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UniSourceEnergy
SERVICES

2008 APR 15 P 1:07

AZ CORP COMMISSION
DOCKET CONTROL

April 14, 2008

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Re: Decision No. 63486, Docket No. RE-00000C-00-0377
Compliance Filing due pursuant to A.A.C. R14-2-1618 (D).

Docket Control:

UNS Electric, Inc. is required by A.A.C. R14-2-1618 (D) to file reports on sales and portfolio power demonstrating the output of portfolio resources, the installation date of portfolio resources, and the transmission of energy from those portfolio resources to Arizona consumers. Please find enclosed and original and thirteen copies of the required report for 2007. Also enclosed is an additional copy of the filing that the company requests you date stamp and return in the self-addressed, stamped envelope for our files.

If you have any questions, please do not hesitate to contact me at (520) 884-3680.

Sincerely,

Jessica Bryne
Regulatory Services

Cc: Compliance, ACC
Shannon Kanlan, ACC

Arizona Corporation Commission
DOCKETED
APR 15 2008

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UNS Electric, Inc.

**2007 Annual Report on
Environmental Portfolio Standard Programs**

**Prepared for:
Arizona Corporation Commission**

Submitted: April 1, 2008

EPS Activity Summary

Pursuant to the Arizona Corporation Commission (“Commission”) Order in Docket No. E-04204A-04-0304, Decision No. 67178, UNS Electric, Inc., a subsidiary of UniSource Energy Services (“UNS Electric”) (formerly Citizens Communication Company, Mohave Electric Division and Santa Cruz Electric Division [“Citizens”]) presents its annual report on Environmental Portfolio Standard (“EPS”) programs for the period covering January 1, 2007 through December 31, 2007.

Based on the percentage requirements of the portfolio standard, the following chart of MWh requirements has been used to forecast the UNS Electric EPS annual renewable energy needs:

EPS MWh Requirements

Year	UNSE/Citizens' Retail MWh Sales	EPS %	EPS MWh Required	Accumulated EPS MWh Required
Actual				
2001	1,275,036	0.20	2,550	2,550
2002	1,136,581	0.40	4,546	7,096
2003	1,392,466	0.60	8,355	15,451
2004	1,462,633	0.80	11,701	27,152
2005	1,520,947	1.00	15,209	42,361
2006	1,611,420	1.05	16,920	59,281
2007	1,681,832	1.10	18,500	77,782
Projected				
2008	1,732,287	1.10	19,055	96,837
2009	1,784,256	1.10	19,627	116,463
2010	1,837,783	1.10	20,216	136,679
2011	1,892,917	1.10	20,822	157,501
2012	1,723,890	1.10	18,963	176,464
Total	19,052,047		176,464	915,618

Surcharge revenues and program expenditures applicable for 2007 are summarized in Table 1. EPS energy totals for 2007 and program to date are shown in Table 2. The energy (kWh) output from UNS Electric’s on-site photovoltaic stations is outlined in Table 3.

Table 1
Summary of EPS Programs
Period from January 1, 2007 through December 31, 2007

Summary of Program Revenues			
Description	Thru 12/31/06	Period 1/01/07 - 12/31/07	Life of Program
GreenWatts Total	\$10,275	\$8,669	\$18,944
Renewables Surcharge Total	\$2,820,260	\$556,753	\$3,377,013
Total EPS Program Revenues	\$2,830,535	\$565,422	\$3,395,957
Summary of Program Expenditures			
Hardware Buydown Program	\$230,929	\$286,050	\$516,979
Landfill Gas Credits	\$640,250	\$1,972,715	\$2,612,965
Marketing	\$39,295	\$19,036	\$58,331
Materials & Supplies	\$1,326	\$860	\$2,186
Outside Services & Contracting	\$4,989	\$0	\$4,989
Payroll	\$57,333	\$46,462	\$103,795
TEP Support Services	\$9,487	\$0	\$9,487
Training & Travel	\$7,325	\$18,466	\$25,791
Total EPS Renewables Expenditures	\$990,934	\$2,343,589	\$3,334,523
Program Balance			
	\$1,839,601	(\$1,778,167)	\$61,434

Table 2
Summary of EPS Energy Totals
Period from January 1, 2007 through December 31, 2007

