

Meter Services	\$2.923 per month
Meter Reading	\$1.185 per month
Billing & Collection	\$6.145 per month
Customer Delivery	\$5.247 per month

Demand Delivery(kW):

\$10.710 per kW

Energy Charges (kWh):

Delivery:

Transmission	\$0.001326 per kWh
Sub-transmission	\$0.001600 per kWh
Delivery	\$0.000228 per kWh
Production (not included in power supply)	\$0.000100 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May - October)	Winter (November - April)
On-Peak	\$0.089820	\$0.089820
Shoulder-Peak	\$0.067062	N/A
Off-Peak	\$0.059820	\$0.054333

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UNS Electric, Inc.
Pricing Plan LGS-TOU-NSuperPeak TOU-N
Large General Service SuperPeak Time-of-Use

TERMS AND CONDITIONS

Standby, supplemental or breakdown service shall not be rendered under this pricing plan except for Qualifying Facilities or Independent Power Producers that have entered into a Service or Purchase Agreement with the Company.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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**UNS Electric, Inc.
Pricing Plan LPS
Large Power Service**

AVAILABILITY

Throughout the entire area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer for any purpose where the service is supplied at one point of delivery and measured through one meter where the maximum monthly demand is 500 kW or greater, but if 10,000 kW or more, a service agreement spelling out minimum conditions must be entered into.

CHARACTER OF SERVICE

Three phase, 60 hertz, at the Company's standard transmission or distribution voltages that are available within the vicinity of the Customer's premises.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill (<69 kV Service)	\$ 372.008.00 per month
Customer Charge, Single Phase service and minimum bill (>69 kV Service)	\$ 407.008.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge (<69 kV Service)	\$21.2213.650 per kW per month
Demand Charge (>69 kV Service)	\$14.930 3.650 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh	\$0.000000	\$0.051087	Varies	\$0.051087

	Delivery Services-Energy ¹ (kWh)	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
				-

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All kWhs	\$0.025746	\$0.077993	Annual	\$0.107921
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1. Delivery Services-Energy is a bundled charge that includes: ~~Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.~~
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED STANDARD OFFER SERVICE

Customer Charge, (<69 kV Distribution Service)	\$365.00 per month
Customer Charge, (≥69 kV Transmission Service)	\$400.00 per month
Demand Charge, (<69 kV Distribution Service)	\$17.895 per kW
Demand Charge, (≥69 kV Transmisison Service)	\$11.610 per kW
Energy Charges:	
Delivery	\$0.000000 per kWh
Base Power Supply Charge	\$0.053260 per kWh

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

Minimum Charge: The minimum charge shall be the customer charge plus the demand charge.

A credit of three percent (3%) will be applied to the demand charge if the customer receives Distribution Service at primary voltage.

The Customer agrees to maintain, as nearly as practicable, a unity power factor. In the event that the Customer's power factor for any billing month is less than eighty-five (85%), an adjustment shall be applied to the bill as follows:

Power Factor adjustment =

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(Maximum Demand / (.15 + PF)) - Maximum Demand) x Demand Charge Where Maximum Demand is the highest measured fifteen (15) minute demand in kilowatts during the billing period.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the higher of:

- i. the highest measured fifteen-minute integrated reading of the demand meter during the on-peak hours of the billing period,
- ii. one-half the highest measured fifteen-minute integrated reading of the demand meter during the off-peak hours,
- iii. the highest demand metered during the preceding eleven (11) months, or
- iv. the contract capacity.

In the event a customer achieves permanent, verifiable demand reduction through involvement in UNS Electric, Inc.'s Demand-Side Management programs, such reductions will be applicable to adjusted demands billed during the eleven (11) month period prior to the installation of the DSM measures.

ON-PEAK HOURS

During the months of May through October, on-peak hours are those hours between 11:00 a.m. and 10:00 p.m. each day, Monday through Saturday. All other hours shall be considered off-peak hours.

During the months of November through April, on-peak hours are those hours between 7:00 a.m. and 7:00 p.m. each day, Monday through Friday. All other hours shall be considered off-peak hours.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling) (<69 kV Service):

Meter Services	\$213.2963.314 per month
Meter Reading	\$ 25.7890.626 per month
Billing & Collection	\$3.676132.801 per month
Customer Delivery	\$ 0.114.384 per month
	\$372.00 8.00 per month

Customer Charge Components of Delivery Services (Unbundling) (>69 kV Service):

Meter Services	\$233.3643.314 per month
Meter Reading	\$ 28.2150.626 per month
Billing & Collection	\$145.2963.676 per month
Customer Delivery	\$ 0.125.384 per month
	\$8.00407.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge (<69 kV Service)	_____ \$21.2213.650 per kW per month
Demand Charge (>69 kV Service)	\$14.9303.650 per kW per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

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<u>Component</u>	<u>Rate</u>
Local Delivery-Energy	\$0.000000

Power Supply Charges (Unbundling) (\$/kWh):

<u>Component</u>	<u>Rate</u>
Base Power Supply	\$0.00510873076
PPFAC (see Rate Rider-1 for current rate)	Varies Annual Rate

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charges, (<69 kV Distribution Service):

Meter Services	\$ 1.727 per month
Meter Reading	\$ 42.623 per month
Billing & Collection	\$221.737 per month
Customer Delivery	\$ 98.913 per month

Customer Charges, (>69 kV Transmisison Service):

Meter Services	\$.777 per month
Meter Reading	\$ 27.730 per month
Billing & Collection	\$142.797 per month
Customer Delivery	\$228.696 per month

Demand Charges, (<69 kV Distribution Service):

Transmission	\$.725 per kW
Sub-transmission	\$.951 per kW
Delivery	\$ 16.097 per kw
Production (not included in power supply)	\$.122 per kW

Demand Charges, (>69 kV Transmisison Service):

Transmission	\$.777 per kW
Sub-transmission	\$ 1.019 per kW
Delivery	\$ 9.683 per kw
Production (not included in power supply)	\$.131 per kW

Energy Charges (kWh):

Delivery	\$0.000000 per kWh
Base Power Supply Charge	\$0.053260 per kWh

TERMS AND CONDITIONS

Standby, supplementary, breakdown, and/or temporary service are available under this rate. At the Company's option, customers may have to enter into a Service or Purchase Agreement with the Company for this service.

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**UNS Electric, Inc.
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Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

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**UNS Electric, Inc.
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ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

OTHER PROVISIONS

Service hereunder shall remain in full force and in effect until terminated by the customer unless otherwise provided for in the Service Agreement. Termination of service requires twelve (12) months advance notice in writing to the Company.

Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of two (2) years or longer, with a minimum contract demand capacity at the Company's option in view of the anticipated demand of the Customer.

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UNS Electric, Inc.
Pricing Plan LPS-TOU
Large Power Service Time-of-Use

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is 500 kW or greater, but if 10,000 kW or more, a service agreement spelling out minimum conditions must be entered into.

To any customer for any purpose where the service is supplied at one point of delivery and measured through one meter when the maximum monthly demand is 500 kW or greater, but if 10,000 kW or more, a service agreement spelling out minimum conditions must be entered into.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Three phase, 60 hertz, at the Company's standard transmission or distribution voltages that are available within the vicinity of the Customer's premises.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill (<69 kV Service)	\$372.00-8.00 per month
Customer Charge, Single Phase service and minimum bill (>69 kV Service)	\$407.00-8.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge (<69 kV Service)	\$21.2213-650 per kW per month
Demand Charge (>69 kV Service)	\$14.9603-650 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

BUNDLED STANDARD OFFER SERVICE

Customer Charge, (<69 kV Distribution Service)	\$365.00 per month
Customer Charge, (≥69 kV Transmission Service)	\$400.00 per month
Demand Charge, (<69 kV Distribution Service)	\$17.895 per kW
Demand Charge, (≥69 kV Transmission Service)	\$11.610 per kW

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Summer	Delivery Services-Energy ¹	Power Supply Charges ²		- Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.000000	\$0.099047	Varies	\$0.099047
Shoulder Peak	\$0.000000	\$0.051087	Varies	\$0.051087
Off-Peak	\$0.000000	\$0.039047	Varies	\$0.039047

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		- Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.000000	\$0.099047	Varies	\$0.099047
Off-Peak	\$0.000000	\$0.027033	Varies	\$0.027033

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

Energy Charges:

Delivery _____ \$0.000000 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.077240	\$0.077240
Shoulder-Peak	\$0.053260	N/A
Off-Peak	\$0.047240	\$0.041233

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Large Power Service Time-of-Use**

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

Minimum Charge: The minimum charge shall be the customer charge plus the demand charge.

A credit of three percent (3%) will be applied to the demand charge if the customer receives Distribution Service at primary voltage.

The Customer agrees to maintain, as nearly as practicable, a unity power factor. In the event that the Customer's power factor for any billing month is less than eighty-five (85%), an adjustment shall be applied to the bill as follows:

Power Factor adjustment =

$(\text{Maximum Demand} / (.15 + \text{PF})) - \text{Maximum Demand}$ x Demand Charge Where Maximum Demand is the highest measured fifteen (15) minute demand in kilowatts during the billing period.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the higher of:

- i. the highest measured fifteen-minute integrated reading of the demand meter during the on-peak hours of the billing period,
- ii. one-half the highest measured fifteen-minute integrated reading of the demand meter during the off-peak hours,
- iii. the highest demand metered during the preceding eleven (11) months, or
- iv. the contract capacity.

In the event a customer achieves permanent, verifiable demand reduction through involvement in UNS Electric, Inc.'s Demand-Side Management programs, such reductions will be applicable to adjusted demands billed during the eleven (11) month period prior to the installation of the DSM measures.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling) (<69 kV Service):

Meter Services	\$213.296 per month
Meter Reading	\$ 25.789 per month
Billing & Collection	\$132.801 per month
Customer Delivery	\$ 0.114 per month
	\$372.00 per month

Customer Charge Components of Delivery Services (Unbundling) (>69 kV Service):

Meter Services	\$233.364 per month
Meter Reading	\$ 28.215 per month

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**UNS Electric, Inc.
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Billing & Collection	\$145.296 per month
Customer Delivery	\$ 0.125 per month
	\$407.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge (<69 kV Service)	\$21.221 per kW per month
Demand Charge (>69 kV Service)	\$14.930 per kW per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy	\$0.000000

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.099047
Shoulder-Peak	\$0.051087
Off-Peak	\$0.039047
Base Power Supply Winter	
On-Peak	\$0.099047
Off-Peak	\$0.027033
PPFAC (see Rate Rider-1 for current rate)	Varies

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charges, (<69 kV Distribution Service):

Meter Services	\$ 1.727 per month
Meter Reading	\$ 42.623 per month
Billing & Collection	\$221.737 per month
Customer Delivery	\$ 98.913 per month

Customer Charges, (>69 kV Transmisison Service):

Meter Services	\$.777 per month
Meter Reading	\$ 27.730 per month
Billing & Collection	\$142.797 per month
Customer Delivery	\$228.696 per month

Demand Charges, (<69 kV Distribution Service):

Transmission	\$.725 per kW
Sub-transmission	\$.951 per kW

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**UNS Electric, Inc.
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16.097.122	<u>Demand Charges (>69 kV Transmisison Service):</u>	
	Transmission	\$.777 per kW
	Sub-transmission	\$ 1.019 per kW
	Delivery	\$ 9.683 per kw
	Production (not included in power supply)	\$.131 per kW

<u>Energy Charges (kWh):</u>	
Delivery	\$0.000000 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.077240	\$0077240
Shoulder-Peak	\$0.053260	N/A
Off-Peak	\$0.047240	\$0.041233

TERMS AND CONDITIONS

Standby, supplementary, breakdown, and/or temporary service are available under this rate. At the Company's option, customers may have to enter into a Service or Purchase Agreement with the Company for this service.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: LPS-TOU
 Effective: June 1, 2008 PENDING
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**UNS Electric, Inc.
Pricing Plan LPS-TOU
Large Power Service Time-of-Use**

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

OTHER PROVISIONS

Service hereunder shall remain in full force and in effect until terminated by the customer unless otherwise provided for in the Service Agreement. Termination of service requires twelve (12) months advance notice in writing to the Company.

Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of two (2) years or longer, with a minimum contract demand capacity at the Company's option in view of the anticipated demand of the Customer.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: LPS-TOU
Effective: June 1, 2008 PENDING
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**UNS Electric, Inc.
Pricing Plan IPS
Interruptible Power Service**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department

To any customer with a minimum demand of 50 kW for any purpose where such service is supplied at one point of delivery and measured through one meter and is interruptible within fifteen (15) minutes of verbal notice by the Company. The Customer must be able to interrupt service for up to eight (8) hours per day.

CHARACTER OF SERVICE

Three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$16.008.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$4.664 per kW per month³⁻⁶⁵⁰

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months. All charges below are for all summer and winter months.

	<u>Delivery Services-Energy¹</u>	<u>Power Supply Charges²</u>		<u>Total³</u>
		<u>Base Power</u>	<u>PPFAC²</u>	
All kWh	\$0.017100	\$0.0532270	Varies	\$0.070327

	<u>Delivery Services-Energy¹ (kWh)</u>	<u>Power Supply Charges²</u>		<u>Total³</u>
		<u>Base Power</u>	<u>PPFAC²</u>	
All kWhs	\$0.025746	\$0.077993	Annual	\$0.107921

1. Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply.

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UNS Electric, Inc.
Pricing Plan IPS
Interruptible Power Service

2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider 1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.

2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED STANDARD OFFER SERVICE

Customer Charge \$15.50 per month

Demand Charge \$3.40 per kW

Energy Charges:

Delivery \$0.014800 per kWh

Base Power Supply Charge \$0.055491 per kWh

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

PENALTY FOR FAILURE TO INTERRUPT:

In the event that the Customer fails to interrupt its load when requested to do so by the Company, the customer shall pay an additional charge as follows:

Billing Demand Charge per kW @ \$10.00/0.00

Unbundled \$/kWh Charge is entirely a Delivery Charge

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Title: Senior Vice President, General Counsel
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**UNS Electric, Inc.
Pricing Plan IPS
Interruptible Power Service**

For a second failure to interrupt in any twelve (12) month period, the Customer will revert to the otherwise applicable firm pricing plan for a period of at least twelve (12) months.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the highest measured fifteen (15) minute integrated reading of the demand meter during the billing month. If demand is not metered, the billing demand shall be based on nameplate ratings of connected motors and equipment, or by a test as approved by the Company.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$13.5473.314 per month
Meter Reading	\$ 0.429626 per month
Billing & Collection	\$ 31.833676 per month
Customer Delivery	\$ 0.192.384 per month
	\$ 16.008.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge	\$4.6643.650 per kW per month
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Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy – All kWh	
Transmission—Transmission	\$0.0025963076
Sub-Transmission—Sub-Transmission	\$0.0053753076
Local Delivery Energy—Delivery	\$0.0088483076
Production not included in Power Supply	\$0.0002813076
Production not included in Power Supply	

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.05322703076
PPFAC (see Rate Rider-1 for current rate)	Varies Annual Rate

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charges:

Meter Services	\$ 1.452 per month
Meter Reading	\$ 0.495 per month
Billing & Collection	\$ 2.582 per month

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 Title: Senior Vice President, General Counsel
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UNS Electric, Inc.
Pricing Plan IPS
Interruptible Power Service

Customer Delivery	\$10.971 per month
Demand Charge (kW):	\$ 3.400 per kW
Energy Charges (kWh):	
Delivery:	
Transmission	\$0.001859 per kWh
Sub-transmission	\$0.002256 per kWh
Delivery	\$0.010436 per kWh
Production (not included in power supply)	\$0.000249 per kWh
Base Power Supply	\$0.055491 per kWh

TERMS AND CONDITIONS

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

The Company reserves the right to curtail service to the customer at any time and for such period of time that, in the sole judgment of the Company, the operation of the system requires curtailment by the customer.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach. Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of one (1) year or longer, with a minimum Contract Demand at the Company's option in view of the anticipated demand of the Customer.

The Company will endeavor to provide the customer with as much advance notice as possible of the required interruptions or curtailments. However, the customer shall interrupt or curtail service within fifteen (15) minutes, if so requested.

The Company reserves the right to have automatic equipment installed for immediate interruption of the customer's load. Should the Company's automatic equipment fail to interrupt the load, no penalty will be assessed.

The Company shall not be responsible for any loss or damage caused by or resulting from interruption or curtailment of service under this pricing plan.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan IPS
Interruptible Power Service**

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan IPS-TOU
Interruptible Power Service Time-of-Use**

— Shoulder Peak	\$0.015732	\$0.077993	Annual	\$0.097907
— Off-Peak	\$0.015732	\$0.077993	Annual	\$0.097907

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
<u>First 400 All kWh</u>				
— On-Peak	\$0.017100\$0.015732	\$0.101911 \$0.077993	Varies Annual	\$0.11901109790 7
— Off-Peak	\$0.017100\$0.015732	\$0.026779 \$0.077993	Varies Annual	\$0.04387909790 7
<u>All Additional kWhs</u>				
— On-Peak	\$0.025746	\$0.077993	Annual	\$0.107921
— Shoulder Peak	\$0.015732	\$0.077993	Annual	\$0.097907
— Off-Peak	\$0.015732	\$0.077993	Annual	\$0.097907

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
 2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
 3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.
-
1. Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply).
 2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider 1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider 1 for current rate.

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan IPS-TOU
Interruptible Power Service Time-of-Use**

~~3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider 1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.~~

BUNDLED STANDARD OFFER SERVICE

Customer Charge \$15.50 per month

Demand Charge \$3.40 per kW

Energy Charges:

Delivery \$0.014800 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May - October)	Winter (November - April)
On-Peak	\$0.079833	\$0.079833
Shoulder-Peak	\$0.055491	N/A
Off-Peak	\$0.049833	\$0.042267

~~Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.~~

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m.. The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

PENALTY FOR FAILURE TO INTERRUPT:

In the event that the Customer fails to interrupt its load when requested to do so by the Company, the customer shall pay an additional charge as follows:

Billing Demand Charge per kW @ \$10.00 \$10.00

Unbundled \$/kWh Charge is entirely a Delivery Charge

For a second failure to interrupt in any twelve (12) month period, the Customer will revert to the otherwise applicable firm pricing plan for a period of at least twelve (12) months.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the highest measured fifteen (15) minute integrated reading of the demand meter during the billing month. If demand is not metered, the billing demand shall be based on nameplate ratings of connected motors and equipment, or by a test as approved by the Company.

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**UNS Electric, Inc.
Pricing Plan IPS-TOU
Interruptible Power Service Time-of-Use**

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$13.5473-314 per month
Meter Reading	\$ 0.626429 per month
Billing & Collection	\$ 3.676 1.833 per month
Customer Delivery	\$ 0.384192 per month
	\$ 168.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge	\$4.664 per kW per month
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Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy- All kWh	
Transmission—Transmission	\$0.002596\$0.003076
Sub-Transmission—Sub-Transmission	\$0.005375\$0.003076
Local Delivery Energy—Delivery	\$0.008848\$0.003076
Production not included in Power Supply—Production not included in Power Supply	\$0.000281\$0.003076

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.101911003076
Shoulder-Peak	\$0.05322703076
Off-Peak	\$0.04191103076
Base Power Supply Winter	
On-Peak	\$0.101911003076
Off-Peak	\$0.02677903076
PPFAC (see Rate Rider-1 for current rate)	VariesAnnual Rate

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charges:

Meter Services	\$ 1.452 per month
Meter Reading	\$ 0.495 per month
Billing & Collection	\$ 2.582 per month
Customer Delivery	\$10.971 per month

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 Title: Senior Vice President, General Counsel
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UNS Electric, Inc.
Pricing Plan IPS-TOU
Interruptible Power Service Time-of-Use

Demand Charge (kW): \$ 3.400 per kW

Energy Charges (kWh):

Delivery:

Transmission \$0.001859 per kWh
Sub-transmission \$0.002256 per kWh
Delivery \$0.010436 per kWh
Production (not included in power supply) \$0.000249 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May—October)	Winter (November—April)
On-Peak	\$0.079833	\$0.079833
Shoulder-Peak	\$0.055491	N/A
Off-Peak	\$0.049833	\$0.042267

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**UNS Electric, Inc.
Pricing Plan IPS-TOU
Interruptible Power Service Time-of-Use**

TERMS AND CONDITIONS

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

The Company reserves the right to curtail service to the customer at any time and for such period of time that, in the sole judgment of the Company, the operation of the system requires curtailment by the customer.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach. Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of one (1) year or longer, with a minimum Contract Demand at the Company's option in view of the anticipated demand of the Customer.

