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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
BOB STUMP, CHAIRMAN
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA.)	DOCKET NO. E-01933A-12-0291
)	
)	APPLICATION TO ADJUST
)	TARIFFS
)	(expedited consideration requested)
)	

Pursuant to Section 15.2 of the Settlement Agreement approved by the Arizona Corporation Commission ("Commission") in Decision No. 73912 (June 27, 2013), Tucson Electric Power Company ("TEP") hereby seeks an adjustment to TEP's Small General Service Time-of-Use Program tariff (GS-76) to correct for unanticipated customer rate impacts that are inconsistent with the public interest. TEP also seeks a corresponding adjustment to its Small General Service tariff (GS-10) to ensure that the adjustments are revenue neutral to TEP. Without adjustment, Rate GS-76 will inappropriately continue to incent increased usage without any corresponding benefits from reduced usage during peak periods.

I. Background

In TEP's most recent rate case, the Commission approved consolidation and simplification of TEP's rate structure. In recognition of the significant restructuring of rates, the Settlement Agreement included a provision to address the concerns of unanticipated or unintended consequences once the new rates were put into effect. Accordingly, Section 15.2 provided the following:

"15.2. The rate design portion of the Agreement shall remain open until July 1, 2014 to allow for the possible adjustment of specific tariffs to correct for unanticipated customer rate impacts that are determined to be inconsistent with

1 the public interest. Any tariff changes will not have the effect, in the aggregate,
2 of reducing TEP's non-fuel revenue requirement."

3 Decision No. 73912, at page 73, expressly ordered that "the docket shall be held open until July 1,
4 2014, in order to allow for . . . possible adjustment of specific tariffs to correct for unintended rate
5 impacts that are determined to be inconsistent with the public interest, however any such
6 adjustments shall not have the effect in the aggregate of changing Tucson Electric Power
7 Company's non-fuel revenue requirement."

8 Over the past year, TEP has identified a specific time-of-use rate that was inadvertently
9 miscalculated, resulting in a rate that does not effectively incent reduced usage during peak hours.
10 This result is inconsistent with the purpose and intent of time-of-use rates.

11 **II. The Unintended Consequences of Rate GS-76**

12 Since TEP's new rate structure went into effect July 1, 2013, an unexpectedly high number
13 of customers have moved from the general GS-10 rate to the time-of-use GS-76 rate, including
14 many businesses that do not typically change their usage habits to minimize peak period
15 consumption (such as 24-hour data centers and businesses with daytime hours). TEP's
16 investigation of this unanticipated migration revealed that the GS-76 rate had been calculated
17 incorrectly. When establishing the billing determinants that would be used as the basis for on- and
18 off-peak rates, TEP inadvertently counted weekend consumption as peak period usage. This error,
19 in combination with the elimination of a rate tier to simplify Rate GS-76, resulted in significantly
20 overstated revenue calculations for this rate class and a corresponding rate that is inappropriately
21 low during peak periods.

22 As a result, the design of Rate GS-76 inadvertently encourages increased usage and lacks
23 an appropriate incentive to reduce usage at peak hours. As shown in **Exhibit 1**, the GS-76 time-
24 of-use rate provides customers with significant and inappropriate discounts over GS-10 rates *even*
25 *if there is no change* in their usage during peak periods. Moreover, this error resulted in GS-10
26 rates that are slightly higher than necessary, forcing customers on that rate to effectively provide a
27 subsidy to the customers currently using the GS-76 rate.

1 **III. Relief Requested**

2 TEP requests that the Commission approve modifications to both the GS-76 and GS-10
3 tariffs, as illustrated in **Exhibits 2 and 3**. These revisions will increase rates for GS-76 customers
4 while modestly reducing rates for GS-10 customers, though those reductions are likely too small
5 to be noticed by most customers. As shown in **Exhibit 4**, the changes to the GS-76 rate would
6 result in more significant increases for customers with higher usage, providing an appropriate
7 incentive to reduce consumption during peak periods.

8 The proposed tariff revisions will be revenue neutral to TEP. As set forth in **Exhibit 5**, the
9 increased non-fuel revenues that result from higher GS-76 rates will be offset by reductions in
10 non-fuel revenues from GS-10 customers. Any increase in fuel costs paid by the GS-76 customers
11 will be passed on as a reduction to all other customers through the Purchased Power and Fuel
12 Adjustment Clause (PPFAC).

