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2009 SEP 18 P 3: 56
AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF)
TUCSON ELECTRIC POWER COMPANY FOR)
APPROVAL OF ITS RENEWABLE ENERGY)
STANDARD AND TARIFF IMPLEMENTATION)
PLAN.)
)
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DOCKET NO. E-01933A-09-0340

**NOTICE OF FILING
SUPPLEMENT TO
RENEWABLE ENERGY
IMPLEMENTATION PLAN**

Tucson Electric Power Company ("TEP" or the "Company"), through undersigned counsel,
hereby submits a Supplement to enhance TEP's 2010 Renewable Energy Standard & Tariff
Implementation Plan filed on July 1, 2009.

RESPECTFULLY SUBMITTED this 18th day of September 2009.

TUCSON ELECTRIC POWER COMPANY

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Arizona Corporation Commission
DOCKETED
SEP 18 2009

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**Supplement to
Tucson Electric Power Company's
2010 Renewable Energy
Standard & Tariff
Implementation Plan**

SUPPLEMENT TO TEP'S 2010 REST IMPLEMENTATION PLAN

I. Executive Summary.

In its initial 2010 Renewable Energy Standard and Tariff ("REST") Implementation Plan ("the Original Plan"), Tucson Electric Power Company ("TEP") presented its strategy for meeting the requirements of the REST. TEP stated in the Original Plan it would make a subsequent filing to update the Arizona Corporation Commission ("Commission") on certain renewable purchase power and development agreements, seek Commission approval of those agreements, and also request necessary modifications to its Original Plan. Therefore, TEP hereby submits for Commission approval its amended 2010 REST Implementation Plan ("the Amended Plan"). In the Amended Plan, TEP reiterates its commitment to evaluating solar, wind, landfill gas and biomass projects in order to obtain a diverse renewable generation portfolio, and now requests expedited Commission approval for specific solar, landfill gas and biomass projects.

In Section II of the Amended Plan, TEP briefly summarizes the Original Plan as filed on July 1, 2009. In Sections III, IV and V of the Amended Plan, TEP discusses its strategy for supplementing the Original Plan through the addition of Distributed Generation ("DG") and Non-DG renewable projects and Purchase Power Agreements ("PPAs"). Further, pursuant to R14-2-1804.G, TEP requests that the Commission approve on an expedited basis the proposed renewable projects and PPAs. In the Original Plan, TEP indicated that it would enter into renewable purchase power and development agreements later this year in order to meet the 2010 REST requirements. TEP has entered into those agreements and now seeks Commission approval of these agreements. These updated items reflect TEP's long-term strategic integration of renewable energy, by measure of portfolio requirements, community and environmental benefits, competitiveness and scalability. Sections VI and VII include the updated budget and the modifications to the originally proposed REST customer tariff.

It is estimated that the Amended Plan will cost \$49.2 million, which is approximately \$5.6 million more than the amount estimated under the Original Plan. However, TEP is not requesting an increase in the proposed REST budget, which remains at \$37.1 million. TEP requests that the approximate \$12.1 million difference be funded by \$6.5 million that has

SUPPLEMENT TO TEP'S 2010 REST IMPLEMENTATION PLAN

already been recovered but not spent in the 2008 REST Program, and an additional \$5.6 million that will not be spent from the 2009 REST Program.

TEP's commitment to the REST remains solid as is evidenced by the substantial time and resources it dedicates to the education of its customers regarding renewable energy and the planning, research and development of renewable energy generation in the State of Arizona. Attached hereto as Exhibit A, and incorporated herein, are press releases regarding several TEP renewable projects. TEP believes that the Amended Plan is a realistic strategy for complying with the REST requirements and provides the Commission an important opportunity to approve agreements that will foster the construction of renewable generation for the benefit of Arizona electric service customers.

II. The Original Plan.

Pursuant to the REST (Arizona Administrative Code ("AAC") Rule 14-2-1801, *et seq.*), the annual percentage of TEP's retail sales that must be obtained from renewable resources is 2.5% in 2010, 20% of which must come from DG.

As stated in the Original Plan, TEP will rely upon (i) existing utility scale renewable generation, capital additions and manufacturing credits, (ii) PPAs with renewable developers, (iii) Purchases of Renewable Energy Credits ("RECs"), and (iv) DG funding and incentives to meet its obligations under the REST, including the Renewable Energy Credit Purchase Program ("RECPP") (TEP's Distributed Generation Incentive Program). The Amended Plan does not alter the implementation of these programs; rather, it enhances and supplements the Original Plan. TEP incorporates herein, by reference, the Original Plan.