The Company will endeavor to provide the customer with as much advance notice as possible of the required interruptions or curtailments. However, the customer shall interrupt or curtail service within fifteen (15) minutes, if so requested.

The Company reserves the right to have automatic equipment installed for immediate interruption of the customer's load. Should the Company's automatic equipment fail to interrupt the load, no penalty will be assessed.

The Company shall not be responsible for any loss or damage caused by or resulting from interruption or curtailment of service under this pricing plan.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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Title: Senior Vice President, General Counsel
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UNS Electric, Inc.
Pricing Plan LTG
Dusk-To-Dawn Lighting Service

AVAILABILITY

Throughout the entire area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

To any Customer, including public agencies, for the lighting of streets, alleys, thoroughfares, public parks, playgrounds, or other public or private property where such lighting is controlled by a photocell and a contract for service is entered into with the Company.

CHARACTER OF SERVICE

Service is supplied on Company-owned fixtures and poles which are maintained by the Company. The poles, fixtures, and lamps available are the standard items stocked by the Company, and service is rendered at standard available voltages.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE

The monthly bill shall be the sum of the following charges and adjustments for each light:

<u>Service Charge (per month):</u>	<u>Overhead Service</u>	<u>Underground Service</u>
Existing Wood Pole	\$0.0000	\$ 2.26832.062
New 30' Wood Pole (Class 6)	\$4.53534.123	\$ 6.81466.195
New 30' Metal or Fiberglass	\$9.08278.257	\$11.350040.348

Lighting Charge:

Based on the rated wattage value of each lamp installed per month: \$0.05042246577 per watt

Base Power Supply Charge: based on the rated wattage value of each lamp installed per month: \$0.007499818 per watt

The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated, purchased, or transmitted above or below the base cost per kWh sold.

CONTRACT PERIOD

All dusk-to-dawn lighting installations for public agencies will require an agreement for service.

All dusk-to-dawn lighting installations for other than public agencies will require a contract for service as follows:

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LTG
Dusk-To-Dawn Lighting Service**

Five (5) years initial term for installations on existing facilities, and
Five (5) years initial term, or longer at the Company's option, for installations requiring new and/or an extension of facilities.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

New 30' Wood Pole (Class 6) - Overhead

Billing and Collections \$33.0000 per unit
Customer Delivery \$1.123-1.5353 per unit

New 30' Metal or Fiberglass - Overhead

Billing and Collections \$33.0000 per unit
Customer Delivery \$6.08275-257 per unit

Existing Wood Pole - Underground

Billing and Collections \$2.062-2.2683 per unit
Customer Delivery \$0.000 per unit

New 30' Wood Pole Class 6 - Underground

Billing and Collections \$33.0000 per unit
Customer Delivery \$3.81463-195 per unit

New 30' Metal or Fiberglass - Underground

Billing and Collections \$33.0000 per unit
Customer Delivery \$8.35007-318 per unit

Lighting Charge

Production (not included in Power Supply) \$0.00028500154 per watt
Delivery \$0.05013846426 per watt
Base Power Supply \$0.00749907818 per watt

TERMS AND CONDITIONS

1. Overhead extensions beyond one hundred fifty (150) feet and underground extensions beyond one hundred (100) feet will require specific agreements providing adequate revenue or arrangements for construction financing.
2. The Customer is not authorized to make connections to the lighting circuit or make attachments or alterations to the Company-owned pole.
3. Should a Customer request a relocation of a dusk-to-dawn lighting installation, the costs of such relocation must be borne by the customer.
4. The Customer is expected to notify the Company when lamp outages occur.
5. The Company will use diligence in maintaining service; however, monthly bills will not be reduced because of lamp outages.
6. The Company may require a refundable advance for the installation of new construction for facilities.
7. A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan LTG
Dusk-To-Dawn Lighting Service

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
**Partial Requirements Service - Non-Firm Power Purchase from
Renewable Energy Resources and Qualifying Cogeneration
Facilities of 100 kW or Less Capacity**

AVAILABILITY

Available throughout Company's entire electric service area to any Customer with certified capacity of 100 kW or less generating through the use of renewable energy resources or qualifying cogeneration facilities providing non-firm power.

PRICE

For all energy billed which is supplied by the Customer to the Company, the price shall be at the Company's applicable avoided cost.

CONDITIONS OF PURCHASE

- 1) The Customer shall be responsible for all interconnection costs unless otherwise indicated by the Company. In addition, Customer shall conform to all applicable interconnection requirements as mandated either by government or by the Company.
- 2) The Customer shall operate its electric generating equipment in accordance with Company rules, regulations, and service requirements.
- 3) The Customer shall, at its option, operate in one of the following two system configurations:
 - a) Parallel Mode – The Customer's self-generation facilities first supply its own electric requirements with any excess power being sold to the Company at the Company's avoided cost. The Company shall sell power to the Customer as required by the Customer under the Company's applicable Pricing Plan.
 - b) Simultaneous Buy/Sell Mode – The Customer's total generation output is sold directly to the Company and the Customer's total electric requirements are met by sales from the Company. Billing for purchases and sales shall be calculated, at the Customer's option, in either of three methods:
 - i) Net bill method: The kWh sold to the Company shall be subtracted from the kWh purchased from Company. If the kWh calculation is net positive, the Company will sell the net kWh to the Customer under the applicable Pricing Plan. If the kWh calculation is net negative, the Company will purchase the net kWh from the Customer at the Company's avoided cost. Time of use bi-directional metering is not available.
 - ii) Separate bill method: All purchases and sales shall be treated separately with revenues from sales to the Customer calculated under the applicable Pricing Plan, and the purchase of power from the Customer at the Company's avoided cost.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: PRS
Effective: June 1, 2008 PENDING
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UNS Electric, Inc.
Partial Requirements Service - Non-Firm Power Purchase from
Renewable Energy Resources and Qualifying Cogeneration
Facilities of 100 kW or Less Capacity

- iii) Net metering method: Applicable only where the Customer has a single solar to electricity or wind to electricity conversion system of AC electrical peak capability of 10 kW or less and meets all qualifications. The kWh sold to the Company shall be subtracted from the kWh purchased from the Company. If the kWh calculation is net positive, the Company will sell the net kWh to the Customer under the applicable Pricing Plan. If the kWh calculation is net negative, Company will carry the kWh forward and credit the net kWh of the next billing cycle. All negative kWh credits will be zeroed out annually after the January billing cycle.

Separate Qualifications for Net Metering

- (a) Service under this method shall be limited to 100 kWp (p=peak) aggregate Customer per calendar year.
 - (b) Installed solar to electricity or wind to electricity conversion system shall meet IEEE-929 standard, local, and National Electrical Code requirements.
 - (c) Installation shall be complete six months from pre-installation approval; thereafter, Customer must re-apply.
 - (d) Time of use net metering is not available.
- 4) The applicable Pricing Plan shall apply for all energy billed which is supplied by the Company to the Customer.
- 5) The Company may require a written contract and a minimum term of contract.
- 6) This Pricing Plan is not applicable for Customers with certified renewable generating capacity of over 100 kW. However, for such capacity the Company shall enter into individual agreements.
- 7) This rate is subject to the General Rules and Regulations of the Company on file with the Arizona Corporation Commission which are made a part hereof.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: PRS
Effective: ~~June 1, 2008~~ PENDING
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UNS Electric, Inc.
Pricing Plan QF-A
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Full Requirements 100 kW or Less

AVAILABILITY

Throughout the entire area where the facilities of the Company are of adequate capacity and are adjacent to the premises. For all Qualifying Facilities ("QF") that have entered into a Service Agreement with the Company.

APPLICABILITY

To all QFs with 100 kW or less operating in the Buy/Sell Mode for full requirements, supplemental power, stand-by power, and maintenance power service.

CHARACTER OF SERVICE

Electric sales to the Company must be single or three phase, 60 Hertz, at a standard voltage subject to availability at the premises. The QF will have the option to sell energy to the Company at a voltage level different from that for purchases from the Company, however, the QF will be responsible for all costs incurred to accommodate such an arrangement.

DEFINITIONS

1. Qualifying Facilities - Cogeneration and small power production facilities where the facility's generator(s) and load are located at the same premise and that otherwise meet qualifying criteria for size, fuel use, efficiency and ownership as promulgated in 18 C.F.R., Chapter I, Part 292, Subpart B of Federal Energy Regulatory Commission regulations.
2. Buy/Sell Mode of Operation - The QF's total generation output is delivered to the Company and the QF's full requirements for service are provided by the Company or no electric requirements are required by the QF.
3. Full Requirements Service - Any instance whereby the Company provides all the electric requirements of a QF.
4. Energy - Electric energy which is supplied by the QF.
5. Firm Capacity - Capacity available, upon demand, at all times (except for forced outages and scheduled maintenance) during the period covered by the Agreement from the QF with an availability factor of at least 80%, as defined by the North American Electric Reliability Council.
6. Net Energy - The total kilowatt hours ("kWh") sold to the QF by the company less the total kWhs purchased by the Company from the QF.
7. Supplemental Power - Electric capacity and energy supplied by the Company regularly used by the QF in addition to that which the facility generates itself.
8. Stand-by Power - Electric capacity and energy supplied by the Company to replace energy ordinarily generated by a facility's own generation equipment during an unscheduled outage of the facility.
9. Maintenance Power - Electric capacity and energy supplied by the Company during scheduled outages of the QF.
10. Purchase Agreement - Agreements for the purchase of electric energy and capacity from and the sale of power to the QF entered into between the Company and QF.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: QF-A
Effective: June 1, 2008 PENDING
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**UNS Electric, Inc.
Pricing Plan QF-A
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Full Requirements 100 kW or Less**

BILLING FOR BUY/SELL

The customer will have the option of choosing either of the following two (2) methods for determining the bill for purchases and sales.

Combined Bill method:

The kWhs sold to the Company shall be subtracted from the kWhs purchased from the Company. If the calculation is positive, the Net Energy kWhs received from the Company will be priced at the applicable Electric Pricing Plan under which the QF would otherwise purchase its full requirements service. If the calculation is negative, the Net Energy kWhs delivered to the Company will be priced at the purchase rate shown below.

Separate Bill method:

All purchases and sales shall be treated separately with the sales to the QF billed at the applicable Electric Pricing Plan under which the QF would otherwise purchase its full requirements service, and purchases of energy for the QF at the purchase rate shown below.

RATES FOR SALES TO QFs

The rates and billings for sales of energy and capacity to the QF shall be priced at the rates in the otherwise applicable pricing plan for the Customer.

RATES FOR PURCHASES FROM QFs

Minimum Customer Charge per month at \$12.00 will be assessed each QF selling energy to the Company under this pricing plan.

Rates for Energy purchased from the QF shall be priced at short-run avoided cost.

Rates for Firm Capacity purchased from the QF shall be priced at long-run avoided cost based upon deferral of capacity additions indicated in Company's resource plan.

ADJUSTMENTS

Purchased Power Fuel Adjuster Clause ("PPFAC"): The energy charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

CONTRACT PERIOD

As provided for in the Service Agreement.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: QF-A
Effective: ~~June 1, 2008~~ PENDING
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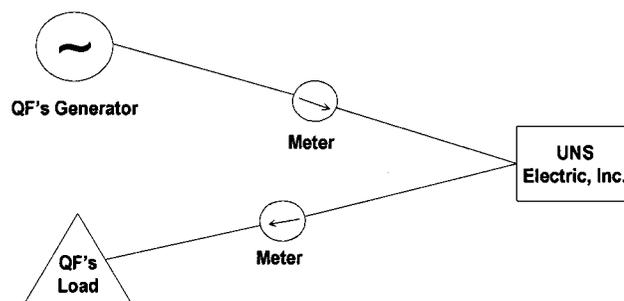
TERMS AND CONDITIONS

Subject to:

The Service Agreement, and

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

METER CONFIGURATION



TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: QF-A
Effective: June 1, 2008 PENDING
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UNS Electric, Inc.
Pricing Plan QF-B
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Partial Requirements 100 kW or Less

AVAILABILITY

In all territories served by the Company in Santa Cruz and Mohave Counties at all points where the adjacent facilities are adequate and suitable, for all Qualifying Facilities ("QF") that have entered into a Service Agreement with the Company.

APPLICABILITY

To all QFs with 100 kW or less operating in the Partial Requirements Mode for partial requirements, supplemental power, stand-by power, and maintenance power service.

CHARACTER OF SERVICE

Electric sales to the Company must be single or three phase, 60 Hertz, at a standard voltage subject to availability at the premises. The QF will have the option to sell energy to the Company at a voltage level different from that for purchases from the Company, however, the QF will be responsible for all costs incurred to accommodate such an arrangement.

DEFINITIONS

1. Qualifying Facilities - Cogeneration and small power production facilities where the facility's generator(s) and load are located at the same premise and that otherwise meet qualifying criteria for size, fuel use, efficiency and ownership as promulgated in 18 C.F.R., Chapter I, Part 292, Subpart B of Federal Energy Regulatory Commission regulations.
2. Partial Requirements Mode of Operation - A QF's generation output first goes to supply its own electric requirements with any excess energy (over and above its own requirements) then being sold to the Company. The Company supplies the QF's electric requirements not met by the QF's own-generation facilities. This also may be referred to as the "parallel mode" of operation.
3. Energy - Electric energy which is supplied by the QF
4. Firm Capacity - Capacity available, upon demand, at all times (except for forced outages and scheduled maintenance) during the period covered by the Agreement from the QF with an availability factor of at least 80%, as defined by the North American Electric Reliability Council.
5. Supplemental Power - Electric capacity and energy supplied by the Company regularly used by the QF in addition to that which the facility generates itself.
6. Stand-by Power - Electric capacity and energy supplied by the Company to replace energy ordinarily generated by a facility's own generation equipment during an unscheduled outage of the facility.
7. Maintenance Power - Electric capacity and energy supplied by the Company during scheduled outages of the QF.
8. Purchase Agreement - Agreements for the purchase of electric energy and capacity from and the sale of power to the QF entered into between the Company and QF.

RATES FOR SALES TO QFs

The rates and billings for sales of energy and capacity to the QF shall be priced at the rates in the otherwise applicable pricing plan for the Customer.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: QF-B
Effective: PENDING June 1, 2008
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UNS Electric, Inc.
Pricing Plan QF-B
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Partial Requirements 100 kW or Less

RATES FOR PURCHASES FROM QFs

Minimum Customer Charge per month at \$12.00 will be assessed each QF selling energy to the Company under this pricing plan.

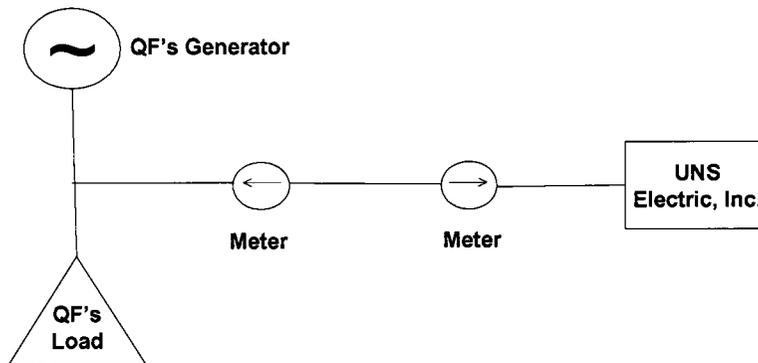
Rates for Energy purchased from the QF shall be priced at short-run avoided cost.

Rates for Firm Capacity purchased from the QF shall be priced at long-run avoided cost based upon deferral of capacity additions indicated in Company's resource plan.

ADJUSTMENTS

Purchased Power Fuel Adjuster Clause ("PPFAC"): The energy charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

METER CONFIGURATION



CONTRACT PERIOD

As provided for in the Service Agreement.

TERMS AND CONDITIONS

Subject to:

The Service Agreement, and

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: QF-B
Effective: PENDING June 1, 2008
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**UNS Electric, Inc.
Pricing Plan QF-B
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Partial Requirements 100 kW or Less**

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: QF-B
Effective: PENDING June 1, 2008
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UNS Electric, Inc.
Pricing Plan QF-C
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Optional Service Over 100 kW

AVAILABILITY

In all territories served by the Company in Santa Cruz and Mohave Counties at all points where the adjacent facilities are adequate and suitable, for all Qualifying Facilities ("QF") that have entered into a Service Agreement with the Company.

APPLICABILITY

To QFs operating in the Buy/Sell Mode for full requirements, or Partial Requirements Mode for partial requirements, supplemental power, stand-by power, and maintenance power service.

CHARACTER OF SERVICE

Electric sales to the Company must be single or three phase, 60 Hertz, at a standard voltage subject to availability at the premises. The QF will have the option to sell energy to the Company at a voltage level different from that for purchases from the Company, however, the QF will be responsible for all costs incurred to accommodate such an arrangement.

DEFINITIONS

1. Qualifying Facilities - Cogeneration and small power production facilities where the facility's generator(s) and load are located at the same premise and that otherwise meet qualifying criteria for size, fuel use, efficiency and ownership as promulgated in 18 C.F.R., Chapter I, Part 292, Subpart B of Federal Energy Regulatory Commission regulations.
2. Buy/Sell Mode of Operation - The QF's total generation output is delivered to the Company and the QF's full requirements for service are provided by the Company or no electric requirements are required by the QF.
3. Partial Requirements Mode of Operation - A QF's generation output first goes to supply its own electric requirements with any excess energy (over and above its own requirements) then being sold to the Company. The company supplies the QF's electric requirements not met by the QF's own-generating facilities. This also may be referred to as the "parallel mode" of operation.
4. Full Requirements Service - Any instance whereby the Company provides all the electric requirements of a QF.
5. Energy - Electric energy which is supplied by the QF.
6. Firm Capacity - Capacity available, upon demand, at all times (except for forced outages and scheduled maintenance) during the period covered by the Agreement from the QF with an availability factor of at least 80%, as defined by the North American Electric Reliability Council.
7. Net Energy - The total kilowatt hours ("kWh") sold to the QF by the company less the total kWhs purchased by the Company from the QF.
8. Supplemental Power - Electric capacity and energy supplied by the Company regularly used by the QF in addition to that which the facility generates itself.
9. Stand-by Power - Electric capacity and energy supplied by the Company to replace energy ordinarily generated by a facility's own generation equipment during an unscheduled outage of the facility.
10. Maintenance Power - Electric capacity and energy supplied by the Company during scheduled outages of the QF.
11. Purchase Agreement - Agreements for the purchase of electric energy and capacity from and the sale of power to the QF entered into between the Company and QF.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: QF-C
Effective: June 1, 2008 PENDING
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**UNS Electric, Inc.
Pricing Plan QF-C
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Optional Service Over 100 kW**

BILLING FOR BUY/SELL

The customer will have the option of choosing either of the following two (2) methods for determining the bill for purchases and sales.