Description	Cumulative Thru 12/31/06	Reporting Period 1/1/07 - 12/31/07	Cumulative Thru 12/31/07
Retail Sales, kWh	6,893,345,000	1,681,831,808	8,575,176,808
UES EPS Requirement (1.10% of retail sales for 2007), kWh	45,592,810	18,500,000	63,252,044
"Other" Credits Needed To Meet EPS Requirements(40% in 2007), kWh	18,237,124	7,063,694	25,300,818
"Solar Electric" Resource Credits Needed to Meet EPS Requirements.(60% in 2007), kWh	27,355,686	10,595,540	37,951,226
"Solar Electric" Resource Credits Generated, kWh (Note 1)	558,666	439,592	998,258
"Solar Electric" Resource Credits Purchased, kWh	0	11,000,000	11,000,000
"Other" Credits Generated, kWh	0	0	0
"Other" Credits Purchased, kWh	25,610,000	7,500,000	33,110,000
Total "Solar Electric" Credits Retired for 2007 EPS, kWh	558,666	0	558,666
Total "Other " Credits Retired for 2007 EPS, kWh	25,610,000	0	25,610,000
Excess "Solar Electric" Credits Above Meeting EPS Requirements carried to 2008, kWh	0	11,439,592	11,439,592
Excess "Other" Credits Above Meeting EPS Requirements carried to 2008, KWH	1,981,236	7,500,000	9,481,236

(Note 1) Includes extra credit multiplier, 2.0 for 2007

Table 3

**EPS Solar Energy Production
Period from January 1, 2007 through December 31, 2007**

KG	LH	NO	
1047	5280	648	
1526	3327	3110	
3312	5713	2480	
2379	1291	5060	
18151	5162		
4576	3158		
3040	2566		
7508	3497		
4104	2379		
5750	2158		
6524	2920		
3395	3688		
4886	9161		
1135	4918		
4634	2942		
3175	5138		
	9788		
	5003		
	2260		
	8630		
	10963		
	5022		
	1947		
	1985		
	4671		
	2969		
	1813		
	863		
	7324		
	3038		
	3782		
75142	133356	11298	kWh
		219796	Total kWh

Total actual kWh generated for the year: 219,796* 2.0 multiplier = 439,592 kWh

Cumulative Solar kWh generated:

Year	kWh	Multipliers	Total EPS kWh
		.5 Early Installation .5 In-State Installation .5 Distributed Generation	
1998	19,000	2.5	47,500
1999	19,000	2.5	47,500
2000	19,000	2.5	47,500
2001	19,000	2.5	47,500
2002	19,400	2.5	47,500
2003	13,333	2.0 (Early Install Multiplier Ended)	26,700
2004	9,978	2.0	19,956
2005	26,738	2.0	53,476
2006	110,595	2.0	221,190
2007	219,796	2.0	439,592
Total			998,414

SOLAR PROJECTS TO DATE

Two solar projects were initiated in 1997. The two systems installed by Citizens were part of a pilot project undertaken in partnership with a TEAM-UP utility working group. The group received funds from the federal Department of Energy through a partnering program with the Utility Photo Voltaic Group.

This solar project includes two sites:

Lake Havasu City:

- 2 Systems
- Each system comprised of 12 panels for a total of 24 panels
- Site output is approximately 4 kW
- Grid connected (no battery storage)

Kingman:

- 2 systems
- One system is comprised of 13 panels, the other has 14 for a total of 27 panels
- Site output is approximately 4 kW
- Grid connected (no battery storage)

In addition, to further meet the EPS requirements, UNS Electric purchased 11,000 MWh of solar credits and 7,500 MWh of landfill gas credits for a total of 18,500 MWh from Tucson Electric Power (TEP), issued under EPS Credit Certificate No. TEP/UNSE – 005 and TEP/UNSE – 006 respectively. With these purchases, UNS Electric will carry a credit surplus of 11,440 MWh of Solar credits and 9,481 MWh of “Other” credits into 2008.

UNS Electric received approval from the Arizona Corporation in August 2004 for the GreenWatts and SunShare Programs. Since the inception of the SunShare Program, fifty-one customers have received \$516,979 in subsidies through 2007.