Further, the Amended Plan is designed to achieve compliance with the 2010 REST requirements as cost effectively as possible.

III. Plan Supplement: DG Projects.

TEP requests expedited approval for the following two projects; (i) the Distributed Solar Storage Research Project and (ii) the Bright Tucson Community Solar Tariff. These two additional projects will not alter or diminish any aspect of TEP's existing residential and

SUPPLEMENT TO TEP'S 2010 REST IMPLEMENTATION PLAN

commercial DG programs as proposed in the Original Plan, rather these additions are intended to enhance customer choice for renewable energy.

A. Distributed Solar Storage Research Partnership Project (TEP Storage Project).

TEP requests to use \$6.7 of REST funds for this Arizona Recovery and Reinvestment Act ("ARRA") stimulus funding opportunity and research project. This project was expected to begin in 2009, thereby using 2009 REST funds; however, the project timeline has been pushed back into 2010.

The TEP Storage Project is a collaborative project between TEP and Arizona Research Institute for Solar Energy ("AzRISE"), Solon, Raytheon, the Tucson Airport Authority ("TAA"), and other engineering, battery, compressed air energy storage (CAES), and construction organizations, collectively ("the Partners"). TEP and its Partners recently applied for funding under the ARRA in order to obtain partial funding of the TEP Storage Project that combines distributed solar with, new storage technologies and demand-side management tools in order to determine if these technologies complement each other in a way that can enhance the reliability and economics of solar generation.

The TEP Storage Project consists of the construction of two new pilot storage facilities, as well as incorporate smart grid and micro-grid technologies in order to maximize capacity, efficiency, and integration with the existing grid system. The storage technologies include batteries, super-capacitors, compressed air (above and underground), and other mechanical methods. Further, the project consists of a demand-side management component that will aggregate load that can be called upon to curtail electricity demand. This project also includes educational and training components.

Since the purpose of the TEP Storage Project is to explore ways to make solar energy more reliable and economical, the TEP Storage Project is dependent upon a solar resource. TEP is proposing to use a 1.6 MW single-axis solar tracker as that renewable resource. However, it is important to note that whether or not TEP and its Partners receive approval and funding from the Federal government to construct the TEP Storage Project, TEP intends to construct the 1.6 MW single-axis solar tracker. Thus, the construction of the single-axis solar

SUPPLEMENT TO TEP'S 2010 REST IMPLEMENTATION PLAN

tracker is mutually exclusive of the TEP Storage Project. Therefore, TEP is requesting that the cost of the single-axis solar tracker, approximately \$6.7 million, be paid for through the REST.

B. Bright Tucson Community Solar Tariff.

TEP is also requesting that the Commission approve a voluntary customer tariff for community distribution solar energy, which qualifies as DG under the REST rules. The benefits of this tariff are that it:

1. Does not require any up-front capital expenditures by the customer;
2. Does not require any long-term customer commitment;
3. Provides access to lower cost solar energy to all customers;
4. Increases safety;
5. Increases reliability as it will be placed in strategically useful positions on the distribution network;
6. Alleviates any shading, tree, rooftop, or homeowners association issues;
7. Allows for scalable energy purchases;
8. Should increase residential customer participation in DG;
9. Provides our customers greater access to more affordable renewable energy;
10. Captures the benefits of economies of scale; and
11. Enhances the national image for Tucson Metropolitan Area.

Under this tariff, TEP would purchase and install solar distributed facilities, such as the 1.6 MW distributed single-axis solar tracker array mentioned in conjunction with the TEP Storage Project, or enter into PPAs for solar energy from appropriate facilities, which would be funded through the Bright Tucson Community Solar Tariff. TEP would then sell that output to customers in "blocks" of 150 kWh for approximately \$0.12 kWh. This proposal combines the benefit of DG with the lower solar energy capital and operations costs associated with utility scale projects. Further, this tariff will allow more of our customers to participate in DG, while not requiring them to invest significant up-front capital costs or require them to make a long-term commitment. A description of the Bright Tucson

SUPPLEMENT TO TEP'S 2010 REST IMPLEMENTATION PLAN

Community Solar Project and related proposed Bright Tucson Community Solar Project Tariff is attached hereto as Exhibit B, and by this reference, incorporated herein.

IV. Plan Supplement: Non-DG Projects.

In addition to the existing utility-scale projects that were filed in the Original Plan, TEP is requesting approval to use REST funds for the following items:

A. Springerville Solar Expansion.

TEP owns and operates approximately 4.6 MW of solar generation at its Springerville Generating Station ("SGS"). The Springerville solar array accounts for nearly 9.5% of TEP's utility scale generation requirements. TEP plans to expand the solar array in early 2010. TEP's original proposal would add nearly 20% of additional solar generation at SGS at a cost of approximately \$4 million.