Combined Bill method:

The kWhs sold to the Company shall be subtracted from the kWhs purchased from the Company. If the calculation is positive, the Net Energy kWhs received from the Company will be priced at the applicable Electric Pricing Plan under which the QF would otherwise purchase its full requirements service. If the calculation is negative, the Net Energy kWhs delivered to the Company will be priced at the purchase rate shown below.

Separate Bill Method:

All purchases and sales shall be treated separately with the sales to the QF billed at the applicable Electric Pricing Plan under which the QF would otherwise purchase its full requirements service, and purchases of energy for the QF at the purchase rate shown below.

RATES FOR SALES TO QFs

Supplemental Service:

- A. Service Charge - The service charge shall be the basic service charge using the otherwise applicable retail pricing plan.
- B. Energy Charge - The energy charge shall be the energy charge using the otherwise applicable retail pricing plan.
- C. Demand Charge - The demand charge shall be the demand charge using the otherwise applicable retail pricing plan and it shall apply only to supplemental power and not to total requirements.

Standby Service:

- A. Service Charge - The service charge shall be the basic service charge using the otherwise applicable retail pricing plan.
- B. Energy Charge - The energy charge is \$0.045 per kWh per month.
- C. Demand Charge - The demand charge shall be the product of \$27.83 per kWh per month and the probability (*) that the QF has an unscheduled outage at the time of the company's peak.

(*) This value is initially set at ten percent (10%) for the first year and reset annually based upon actual experience with the QF.

Maintenance Service:

- A. Service Charge - The service charge shall be the basic service charge using the otherwise applicable retail pricing plan.
- B. Energy Charge - The energy charge is \$0.045 per kWh per month.
- C. Maintenance Service - Must be scheduled with the Company and may only be scheduled during the period October through April.

Only one service charge will be applied for each billing period.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: QF-C
Effective: June 1, 2008 PENDING
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UNS Electric, Inc.
Pricing Plan QF-C
Rates for Power and Energy Transactions With Qualifying
Facilities That Receive Optional Service Over 100 kW

RATES FOR PURCHASES FROM QFs

Minimum Customer Charge per month at \$12.00 will be assessed each QF selling energy to the Company under this pricing plan. A service charge for purchases from the QF will only be charged if a service charge was not assessed for sales to the QF.

Rates for Energy purchased from the QF shall be priced at short-run avoided cost.

Rates for Firm Capacity purchased from the QF shall be priced at long-run avoided cost based upon deferral of capacity additions indicated in Company's resource plan.

Rates for capacity associated with Firm Capacity shall be as provided for in the Service Agreement.

ADJUSTMENTS

Purchased Power Fuel Adjuster Clause ("PPFAC"): The energy charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

METER CONFIGURATION

As provided for in the Service Agreement.

CONTRACT PERIOD

As provided for in the Service Agreement.

TERMS AND CONDITIONS

Subject to:

The Service Agreement, and

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: QF-C
Effective: June 1, 2008 PENDING
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**UNS Electric, Inc.
GreenWatts Pricing Plan**

AVAILABILITY/APPLICABILITY

GreenWatts is a Pricing Plan available to all UNS Electric, Inc. ("UNS Electric" or "Company") Customers at all points where facilities of adequate capacity and the required phase and suitable voltage are adjacent to the premises served.

PRICING PLAN

A participating Customer under the GreenWatts Pricing Plan will be charged a monthly before-tax premium to the Customer's existing Pricing Plan according to the following schedule:

First twenty-kWh block of energy @	\$2.00
Each additional twenty-kWh block of energy @	\$1.50

The number of twenty-kWh blocks purchased is at the discretion of the GreenWatts Customer and is subject to the conditions of service described below.

CONDITIONS OF SERVICE

- Revenues from GreenWatts that are above the cost of producing or purchasing green credits for the GreenWatts program will be devoted to the cost of building, operating, and maintaining new solar power sources in the UNSE service territory.
- The total kWh under subscription cannot exceed the Customer's minimum monthly consumption during the prior twelve months. For a Customer with an insufficient billing history, subscription is limited to a total of four twenty-kWh blocks per month.
- The GreenWatts Customer is responsible for the premium payment for the subscribed number of blocks, regardless of the level of consumption in any given billing period.
- Customer must contact the Company to cancel or change subscriptions to GreenWatts. Any change or cancellation of a subscription shall take effect in the succeeding billing period.
- All provisions of the Customer's current applicable rate schedule will apply during service under GreenWatts.
- Energy provided under GreenWatts will be generated by renewable resources that are in addition to those resulting from the Environmental Portfolio Surcharge. The total amount of energy sold under GreenWatts shall not exceed the combined capacity of UniSource Energy's renewable resource portfolio.
- Energy generated for GreenWatts will be delivered to UNS Electric's distribution grid for general distribution.
- The premium charged for GreenWatts does not represent the sale or lease of generation assets.

TAX CLAUSE

To the charges computed under the above Pricing Plan, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: GreenWatts Pricing Plan
Effective: June 1, 2008 PENDING
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EXHIBIT

DBE-3a



**Pricing Plan C.A.R.E.S.
Customer Assistance Residential Energy Support**

DISCOUNT

For all qualified C.A.R.E.S. residential customers, the monthly bill shall be computed in accordance to the rates above including the following discount:

For Bills with Usage of:	The Total Bill (Before Taxes & Regulatory Assessment) will be Discounted by:
0 – 300 kWh	30%
301 – 600 kWh	20%
601 – 1,000 kWh	10%
1,001 + kWh	\$8.00

As shown above, additional usage triggers progressively smaller discounts. The percentage discounts above apply to the entire bill. For example, the entire bill for a customer using 500 kWh will be discounted by 20%, while the entire bill for a customer using 700 kWh will be discounted by 10%.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$1.355 per month
Meter Reading	\$0.377 per month
Billing & Collection	\$1.602 per month
Customer Delivery	<u>\$0.166 per month</u>
	\$3.50 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy 1 st 400 kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Delivery	\$0.031426
Production not included in Power Supply	\$0.000364
Local Delivery-Energy All Additional kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Delivery	\$0.041440
Production not included in Power Supply	\$0.000364

Power Supply Charge (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.037656

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: C.A.R.E.S.
 Effective: PENDING - BMGS
 Page No.: 2 of 3



**Pricing Plan C.A.R.E.S.
Customer Assistance Residential Energy Support**

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: C.A.R.E.S.
Effective: PENDING - BMGS
Page No.: 3 of 3



**Pricing Plan C.A.R.E.S. - M
Customer Assistance Residential Energy Support
Low Income Medical Life Support Program**

AVAILABILITY

This C.A.R.E.S Low income Medical Life Support Program pricing plan is available in all territories served by the Company in Mohave and Santa Cruz Counties, Arizona, where facilities of adequate capacity and the required phase and voltage are adjacent to the premises served.

APPLICABILITY

This C.A.R.E.S. Low Income Medical Life Support Program is available to all qualified C.A.R.E.S. residential customers who are medically life-support dependent and who meet the eligibility requirements.

ELIGIBILITY REQUIREMENTS

To be eligible for the C.A.R.E.S. Low Income Medical Life Support Program, a customer must meet the following requirements:

- A. Require the use of medical equipment that is considered essential for sustaining life and is operated at the residence;
- B. Submit to UNS Electric, Inc. a statement signed by the attending physician that verifies that the customer is medically life-support dependent and states the type of essential medical equipment in use at the residence; and
- C. Submit to UNS Electric, Inc. verification by the physician to remain eligible for the program beyond two years.

The following equipment is representative of that which may be qualified as being essential under the program:

- Ventilator
- Oxygen concentrator
- Peritoneal Dialysis Cycler
- Hemo Dialysis Equipment
- Feeding Pump
- infusion Pump
- Suction Machine
- Small Volume Nebulizer
- Oximeter

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 3.50 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charge.

All energy charges below are on a per kWh basis for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ² Base Power	Total ³
First 400 kWh	\$0.045259	\$0.037656	\$0.082915
All Additional kWhs	\$0.055273	\$0.037656	\$0.092929

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: C.A.R.E.S. - M
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**Pricing Plan C.A.R.E.S. - M
Customer Assistance Residential Energy Support
Low Income Medical Life Support Program**

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-Transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge. All CARES participants are excluded from The Purchased Power and Fuel Adjustment Clause ("PPFAC").
3. Total is calculated above for illustrative purposes.

DISCOUNT

The monthly bill for customers eligible under the C.A.R.E.S. Low Income Medical Life Support Program shall be computed in accordance to the rates above including the following discount:

For Bills with Usage of:	The Total Bill (Before Taxes & Regulatory Assessment) will be Discounted by:
0 – 600 kWh	30%
601 – 1,200 kWh	20%
1,201 – 2,000 kWh	10%
2,001 + kWh	\$8.00

As shown above, additional usage triggers progressively smaller discounts. The percentage discounts above apply to the entire bill. For example, the entire bill for a customer using 700 kWh will be discounted by 20%, while the entire bill for a customer using 1,400 kWh will be discounted by 10%.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$1.355 per month
Meter Reading	\$0.377 per month
Billing & Collection	\$1.602 per month
Customer Delivery	<u>\$0.166 per month</u> \$3.50 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy 1 st 400 kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Delivery	\$0.031426
Production not included in Power Supply	\$0.000364

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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Pricing Plan C.A.R.E.S. - M
Customer Assistance Residential Energy Support
Low Income Medical Life Support Program

Local Delivery-Energy All Additional kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Delivery	\$0.041440
Production not included in Power Supply	\$0.000364

Power Supply Charge (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.037656

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: C.A.R.E.S. - M
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**UNS Electric, Inc.
Pricing Plan RES-01
Residential Service**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

CHARACTER OF SERVICE

Single phase, 60 hertz, at one standard voltage.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 8.00 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh	\$0.026115	\$0.068767	Varies	\$0.094882
All Additional kWhs	\$0.036129	\$0.068767	Varies	\$0.104896

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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Effective: PENDING
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UNS Electric, Inc.
Pricing Plan RES-01
Residential Service

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$3.201 per month
Meter Reading	\$0.659 per month
Billing & Collection	\$3.747 per month
Customer Delivery	<u>\$0.393 per month</u>
	\$8.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy 1 st 400 kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Local Delivery Energy	\$0.012282
Production not included in Power Supply	\$0.000364
Delivery Services - Energy All Additional kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Local Delivery Energy	\$0.022296
Production not included in Power Supply	\$0.000364

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.068767
PPFAC (see Rate Rider-1 for current rate)	Varies

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan RES-01
Residential Service**

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

Available as an optional rate to Customers served under the Company's Pricing Plan RS, Residential Service.

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

Service is restricted to private single family dwellings or individually metered apartments.

Not applicable to three phase service, resale, breakdown, temporary, standby, auxiliary service, or service to individual motors exceeding 40 amperes at a rating of 230 volts or which will cause excessive voltage fluctuations.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single phase, 60 hertz, at one standard voltage.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 8.00 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.026115	\$0.153093	Varies	0.179208
Shoulder Peak	\$0.026115	\$0.068767	Varies	\$0.094882
Off-Peak	\$0.026115	\$0.048113	Varies	\$0.074228
All Additional kWhs				
On-Peak	\$0.036129	\$0.153093	Varies	\$0.189222
Shoulder Peak	\$0.036129	\$0.068767	Varies	\$0.104896
Off-Peak	\$0.036129	\$0.048113	Varies	\$0.084242

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: RES-01 TOU-A
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UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.026115	\$0.153093	Varies	\$0.179208
Off-Peak	\$0.026115	\$0.035849	Varies	\$0.061964
All Additional kWhs				
On-Peak	\$0.036129	\$0.153093	Varies	\$0.189222
Off-Peak	\$0.036129	\$0.035849	Varies	\$0.071978

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

TIME-OF-USE PERIODS

Summer TOU periods:

Summer weekdays except Memorial Day, Independence Day (July 4), and Labor Day. If Independence Day falls on Saturday, the Weekend schedule applies on the preceding Friday, July 3. If Independence Day falls on Sunday, the Weekend schedule applies on the following Monday, July 5.

On-Peak: 2:00 p.m. to 6:00 p.m.
 Shoulder-Peak 12:00 p.m. (noon) to 2:00 p.m. and 6:00 p.m. to 8:00 p.m.
 Off-Peak: 12:00 a.m. (midnight) to 12 p.m (noon) and 8:00 p.m. to 12:00 a.m. (midnight).

Summer weekend days (Saturday and Sunday), Memorial Day, Independence Day (or July 3 or July 5, under above conditions), and Labor Day.

On-Peak: *(There are no On-Peak weekend hours)*
 Shoulder-Peak: *(There are no Shoulder-Peak weekend hours)*
 Off-Peak: All hours.

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
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UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak

Winter TOU periods:

Winter weekdays except Thanksgiving Day, Christmas Day, and New Years Day. If Christmas Day and New Years Day fall on Saturdays, the Weekend schedule applies on the preceeding Fridays, December 24 and December 31. If Christmas Day and New Years Day fall on Sundays, the Weekend schedule applies on the following Mondays, December 26 and January 2.

On-Peak: 6:00 a.m. to 10:00 a.m. and 5:00 p.m. to 9:00 p.m.
 Shoulder-Peak: There are no shoulder peak periods in the winter.
 Off-Peak: 12:00 a.m. (midnight) to 6:00 a.m., 10:00 a.m. to 5:00 p.m., and 9:00 p.m. to 12:00 a.m. (midnight).

Winter Weekend days (Saturday and Sunday), Thanksgiving Day, Christmas Day (or December 24 or December 26, under above conditions), and New Years Day (or December 31 or January 2, under above conditions).

On-Peak: *(There are no On-Peak weekend hours)*
 Shoulder-Peak: *(There are no Shoulder-Peak weekend hours)*
 Off-Peak: All hours.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$3.201 per month
Meter Reading	\$0.659 per month
Billing & Collection	\$3.747 per month
Customer Delivery	<u>\$0.393 per month</u>
	\$8.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy 1st 400 kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Local Delivery Energy	\$0.012282
Production not included in Power Supply	\$0.000364
Delivery Services - Energy All Additional kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Local Delivery Energy	\$0.022296
Production not included in Power Supply	\$0.000364

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: RES-01 TOU-A
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UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.153093
Shoulder-Peak	\$0.068767
Off-Peak	\$0.048113
Base Power Supply Winter	
On-Peak	\$0.153093
Off-Peak	\$0.035849
PPFAC (see Rate Rider-1 for current rate)	Varies

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: RES-01 TOU-A
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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU
Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

Available as an optional rate to Customers served under the Company's Pricing Plan RS, Residential Service.

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

Service is restricted to private single family dwellings or individually metered apartments.

Not applicable to three phase service, resale, breakdown, temporary, standby, auxiliary service, or service to individual motors exceeding 40 amperes at a rating of 230 volts or which will cause excessive voltage fluctuations.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single phase, 60 hertz, at one standard voltage.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 8.00 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
Super-Peak	\$0.026115	\$0.482730	Varies	\$0.508845
Shoulder Peak	\$0.026115	\$0.068767	Varies	\$0.094882
Off-Peak	\$0.026115	\$0.048113	Varies	\$0.074228
All Additional kWhs				
Super-Peak	\$0.036129	\$0.482730	Varies	\$0.518859
Shoulder Peak	\$0.036129	\$0.068767	Varies	\$0.104896
Off-Peak	\$0.036129	\$0.048113	Varies	\$0.084242

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: RES-01 SP TOU
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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU
Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

Version C: 2:00 p.m. to 4:00 p.m. and 5:00 p.m. to 6:00 p.m., or
 Version D: 2:00 p.m. to 5:00 p.m.

Off-Peak: 12:00 a.m. (midnight) to 2 p.m. and 6:00 p.m. to 12:00 a.m. (midnight)

Weekends (Saturday and Sunday), Memorial Day, Independence Day (or July 3 or July 5, under above conditions), and Labor Day.

On-Peak: (There are no On-Peak weekend hours)
 Shoulder-Peak: (There are no Shoulder-Peak weekend hours)
 Off-Peak: All hours.

The Version (i.e., A, B, C, or D) available to a specific customer shall be determined on the basis of a rule documented in this pricing plan's Plan of Administration. This rule helps promote load diversity, a beneficial result of a demand response program.

Winter TOU periods:

Winter weekdays except Thanksgiving Day, Christmas Day, and New Years Day. If Christmas Day and New Years Day fall on Saturdays, the Weekend schedule applies on the preceeding Fridays, December 24 and December 31. If Christmas Day and New Years Day fall on Sundays, the Weekend schedule applies on the following Mondays, December 26 and January 2.

On-Peak is 6:00 a.m. to 10:00 a.m. and 5:00 p.m. to 9:00 p.m.
 Shoulder-Peak: there are no shoulder peak periods in the winter.
 Off-Peak is 12:00 a.m. (midnight) to 6:00 a.m., 10:00 a.m. to 5:00 p.m., and 9:00 p.m. to 12:00 a.m. (midnight).

Winter Weekend days (Saturday and Sunday), Thanksgiving Day, Christmas Day (or December 24 or December 26, under above conditions), and New Years Day (or December 31 or January 2, under above conditions).

On-Peak: (There are no On-Peak weekend hours)
 Shoulder-Peak (There are no Shoulder-Peak weekend hours)
 Off-Peak All hours.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$3.201 per month
Meter Reading	\$0.659 per month
Billing & Collection	\$3.747 per month
Customer Delivery	<u>\$0.393 per month</u>
	\$8.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy 1 st 400 kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: RES-01 SP TOU
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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU
Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

Local Delivery Energy	\$0.012282
Production not included in Power Supply	\$0.000364
Delivery Services - Energy All Additional kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Local Delivery Energy	\$0.022296
Production not included in Power Supply	\$0.000364

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.482730
Shoulder-Peak	\$0.068767
Off-Peak	\$0.048113
Base Power Supply Winter	
On-Peak	\$0.153093
Off-Peak	\$0.035849
PPFAC (see Rate Rider-1 for current rate)	Varies

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: RES-01 SP TOU
 Effective: PENDING - BMGS
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**UNS Electric, Inc.
Pricing Plan SGS-10
Small General Service**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the monthly usage is not more than 7,500 kWh in any two (2) consecutive months. Customers who use more than 7,500 kWh for two (2) or more consecutive months shall not be eligible for this pricing plan and shall take service under the Large General Service pricing plan. However, service is available for customer-owned, operated, and maintained area, street, or stadium lighting, and for firm irrigation service with a maximum monthly demand less than 25 kW

CHARACTER OF SERVICE

Single phase, 60 hertz at one standard voltage. Three phase for eligible loads over 5 kW.