13 These proposed revisions are consistent with the rationale and policy underlying time-of-
14 use rates. The current GS-76 time-of-use tariff, which encourages increased usage without any
15 change in usage during peak period, is contrary to the purpose and policy underlying time-of-use
16 tariffs. The revised tariffs proposed herein will send appropriate price signals designed to help
17 TEP reduce peak load, which will benefit the Company and its customers.

18 **IV. Notice to Customers**

19 TEP intends to promptly notify all of its GS-76 customers of this application and inform
20 them of their right to submit comments on the application. TEP will coordinate with Commission
21 Staff on the appropriate form of notice.

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V. Conclusion

TEP requests that the Commission approve the revised GS-76 and GS-10 tariffs as expeditiously as possible.

RESPECTFULLY SUBMITTED this 1st day of July, 2014.

TUCSON ELECTRIC POWER COMPANY

By 

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Exhibit 1

Comparison of Rate 10 to Rate 76 Assuming No Reduction To Peak Consumption

Average kWh per Month	487	4,927	11,264	18,015	30,664
Total Annual Bill Current Rate 76	\$831.91	\$6,608.22	\$14,855.94	\$23,671.90	\$40,042.87
Total Annual Bill Current Rate 10	\$763.05	\$7,246.51	\$16,512.78	\$26,415.14	\$44,814.92
Rate 76 Annual Savings	(\$68.85)	\$638.29	\$1,656.84	\$2,743.24	\$4,772.05
Rate 76 Percentage Savings	-9.0%	8.8%	10.0%	10.4%	10.6%

Exhibit 2



**Small General Service
Time-of-Use Program (GS-76)**

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. Access to the meter during normal working hours is also a prerequisite for this Rate.

APPLICABILITY

To all general power and lighting service unless otherwise addressed by specific Rate schedules, when all energy is supplied at one point of delivery and through one metered service.

Not applicable to resale, breakdown, temporary, standby, or auxiliary service. Service under this Rate will commence when the appropriate meter has been installed.

Customers must stay on this Rate for a minimum period of one (1) year.

CHARACTER OF SERVICE

The service shall be single-phase or three-phase, 60 Hertz, and at one standard nominal voltage as mutually agreed and subject to availability at point of delivery.

RATE

A monthly bill at the following rate plus any adjustments incorporated herein:

BUNDLED STANDARD OFFER SERVICE - SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charge:

Customer Charge, single-phase or three-phase service and minimum bill \$17.50 per month

Energy Charges:

Description	Summer (May - September)	Winter (October - April)
On-Peak 0 - 500 kWh	\$0.108095098700	\$0.07881484000
On-Peak >500 kWh	\$0.137370	\$0.109341
Off-Peak 0 - 500 kWh	\$0.06728384500	\$0.04825464500
Off-Peak >500 kWh	\$0.085506	\$0.066943

Base Power Supply Charges:

Summer On-Peak	\$0.0596060669 per kWh
Summer Off-Peak	\$0.0280506679 per kWh
Winter On-Peak	\$0.05268532893 per kWh
Winter Off-Peak	\$0.0238817092 per kWh

Purchased Power and Fuel Adjustment Clause ("PPFAC"): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with Rider-1 PPFAC to reflect any increase or decrease in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold.



Tucson Electric Power

Tucson Electric Power Company

Original/First Revised Sheet No.: 203-1

Superseding Original Sheet No.: 203-1

TIME-OF-USE TIME PERIODS

The **Summer On-Peak period** is 2:00 p.m. to 8:00 p.m., Monday through Friday (excluding Memorial Day, Independence Day, and Labor Day).

The **Winter On-Peak periods** are 6:00 a.m. - 10:00 a.m. and 5:00 p.m. - 9:00 p.m., Monday through Friday (excluding Thanksgiving Day, Christmas Day, and New Year's Day).

All other hours are Off-Peak. If a holiday falls on Saturday, the preceding Friday is designated Off-Peak; if a holiday falls on Sunday, the following Monday is designated 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.

