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March 3, 2004

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007 RE-00000C-00-0377

Arizona Corporation Commission

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Docket Control,

Pursuant to Decision No. 63364, and the Arizona Administrative Code R14-2-1618D, enclosed please find the original and thirteen copies of the 2003 Annual Report on Environmental Portfolio Standard Programs Filing for UNS Electric, Inc. Also enclosed is an additional copy that the Company requests that you date-stamp as received by the Commission and return in the pre-addressed stamped envelope for our files.

If you have any questions, please call me at 520-745-3432.

Sincerely,

Jason Musgrove
Regulatory Services Analyst

Enclosures

Cc: John Bulanowski, ACC
Tom Hansen, UNS
Bill Henry, UNS
Tom Ferry, UNS

UNS Electric, Inc.

**2003 Annual Report on
Environmental Portfolio Standard Programs**

**Prepared for:
Arizona Corporation Commission**

**Prepared by:
Bill Henry**

EPS Activity Summary

Pursuant to the Arizona Corporation Commission (“Commission”) Order in Docket No. R14-2-1618, 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 semi-annual report on Environmental Portfolio Standard (“EPS”) programs for the period covering January 1, 2003 through December 31, 2003.

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

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
Projected				
2004	1,360,855	0.80	10,887	25,911
2005	1,401,681	1.00	14,017	39,927
2006	1,443,731	1.05	15,159	55,087
2007	1,487,043	1.10	16,357	71,444
2008	1,531,654	1.10	16,848	88,292
2009	1,577,604	1.10	17,354	105,646
2010	1,624,932	1.10	17,874	123,520
2011	1,673,680	1.10	18,410	141,931
2012	1,723,890	1.10	18,963	160,893
Total	19,963,559		160,893	837,748

Surcharge revenues, program expenditures and kWh output applicable for 2003 are summarized in Table 1. Detailed program expenditures are reflected 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, 2003 through December 31, 2003**

Surcharge Revenues Thru 8/11/03	\$1,086,785
Surcharge Revenues 8/11/03-12/31/03	\$150,623
Surcharge Revenues thru 12/31/03	\$1,237,408
Program Expenditures thru 12/31/02	\$49,304
Program Expenditures 1/1/03-02/20/04 (See Table 3 for details)	\$200,164
Program Expenditures thru 12/31/03	\$249,468
PROGRAM BALANCE TOTAL	\$987,940
Portfolio MWh Required – 2003	8,355
Portfolio Solar MWh Generated – 2003	26.7
Portfolio “Other” MWh Purchased – 2003	8,000
Annual MWh Surplus (Deficit) - 2003	(4,151)
2003 EPS Annual Renewable Energy Percentage Met	50.32%
Total Program EPS MWh Requirements To Date:	15,451
Total Solar EPS MWh Generated To Date:	264
Total “Other” Credits MWh To Date :	8,000
EPS Total Program MWh To Date:	8,264
Program MWh Surplus (Deficit) – To Date	(7,462)
To Date EPS Annual Renewable Energy Percentage Met	51.71%
Surplus “Other” EPS Credits for use in Future Years - MWh	274.5
Surplus Solar EPS Credits for use in Future Years - MWh	0

Table 2

EPS Program Expenditures

Period from January 1, 2003 through December 31, 2003

Description of Expenses	Time Period	Totals
Consulting Services:		
Management Applications Services		
Purchase of 8,000 MWh of Landfill gas for EPS "Other" Credits	02/2003	\$200,000
PV-related Expenditures:		
Citizens – service to on-site PV stations	10/2003	\$164
Grand Total for 2003		\$200,164

Table 3

EPS Solar Energy Production

Period from January 1, 2003 through December 31, 2003

Meter #	Lake Havasu City		Kingman		Totals
	66567 kWh	65616 kWh	66566 kWh	65615 kWh	
Jan-03	691	550	0	280	1,521
Feb-03	361	280	0	280	921
Mar-03	219	170	0	280	669
Apr-03	461	360	0	280	1101
May-03	583	470	0	280	1333
Jun-03	555	440	0	420	1415
Jul-03	556	450	0	420	1426
Aug-03	441	320	0	350	1111
Sep-03	497	370	0	350	1217
Oct-03	447	340	0	290	1077
Nov-03	412	320	0	240	972
Dec-03	230	190	0	150	570
	5453	4260	0	3620	13,333

Total actual kWh generated for the year:

13,333 * 2.5 multiplier (early installation, in-state credits, distributed generation) = 33,333 kWh

Cumulative Solar kWh generated:

Year	kWh	Multipliers .5 Early Installation .5 In-State Installation .5 Distributed Generation	Total EPS kWh
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
Total			264,200

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 8,000 MWh of Landfill gas credits from TEP, issued under EPS Credit Certificate No. TEP/UNSE - 001. With this purchase, UNS Electric will carry a slight credit surplus of about 280 MWh of "Other" credits into 2004.

UNS Electric plans to propose new renewable program offerings for ACC approval in 2004. These include programs patterned after the Tucson Electric Power SunShare, GreenWatts and net metering programs.

UNS Electric is currently performing preliminary wind survey tower siting work as well as working with customers interested in installing solar on homes and businesses in anticipation of approval of the SunShare and net metering programs.