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$12.50 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh	\$0.038311	\$0.066778	Varies	\$0.105089
All Additional kWhs	\$0.048325	\$0.066778	Varies	\$0.115103

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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Effective: PENDING - BMGS
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**UNS Electric, Inc.
Pricing Plan SGS-10
Small General Service**

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$4.911 per month
Meter Reading	\$0.221 per month
Billing & Collection	\$6.673 per month
Customer Delivery	<u>\$0.695 per month</u> \$12.50 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services - Energy 1st 400 kWhs	
Transmission	\$0.006812
Sub-Transmission	\$0.004414
Local Delivery Energy	\$0.026731
Production not included in Power Supply	\$0.000354
Delivery Services - Energy All Additional kWhs	
Transmission	\$0.006812
Sub-Transmission	\$0.004414
Local Delivery Energy	\$0.036745
Production not included in Power Supply	\$0.000354

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.066778
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

Service under this schedule is for the exclusive use of the Customer and shall not be resold or shared with others.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection,

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan SGS-10
Small General Service**

Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan SGS-10 TOU
Small General Service Time-of-Use**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer for where the monthly usage is not more than 7,500 kWh in any two (2) consecutive months. Customers who use more than 7,500 kWh for two (2) or more consecutive months shall not be eligible for this pricing plan and shall take service under the Large General Service pricing plan. However, service is available for customer-owned, operated, and maintained area, street, or stadium lighting, and for firm irrigation service with a maximum monthly demand less than 25 kW.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single phase, 60 hertz at one standard voltage. Three phase for eligible loads over 5 kW.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 12.50 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.038311	\$0.130888	Varies	\$0.169199
Shoulder Peak	\$0.038311	\$0.066778	Varies	\$0.105089
Off-Peak	\$0.038311	\$0.040888	Varies	\$0.079199
All Additional kWhs				
On-Peak	\$0.048325	\$0.130888	Varies	\$0.179213
Shoulder Peak	\$0.048325	\$0.066778	Varies	\$0.115103
Off-Peak	\$0.048325	\$0.040888	Varies	\$0.0892123

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 District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan SGS-10 TOU
Small General Service Time-of-Use**

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.038311	\$0.130888	Varies	\$0.169199
Off-Peak	\$0.038311	\$0.032668	Varies	\$0.070979
All Additional kWhs				
On-Peak	\$0.048325	\$0.130888	Varies	\$0.179213
Off-Peak	\$0.048325	\$0.032668	Varies	\$0.080993

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$4.911 per month
Meter Reading	\$0.221 per month
Billing & Collection	\$6.673 per month
Customer Delivery	<u>\$0.695 per month</u>
	\$12.50 per month

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**UNS Electric, Inc.
Pricing Plan SGS-10 TOU
Small General Service Time-of-Use**

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services - Energy 1 st 400 kWhs	
Transmission	\$0.006812
Sub-Transmission	\$0.004414
Local Delivery Energy	\$0.026731
Production not included in Power Supply	\$0.000354
Local Delivery-Energy All Additional kWhs	
Transmission	\$0.006812
Sub-Transmission	\$0.004414
Local Delivery Energy	\$0.036745
Production not included in Power Supply	\$0.000354

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.130888
Shoulder-Peak	\$0.066778
Off-Peak	\$0.040888
Base Power Supply Winter	
On-Peak	\$0.130888
Off-Peak	\$0.032668
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

Service under this schedule is for the exclusive use of the Customer and shall not be resold or shared with others.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

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**UNS Electric, Inc.
Pricing Plan SGS-10 TOU
Small General Service Time-of-Use**

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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**Pricing Plan C.A.R.E.S.
Customer Assistance Residential Energy Support**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This C.A.R.E.S. pricing plan is available to those residential customers presently taking service under the Company's residential service pricing plan whose gross annual income is not more than one hundred fifty percent (150%) of the federal poverty level guideline effective at the time qualification and annual certification is sought. Residential customers who desire to qualify for such pricing plan must initially make application to the Company for qualification and must provide verification to the Company that the customer's household gross income does not exceed one hundred fifty percent (150%) of the federal poverty level. Subsequent to the initial certification, the residential customer who seeks to retain eligibility for the C.A.R.E.S. pricing plan must provide a personal certification that the household gross income of the residential dwelling unit involved does not exceed one hundred fifty percent (150%) of the federal poverty level. Eligibility information provided by the customer on the application form is subject to verification by the Company. Samples of the existing CARES participants will be re-certified every two years prior to January 1 and when a customer changes residence.

CHARACTER OF SERVICE

Single phase, 60 hertz, at one standard voltage.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 3.50 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charge.

All energy charges below are on a per kWh basis for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ² Base Power	Total ³
First 400 kWh	\$0.045259	\$0.037656	\$0.082915
All Additional kWhs	\$0.055273	\$0.037656	\$0.092929

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-Transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge. All CARES participants are excluded from The Purchased Power and Fuel Adjustment Clause ("PPFAC").
3. Total bundled energy charger for all kWhs per rate component.

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UNS Electric, Inc.
Pricing Plan SGS-10 SuperPeak TOU
Small General Service SuperPeak Time-of-Use

AVAILABILITY

Throughout the entire area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the monthly usage is not more than 7,500 kWh in any two (2) consecutive months. Customers who use more than 7,500 kWh for two (2) or more consecutive months shall not be eligible for this pricing plan and shall take service under the Large General Service pricing plan. However, service is available for customer-owned, operated, and maintained area, street, or stadium lighting, and for firm irrigation service with a maximum monthly demand less than 25 kW

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single phase, 60 hertz at one standard voltage. Three phase for eligible loads over 5 kW.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 12.50 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
Super-Peak	\$0.038311	\$0.417820	Varies	\$0.456131
Shoulder Peak	\$0.038311	\$0.066778	Varies	\$0.010509
Off-Peak	\$0.038311	\$0.040888	Varies	\$0.079199
All Additional kWhs				
Super-Peak	\$0.048325	\$0.417820	Varies	\$0.466145
Shoulder Peak	\$0.048325	\$0.066778	Varies	\$0.115103
Off-Peak	\$0.048325	\$0.040888	Varies	\$0.089213

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The Winter periods below apply to all winter days:

On-Peak	6:00 a.m. to 10:00 a.m. and 5:00 p.m. to 9:00 p.m.
Shoulder-Peak:	There is no shoulder peak periods in the winter.
Off-Peak:	12:00 a.m. (midnight) to 6:00 a.m., 10:00 a.m. to 5:00 p.m., and 9:00 p.m. to 12:00 a.m. (midnight)

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$4.911 per month
Meter Reading	\$0.221 per month
Billing & Collection	\$6.673 per month
Customer Delivery	<u>\$0.695 per month</u>
	\$12.50 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services - Energy 1 st 400 kWhs	
Transmission	\$0.006812
Sub-Transmission	\$0.004414
Local Delivery Energy	\$0.026731
Production not included in Power Supply	\$0.000354
Local Delivery-Energy All Additional kWhs	
Transmission	\$0.006812
Sub-Transmission	\$0.004414
Local Delivery Energy	\$0.036745
Production not included in Power Supply	\$0.000354

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.417820
Shoulder-Peak	\$0.066778
Off-Peak	\$0.040888
Base Power Supply Winter	
On-Peak	\$0.130888
Off-Peak	\$0.032668
PPFAC (see Rate Rider-1 for current rate)	Varies

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**UNS Electric, Inc.
Pricing Plan SGS-10 SuperPeak TOU
Small General Service SuperPeak Time-of-Use**

TERMS AND CONDITIONS

Service under this schedule is for the exclusive use of the Customer and shall not be resold or shared with others.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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**UNS Electric, Inc.
Pricing Plan LGS
Large General Service**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is less than 1,000 kW.

CHARACTER OF SERVICE

Single or three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises. Customers may choose time-of-use service as well.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$16.00 per month
 Customer Charge, Single Phase service and minimum bill (Optional TOU) \$20.90 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$15.055 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh	\$0.004354	\$0.059129	Varies	\$0.063483

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration

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**UNS Electric, Inc.
Pricing Plan LGS
Large General Service**

above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

DETERMINATION OF BILLING DEMAND

Normal service: If the time-of-use option is not chosen, the monthly billing demand shall be the highest measured fifteen (15) minute integrated reading of the demand meter during the billing month.

Time-of-Use: If time-of-use service is chosen, the monthly billing demand shall be the higher of:

- (i) the highest measured fifteen (15) minute integrated reading of the demand meter during the on-peak hours of the billing period,
- (ii) one-half the highest measured fifteen (15) minute integrated reading of the demand meter during the off-peak hours, or
- (iii) the contract capacity.

ON-PEAK HOURS

During the months of May through October, on-peak hours are those hours between 11:00 a.m. and 10:00 p.m. each day, Monday through Saturday. All other hours shall be considered off-peak hours.

During the months of November through April, on-peak hours are those hours between 7:00 a.m. and 7:00 p.m. each day, Monday through Friday. All other hours shall be considered off-peak hours.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$9.002 per month
Meter Reading	\$1.231 per month
Billing & Collection	\$5.225 per month
Customer Delivery	<u>\$0.542 per month</u>
	\$16.00 per month

Customer Charge (Optional TOU) Components of Delivery Services (Unbundling):

Meter Services	\$16.935 per month
Meter Reading	\$0.612 per month
Billing & Collection	\$3.168 per month
Customer Delivery	<u>\$0.185 per month</u>
	\$20.90 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$15.055 per kW per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy	
Transmission	\$0.005701
Sub-Transmission	\$0.003759

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Delivery	(\$0.005446)
Production not included in Power Supply	\$0.000340

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.059129
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

Standby, supplemental or breakdown service shall not be rendered under this pricing plan except for Qualifying Facilities or Independent Power Producers that have entered into a Service or Purchase Agreement with the Company.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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**UNS Electric, Inc.
Pricing Plan LGS-TOU-N
Large General Service Time-of-Use**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is less than 1,000 kW.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single or three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises. Customers may choose time-of-use service as well.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$16.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$15.055 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
Super-Peak	\$0.004354	\$0.358480	Varies	\$0.362834
Shoulder Peak	\$0.004354	\$0.059129	Varies	\$0.063483
Off-Peak	\$0.004354	\$0.041024	Varies	\$0.045378

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.004354	\$0.116024	Varies	\$0.120378
Off-Peak	\$0.004354	\$0.027306	Varies	\$0.031660

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
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- (ii) one-half the highest measured fifteen (15) minute integrated reading of the demand meter during the off-peak hours, or
- (iii) the contract capacity.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$9.002 per month
Meter Reading	\$1.231 per month
Billing & Collection	\$5.225 per month
Customer Delivery	<u>\$0.5420 per month</u>
	\$16.00 per month

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$16.935 per month
Meter Reading	\$0.612 per month
Billing & Collection	\$3.168 per month
Customer Delivery	<u>\$0.185 per month</u>
	\$20.90 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge	\$15.055 per kW per month
---------------	---------------------------

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy- All kWh	
Transmission	\$0.005701
Sub-Transmission	\$0.003759
Local Delivery Energy (negative charge)	(\$0.005446)
Production not included in Power Supply	\$0.000340

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
Super-Peak	\$0.358480
Shoulder-Peak	\$0.059129
Off-Peak	\$0.041024
Base Power Supply Winter	
On-Peak	\$0.116024
Off-Peak	\$0.027306
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: LGS-SP TOU-N
 Effective: PENDING - BMGS
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**UNS Electric, Inc.
Pricing Plan LGS-TOU-N
Large General Service Time-of-Use**

Standby, supplemental or breakdown service shall not be rendered under this pricing plan except for Qualifying Facilities or Independent Power Producers that have entered into a Service or Purchase Agreement with the Company.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: LGS-SP TOU-N
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UNS Electric, Inc.
Pricing Plan LGS-SuperPeak TOU-N
Large General Service SuperPeak Time-of-Use

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is less than 1,000 kW.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single or three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises. Customers may choose time-of-use service as well.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$16.00 per month
 Customer Charge, Single Phase service and minimum bill (Optional TOU) \$20.90 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$15.055 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
Super-Peak	\$0.004354	\$0.358480	Varies	\$0.362834
Shoulder Peak	\$0.004354	\$0.059129	Varies	\$0.063483
Off-Peak	\$0.004354	\$0.041024	Varies	\$0.045378

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.004354	\$0.116024	Varies	\$0.120378
Off-Peak	\$0.004354	\$0.027306	Varies	\$0.031660

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: LGS-SP TOU-N
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UNS Electric, Inc.
Pricing Plan LGS-SuperPeak TOU-N
Large General Service SuperPeak Time-of-Use

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$9.002 per month
Meter Reading	\$1.231 per month
Billing & Collection	\$5.225 per month
Customer Delivery	<u>\$0.5420 per month</u>
	\$16.00 per month

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$16.935 per month
Meter Reading	\$0.612 per month
Billing & Collection	\$3.168 per month
Customer Delivery	<u>\$0.185 per month</u>
	\$20.90 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge	\$15.055 per kW per month
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Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy-- All kWh	
Transmission	\$0.005701
Sub-Transmission	\$0.003759
Local Delivery Energy (negative charge)	(\$0.005446)
Production not included in Power Supply	\$0.000340

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
Super-Peak	\$0.358480
Shoulder-Peak	\$0.059129
Off-Peak	\$0.041024
Base Power Supply Winter	
On-Peak	\$0.116024
Off-Peak	\$0.027306
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

Standby, supplemental or breakdown service shall not be rendered under this pricing plan except for Qualifying Facilities or Independent Power Producers that have entered into a Service or Purchase Agreement with the Company.

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: LGS-SP TOU-N
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**UNS Electric, Inc.
Pricing Plan LGS-SuperPeak TOU-N
Large General Service SuperPeak Time-of-Use**

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LPS
Large Power Service**

3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

A credit of three percent (3%) will be applied to the demand charge if the customer receives Distribution Service at primary voltage.

The Customer agrees to maintain, as nearly as practicable, a unity power factor. In the event that the Customer's power factor for any billing month is less than eighty-five (85%), an adjustment shall be applied to the bill as follows:

Power Factor adjustment =

$(\text{Maximum Demand} / (.15 + \text{PF})) - \text{Maximum Demand} \times \text{Demand Charge}$ Where Maximum Demand is the highest measured fifteen (15) minute demand in kilowatts during the billing period.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the higher of:

- i. the highest measured fifteen-minute integrated reading of the demand meter during the on-peak hours of the billing period,
- ii. one-half the highest measured fifteen-minute integrated reading of the demand meter during the off-peak hours,
- iii. the highest demand metered during the preceding eleven (11) months, or
- iv. the contract capacity.

In the event a customer achieves permanent, verifiable demand reduction through involvement in UNS Electric, Inc.'s Demand-Side Management programs, such reductions will be applicable to adjusted demands billed during the eleven (11) month period prior to the installation of the DSM measures.

ON-PEAK HOURS

During the months of May through October, on-peak hours are those hours between 11:00 a.m. and 10:00 p.m. each day, Monday through Saturday. All other hours shall be considered off-peak hours.

During the months of November through April, on-peak hours are those hours between 7:00 a.m. and 7:00 p.m. each day, Monday through Friday. All other hours shall be considered off-peak hours.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling) (<69 kV Service):

Meter Services	\$213.296 per month
Meter Reading	\$ 25.789 per month
Billing & Collection	\$132.801 per month
Customer Delivery	<u>\$ 0.114 per month</u>
	\$372.00 per month

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: LPS
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**UNS Electric, Inc.
Pricing Plan LPS
Large Power Service**

Customer Charge Components of Delivery Services (Unbundling) (>69 kV Service):

Meter Services	\$233.364 per month
Meter Reading	\$ 28.215 per month
Billing & Collection	\$145.296 per month
Customer Delivery	<u>\$ 0.125 per month</u>
	\$407.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge (<69 kV Service)	\$23.449 per kW per month
Demand Charge (>69 kV Service)	\$17.164 per kW per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy	\$0.000000

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.046959
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

Standby, supplementary, breakdown, and/or temporary service are available under this rate. At the Company's option, customers may have to enter into a Service or Purchase Agreement with the Company for this service.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LPS
Large Power Service**

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

OTHER PROVISIONS

Service hereunder shall remain in full force and in effect until terminated by the customer unless otherwise provided for in the Service Agreement. Termination of service requires twelve (12) months advance notice in writing to the Company.

Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of two (2) years or longer, with a minimum contract demand capacity at the Company's option in view of the anticipated demand of the Customer.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LPS-TOU
Large Power Service Time-of-Use**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is 500 kW or greater, but if 10,000 kW or more, a service agreement spelling out minimum conditions must be entered into.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Three phase, 60 hertz, at the Company's standard transmission or distribution voltages that are available within the vicinity of the Customer's premises.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill (<69 kV Service)	\$372.00 per month
Customer Charge, Single Phase service and minimum bill (>69 kV Service)	\$407.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge (<69 kV Service)	\$23.449 per kW per month
Demand Charge (>69 kV Service)	\$17.164 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.000000	\$0.094919	Varies	\$0.094919
Shoulder Peak	\$0.000000	\$0.046959	Varies	\$0.046959
Off-Peak	\$0.000000	\$0.034919	Varies	\$0.034919

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: LPS-TOU
 Effective: PENDING - BMGS
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**UNS Electric, Inc.
Pricing Plan LPS-TOU
Large Power Service Time-of-Use**

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.000000	\$0.094919	Varies	\$0.094919
Off-Peak	\$0.000000	\$0.022905	Varies	\$0.022905

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

A credit of three percent (3%) will be applied to the demand charge if the customer receives Distribution Service at primary voltage.

The Customer agrees to maintain, as nearly as practicable, a unity power factor. In the event that the Customer's power factor for any billing month is less than eighty-five (85%), an adjustment shall be applied to the bill as follows:

Power Factor adjustment =

$(\text{Maximum Demand} / (.15 + \text{PF})) - \text{Maximum Demand} \times \text{Demand Charge}$ Where Maximum Demand is the highest measured fifteen (15) minute demand in kilowatts during the billing period.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the higher of:

- i. the highest measured fifteen-minute integrated reading of the demand meter during the on-peak hours of the billing period,
- ii. one-half the highest measured fifteen-minute integrated reading of the demand meter during the off-peak hours,
- iii. the highest demand metered during the preceding eleven (11) months, or
- iv. the contract capacity.

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LPS-TOU
Large Power Service Time-of-Use**

In the event a customer achieves permanent, verifiable demand reduction through involvement in UNS Electric, Inc.'s Demand-Side Management programs, such reductions will be applicable to adjusted demands billed during the eleven (11) month period prior to the installation of the DSM measures.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling) (<69 kV Service):

Meter Services	\$213.296 per month
Meter Reading	\$ 25.789 per month
Billing & Collection	\$132.801 per month
Customer Delivery	<u>\$ 0.114 per month</u>
	\$372.00 per month

Customer Charge Components of Delivery Services (Unbundling) (>69 kV Service):

Meter Services	\$233.364 per month
Meter Reading	\$ 28.215 per month
Billing & Collection	\$145.296 per month
Customer Delivery	<u>\$.125 per month</u>
	\$407.000 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge (<69 kV Service)	\$23.449 per kW per month
Demand Charge (>69 kV Service)	\$17.164 per kW per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy	\$0.000000

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.094919
Shoulder-Peak	\$0.046959
Off-Peak	\$0.034919
Base Power Supply Winter	
On-Peak	\$0.094919
Off-Peak	\$0.022905
PPFAC (see Rate Rider-1 for current rate)	Varies

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: LPS-TOU
 Effective: PENDING - BMGS
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**UNS Electric, Inc.
Pricing Plan LPS-TOU
Large Power Service Time-of-Use**

TERMS AND CONDITIONS

Standby, supplementary, breakdown, and/or temporary service are available under this rate. At the Company's option, customers may have to enter into a Service or Purchase Agreement with the Company for this service.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

OTHER PROVISIONS

Service hereunder shall remain in full force and in effect until terminated by the customer unless otherwise provided for in the Service Agreement. Termination of service requires twelve (12) months advance notice in writing to the Company.

Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of two (2) years or longer, with a minimum contract demand capacity at the Company's option in view of the anticipated demand of the Customer.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: LPS-TOU
Effective: PENDING - BMGS
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**UNS Electric, Inc.
Pricing Plan IPS
Interruptible Power Service**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department

To any customer with a minimum demand of 50 and is interruptible within fifteen (15) minutes of verbal notice by the Company. The Customer must be able to interrupt service for up to eight (8) hours per day.