FOR DIRECT ACCESS: ARIZONA INDEPENDENT SCHEDULING ADMINISTRATOR (AZISA) CHARGE

A charge per kWh shall, subject to FERC authorization, be applied for costs associated with the implementation of the AZISA in Arizona.

PRIMARY SERVICE

The Rates contained in this Schedule are designed to reflect secondary service but where service is taken at primary voltage will be subject to a primary discount of 20.6 cents per kW per month (on the bundled rate, with the discount taken from the unbundled kW delivery charge) on the billing demand each month.

TEP STATEMENT OF CHARGES

For all additional charges and assessments approved by the Arizona Corporation Commission see the TEP Statement of Charges which is available on TEP's website at www.tep.com.

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 rate.

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: Kentton C. Grant
Title: Vice President of Finance and Rates
District: Entire Electric Service Area

Rate: GS-76
Effective: July 1, 2013 Pending
Decision No.: 73912



Tucson Electric Power

Tucson Electric Power Company

Original/First Revised Sheet No.: 203-2

Superseding Original Sheet No.: 203-2

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components (Unbundled):

Description	Customer Charge
Meter Services	\$6.53 per month
Meter Reading	\$0.83 per month
Billing & Collection	\$3.60 per month
Customer Delivery	\$6.54 per month
Total	\$17.50 per month

Energy Charge Components (Unbundled)

Summer (May - September)	On-Peak	Off-Peak
Local Delivery-Energy ¹	\$0.022300	\$0.022300
Generation Capacity		
0 - 500 kWh	\$0.07339564000	\$0.03258349800
>500 kWh	\$0.10267006400	\$0.05080649800
Fixed Must-Run	\$0.003500	\$0.003500
Transmission	\$0.006800	\$0.006800
Transmission Ancillary Services consists of the following charges:		
System Control & Dispatch	\$0.000100	\$0.000100
Reactive Supply and Voltage Control	\$0.000400	\$0.000400
Regulation and Frequency Response	\$0.000400	\$0.000400
Spinning Reserve Service	\$0.001000	\$0.001000
Supplemental Reserve Service	\$0.000200	\$0.000200
Energy Imbalance Service: Currently charged pursuant to the Company's OATT.		
Base Power Supply Charge	\$0.0596060669	\$0.0280506679
PPFAC	In accordance with Rider 1 - PPFAC	

Filed By: Kentton C. Grant
 Title: Vice President of Finance and Rates
 District: Entire Electric Service Area

Rate: GS-76
 Effective: July 1, 2013 Pending
 Decision No.: 73912



Tucson Electric Power

Tucson Electric Power Company

Original/First Revised Sheet No.: 203-3

Superseding Original Sheet No.: 203-3

Energy Charge Components (Unbundled)

Winter (October - April)	On-Peak	Off-Peak
Delivery-Energy	\$0.022300	\$0.022300
Generation Capacity		
0 – 500 kWh	\$0.044114046300	\$0.013554029800
>500 kWh	\$0.074641046300	\$0.032243029800
Fixed Must-Run	\$0.003500	\$0.003500
Transmission	\$0.006800	\$0.006800
Transmission Ancillary Services consists of the following charges:		
System Control & Dispatch	\$0.000100	\$0.000100
Reactive Supply and Voltage Control	\$0.000400	\$0.000400
Regulation and Frequency Response	\$0.000400	\$0.000400
Spinning Reserve Service	\$0.001000	\$0.001000
Supplemental Reserve Service	\$0.000200	\$0.000200
Energy Imbalance Service: Currently charged pursuant to the Company's OATT		
Base Power Supply Charge	\$0.05268532893	\$0.0238817092
PPFAC	In accordance with Rider 1 - PPFAC	

Filed By: Kentton C. Grant
 Title: Vice President of Finance and Rates
 District: Entire Electric Service Area

Rate: GS-76
 Effective: July 1, 2013 Pending
 Decision No.: 73912

Exhibit 3



Small General Service (GS-10)

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. To all general power and lighting service unless otherwise addressed by specific Rates.

APPLICABILITY

When all energy is supplied at one point of delivery and through one metered service. Not applicable to resale, breakdown, temporary, standby, or auxiliary service.

