

TUCSON ELECTRIC POWER COMPANY

Tucson, Arizona

Filed by: Steven J. Glaser

Title: Vice President, Rates & Regulatory Support

District: Entire Electric Service Area

Tariff No. 40

Sheet No. 1 of 4

Revision No. _____

Effective: January 1, 2000

DIRECT ACCESS
MUNICIPAL SERVICE SCHEDULE NO. 40

The Company's following Riders apply to this tariff: Adder Associated with MGC – Rider No. 1; Must-Run Generation – Rider No. 2; Transmission and Ancillary Services – Rider No. 3; Fixed CTC by Class – Rider No. 4; and Transmission Credit -- Rider No. 5.

AVAILABILITY

Available for Municipal Service where the facilities of the Company are of adequate capacity and are adjacent to the premises.

APPLICABILITY

Applicable for service to the City of Tucson and City of South Tucson for Municipal buildings and grounds.

Not applicable to resale, breakdown, standby, or auxiliary service or to buildings used for residential purposes.

CHARACTER OF SERVICE

Single or three phase, 60 Hertz, at secondary voltage and subject to availability at point of delivery approved by the Company.

RATES

A monthly net bill based on the following, as applicable, plus any adjustments incorporated in this Schedule:

Distribution - Primary

Applicability: Required for Direct Access Service.

Summer kWh	\$0.007918 <i>per kWh</i>
Winter kWh	\$0.007412 <i>per kWh</i>

Distribution - Secondary

Applicability: Required for Direct Access Service.

Applies to primary & secondary customers; a primary discount may apply to primary customers.

Summer kWh	\$0.004194 <i>per kWh</i>
Winter kWh	\$0.003984 <i>per kWh</i>

Distribution - Customer Service Drop

Applicability: Required for Direct Access Service.

Summer kWh	\$0.000169 <i>per kWh</i>
Winter kWh	\$0.000160 <i>per kWh</i>

Uncollectible Accounts

Applicability: Required System Benefits Charge for Direct Access Service.

Price of Service: \$0.000141 *per kWh*

Fixed Must-Run

Applicability: Required for Direct Access Service.

See Must-Run Generation - Rider No. 2

Price of Service: \$0.004876 *per kWh*

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Fixed CTC

Applicability: Required for Direct Access Service.

See Fixed CTC by Class - Rider No. 4

Price of Service: \$0.010497 per kWh

Floating CTC

Applicability: Required for Direct Access Service.

See Market Generation Credit (MGC) and Stranded Cost Recovery section of this Tariff.

Demand Side Management

Applicability: Required System Benefits Charge for Direct Access Service.

Price of Service: \$0.000655 per kWh

Customer Information and Lifeline Discount

Applicability: Required System Benefits Charge for Direct Access Service.

Price of Service: \$0.000726 per kWh

Meter Services

Applicability: Required for Direct Access Service; may be purchased from a qualified third party.

Installation

Summer \$0.000302 per kWh

Winter \$0.000287 per kWh

Maintenance

Summer \$0.000060 per kWh

Winter \$0.000057 per kWh

Equipment

Summer \$0.000242 per kWh

Winter \$0.000229 per kWh

Meter Reading Services

Applicability: Required for Direct Access Service; may be purchased from a qualified third party.

Summer \$0.000036 per kWh

Winter \$0.000034 per kWh

Billing and Collection

Applicability: Required for Direct Access Service; may be purchased from a qualified third party.

Summer \$0.000112 per kWh

Winter \$0.000106 per kWh

Transmission - Group A: For customers under 20 kW and not demand metered.

Applicability: Required for Direct Access Service pursuant to the Company's OATT.

The rates in Transmission Credit -- Rider No. 5 will be used for the Transmission Credit in the calculation of the floating CTC. These rates are based on the Company's OATT, but are converted to a kWh-basis for specific load-profiled customer groups.

For illustrative purposes, an estimated rate is shown below.

Energy-based rate for transmission: \$0.008479 per kWh

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Transmission - Group B: For customers not in Group A.

Applicability: Required for Direct Access Service pursuant to the Company's OATT.