CHARACTER OF SERVICE

Three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$16.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$5.237 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All charges below are for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh	\$0.019500	\$0.048927	Varies	\$0.068427

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: IPS
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**UNS Electric, Inc.
Pricing Plan IPS
Interruptible Power Service**

PENALTY FOR FAILURE TO INTERRUPT:

In the event that the Customer fails to interrupt its load when requested to do so by the Company, the customer shall pay an additional charge as follows:

Billing Demand Charge per kW @ \$10.00
Unbundled \$/kWh Charge is entirely a Delivery Charge

For a second failure to interrupt in any twelve (12) month period, the Customer will revert to the otherwise applicable firm pricing plan for a period of at least twelve (12) months.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the highest measured fifteen (15) minute integrated reading of the demand meter during the billing month. If demand is not metered, the billing demand shall be based on nameplate ratings of connected motors and equipment, or by a test as approved by the Company.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services \$9.002 per month
Meter Reading \$1.231 per month
Billing & Collection \$5.225 per month
Customer Delivery \$0.542 per month
\$16.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$5.237 per kW per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy	
Transmission	\$0.008590
Sub-Transmission	\$0.005376
Delivery	\$0.005213
Production not included in Power Supply	\$0.000321

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.048927
PPFAC (see Rate Rider-1 for current rate)	Varies

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan IPS
Interruptible Power Service**

TERMS AND CONDITIONS

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

The Company reserves the right to curtail service to the customer at any time and for such period of time that, in the sole judgment of the Company, the operation of the system requires curtailment by the customer.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach. Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of one (1) year or longer, with a minimum Contract Demand at the Company's option in view of the anticipated demand of the Customer.

The Company will endeavor to provide the customer with as much advance notice as possible of the required interruptions or curtailments. However, the customer shall interrupt or curtail service within fifteen (15) minutes, if so requested.

The Company reserves the right to have automatic equipment installed for immediate interruption of the customer's load. Should the Company's automatic equipment fail to interrupt the load, no penalty will be assessed.

The Company shall not be responsible for any loss or damage caused by or resulting from interruption or curtailment of service under this pricing plan.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan IPS-TOU
Interruptible Power Service Time-of-Use**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department

To any customer with a minimum demand of 50 and is interruptible within fifteen (15) minutes of verbal notice by the Company. The Customer must be able to interrupt service for up to eight (8) hours per day.

CHARACTER OF SERVICE

Three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$16.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$5.237 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.019500	\$0.097611	Varies	\$0.117111
Shoulder Peak	\$0.019500	\$0.048927	Varies	\$.068427
Off-Peak	\$0.019500	\$0.037611	Varies	\$.057111

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.019500	\$0.097611	Varies	\$.117111
Off-Peak	\$0.019500	\$0.022479	Varies	\$.041979

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan IPS-TOU
Interruptible Power Service Time-of-Use

- 2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
- 3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m.. The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

PENALTY FOR FAILURE TO INTERRUPT:

In the event that the Customer fails to interrupt its load when requested to do so by the Company, the customer shall pay an additional charge as follows:

Billing Demand Charge per kW @	\$10.00
Unbundled \$/kWh Charge is entirely a Delivery Charge	

For a second failure to interrupt in any twelve (12) month period, the Customer will revert to the otherwise applicable firm pricing plan for a period of at least twelve (12) months.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the highest measured fifteen (15) minute integrated reading of the demand meter during the billing month. If demand is not metered, the billing demand shall be based on nameplate ratings of connected motors and equipment, or by a test as approved by the Company.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$9.002 per month
Meter Reading	\$1.231 per month
Billing & Collection	\$5.225 per month
Customer Delivery	<u>\$0.542 per month</u>
	\$16.00 per month

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**UNS Electric, Inc.
Pricing Plan IPS-TOU
Interruptible Power Service Time-of-Use**

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy- All kWh	
Transmission	\$0.008590
Sub-Transmission	\$0.005376
Local Delivery Energy	\$0.005213
Production not included in Power Supply	\$0.000321

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.097611
Shoulder-Peak	\$0.048927
Off-Peak	\$0.037611
Base Power Supply Winter	
On-Peak	\$0.097611
Off-Peak	\$0.022479
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

The Company reserves the right to curtail service to the customer at any time and for such period of time that, in the sole judgment of the Company, the operation of the system requires curtailment by the customer.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach. Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of one (1) year or longer, with a minimum Contract Demand at the Company's option in view of the anticipated demand of the Customer.

The Company will endeavor to provide the customer with as much advance notice as possible of the required interruptions or curtailments. However, the customer shall interrupt or curtail service within fifteen (15) minutes, if so requested.

The Company reserves the right to have automatic equipment installed for immediate interruption of the customer's load. Should the Company's automatic equipment fail to interrupt the load, no penalty will be assessed.

The Company shall not be responsible for any loss or damage caused by or resulting from interruption or curtailment of service under this pricing plan.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan IPS-TOU
Interruptible Power Service Time-of-Use**

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan LTG
Dusk-To-Dawn Lighting Service

AVAILABILITY

Throughout the entire area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

To any Customer, including public agencies, for the lighting of streets, alleys, thoroughfares, public parks, playgrounds, or other public or private property where such lighting is controlled by a photocell and a contract for service is entered into with the Company.

CHARACTER OF SERVICE

Service is supplied on Company-owned fixtures and poles which are maintained by the Company. The poles, fixtures, and lamps available are the standard items stocked by the Company, and service is rendered at standard available voltages.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE

The monthly bill shall be the sum of the following charges and adjustments for each light:

<u>Service Charge (per month):</u>	<u>Overhead Service</u>	<u>Underground Service</u>
Existing Wood Pole	\$0.000	\$2.2683
New 30' Wood Pole (Class 6)	\$4.5354	\$6.8146
New 30' Metal or Fiberglass	\$9.0828	\$11.350

Lighting Charge:

Based on the rated wattage value of each lamp installed per month: \$0.051029 per watt

Base Power Supply Charge: based on the rated wattage value of each lamp installed per month: \$0.006893 per watt

The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

CONTRACT PERIOD

All dusk-to-dawn lighting installations for public agencies will require an agreement for service.

All dusk-to-dawn lighting installations for other than public agencies will require a contract for service as follows:

- Five (5) years initial term for installations on existing facilities, and
- Five (5) years initial term, or longer at the Company's option, for installations requiring new and/or an extension of facilities.

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Title: Senior Vice President, General Counsel
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UNS Electric, Inc.
Pricing Plan LTG
Dusk-To-Dawn Lighting Service

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

New 30' Wood Pole (Class 6) - Overhead	
Billing and Collections	\$3.0000 per unit
Customer Delivery	\$1.5354 per unit
New 30' Metal or Fiberglass - Overhead	
Billing and Collections	\$3.0000 per unit
Customer Delivery	\$6.0828 per unit
Existing Wood Pole – Underground	
Billing and Collections	\$2.2683 per unit
Customer Delivery	\$0.0000 per unit
New 30' Wood Pole Class 6 – Underground	
Billing and Collections	\$3.0000 per unit
Customer Delivery	\$3.8146 per unit
New 30' Metal or Fiberglass – Underground	
Billing and Collections	\$3.0000 per unit
Customer Delivery	\$8.3500 per unit
Lighting Charge	
Production (not included in Power Supply)	\$0.000327 per watt
Delivery	\$0.050701 per watt
Base Power Supply	\$0.006893 per watt

TERMS AND CONDITIONS

- Overhead extensions beyond one hundred fifty (150) feet and underground extensions beyond one hundred (100) feet will require specific agreements providing adequate revenue or arrangements for construction financing.
- The Customer is not authorized to make connections to the lighting circuit or make attachments or alterations to the Company-owned pole.
- Should a Customer request a relocation of a dusk-to-dawn lighting installation, the costs of such relocation must be borne by the customer.
- The Customer is expected to notify the Company when lamp outages occur.
- The Company will use diligence in maintaining service; however, monthly bills will not be reduced because of lamp outages.
- The Company may require a refundable advance for the installation of new construction for facilities.
- A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LTG
Dusk-To-Dawn Lighting Service**

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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EXHIBIT

DBE-3b



**Pricing Plan C.A.R.E.S.
Customer Assistance Residential Energy Support**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This C.A.R.E.S. pricing plan is available to those residential customers presently taking service under the Company's residential service pricing plan whose gross annual income is not more than one hundred fifty percent (150%) of the federal poverty level guideline effective at the time qualification and annual certification is sought. Residential customers who desire to qualify for such pricing plan must initially make application to the Company for qualification and must provide verification to the Company that the customer's household gross income does not exceed one hundred fifty percent (150%) of the federal poverty level. Subsequent to the initial certification, the residential customer who seeks to retain eligibility for the C.A.R.E.S. pricing plan must provide a personal certification that the household gross income of the residential dwelling unit involved does not exceed one hundred fifty percent (150%) of the federal poverty level. Eligibility information provided by the customer on the application form is subject to verification by the Company. Samples of the existing CARES participants will be re-certified every two years prior to January 1 and when a customer changes residence.

CHARACTER OF SERVICE

Single phase, 60 hertz, at one standard voltage.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 3.504.00 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charge.

All energy charges below are on a per kWh basis for all summer and winter months.

	<u>Delivery Services-Energy¹</u>	<u>Power Supply Charges²</u>	<u>Total³</u>
		<u>Base Power</u>	
First 400 kWh	\$0.045259	\$0.037656	\$0.082915
All Additional kWhs	\$0.055273	\$0.037656	\$0.092929

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-Transmission, Local Delivery Energy and Production not included in Power Supply.

2. The Power Supply Charge shall be comprised of the Base Power Charge. All CARES participants are excluded from The Purchased Power and Fuel Adjustment Clause ("PPFAC").

3. Total bundled energy charger for all kWhs per rate component.

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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**Pricing Plan C.A.R.E.S.
Customer Assistance Residential Energy Support**

RATEDISCOUNT

For all qualified C.A.R.E.S. residential customers, the monthly bill shall be computed in accordance to the rates above with the Company's currently approved residential pricing plan except including the following discount:

For Bills with Usage of:	The Total Bill (Before Taxes & Regulatory Assessment) will be Discounted by:
0 – 300 kWh	30%
301 – 600 kWh	20%
601 – 1,000 kWh	10%
1,001 + kWh	\$8.00

As shown above, additional usage triggers progressively smaller discounts. The percentage discounts above apply to the entire bill. For example, the entire bill for a customer using 500 kWh will be discounted by 20%, while the entire bill for a customer using 700 kWh will be discounted by 10%.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$1.355 per month
Meter Reading	\$0.377 per month
Billing & Collection	\$1.602 per month
Customer Delivery	\$0.166 per month
	\$3.50 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy 1st 400 kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Delivery	\$0.031426
Production not included in Power Supply	\$0.000364
Local Delivery-Energy All Additional kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Delivery	\$0.041440
Production not included in Power Supply	\$0.000364

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**Pricing Plan C.A.R.E.S.
Customer Assistance Residential Energy Support**

Power Supply Charge (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.037656

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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**Pricing Plan C.A.R.E.S. - M
Customer Assistance Residential Energy Support
Low Income Medical Life Support Program**

AVAILABILITY

This C.A.R.E.S Low income Medical Life Support Program pricing plan is available in all territories served by the Company in Mohave and Santa Cruz Counties, Arizona, where facilities of adequate capacity and the required phase and voltage are adjacent to the premises served.

APPLICABILITY

This C.A.R.E.S. Low Income Medical Life Support Program is available to all qualified C.A.R.E.S. residential customers who are medically life-support dependent and who meet the eligibility requirements.

ELIGIBILITY REQUIREMENTS

To be eligible for the C.A.R.E.S. Low Income Medical Life Support Program, a customer must meet the following requirements:

- A. Require the use of medical equipment that is considered essential for sustaining life and is operated at the residence;
- B. Submit to UNS Electric, Inc. a statement signed by the attending physician that verifies that the customer is medically life-support dependent and states the type of essential medical equipment in use at the residence; and
- C. Submit to UNS Electric, Inc. verification by the physician to remain eligible for the program beyond two years.

The following equipment is representative of that which may be qualified as being essential under the program:

- Ventilator
- Oxygen concentrator
- Peritoneal Dialysis Cycler
- Hemo Dialysis Equipment
- Feeding Pump
- Infusion Pump
- Suction Machine
- Small Volume Nebulizer
- Oximeter

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 3.50 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charge.

All energy charges below are on a per kWh basis for all summer and winter months.

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**Pricing Plan C.A.R.E.S. - M
Customer Assistance Residential Energy Support
Low Income Medical Life Support Program**

	<u>Delivery Services-Energy¹</u>	<u>Power Supply Charges²</u> Base Power	<u>Total³</u>
First 400 kWh	\$0.045259	\$0.037656	\$0.082915
All Additional kWhs	\$0.055273	\$0.037656	\$0.092929

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-Transmission, Local Delivery Energy and Production not included in Power Supply.

2. The Power Supply Charge shall be comprised of the Base Power Charge. All CARES participants are excluded from The Purchased Power and Fuel Adjustment Clause ("PPFAC").

3. Total is calculated above for illustrative purposes.

DISCOUNT

The monthly bill for customers eligible under the C.A.R.E.S. Low Income Medical Life Support Program shall be computed in accordance to the rates above including the following discount:

<u>For Bills with Usage of:</u>	<u>The Total Bill (Before Taxes & Regulatory Assessment) will be Discounted by:</u>
0 – 600 kWh	30%
601 – 1,200 kWh	20%
1,201 – 2,000 kWh	10%
2,001 + kWh	\$8.00

As shown above, additional usage triggers progressively smaller discounts. The percentage discounts above apply to the entire bill. For example, the entire bill for a customer using 700 kWh will be discounted by 20%, while the entire bill for a customer using 1,400 kWh will be discounted by 10%.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$1.355 per month
Meter Reading	\$0.377 per month
Billing & Collection	\$1.602 per month
Customer Delivery	<u>\$0.166 per month</u>
	\$3.50 per month

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Pricing Plan C.A.R.E.S. - M
Customer Assistance Residential Energy Support
Low Income Medical Life Support Program

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy 1 st 400 kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Delivery	\$0.031426
Production not included in Power Supply	\$0.000364
Local Delivery-Energy All Additional kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Delivery	\$0.041440
Production not included in Power Supply	\$0.000364

Power Supply Charge (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.037656

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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Pricing Plan C.A.R.E.S. - M
Customer Assistance Residential Energy Support
Low Income Medical Life Support Program

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan RES-01
Residential Service**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

CHARACTER OF SERVICE

Single phase, 60 hertz, at one standard voltage.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 8.00 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh	\$0.026115	\$0.068767	Varies	\$0.094882
All Additional kWhs	\$0.036129	\$0.074812	Varies	\$0.104896

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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Effective: June 1, 2008 PENDING
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**UNS Electric, Inc.
Pricing Plan RES-01
Residential Service**

BUNDLED STANDARD OFFER SERVICE

Customer Charge	\$7.50 per month
Energy Charges:	
Delivery Charge, 1 st 400 kWhs	\$0.011255 per kwh
Delivery Charge, all additional kWhs	\$0.021269 per kwh
Base Power Supply Charge	\$0.077993 per kWh

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$3.201 per month
Meter Reading	\$0.659 per month
Billing & Collection	\$3.747 per month
Customer Delivery	\$0.393 per month
	\$8.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy 1st 400 kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Local Delivery Energy	\$0.012282
Production not included in Power Supply	\$0.000364
Delivery Services - Energy All Additional kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Local Delivery Energy	\$0.022296
Production not included in Power Supply	\$0.000364

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.068767
PPFAC (see Rate Rider-1 for current rate)	Varies

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan RES-01
Residential Service**

Customer Charges:

Meter Services	\$2.227 per month
Meter Reading	\$0.688 per month
Billing & Collection	\$3.601 per month
Customer Delivery	\$0.984 per month

Energy Charges (kWh):

Delivery Charge, 1st 400 kWhs

Transmission	\$0.003322 per kWh
Sub-transmission	\$0.003760 per kWh
Delivery	\$0.003821 per kWh
Production (not included in power supply)	\$0.000352 per kWh

Delivery Charge, all additional kWhs

Transmission	\$0.003322 per kWh
Sub-transmission	\$0.003760 per kWh
Delivery	\$0.013835 per kWh
Production (not included in power supply)	\$0.000352 per kWh

Base Power Supply	\$0.077993 per kWh
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DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

Available as an optional rate to Customers served under the Company's Pricing Plan RS, Residential Service.

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

~~Service is provided at one point of delivery measured through one meter and is restricted to private single family dwellings or individually metered apartments.~~

Not applicable to three phase service, resale, breakdown, temporary, standby, auxiliary service, or service to individual motors exceeding 40 amperes at a rating of 230 volts or which will cause excessive voltage fluctuations.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single phase, 60 hertz, at one standard voltage.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 88.00 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.0261150070	\$0.153093\$0.159138	Varies	\$0.1792080.179208
Shoulder Peak	\$0.026115 \$0.020070	\$0.068767\$0.074812	Varies	\$0.094882\$0.094882
Off-Peak	\$0.026115 \$0.020070	\$0.048113\$0.054158	Varies	\$0.074228\$0.074228
All Additional kWhs				
On-Peak	\$0.0361290084	\$0.153093\$0.159138	Varies	\$0.1892229222

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak

Shoulder Peak	\$0.036129 \$0.030084	\$0.068767 \$0.074812	Varies	\$0.104896 104896
Off-Peak	\$0.036129 \$0.030084	\$0.048113 \$0.054158	Varies	\$0.084242 84242

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.026115 \$0.020070	\$0.153093 \$0.159138	Varies	\$0.171792 2089208
Off-Peak	\$0.026115 \$0.020070	\$0.035849 \$0.041894	Varies	\$0.061964 061964
All Additional kWhs				
On-Peak	\$0.036129 \$0.030084	\$0.153093 \$0.159138	Varies	\$0.179208 189222
Off-Peak	\$0.036129 \$0.030084	\$0.035849 \$0.041894	Varies	\$0.071978 71978

- Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply); Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
~~Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply).~~
- The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
- Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED STANDARD OFFER SERVICE

Customer Charge	\$7.50 per month
Energy Charges:	
Delivery Charge, 1 st 400 kWhs	\$0.011255 per kWh
Delivery Charge, all additional kWhs	\$0.021269 per kWh
Base Power Supply Charges (All energy charges below are charged on a per kWh basis):	

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UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.102086	\$0.102086
Shoulder-Peak	\$0.077993	N/A
Off-Peak	\$0.072092	\$0.068588

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

TIME-OF-USE PERIODS

Summer TOU periods:

Summer weekdays except Memorial Day, Independence Day (July 4), and Labor Day. If Independence Day falls on Saturday, the Weekend schedule applies on the preceding Friday, July 3. If Independence Day falls on Sunday, the Weekend schedule applies on the following Monday, July 5.

On-Peak: 2:00 p.m. to 6:00 p.m.
 Shoulder-Peak 12:00 p.m. (noon) to 2:00 p.m. and 6:00 p.m. to 8:00 p.m.
 Off-Peak: 12:00 a.m. (midnight) to 12 p.m (noon) and 8:00 p.m. to 12:00 a.m. (midnight).

Summer weekend days (Saturday and Sunday), Memorial Day, Independence Day (or July 3 or July 5, under above conditions), and Labor Day.

On-Peak: _____ (There are no On-Peak weekend hours)
 Shoulder-Peak: _____ (There are no Shoulder-Peak weekend hours)
 Off-Peak: _____ All hours.