The supply of electric service under a residential Rate schedule to a dwelling involving some business or professional activity will be permitted only where such activity is of only occasional occurrence, or where the electricity used in connection with such activity is small in amount and used only by equipment which would normally be in use if the space were used as living quarters. Where the portion of a dwelling is used regularly for business, professional or other gainful purposes, and any considerable amount of electricity is used for other than domestic purposes, or electrical equipment not normally used in living quarters is installed in connection with such activities referred to above, the entire premises must be classified as non-residential and the appropriate general service rate will be applied.

For Customers who were previously on Municipal Service Rate (PS-40), a monthly transitional adjustment of 16.5% will be applied to the Delivery Charges (excluding the Customer Charge) and Power Supply Charges.

CHARACTER OF SERVICE

The service shall be single-phase or three-phase, 60 Hertz, and at one standard nominal voltage as mutually agreed and subject to availability at point of delivery. Primary metering may be used by mutual agreement.

RATE

A monthly bill at the following rate, plus any adjustments incorporated herein:

BUNDLED STANDARD OFFER SERVICE – SUMMARY OF CUSTOMER AND ENERGY CHARGES

Customer Charges:

Customer Charge, single-phase service and minimum bill \$15.50 per month
Customer Charge, three-phase service and minimum bill \$20.50 per month

Energy Charges: All energy charges below are charged per kWh basis.

Delivery Charges:

Description	Summer (May – September)	Winter (October – April)
First 500 kWh	\$0.0765800	\$0.0563800
All remaining kWh	\$0.0973600	\$0.0783800

Base Power Supply Charges:

Summer \$0.035111 per kWh
Winter \$0.031532 per kWh

Purchased Power and Fuel Adjustment Clause (PPFAC): The Base Power Supply Charge shall be subject to a per kWh adjustment in accordance with Rider-1 PPFAC to reflect any increase or decrease in the cost to the Company for energy either generated or purchased above or below the base cost per kWh sold.

Filed By: Kentton C. Grant
Title: Vice President of Finance and Rates
District: Entire Electric Service Area

Rate: GS-10
Effective: July 1, 2013 Pending
Decision No.: 73912



Tucson Electric Power

Tucson Electric Power Company

Original-First Revised Sheet No.: 201-1
Superseding Original Sheet No.: 201-1

PRIMARY SERVICE

The Rates contained in this Schedule are designed to reflect secondary service but where service is taken at primary voltage will be subject to a primary discount of 20.6 cents per kW per month (on the bundled rate, with the discount taken from the unbundled kW delivery charge) on the billing demand each month.

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.

FOR DIRECT ACCESS: ARIZONA INDEPENDENT SCHEDULING ADMINISTRATOR (AZISA) CHARGE

A charge per kWh shall, subject to FERC authorization, be applied for costs associated with the implementation of the AZISA in Arizona.

TEP STATEMENT OF CHARGES

For all additional charges and assessments approved by the Arizona Corporation Commission see the TEP Statement of Charges which is available on TEP's website at www.tep.com.

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 rate.

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.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components (Unbundled):

Description	Single-Phase	Three-Phase
Meter Services	\$5.78 per month	\$7.65 per month
Meter Reading	\$0.74 per month	\$0.98 per month
Billing & Collection	\$3.19 per month	\$4.21 per month
Customer Delivery	\$5.79 per month	\$7.66 per month
Total	\$15.50 per month	\$20.50 per month

Filed By: Kentton C. Grant
Title: Vice President of Finance and Rates
District: Entire Electric Service Area

Rate: GS-10
Effective: July 1, 2013 Pending
Decision No.: 73912



Tucson Electric Power

Tucson Electric Power Company

Original-First Revised Sheet No.: 201-2

Superseding Original Sheet No.: 201-2

Energy Charge Components (Unbundled):