The following OATT rate is shown below for information and for calculation of the floating CTC.

See Transmission Rider No. 3.

As of June 7, 1999, the transmission charges are as follows:

EHV	\$2.259000 per kW / Month
Non-EHV	\$0.757000 per kW / Month

Ancillary Services - Group A: For customers under 20 kW and not demand metered.

Applicability: Required for Direct Access Service pursuant to the Company's OATT.

The rates in Transmission Credit -- Rider No. 5 will be used for the Transmission Credit in the calculation of the floating CTC. These rates are based on the Company's OATT, but are converted to a kWh-basis for specific load-profiled customer groups.

For illustrative purposes, estimated rates are shown below.

System Control & Dispatch	\$0.000115 per kWh
Reactive Supply and Voltage Control	\$0.000453 per kWh
Regulation and Frequency Response	\$0.000439 per kWh
Energy Imbalance Service	(see Notes)
Spinning Reserve Service	\$0.001189 per kWh
Supplemental Reserve Service	\$0.000194 per kWh

Ancillary Services - Group B: For customers not in Group A.

Applicability: Required for Direct Access Service, but not purchased directly by the customer.

Sold to scheduling coordinator pursuant to the Company's FERC OATT.

The following OATT rates are shown below for information and for calculation of the floating CTC.

As of June 7, 1999, the charges are as follows:

System Control & Dispatch	\$0.041000 per kW / Month
Reactive Supply and Voltage Control	\$0.161000 per kW / Month
Regulation and Frequency Response	\$0.156000 per kW / Month
Energy Imbalance Service	(see Notes)
Spinning Reserve Service	\$0.423000 per kW / Month
Supplemental Reserve Service	\$0.069000 per kW / Month

Notes:

- 1) A loss factor adjustment (5.4%) shall be made for Transmission and Ancillary Services.
- 2) Energy Imbalance Service currently charged pursuant to the Company's OATT, which is subject to change pursuant to AISA protocols.

ADDITIONAL NOTES

Summer billing months are May through October and winter billing months are November through April. Demand-Side Management, Customer Information and Lifeline Discount are collectively referred to as the System Benefit Charge (SBC).

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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.

See Must-Run Generation – Rider No. 2 for treatment of variable Must-Run Generation.

MARKET GENERATION CREDIT (MGC) and STRANDED COST RECOVERY

The floating CTC is used to recover a portion of stranded cost and is calculated using a MGC methodology. The MGC is determined quarterly, with such change set 45 days prior to each quarter, although the amount will vary month to month. The floating CTC equals the difference between the customer's bundled rate and the sum of the MGC, the Adder (pursuant to Adder Associated with MGC – Rider No. 1), and the unbundled charges for a) distribution, b) transmission, c) meter services, d) meter reading services, e) billing and collection, f) demand-side management system benefits charge, g) customer information and lifeline discount system benefits charge, h) uncollectible accounts, I) ancillary services (Transmission and Ancillary Services – Rider No. 3), j) fixed must-run generation (Must-Run Generation – Rider No. 2), and k) fixed CTC (Fixed CTC by Class – Rider No. 4). In a given quarter, the floating CTC can have a negative value, in which case the negative value will be credited to the customer's monthly bill.

The monthly MGC will be calculated using an on-peak component and an off-peak component and will be calculated in advance. The monthly on-peak component will be equal to a market price multiplied by the quantity of 1 plus the appropriate line loss (including UFE). The market price will be equal to the Palo Verde NYMEX futures price, except when adjusted for the variable cost of must-run generation. The off-peak component will be determined in the same manner as the on-peak component, except that the Palo Verde futures price will be adjusted by the ratio of off-peak to on-peak hourly prices from the California Power Exchange of the same month from the preceding year.

ARIZONA INDEPENDENT SCHEDULING ADMINISTRATOR (AISA) CHARGE

A charge of \$0.00004473 per kWh shall, subject to FERC authorization, be applied for costs associated with the implementation of the AISA in Arizona.

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 from time to time with the Arizona Corporation Commission shall apply where not inconsistent with this rate schedule.

The Company may require a written contract.