Winter TOU periods:

Winter weekdays except Thanksgiving Day, Christmas Day, and New Years Day. If Christmas Day and New Years Day fall on Saturdays, the Weekend schedule applies on the preceding Fridays, December 24 and December 31. If Christmas Day and New Years Day fall on Sundays, the Weekend schedule applies on the following Mondays, December 26 and January 2.

On-Peak: _____ is 6:00 a.m. to 10:00 a.m. and 5:00 p.m. to 9:00 p.m.
 Shoulder-Peak: _____ There are no shoulder peak periods in the winter.
 Off-Peak: _____ is 12:00 a.m. (midnight) to 6:00 a.m., 10:00 a.m. to 5:00 p.m., and 9:00 p.m. to 12:00 a.m. (midnight).

Winter Weekend days (Saturday and Sunday), Thanksgiving Day, Christmas Day (or December 24 or December 26, under above conditions), and New Years Day (or December 31 or January 2, under above conditions).

On-Peak: _____ (There are no On-Peak weekend hours)
 Shoulder-Peak: _____ (There are no Shoulder-Peak weekend hours)
 Off-Peak: _____ All hours.

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$3.097-201 per month
Meter Reading	\$0.86592 per month
Billing & Collection	\$3.747664 per month
Customer Delivery	\$0.38093 per month
	\$8.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

<u>Component</u>	<u>Rate</u>
Delivery Services- Energy 1st 400 kWhs	
Transmission	\$0.0082322299
Sub-Transmission	\$0.0048135237
Local Delivery Energy	\$0.012282643
Production not included in Power Supply	\$0.00036415
Delivery Services - Energy All Additional kWhs	
Transmission	\$0.008232\$0.002299
Sub-Transmission	\$0.005237\$0.004813
Local Delivery Energy	\$0.022296\$0.022657
Production not included in Power Supply	\$0.000364\$0.000315

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.153093
Shoulder-Peak	\$0.068767
Off-Peak	\$0.048113
Base Power Supply Winter	
On-Peak	\$0.153093 \$0.150138
Off-Peak	\$0.035849 \$0.041894
PPFAC (see Rate Rider-1 for current rate)	Varies

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charges:

Meter Services	\$2.227 per month
Meter Reading	\$0.688 per month
Billing & Collection	\$3.601 per month
Customer Delivery	\$0.984 per month

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 TOU-A
Residential Service Time-of-Use – Weekends Off-Peak

Energy Charges (kWh):

Delivery Charge, 1 st 400 kWhs	
Transmission	\$0.003322 per kWh
Sub-transmission	\$0.003760 per kWh
Delivery	\$0.003821 per kWh
Production (not included in power supply)	\$0.000352 per kWh
Delivery Charge, all additional kWhs	
Transmission	\$0.003322 per kWh
Sub-transmission	\$0.003760 per kWh
Delivery	\$0.013835 per kWh
Production (not included in power supply)	\$0.000352 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.102086	\$0.102086
Shoulder-Peak	\$0.077993	N/A
Off-Peak	\$0.072092	\$0.068588

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU-A
Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

Available as an optional rate to Customers served under the Company's Pricing Plan RS, Residential Service.

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

Service is provided at one point of delivery measured through one meter and is restricted to private single family dwellings or individually metered apartments.

Not applicable to three phase service, resale, breakdown, temporary, standby, auxiliary service, or service to individual motors exceeding 40 amperes at a rating of 230 volts or which will cause excessive voltage fluctuations.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single phase, 60 hertz, at one standard voltage.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 88.00 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On Super-Peak	\$0.026115 \$0.020070	\$0.482730 \$0.488770	Varies	\$0.508845 \$0.88840
Shoulder Peak	\$0.026115 \$0.020070	\$0.068767 \$0.074812	Varies	\$0.094881 \$0.094882
Off-Peak	\$0.026115 \$0.020070	\$0.048113 \$0.04158	Varies	\$0.074227 \$0.074228
All Additional kWhs				
On Super-Peak	\$0.036129 \$0.030084	\$0.482730 \$0.488770	Varies	\$0.518859 \$0.48854
Shoulder Peak	\$0.036129 \$0.030084	\$0.068767 \$0.074812	Varies	\$0.104896 \$0.104896

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU-A
Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

Off-Peak	\$0.036129\$0.030084	\$0.048113\$0.054158	Varies	\$0.08424284242
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Winter	Delivery Services-Energy ¹		Power Supply Charges ²		Total ³
	Base Power	PPFAC ²	Base Power	PPFAC ²	
First 400 kWh					
On-Peak	\$0.026115	\$0.020070	\$0.153093	Varies	\$0.179208
Off-Peak	\$0.026115	\$0.020070	\$0.035849	Varies	\$0.061963
All Additional kWhs					
On-Peak	\$0.036129	\$0.030084	\$0.153093	Varies	\$0.189222
Off-Peak	\$0.036129	\$0.030084	\$0.035849	Varies	\$0.071978

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED STANDARD OFFER SERVICE

Customer Charge	\$7.50 per month
Energy Charges:	
Delivery Charge, 1 st 400 kWhs	\$0.011255 per kWh
Delivery Charge, all additional kWhs	\$0.021269 per kWh
Base Power Supply Charges (All energy charges below are charged on a per kWh basis):	

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.102086	\$0.102086
Shoulder-Peak	\$0.077993	N/A
Off-Peak	\$0.072092	\$0.068588

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU-A
Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

Off-Peak All hours.

Winter TOU periods:

Winter weekdays except Thanksgiving Day, Christmas Day, and New Years Day. If Christmas Day and New Years Day fall on Saturdays, the Weekend schedule applies on the preceeding Fridays, December 24 and December 31. If Christmas Day and New Years Day fall on Sundays, the Weekend schedule applies on the following Mondays, December 26 and January 2.

On-Peak is 6:00 a.m. to 10:00 a.m. and 5:00 p.m. to 9:00 p.m.

Shoulder-Peak: there are no shoulder peak periods in the winter.

Off-Peak is 12:00 a.m. (midnight) to 6:00 a.m., 10:00 a.m. to 5:00 p.m., and 9:00 p.m. to 12:00 a.m. (midnight).

Winter Weekend days (Saturday and Sunday), Thanksgiving Day, Christmas Day (or December 24 or December 26, under above conditions), and New Years Day (or December 31 or January 2, under above conditions).

On-Peak: *(There are no On-Peak weekend hours)*

Shoulder-Peak *(There are no Shoulder-Peak weekend hours)*

Off-Peak All hours.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU-A
Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$3.201 per month
Meter Reading	\$0.659 per month
Billing & Collection	\$3.747 per month
Customer Delivery	\$0.393 per month
	\$8.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy 1st 400 kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Local Delivery Energy	\$0.012282
Production not included in Power Supply	\$0.000364
Delivery Services - Energy All Additional kWhs	
Transmission	\$0.008232
Sub-Transmission	\$0.005237
Local Delivery Energy	\$0.022296
Production not included in Power Supply	\$0.000364

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.482730
Shoulder-Peak	\$0.068767
Off-Peak	\$0.048113
Base Power Supply Winter	
On-Peak	\$0.153093
Off-Peak	\$0.035849
PPFAC (see Rate Rider-1 for current rate)	Varies

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection,

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan RES-01 SuperPeak TOU-A
Residential Service SuperPeak Time-of-Use –
Weekends Off-Peak

Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan SGS-10
Small General Service**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the monthly usage is not more than 7,500 kWh in any two (2) consecutive months. Customers who use more than 7,500 kWh for two (2) or more consecutive months shall not be eligible for this pricing plan and shall take service under the Large General Service pricing plan. However, service is available for customer-owned, operated, and maintained area, street, or stadium lighting, and for firm irrigation service with a maximum monthly demand less than 25 kW

To any customer for any purpose where service is provided at one point of delivery and measured through one meter and where the monthly usage is not more than 7,500 kWh in any two (2) consecutive months. Customers who use more than 7,500 kWh for two (2) or more consecutive months shall not be eligible for this pricing plan and shall take service under the Large General Service pricing plan. However, service is available for customer-owned, operated, and maintained area, street, or stadium lighting, and for firm irrigation service with a maximum monthly demand less than 25 kW.

CHARACTER OF SERVICE

Single phase, 60 hertz at one standard voltage. Three phase for eligible loads over 5 kW.

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$12.50 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh	\$0.0383109	\$0.0667778	Varies	\$0.105089
All Additional kWhs	\$0.0483249	\$0.0667778	Varies	\$0.115103

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED STANDARD OFFER SERVICE

Customer Charge	\$12.00 per month
Energy Charges:	
Delivery Charge, 1 st 400 kWhs	\$0.022449 per kWh
Delivery Charge, all additional kWhs	\$0.032463 per kWh
Base Power Supply Charge	\$0.075738 per kWh

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$4.911 per month
Meter Reading	\$0.221 per month
Billing & Collection	\$6.673 per month
Customer Delivery	\$0.695 per month
	\$12.50 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

<u>Component</u>	<u>Rate</u>
<u>Delivery Services - Energy 1st 400 kWhs</u>	
Transmission	\$0.006812
Sub-Transmission	\$0.004414
Local Delivery Energy	\$0.026731
Production not included in Power Supply	\$0.000354
<u>Delivery Services - Energy All Additional kWhs</u>	
Transmission	\$0.006812
Sub-Transmission	\$0.004414
Local Delivery Energy	\$0.036745
Production not included in Power Supply	\$0.000354

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Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.066778
PPFAC (see Rate Rider-1 for current rate)	Varies

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charges:

Meter Services	\$3.459 per month
Meter Reading	\$1.173 per month
Billing & Collection	\$6.123 per month
Customer Delivery	\$1.245 per month

Energy Charges (kWh):

<u>Delivery Charge, 1st 400 kWhs:</u>	
Transmission	\$0.002568 per kWh
Sub-transmission	\$0.003105 per kWh
Delivery	\$0.016436 per kWh
Production (not included in power supply)	\$0.000340 per kWh
<u>Delivery Charge, all additional kWhs</u>	
Transmission	\$0.002568 per kWh
Sub-transmission	\$0.003105 per kWh
Delivery	\$0.026450 per kWh
Production (not included in power supply)	\$0.000340 per kWh
Base Power Supply	\$0.075738 per kWh

TERMS AND CONDITIONS

Service under this schedule is for the exclusive use of the Customer and shall not be resold or shared with others.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection,

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Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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**UNS Electric, Inc.
Pricing Plan SGS-10 TOU
Small General Service Time-of-Use**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

Throughout the entire area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer for where the monthly usage is not more than 7,500 kWh in any two (2) consecutive months. Customers who use more than 7,500 kWh for two (2) or more consecutive months shall not be eligible for this pricing plan and shall take service under the Large General Service pricing plan. However, service is available for customer-owned, operated, and maintained area, street, or stadium lighting, and for firm irrigation service with a maximum monthly demand less than 25 kW.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single phase, 60 hertz at one standard voltage. Three phase for eligible loads over 5 kW.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 12.50 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.038311 2440	\$0.130888	Varies	\$0.169199169199
Shoulder Peak	\$0.038311\$0.032440	\$0.066778	Varies	\$0.105089405089
Off-Peak	\$0.038311\$0.032440	\$0.040888046759	Varies	\$0.0791999499
All Additional kWhs				
On-Peak	\$0.0483252454	\$0.130888\$0.136759	Varies	\$0.179213479213
Shoulder Peak	\$0.048325\$0.042454	\$0.066778 \$0.072649	Varies	\$0.115103415403
Off-Peak	\$0.048325\$0.042454	\$0.040888\$0.046759	Varies	\$0.0892123089213

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UNS Electric, Inc.
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Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.038311\$0.032440	\$0.136759\$0.130888	Varies	\$0.169169199199
Off-Peak	\$0.038311\$0.032440	\$0.032668\$0.038539	Varies	\$0.070979070979
All Additional kWhs				
On-Peak	\$0.048325\$0.042454	\$0.130888\$0.136759	Varies	\$0.179213179213
Off-Peak	\$0.048325\$0.042454	\$0.032668\$0.038539	Varies	\$0.08099380993

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED STANDARD OFFER SERVICE

Customer Charge	\$12.00 per month
Energy Charges:	
Delivery Charge, 1 st 400 kWh	\$0.022449 per kwh
Delivery Charge, all additional kWhs	\$0.032463 per kwh
Base Power Supply Charges (All energy charges below are charged on a per kWh basis):	

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.097108	\$0.097108
Shoulder-Peak	\$0.075738	N/A

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Off-Peak	\$0.067108	\$0.064368
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Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$4.911384 per month
Meter Reading	\$04.221434 per month
Billing & Collection	\$6.06731 per month
Customer Delivery	\$0.69524 per month
	\$12.50 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services - Energy 1 st 400 kWhs	
Transmission	\$0.006812 \$0.001889
Sub-Transmission	\$0.004414 \$0.003993
Local Delivery Energy	\$0.026731 \$0.026252
Production not included in Power Supply	\$0.000354 \$0.000306
Local Delivery-Energy All Additional kWhs	
Transmission	\$0.006812 \$0.001889
Sub-Transmission	\$0.004414 \$0.003993
Local Delivery Energy	\$0.036745 \$0.036266
Production not included in Power Supply	\$0.000354 \$0.000306

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.130888 \$0.136759
Shoulder-Peak	\$0.066778 \$0.072649
Off-Peak	\$0.040888 \$0.046759

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Base Power Supply Winter	
On-Peak	\$0.130888\$0.136759
Off-Peak	\$0.032668\$0.038539
PPFAC (see Rate Rider-1 for current rate)	Varies

Customer Charges:

Meter Services	\$3.459 per month
Meter Reading	\$1.173 per month
Billing & Collection	\$6.123 per month
Customer Delivery	\$1.245 per month

Energy Charges (kWh):

Delivery Charge, 1st 400 kWhs:

Transmission	\$0.002568 per kWh
Sub-transmission	\$0.003105 per kWh
Delivery	\$0.016436 per kWh
Production (not included in power supply)	\$0.000340 per kWh

Delivery Charge, all additional kWhs

Transmission	\$0.002568 per kWh
Sub-transmission	\$0.003105 per kWh
Delivery	\$0.026450 per kWh
Production (not included in power supply)	\$0.000340 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.097108	\$0.097108
Shoulder-Peak	\$0.075738	N/A
Off-Peak	\$0.067108	\$0.064368

TERMS AND CONDITIONS

Service under this schedule is for the exclusive use of the Customer and shall not be resold or shared with others.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

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A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

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UNS Electric, Inc.
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DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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UNS Electric, Inc.
Pricing Plan SGS-10 SuperPeak TOU
Small General Service SuperPeak Time-of-Use

AVAILABILITY

Throughout the entire area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the monthly usage is not more than 7,500 kWh in any two (2) consecutive months. Customers who use more than 7,500 kWh for two (2) or more consecutive months shall not be eligible for this pricing plan and shall take service under the Large General Service pricing plan. However, service is available for customer-owned, operated, and maintained area, street, or stadium lighting, and for firm irrigation service with a maximum monthly demand less than 25 kW

To any customer for any purpose where service is provided at one point of delivery and measured through one meter and where the monthly usage is not more than 7,500 kWh in any two (2) consecutive months. Customers who use more than 7,500 kWh for two (2) or more consecutive months shall not be eligible for this pricing plan and shall take service under the Large General Service pricing plan. However, service is available for customer-owned, operated, and maintained area, street, or stadium lighting, and for firm irrigation service with a maximum monthly demand less than 25 kW.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single phase, 60 hertz at one standard voltage. Three phase for eligible loads over 5 kW.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$ 12.508.00 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
Super-Peak	\$0.038311\$0.032440	\$0.423680 417820	Varies	\$0.456120 456131
Shoulder Peak	\$0.038311\$0.032440	\$0.06677872649	Varies	\$0.4050890 1050888
Off-Peak	\$0.038311\$0.032440	\$0.0408886759	Varies	\$0.079199 079199

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UNS Electric, Inc.
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All Additional kWhs				
On-Super-Peak	\$0.048325 \$0.042454	\$0.417820 \$0.423680	Varies	\$0.4661344 \$0.466145
Shoulder Peak	\$0.048325 \$0.042454	\$0.066778 \$0.072649	Varies	\$0.1151031 \$0.115103
Off-Peak	\$0.048325 \$0.042454	\$0.040888 \$0.046759	Varies	\$0.08921308 \$0.089213

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400 kWh				
On-Peak	\$0.038311 \$0.032440	\$0. 130888 \$0.136759	Varies	\$0.169199 \$0.169199
Off-Peak	\$0.038311 \$0.032440	\$0.038539 \$0.032668	Varies	\$0.070979 \$0.070979
All Additional kWhs				
On-Peak	\$0.048325 \$0.042454	\$0. 130888 \$0.136759	Varies	\$0.179213 \$0.179213
Off-Peak	\$0.048325 \$0.042454	\$0.032668 \$0.038539	Varies	\$0.080993 \$0.080993

1. ~~Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply), Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.~~

~~Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply.~~

2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration

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UNS Electric, Inc.
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above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED STANDARD OFFER SERVICE

Customer Charge \$12.00 per month

Energy Charges:

Delivery Charge, 1st 400 kWhs \$0.022449 per kWh

Delivery Charge, all additional kWhs \$0.032463 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.097108	\$0.097108
Shoulder-Peak	\$0.075738	N/A
Off-Peak	\$0.067108	\$0.064368

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

TIME-OF-USE PERIODS

The Summer periods below apply to all summer days:

On-Super-Peak: Either: Version A: 2:00 p.m. to 3:00 p.m.;
 Version B: 3:00 p.m. to 4:00 p.m.;
 Version C: 4:00 p.m. to 5:00 p.m.; or
 Version D: 5:00 p.m. to 6:00 p.m.

Shoulder-Peak: Either: Version A: 3:00 p.m. to 6:00 p.m.;
 Version B: 2:00 p.m. to 3:00 p.m. and 4:00 p.m. to 6:00 p.m.;
 Version C: 2:00 p.m. to 4:00 p.m. and 5:00 p.m. to 6:00 p.m.; or
 Version D: 2:00 p.m. to 5:00 p.m.

Off-Peak: 12:00 a.m. (midnight) to 2 p.m. and 6:00 p.m. to 12:00 a.m. (midnight)

The Version (i.e., A, B, C, or D) available to a specific customer shall be determined on the basis of a rule documented in this pricing plan's Plan of Administration. This rule helps promote load diversity, a beneficial result of a demand response program.

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

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	\$0.136615
Off-Peak	\$0.032668
	\$0.038539 \$0.038395
PPFAC (see Rate Rider-1 for current rate)	Varies Annual Rate

Customer Charges:

Meter Services	\$3.459 per month
Meter Reading	\$1.173 per month
Billing & Collection	\$6.123 per month
Customer Delivery	\$1.245 per month

Energy Charges (kWh):

<u>Delivery Charge, 1st 400 kWhs:</u>	
Transmission	\$0.002568 per kWh
Sub-transmission	\$0.003105 per kWh
Delivery	\$0.016436 per kWh
Production (not included in power supply)	\$0.000340 per kWh
<u>Delivery Charge, all additional kWhs</u>	
Transmission	\$0.002568 per kWh
Sub-transmission	\$0.003105 per kWh
Delivery	\$0.026450 per kWh
Production (not included in power supply)	\$0.000340 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.097108	\$0.097108
Shoulder-Peak	\$0.075738	N/A
Off-Peak	\$0.067108	\$0.064368

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UNS Electric, Inc.
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Small General Service SuperPeak Time-of-Use

TERMS AND CONDITIONS

Service under this schedule is for the exclusive use of the Customer and shall not be resold or shared with others.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: SGS-10 SP TOU
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UNS Electric, Inc.
Pricing Plan SGS-10 SuperPeak TOU
Small General Service SuperPeak Time-of-Use

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: SGS-10 SP TOU
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**UNS Electric, Inc.
Pricing Plan LGS
Large General Service**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is less than 1,000 kW.