Component	Summer (May - September)	Winter (October - April)
Delivery-Energy		
First 500 kWh	\$0.021700	\$0.021700
All remaining kWh	\$0.022600	\$0.022600
Generation Capacity		
First 500 kWh	\$0.0424700	\$0.0222700
All remaining kWh	\$0.0623600	\$0.0433800
Fixed Must-Run	\$0.003500	\$0.003500
Transmission	\$0.006800	\$0.006800
Transmission Ancillary Services consists of the following charges:		
System Control & Dispatch	\$0.000100	\$0.000100
Reactive Supply and Voltage Control	\$0.000400	\$0.000400
Regulation and Frequency Response	\$0.000400	\$0.000400
Spinning Reserve Service	\$0.001000	\$0.001000
Supplemental Reserve Service	\$0.000200	\$0.000200
Energy Imbalance Service: Currently charged pursuant to the Company's OATT		
Base Power Supply Charge	\$0.035111	\$0.031532
PPFAC	In accordance with Rider 1 - PPFAC	

Filed By: Kentton C. Grant
 Title: Vice President of Finance and Rates
 District: Entire Electric Service Area

Rate: GS-10
 Effective: July 1, 2013 Pending
 Decision No.: 73912

Exhibit 4

**Bill Impacts at Various Usage Levels For Each Rate Class Based on Company's
Proposed Changes to Rate 10 and Rate 76**

Rate 10 customers

Average monthly kWh usage	487	4,927	11,264	18,015	30,664
Total Current Summer	\$64.96	\$730.08	\$1,686.79	\$2,742.83	\$4,535.90
Total Current Winter	\$62.61	\$513.73	\$1,154.12	\$1,814.43	\$3,162.20
Total Annual Bill	\$763.05	\$7,246.51	\$16,512.78	\$26,415.14	\$44,814.92
Total Proposed Summer	\$64.83	\$728.45	\$1,683.01	\$2,736.70	\$4,525.74
Total Proposed Winter	\$62.35	\$511.44	\$1,148.96	\$1,806.30	\$3,148.02
Total Annual Bill	\$760.60	\$7,222.33	\$16,457.77	\$26,327.60	\$44,664.84
Dollar Change Summer	(\$0.13)	(\$1.63)	(\$3.78)	(\$6.13)	(\$10.16)
Dollar Change Winter	(\$0.26)	(\$2.29)	(\$5.16)	(\$8.13)	(\$14.18)
Dollar Change Annual	(\$2.45)	(\$24.18)	(\$55.01)	(\$87.54)	(\$150.08)
Percentage Change Summer	-0.19%	-0.22%	-0.22%	-0.22%	-0.22%
Percentage Change Winter	-0.41%	-0.45%	-0.45%	-0.45%	-0.45%
Percentage Change Annual	-0.32%	-0.33%	-0.33%	-0.33%	-0.33%

Rate 76 customers

kWh	487	4,927	11,264	18,015	30,664
Total Current Summer	\$69.96	\$666.96	\$1,524.01	\$2,470.05	\$4,076.33
Total Current Winter	\$68.87	\$467.63	\$1,033.70	\$1,617.38	\$2,808.74
Total Annual Bill	\$831.91	\$6,608.22	\$14,855.94	\$23,671.90	\$40,042.87
Total Proposed Summer	\$66.01	\$718.47	\$1,656.95	\$2,692.89	\$4,451.80
Total Proposed Winter	\$64.24	\$511.59	\$1,146.65	\$1,801.45	\$3,137.99
Total Annual Bill	\$779.73	\$7,173.48	\$16,311.30	\$26,074.60	\$44,224.93
Dollar Change Summer	(\$3.95)	\$51.51	\$132.94	\$222.84	\$375.47
Dollar Change Winter	(\$4.63)	\$43.96	\$112.95	\$184.07	\$329.25
Dollar Change Annual	(\$52.18)	\$565.26	\$1,455.36	\$2,402.70	\$4,182.06
Percentage Change Summer	-5.65%	7.72%	8.72%	9.02%	9.21%
Percentage Change Winter	-6.72%	9.40%	10.93%	11.38%	11.72%
Percentage Change Annual	-6.27%	8.55%	9.80%	10.15%	10.44%

Exhibit 5

**Non-fuel Revenue Impact on Company Using Test Year
Billing Determinants**

Impact of Proposed Change to Rate 10

	New Rates	Revenue Proof	Difference
Non-fuel	\$169,154,154	\$169,914,558	(\$760,404)

Impact of Proposed Change to Rate 76

	New Rates	Revenue Proof	Difference
Non-fuel	\$10,781,638	\$10,026,004	\$755,634