Standard offer sales service to any customer for any purpose where such service is supplied at one point of delivery and measured through one meter and the maximum monthly demand is less than 1,000 kW.

CHARACTER OF SERVICE

Single or three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises. Customers may choose time-of-use service as well.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$16.00 per month
 Customer Charge, Single Phase service and minimum bill (Optional TOU) \$20.90 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$15.055 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

	<u>Delivery Services-Energy¹</u>	<u>Power Supply Charges²</u>		<u>Total³</u>
		<u>Base Power</u>	<u>PPFAC²</u>	
All kWh	\$0.004354	\$0.059129	Varies	\$0.063483

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply

2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

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UNS Electric, Inc.
Pricing Plan LGS
Large General Service

3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED STANDARD OFFER SERVICE

Customer Charge	\$ per month
Customer Charge, (optional TOU)	\$ per month
Demand Charge	\$ per kW
Energy Charges:	
Delivery	\$0.0 per kWh
Base Power Supply Charge	\$0.0 per kWh

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

DETERMINATION OF BILLING DEMAND

Normal service: If the time-of-use option is not chosen, the monthly billing demand shall be the highest measured fifteen (15) minute integrated reading of the demand meter during the billing month.

Time-of-Use: If time-of-use service is chosen, the monthly billing demand shall be the higher of:

- (i) the highest measured fifteen (15) minute integrated reading of the demand meter during the on-peak hours of the billing period,
- (ii) one-half the highest measured fifteen (15) minute integrated reading of the demand meter during the off-peak hours, or
- (iii) the contract capacity.

ON-PEAK HOURS

During the months of May through October, on-peak hours are those hours between 11:00 a.m. and 10:00 p.m. each day, Monday through Saturday. All other hours shall be considered off-peak hours.

During the months of November through April, on-peak hours are those hours between 7:00 a.m. and 7:00 p.m. each day, Monday through Friday. All other hours shall be considered off-peak hours.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

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Pricing Plan LGS
Large General Service**

Meter Services	\$9.002 per month
Meter Reading	\$1.231 per month
Billing & Collection	\$5.225 per month
Customer Delivery	\$0.542 per month
	\$16.00 per month

Customer Charge (Optional TOU) Components of Delivery Services (Unbundling):

Meter Services	\$16.935 per month
Meter Reading	\$0.612 per month
Billing & Collection	\$3.168 per month
Customer Delivery	\$0.185 per month
	\$20.90 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge	\$15.055 per kW per month
---------------	---------------------------

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy	
Transmission	\$0.005701
Sub-Transmission	\$0.003759
Delivery	(\$0.005446)
Production not included in Power Supply	\$0.000340

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.059129
PPFAC (see Rate Rider-1 for current rate)	Varies

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charges:

Meter Services	\$ per month
Meter Reading	\$ per month
Billing & Collection	\$ per month
Customer Delivery	\$ per month

Customer Charges, (optional TOU):

Meter Services	\$ per month
Meter Reading	\$ per month
Billing & Collection	\$ per month
Customer Delivery	\$ per month

Demand Delivery(kW): \$ per kW

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UNS Electric, Inc.
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<u>Energy Charges (kWh):</u>	
Delivery:	
Transmission	\$0.0 per kWh
Sub-transmission	\$0.0 per kWh
Delivery	\$0.0 per kWh
Production (not included in power supply)	\$0.0 per kWh
Base Power Supply	
	\$0.0 per kWh

TERMS AND CONDITIONS

Standby, supplemental or breakdown service shall not be rendered under this pricing plan except for Qualifying Facilities or Independent Power Producers that have entered into a Service or Purchase Agreement with the Company.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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Title: Senior Vice President, General Counsel
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**UNS Electric, Inc.
Pricing Plan LGS-TOU-N
Large General Service Time-of-Use**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is less than 1,000 kW.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single or three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises. Customers may choose time-of-use service as well.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$16.00 per month
 Customer Charge, Single Phase service and minimum bill (Optional TOU) \$20.90 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$15.055 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.004354	\$0.116024	Varies	\$0.120378
Shoulder Peak	\$0.004354	\$0.059129	Varies	\$0.063483
Off-Peak	\$0.004354	\$0.041024	Varies	\$0.045378

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh				
On-Peak	\$0.004354	\$0.116024	Varies	\$0.120378
Off-Peak	\$0.004354	\$0.027306	Varies	\$0.031660

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan LGS-TOU-N
Large General Service Time-of-Use

- 1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local DeliveryEnergy and Production not included in Power Supply.
- 2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
- 3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the higher of:

- (i) the highest measured fifteen (15) minute integrated reading of the demand meter during the on-peak and shoulder hours of the billing period,
- (ii) one-half the highest measured fifteen (15) minute integrated reading of the demand meter during the off-peak hours, or
- (iii) the contract capacity.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$9.002 per month
Meter Reading	\$1.231 per month
Billing & Collection	\$5.225 per month
Customer Delivery	<u>\$0.5420 per month</u>
	\$16.00 per month

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$16.935 per month
Meter Reading	\$0.612 per month
Billing & Collection	\$3.168 per month
Customer Delivery	<u>\$0.185 per month</u>

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
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Large General Service Time-of-Use**

\$20.90 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$15.055 per kW per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy- All kWh	
Transmission	\$0.005701
Sub-Transmission	\$0.003759
Local Delivery Energy (negative charge)	(\$0.005446)
Production not included in Power Supply	\$0.000340

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.116024
Shoulder-Peak	\$0.059129
Off-Peak	\$0.041024
Base Power Supply Winter	
On-Peak	\$0.116024
Off-Peak	\$0.027306
PPFAC (see Rate Rider-1 for current rate)	Varies

TERMS AND CONDITIONS

Standby, supplemental or breakdown service shall not be rendered under this pricing plan except for Qualifying Facilities or Independent Power Producers that have entered into a Service or Purchase Agreement with the Company.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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**UNS Electric, Inc.
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A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan LGS-TOU-N SuperPeak TOU-N
Large General Service SuperPeak Time-of-Use

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is less than 1,000 kW.

Standard offer sales service to any customer for any purpose where such service is supplied at one point of delivery and measured through one meter and the maximum monthly demand is less than 1,000 kW.

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Single or three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises. Customers may choose time-of-use service as well.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$168.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$15.055353266 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
SuperOn-Peak	\$0.004354\$0.004254	\$0.363690358480	Varies	\$0.3628340.367944
Shoulder Peak	\$0.004354\$0.004254	\$0.05912964326	Varies	\$0.0634830.068580
Off-Peak	\$0.004354\$0.004254	\$0.04102446224	Varies	\$0.0453780.050475

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
				-

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

Tariff No.: LGS-SP TOU-N-N
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UNS Electric, Inc.
Pricing Plan LGS-TOU-N SuperPeak TOU-N
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All kWh				
On-Peak	\$0.004354	\$0.004254	\$0.116024	21-224 Varies \$0.120378
Off-Peak	\$0.004354	\$0.004254	\$0.027306	3-2503 Varies \$0.031660

1. Delivery Services-Energy is a bundled charge that includes: Local Delivery Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply), Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

Customer Charge	\$15.50 per month
Demand Charge	\$10.71 per kW
Energy Charges:	
Delivery	\$0.003254 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.089820	\$0.089820
Shoulder-Peak	\$0.067062	N/A
Off-Peak	\$0.059820	\$0.054333

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

TIME-OF-USE PERIODS

The Summer periods below apply to all summer days:

On Super-Peak: Either: Version A: 2:00 p.m. to 3:00 p.m.;

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 Title: Senior Vice President, General Counsel
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UNS Electric, Inc.
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		Version B: 3:00 p.m. to 4:00 p.m.;
		Version C: 4:00 p.m. to 5:00 p.m.; or
		Version D: 5:00 p.m. to 6:00 p.m.
Shoulder-Peak:	Either:	Version A: 3:00 p.m. to 6:00 p.m.;
		Version B: 2:00 p.m. to 3:00 p.m. and 4:00 p.m. to 6:00 p.m.;
		Version C: 2:00 p.m. to 4:00 p.m. and 5:00 p.m. to 6:00 p.m.; or
		Version D: 2:00 p.m. to 5:00 p.m.
Off-Peak:		12:00 a.m. (midnight) to 2 p.m. and 6:00 p.m. to 12:00 a.m. (midnight)

The Version (i.e., A, B, C, or D) available to a specific customer shall be determined on the basis of a rule documented in this pricing plan's Plan of Administration. This rule helps promote load diversity, a beneficial result of a demand response program.

The Winter periods below apply to all winter days:

On-Peak: 6:00 a.m. to 10:00 a.m. and 5:00 p.m. to 9:00 p.m.
Shoulder-Peak: _____ No shoulder peak periods in the winter.
Off-Peak: _____ 12:00 a.m. (midnight) to 6:00 a.m., 10:00 a.m. to 5:00 p.m., and 9:00 p.m. to 12:00 a.m. (midnight).

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

DETERMINATION OF BILLING DEMAND

Normal service: If the time-of-use option is not chosen, the monthly billing demand shall be the highest measured fifteen (15) minute integrated reading of the demand meter during the billing month.

Time of Use: If time-of-use service is chosen, the monthly billing demand shall be the higher of:
 (i) the highest measured fifteen (15) minute integrated reading of the demand meter during the on-peak and shoulder hours of the billing period,
 (ii) one-half the highest measured fifteen (15) minute integrated reading of the demand meter during the off-peak hours, or
 (iii) the contract capacity.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

<u>Customer Charge Components of Delivery Services (Unbundling):</u>	
Meter Services	\$9.002 per month
Meter Reading	\$1.231 per month

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan LGS-TOU-N SuperPeak TOU-N
Large General Service SuperPeak Time-of-Use

Billing & Collection	\$5.225 per month
Customer Delivery	\$0.5420 per month
	\$16.00 per month

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$16.935 per month
Meter Reading	\$0.612 per month
Billing & Collection	\$3.168 per month
Customer Delivery	\$0.185 per month
	\$20.90 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge	\$15.055 per kW per month
---------------	---------------------------

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Delivery Services- Energy- All kWh	
Transmission	\$0.005701
Sub-Transmission	\$0.003759
Local Delivery Energy (negative charge)	(\$0.005446)
Production not included in Power Supply	\$0.000340

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
Super-Peak	\$0.358480 \$0.363690 \$0.363566
Shoulder-Peak	\$0.059129 \$0.064326 \$0.064200
Off-Peak	\$0.041024 \$0.046221 \$0.046095
Base Power Supply Winter	
On-Peak	\$0.116024 \$0.121221 \$0.121095
Off-Peak	\$0.027306 \$0.032503 \$0.032377
PPFAC (see Rate Rider-1 for current rate)	Varies

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charges:

Meter Services	\$2.923 per month
Meter Reading	\$1.185 per month
Billing & Collection	\$6.145 per month
Customer Delivery	\$5.247 per month

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UNS Electric, Inc.
Pricing Plan LGS-TOU-N SuperPeak TOU-N
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Demand Delivery(kW): _____ \$10.710 per kW

Energy Charges (kWh): _____

Delivery:

Transmission	\$0.001326 per kWh
Sub-transmission	\$0.001600 per kWh
Delivery	\$0.000228 per kWh
Production (not included in power supply)	\$0.000100 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.089820	\$0.089820
Shoulder-Peak	\$0.067062	N/A
Off-Peak	\$0.059820	\$0.054333

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan LGS-TOU-N SuperPeak TOU-N
Large General Service SuperPeak Time-of-Use

TERMS AND CONDITIONS

Standby, supplemental or breakdown service shall not be rendered under this pricing plan except for Qualifying Facilities or Independent Power Producers that have entered into a Service or Purchase Agreement with the Company.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LPS
Large Power Service**

AVAILABILITY

Throughout the entire area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer for any purpose where the service is supplied at one point of delivery and measured through one meter where the maximum monthly demand is 500 kW or greater, but if 10,000 kW or more, a service agreement spelling out minimum conditions must be entered into.

CHARACTER OF SERVICE

Three phase, 60 hertz, at the Company's standard transmission or distribution voltages that are available within the vicinity of the Customer's premises.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill (<69 kV Service)	\$ 372.00 per month
Customer Charge, Single Phase service and minimum bill (>69 kV Service)	\$ 407.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge (<69 kV Service)	\$23.449 per kW per month
Demand Charge (>69 kV Service)	\$17.164 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

	<u>Delivery Services-Energy¹</u>	<u>Power Supply Charges²</u>		<u>Total³</u>
		<u>Base Power</u>	<u>PPFAC²</u>	
All kWh	\$0.000000	\$0.046959	Varies	\$0.046959

1. Delivery Services-Energy is a bundled charge that includes: Local Delivery-Energy (Local Delivery and/or Distribution exclusive of Transmission, Sub-transmission and production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the

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Title: Senior Vice President, General Counsel
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UNS Electric, Inc.
Pricing Plan LPS
Large Power Service

base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED STANDARD OFFER SERVICE

Customer Charge, (<69 kV Distribution Service)	\$365.00 per month
Customer Charge, (≥69 kV Transmission Service)	\$400.00 per month
Demand Charge, (<69 kV Distribution Service)	\$17.895 per kW
Demand Charge, (≥69 kV Transmission Service)	\$11.610 per kW
Energy Charges:	
Delivery	\$0.000000 per kWh
Base Power Supply Charge	\$0.053260 per kWh

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

Minimum Charge: The minimum charge shall be the customer charge plus the demand charge.

A credit of three percent (3%) will be applied to the demand charge if the customer receives Distribution Service at primary voltage.

The Customer agrees to maintain, as nearly as practicable, a unity power factor. In the event that the Customer's power factor for any billing month is less than eighty-five (85%), an adjustment shall be applied to the bill as follows:

Power Factor adjustment =
(Maximum Demand / (.15 + PF)) - Maximum Demand) x Demand Charge Where Maximum Demand is the highest measured fifteen (15) minute demand in kilowatts during the billing period.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the higher of:

- i. the highest measured fifteen-minute integrated reading of the demand meter during the on-peak hours of the billing period,
- ii. one-half the highest measured fifteen-minute integrated reading of the demand meter during the off-peak hours,
- iii. the highest demand metered during the preceding eleven (11) months, or
- iv. the contract capacity.

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**UNS Electric, Inc.
Pricing Plan LPS
Large Power Service**

In the event a customer achieves permanent, verifiable demand reduction through involvement in UNS Electric, Inc.'s Demand-Side Management programs, such reductions will be applicable to adjusted demands billed during the eleven (11) month period prior to the installation of the DSM measures.

ON-PEAK HOURS

During the months of May through October, on-peak hours are those hours between 11:00 a.m. and 10:00 p.m. each day, Monday through Saturday. All other hours shall be considered off-peak hours.

During the months of November through April, on-peak hours are those hours between 7:00 a.m. and 7:00 p.m. each day, Monday through Friday. All other hours shall be considered off-peak hours.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling) (<69 kV Service):

Meter Services	\$213.296 per month
Meter Reading	\$ 25.789 per month
Billing & Collection	\$132.801 per month
Customer Delivery	\$ 0.114 per month
	\$372.00 per month

Customer Charge Components of Delivery Services (Unbundling) (>69 kV Service):

Meter Services	\$233.3643-314 per month
Meter Reading	\$ 28.2150-626 per month
Billing & Collection	\$145.2963-676 per month
Customer Delivery	\$ 0.125-384 per month
	\$8.00407.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge (<69 kV Service)	\$23.4491-224 per kW per month
Demand Charge (>69 kV Service)	\$17.1644-930 per kW per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy	\$0.000000

25965375(8252)0284 **Power Supply Charges (Unbundling) (\$/kWh):**

Component	Rate
Base Power Supply	\$0.04695951087
PPFAC (see Rate Rider-1 for current rate)	Varies

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
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**UNS Electric, Inc.
Pricing Plan LPS
Large Power Service**

Customer Charges, (<69 kV Distribution Service):

Meter Services	\$ 1.727 per month
Meter Reading	\$ 42.623 per month
Billing & Collection	\$221.737 per month
Customer Delivery	\$ 98.913 per month

Customer Charges, (>69 kV Transmisison Service):

Meter Services	\$.777 per month
Meter Reading	\$ 27.730 per month
Billing & Collection	\$142.797 per month
Customer Delivery	\$228.696 per month

Demand Charges, (<69 kV Distribution Service):

Transmission	\$.725 per kW
Sub-transmission	\$.951 per kW
Delivery	\$ 16.097 per kw
Production (not included in power supply)	\$.122 per kW

Demand Charges, (>69 kV Transmisison Service):

Transmission	\$.777 per kW
Sub-transmission	\$ 1.019 per kW
Delivery	\$ 9.683 per kw
Production (not included in power supply)	\$.131 per kW

Energy Charges (kWh):

Delivery	\$0.000000 per kWh
Base Power Supply Charge	\$0.053260 per kWh

TERMS AND CONDITIONS

Standby, supplementary, breakdown, and/or temporary service are available under this rate. At the Company's option, customers may have to enter into a Service or Purchase Agreement with the Company for this service.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
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Large Power Service**

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

OTHER PROVISIONS

Service hereunder shall remain in full force and in effect until terminated by the customer unless otherwise provided for in the Service Agreement. Termination of service requires twelve (12) months advance notice in writing to the Company.

Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of two (2) years or longer, with a minimum contract demand capacity at the Company's option in view of the anticipated demand of the Customer.

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan LPS-TOU
Large Power Service Time-of-Use

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department.

To any customer where the maximum monthly demand is 500 kW or greater, but if 10,000 kW or more, a service agreement spelling out minimum conditions must be entered into.

~~To any customer for any purpose where the service is supplied at one point of delivery and measured through one meter when the maximum monthly demand is 500 kW or greater, but if 10,000 kW or more, a service agreement spelling out minimum conditions must be entered into.~~

Service under this pricing plan will commence when the appropriate meter has been installed.

CHARACTER OF SERVICE

Three phase, 60 hertz, at the Company's standard transmission or distribution voltages that are available within the vicinity of the Customer's premises.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

<u>Customer Charge, Single Phase service and minimum bill (<69 kV Service)</u>	<u>\$372.00-8.00 per month</u>
<u>Customer Charge, Single Phase service and minimum bill (>69 kV Service)</u>	<u>\$407.00-8.00 per month</u>

Demand Charge Component is unbundled into Delivery Services-Demand

<u>Demand Charge (<69 kV Service)</u>	<u>\$23.4491.221 per kW per month</u>
<u>Demand Charge (>69 kV Service)</u>	<u>\$17.1644.960 per kW per month</u>

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

BUNDLED STANDARD OFFER SERVICE

<u>Customer Charge, (<69 kV Distribution Service)</u>	<u>\$365.00 per month</u>
<u>Customer Charge, (≥69 kV Transmission Service)</u>	<u>\$400.00 per month</u>
<u>Demand Charge, (<69 kV Distribution Service)</u>	<u>\$17.895 per kW</u>
<u>Demand Charge, (≥69 kV Transmission Service)</u>	<u>\$11.610 per kW</u>

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LPS-TOU
Large Power Service Time-of-Use**

<u>Summer</u>	<u>Delivery Services-Energy¹</u>	<u>Power Supply Charges²</u>		<u>Total³</u>
		<u>Base Power</u>	<u>PPFAC²</u>	
All kWh				
On-Peak	\$0.000000	\$0.094919	Varies	\$0.094919
Shoulder Peak	\$0.000000	\$0.046959	Varies	\$0.046959
Off-Peak	\$0.000000	\$0.034919	Varies	\$0.034919

<u>Winter</u>	<u>Delivery Services-Energy¹</u>	<u>Power Supply Charges²</u>		<u>Total³</u>
		<u>Base Power</u>	<u>PPFAC²</u>	
All kWh				
On-Peak	\$0.000000	\$0.094919	Varies	\$0.094919
Off-Peak	\$0.000000	\$0.022905	Varies	\$0.022905

- Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
- The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
- Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

Energy Charges:

Delivery _____ \$0.000000 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	<u>Summer (May - October)</u>	<u>Winter (November - April)</u>
On-Peak	\$0.077240	\$0.077240
Shoulder-Peak	\$0.053260	N/A
Off-Peak	\$0.047240	\$0.041233

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan LPS-TOU
Large Power Service Time-of-Use

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m..

The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

Minimum Charge: The minimum charge shall be the customer charge plus the demand charge.

A credit of three percent (3%) will be applied to the demand charge if the customer receives Distribution Service at primary voltage.

The Customer agrees to maintain, as nearly as practicable, a unity power factor. In the event that the Customer's power factor for any billing month is less than eighty-five (85%), an adjustment shall be applied to the bill as follows:

Power Factor adjustment =

(Maximum Demand / (.15 + PF)) - Maximum Demand) x Demand Charge Where Maximum Demand is the highest measured fifteen (15) minute demand in kilowatts during the billing period.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the higher of:

- i. the highest measured fifteen-minute integrated reading of the demand meter during the on-peak hours of the billing period,
ii. one-half the highest measured fifteen-minute integrated reading of the demand meter during the off-peak hours,
iii. the highest demand metered during the preceding eleven (11) months, or
iv. the contract capacity.

In the event a customer achieves permanent, verifiable demand reduction through involvement in UNS Electric, Inc.'s Demand-Side Management programs, such reductions will be applicable to adjusted demands billed during the eleven (11) month period prior to the installation of the DSM measures.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling) (<69 kV Service):

Table with 2 columns: Component Name and Amount. Rows include Meter Services (\$213.296 per month), Meter Reading (\$ 25.789 per month), Billing & Collection (\$132.801 per month), Customer Delivery (\$ 0.114 per month), and a total of \$372.00 per month.

Customer Charge Components of Delivery Services (Unbundling) (>69 kV Service):

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Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LPS-TOU
Large Power Service Time-of-Use**

Meter Services	\$233.364 per month
Meter Reading	\$-28.215 per month
Billing & Collection	\$145.296 per month
Customer Delivery	\$- 0.125 per month
	\$407.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge (<69 kV Service)	\$23.449 per kW per month
Demand Charge (>69 kV Service)	\$17.164 per kW per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy	\$0.000000

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply Summer	
On-Peak	\$0.094919 \$0.099047
Shoulder-Peak	\$0.046959 \$0.051087
Off-Peak	\$0.034919 \$0.039047
Base Power Supply Winter	
On-Peak	\$0.094919 \$0.099047
Off-Peak	\$0.022905 \$0.027033
PPFAC (see Rate Rider-1 for current rate)	Varies

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charges, (<69 kV Distribution Service):

Meter Services	\$ 1.727 per month
Meter Reading	\$ 42.623 per month
Billing & Collection	\$221.737 per month
Customer Delivery	\$ 98.913 per month

Customer Charges, (>69 kV Transmission Service):

Meter Services	\$.777 per month
Meter Reading	\$ 27.730 per month
Billing & Collection	\$142.797 per month
Customer Delivery	\$228.696 per month

Demand Charges, (<69 kV Distribution Service):

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 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LPS-TOU
Large Power Service Time-of-Use**

Transmission	\$.725 per kW
Sub-transmission	\$.951 per kW
Delivery	\$ 16.097 per kW
Production (not included in power supply)	\$.122 per kW
Demand Charges, (>69 kV Transmission Service):	
Transmission	\$.777 per kW
Sub-transmission	\$ 1.019 per kW
Delivery	\$ 9.683 per kW
Production (not included in power supply)	\$.131 per kW

Energy Charges (kWh):	
Delivery	\$0.000000 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.077240	\$0.077240
Shoulder-Peak	\$0.053260	N/A
Off-Peak	\$0.047240	\$0.041233

TERMS AND CONDITIONS

Standby, supplementary, breakdown, and/or temporary service are available under this rate. At the Company's option, customers may have to enter into a Service or Purchase Agreement with the Company for this service.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach.

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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 Effective: June 1, 2008 PENDING
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**UNS Electric, Inc.
Pricing Plan LPS-TOU
Large Power Service Time-of-Use**

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan LPS-TOU
Large Power Service Time-of-Use

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

OTHER PROVISIONS

Service hereunder shall remain in full force and in effect until terminated by the customer unless otherwise provided for in the Service Agreement. Termination of service requires twelve (12) months advance notice in writing to the Company.

Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of two (2) years or longer, with a minimum contract demand capacity at the Company's option in view of the anticipated demand of the Customer.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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Effective: June 1, 2008 PENDING
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**UNS Electric, Inc.
Pricing Plan IPS
Interruptible Power Service**

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department

To any customer with a minimum demand of 50 kW for any purpose where such service is supplied at one point of delivery and measured through one meter and is interruptible within fifteen (15) minutes of verbal notice by the Company. The Customer must be able to interrupt service for up to eight (8) hours per day.

CHARACTER OF SERVICE

Three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$16.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$5.237 per kW per month^{3.650}

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All charges below are for all summer and winter months.

	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
All kWh	\$0.019500	\$0.048927	Varies	\$0.068427

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

Tariff No.: IPS
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UNS Electric, Inc.
Pricing Plan IPS
Interruptible Power Service

above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED STANDARD OFFER SERVICE

Customer Charge	\$15.50 per month
Demand Charge	\$3.40 per kW
Energy Charges:	
Delivery	\$0.014800 per kWh
Base Power Supply Charge	\$0.055491 per kWh

~~Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.~~

PENALTY FOR FAILURE TO INTERRUPT:

In the event that the Customer fails to interrupt its load when requested to do so by the Company, the customer shall pay an additional charge as follows:

Billing Demand Charge per kW @ \$10.00
Unbundled \$/kWh Charge is entirely a Delivery Charge

For a second failure to interrupt in any twelve (12) month period, the Customer will revert to the otherwise applicable firm pricing plan for a period of at least twelve (12) months.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the highest measured fifteen (15) minute integrated reading of the demand meter during the billing month. If demand is not metered, the billing demand shall be based on nameplate ratings of connected motors and equipment, or by a test as approved by the Company.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$9.002 per month
Meter Reading	\$1.231 per month
Billing & Collection	\$5.225 per month
Customer Delivery	<u>\$0.542 per month</u>
	\$16.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
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Demand Charge

\$5.237 per kW per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate
Local Delivery-Energy	
Transmission	\$0.008590
Sub-Transmission	\$0.005376
Delivery	\$0.005213
Production not included in Power Supply	\$0.000321

Power Supply Charges (Unbundling) (\$/kWh):

Component	Rate
Base Power Supply	\$0.048927
PPFAC (see Rate Rider-1 for current rate)	Varies

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

<u>Customer Charges:</u>	
Meter Services	\$ 1.452 per month
Meter Reading	\$ 0.495 per month
Billing & Collection	\$ 2.582 per month
Customer Delivery	\$10.971 per month
<u>Demand Charge (kW):</u>	
	\$ 3.400 per kW
<u>Energy Charges (kWh):</u>	
<u> Delivery:</u>	
Transmission	\$0.001859 per kWh
Sub-transmission	\$0.002256 per kWh
Delivery	\$0.010436 per kWh
Production (not included in power supply)	\$0.000249 per kWh
<u> Base Power Supply</u>	
	\$0.055491 per kWh

TERMS AND CONDITIONS

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

The Company reserves the right to curtail service to the customer at any time and for such period of time that, in the sole judgment of the Company, the operation of the system requires curtailment by the customer.

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach. Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of one (1) year or longer, with a minimum Contract Demand at the Company's option in view of the anticipated demand of the Customer.

The Company will endeavor to provide the customer with as much advance notice as possible of the required interruptions or curtailments. However, the customer shall interrupt or curtail service within fifteen (15) minutes, if so requested.

The Company reserves the right to have automatic equipment installed for immediate interruption of the customer's load. Should the Company's automatic equipment fail to interrupt the load, no penalty will be assessed.

The Company shall not be responsible for any loss or damage caused by or resulting from interruption or curtailment of service under this pricing plan.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan IPS-TOU
Interruptible Power Service Time-of-Use

AVAILABILITY

Available throughout the Company's entire electric service area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

This service is normally provided at one point of delivery measured through one meter. More than one service and meter may be provided in instances where such is permitted under 230.2 (A) through (D) of the National Electric Code with prior approval of the Unisource Electric Engineering Department

To any customer with a minimum demand of 50 and is interruptible within fifteen (15) minutes of verbal notice by the Company. The Customer must be able to interrupt service for up to eight (8) hours per day.

CHARACTER OF SERVICE

Three phase, 60 hertz, at the Company's standard voltages that are available within the vicinity of the Customer's premises.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER, ENERGY AND DEMAND CHARGES

Customer Charge Components of Delivery Services:

Customer Charge, Single Phase service and minimum bill \$-816.00 per month

Demand Charge Component is unbundled into Delivery Services-Demand

Demand Charge \$5.237 per kW per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

All energy charges below are on a per kWh basis for all summer and winter months.

All energy charges below are on a per kWh basis.

Summer	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400All kWh				
On-Peak	\$0.019500	\$0.097611	Varies	\$0.117111
Shoulder Peak	\$0.019500	\$0.048927	Varies	\$0.068427
Off-Peak	\$0.019500	\$0.037611	Varies	\$0.057111

Winter	Delivery Services-Energy ¹	Power Supply Charges ²		Total ³
		Base Power	PPFAC ²	
First 400All kWh				
On-Peak	\$0.019500	\$0.097611	VariesAnnual	\$0.117111
Off-Peak	\$0.019500	\$0.022479	VariesAnnual	\$0.041979

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
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UNS Electric, Inc.
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Interruptible Power Service Time-of-Use

1. Delivery Services-Energy is a bundled charge that includes: Transmission, Sub-transmission, Local Delivery Energy and Production not included in Power Supply.
2. The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.
3. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC changes annually pursuant to Rider-1 PPFAC. While only non-variable components are included in the illustration above, a Customer's actual bill in any given billing month will reflect the applicable PPFAC for that billing month.

BUNDLED-STANDARD OFFER SERVICE

Customer Charge	\$15.50 per month
Demand Charge	\$3.40 per kW
Energy Charges:	
Delivery	\$0.014800 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.079833	\$0.079833
Shoulder-Peak	\$0.055494	N/A
Off-Peak	\$0.049833	\$0.042267

Purchased Power Fuel Adjuster Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with the PPFAC Rider No. 1 to reflect any increase or decrease in the cost to the Company of energy either generated or purchased above or below the base cost per kWh sold.

TIME-OF-USE PERIODS

Summer Billing Months are May-October; Winter Billing Months are November through April. The summer On-Peak period is 2:00 p.m. to 6:00 p.m.. The summer Shoulder periods are 12:00 p.m. (noon) to 2:00 p.m., and 6:00 p.m. to 8:00 p.m.. The winter On-Peak periods are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m.. All other hours are Off-Peak.

PENALTY FOR FAILURE TO INTERRUPT:

In the event that the Customer fails to interrupt its load when requested to do so by the Company, the customer shall pay an additional charge as follows:

Billing Demand Charge per kW @ \$10.00

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
 District: Entire Electric Service Area

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**UNS Electric, Inc.
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Unbundled \$/kWh Charge is entirely a Delivery Charge

For a second failure to interrupt in any twelve (12) month period, the Customer will revert to the otherwise applicable firm pricing plan for a period of at least twelve (12) months.

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the highest measured fifteen (15) minute integrated reading of the demand meter during the billing month. If demand is not metered, the billing demand shall be based on nameplate ratings of connected motors and equipment, or by a test as approved by the Company.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$9.002 per month
Meter Reading	\$1.231 per month
Billing & Collection	\$5.225 per month
Customer Delivery	\$0.542 per month
	\$16.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

<u>Component</u>	<u>Rate</u>
Delivery Services- Energy- All kWh	
Transmission—Transmission	\$0.008590
Sub-Transmission—Sub-Transmission	\$0.005376
Local Delivery Energy—Delivery	\$0.005213
Production not included in Power Supply—Production not included in Power Supply	\$0.000321

Power Supply Charges (Unbundling) (\$/kWh):

<u>Component</u>	<u>Rate</u>
Base Power Supply Summer	
On-Peak	\$0.097611
Shoulder-Peak	\$0.048927
Off-Peak	\$0.037611
Base Power Supply Winter	
On-Peak	\$0.097611
Off-Peak	\$0.022479
PPFAC (see Rate Rider-1 for current rate)	Varies

Filed By: Raymond S. Heyman
 Title: Senior Vice President, General Counsel
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**UNS Electric, Inc.
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BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charges:

Meter Services	\$ 1.452 per month
Meter Reading	\$ 0.495 per month
Billing & Collection	\$ 2.582 per month
Customer Delivery	\$10.971 per month

Demand Charge (kW): \$ 3.400 per kW

Energy Charges (kWh):

Delivery:

Transmission	\$0.001859 per kWh
Sub-transmission	\$0.002256 per kWh
Delivery	\$0.010436 per kWh
Production (not included in power supply)	\$0.000249 per kWh

Base Power Supply Charges (All energy charges below are charged on a per kWh basis):

	Summer (May – October)	Winter (November – April)
On-Peak	\$0.079833	\$0.079833
Shoulder-Peak	\$0.055494	N/A
Off-Peak	\$0.049833	\$0.042267

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 Title: Senior Vice President, General Counsel
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**UNS Electric, Inc.
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TERMS AND CONDITIONS

A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

The Company reserves the right to curtail service to the customer at any time and for such period of time that, in the sole judgment of the Company, the operation of the system requires curtailment by the customer.

Customers who qualify for service under this pricing plan must remain on the pricing plan for a twelve (12) month period, unless, in the judgment of the Company, conditions require a different strategy or approach. Service hereunder may require the customer to enter into a Service Agreement with the Company for a term of one (1) year or longer, with a minimum Contract Demand at the Company's option in view of the anticipated demand of the Customer.

The Company will endeavor to provide the customer with as much advance notice as possible of the required interruptions or curtailments. However, the customer shall interrupt or curtail service within fifteen (15) minutes, if so requested.

The Company reserves the right to have automatic equipment installed for immediate interruption of the customer's load. Should the Company's automatic equipment fail to interrupt the load, no penalty will be assessed.

The Company shall not be responsible for any loss or damage caused by or resulting from interruption or curtailment of service under this pricing plan.

Standby, supplemental or breakdown service shall not be rendered under this pricing plan.

Service under this pricing plan is for the exclusive use of the Customer and shall not be resold or shared with others, unless authorized by the Company.

DIRECT ACCESS

A customer's Direct Access bill will include all unbundled components except those services provided by a qualified third party. Those services may include Metering (Installation, Maintenance and/or Equipment), Meter Reading, Billing and Collection, Transmission and Generation. If any of these services are not available from a third party supplier and must be obtained from the Company, the rates for Unbundled Components set forth in this tariff will be applied to the customer's bill.

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan LTG
Dusk-To-Dawn Lighting Service

AVAILABILITY

Throughout the entire area where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

To any Customer, including public agencies, for the lighting of streets, alleys, thoroughfares, public parks, playgrounds, or other public or private property where such lighting is controlled by a photocell and a contract for service is entered into with the Company.

CHARACTER OF SERVICE

Service is supplied on Company-owned fixtures and poles which are maintained by the Company. The poles, fixtures, and lamps available are the standard items stocked by the Company, and service is rendered at standard available voltages.

RATE

A monthly net bill at the following rate plus any adjustments incorporated in this pricing plan:

BUNDLED STANDARD OFFER SERVICE

The monthly bill shall be the sum of the following charges and adjustments for each light:

<u>Service Charge (per month):</u>	<u>Overhead Service</u>	<u>Underground Service</u>
Existing Wood Pole	\$0.000	\$2.2683
New 30' Wood Pole (Class 6)	\$4.5354	\$6.8146
New 30' Metal or Fiberglass	\$9.0828	\$11.350

Lighting Charge:

Based on the rated wattage value of each lamp installed per month: \$0.051029 per watt

Base Power Supply Charge: based on the rated wattage value of each lamp installed per month: \$0.006893 per watt

The Power Supply Charge shall be comprised of the Base Power Charge and the Purchased Power and Fuel Adjustment Clause ("PPFAC"), a per kWh adjustment in accordance with Rate Rider-1. The PPFAC reflects increases or decreases in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold. The PPFAC rate changes annually every June 1. Please see Rate Rider-1 for current rate.

CONTRACT PERIOD

All dusk-to-dawn lighting installations for public agencies will require an agreement for service.

All dusk-to-dawn lighting installations for other than public agencies will require a contract for service as follows:

Five (5) years initial term for installations on existing facilities, and

Five (5) years initial term, or longer at the Company's option, for installations requiring new and/or an extension of facilities.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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UNS Electric, Inc.
Pricing Plan LTG
Dusk-To-Dawn Lighting Service

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

New 30' Wood Pole (Class 6) - Overhead

Billing and Collections \$3.0000 per unit
Customer Delivery \$1.5354 per unit

New 30' Metal or Fiberglass - Overhead

Billing and Collections \$3.0000 per unit
Customer Delivery \$6.0828 per unit

Existing Wood Pole - Underground

Billing and Collections \$2.2683 per unit
Customer Delivery \$0.0000 per unit

New 30' Wood Pole Class 6 - Underground

Billing and Collections \$3.0000 per unit
Customer Delivery \$3.8146 per unit

New 30' Metal or Fiberglass - Underground

Billing and Collections \$3.0000 per unit
Customer Delivery \$8.3500 per unit

Lighting Charge

Production (not included in Power Supply) \$0.000327 per watt
Delivery \$0.050701 per watt

Base Power Supply \$0.006893 per watt

TERMS AND CONDITIONS

1. Overhead extensions beyond one hundred fifty (150) feet and underground extensions beyond one hundred (100) feet will require specific agreements providing adequate revenue or arrangements for construction financing.
2. The Customer is not authorized to make connections to the lighting circuit or make attachments or alterations to the Company-owned pole.
3. Should a Customer request a relocation of a dusk-to-dawn lighting installation, the costs of such relocation must be borne by the customer.
4. The Customer is expected to notify the Company when lamp outages occur.
5. The Company will use diligence in maintaining service; however, monthly bills will not be reduced because of lamp outages.
6. The Company may require a refundable advance for the installation of new construction for facilities.
7. A delayed payment charge as stated in the general rules and regulations will be applied to account balances carried forward from prior billings.

Filed By: Raymond S. Heyman
Title: Senior Vice President, General Counsel
District: Entire Electric Service Area

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**UNS Electric, Inc.
Pricing Plan LTG
Dusk-To-Dawn Lighting Service**

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

The standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with this pricing plan.

ADDITIONAL NOTES

Additional charges may be directly assigned to a customer based on the type of facilities (e.g., metering) dedicated to the customer or pursuant to the customer's contract, if applicable. Additional or alternate Direct Access charges may be assessed pursuant to any Direct Access fee schedule authorized.

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