In addition to its original request, TEP is also requesting that approximately \$2.64 million of REST funds under this Amended Plan be used to fund additional solar generation at SGS. This project would increase the solar generation at SGS by approximately an additional 17%. TEP is requesting that the Commission approve on an expedited basis the amended proposed expansion of the SGS solar array.

B. PPAs with Third Party Renewable Energy Developers.

TEP anticipated in its Original Plan that it would enter into PPAs with various renewable developers to meet a significant portion of its utility scale obligations under the REST. TEP stated, in its Original Plan, that it would supplement the Original Plan and file with the Commission PPAs for approval.

TEP conducted a renewable Request for Proposal ("RFP") in 2009 and was evaluating various projects when it filed its Original Plan.¹ After a thorough analysis, TEP determined that the following projects and the associated PPAs are in compliance with its obligation

¹ In September 2009, TEP issued another renewable RFP.

SUPPLEMENT TO TEP'S 2010 REST IMPLEMENTATION PLAN

under the REST. TEP requests that pursuant to A.A.C. R14-2-1804.G, the Commission approve the PPAs described herein. The PPAs are confidential and will be provided to the Commission under a protective agreement. Because time is of the essence, TEP requests the Commission expedite the approval process.

1. Solar Resources.

TEP has agreed to enter into two twenty-year (20) agreements that will significantly enhance solar generation in Pima County. It is important to note that although the two projects consist of different solar technologies, they were both determined to be superior compared to other projects, on the basis of cost and viability.

a. 5 MW Concentrated Solar Power ("CSP") with Thermal Salt Storage.

This project consists of a parabolic trough CSP that will produce approximately 11,500 MWh of solar power per year. This project combines solar generation with a storage option. The storage of renewable energy will be accomplished through a single-tank thermal salt storage facility, known as the Bell Energy Storage Technology ("BEST") system.

b. 20 MW Single-Axis Solar Photovoltaic Array.

This project consists of ground mounted single-axis solar photovoltaic panels that will produce around 55,000 MWh of solar power per year.

2. Landfill Gas.

TEP has agreed to enter into a fifteen-year (15) agreement that will expand its use of landfill gas, a local, renewable resource, through the procurement of energy produced at the Tangerine Landfill, located just north of Tucson.

a. 1.5 MW Tangerine Landfill Gas Project.

This project is subject to Pima County's competitive bid process for the rights to the landfill gas at the Tangerine facility. If those rights are awarded to the developer selected by

SUPPLEMENT TO TEP'S 2010 REST IMPLEMENTATION PLAN

TEP through the RFP, TEP will exercise the PPA. It is anticipated that this project, if successful, will produce approximately 12,000 MWh of renewable power per year.

V. Plan Supplement: REC Purchases.

A. RECs from Biodiesel Generation.

TEP is requesting Commission approval of the use of biodiesel in a pilot program to meet its non-DG REST requirements. Pursuant to R14-2-1802 (2), the proposed pilot program, which has already been approved by Pima County Department of Environmental Quality², consists of purchasing biodiesel that is manufactured in Arizona for energy production in the Sundt generating facility. If commercially viable, this option may ultimately allow TEP to evaluate the use of biodiesel or other direct fired renewable fuels as a viable source of renewable energy production and RECs.

The biodiesel is made from a waste bi-product collected from various commercial sources and that are processed into 80% biodiesel and 20% glycerin. The process turns what would be a stream of waste products into a renewable resource that can replace other fossil fuel sources in both power plants and vehicles. The glycerin bi-product can also be used as a fuel in power plants and TEP is looking into the feasibility of using this resource as a renewable fuel.

B. RECs from Other Sources.

TEP will enter into other short-term REC purchases as necessary in the future depending upon the conditions that RECs are both cost-effective and will enable TEP to meet its REST requirements.

VI. The Plan Budget Supplement.

As previously stated, the cost for the Plan is estimated to be \$49.2 million. The Plan's Original budget provides a detailed breakdown of the cost components and can be referenced

² The approval letter is provided in Exhibit C.

SUPPLEMENT TO TEP'S 2010 REST IMPLEMENTATION PLAN

in Exhibit 2 in the Original Plan. The additional funding requirement of \$5.64 million references un the Amended Plan does not alter TEP's Original budget request of \$37.1 million as the differences can be funded through unspent REST funds.

VII. The 2010 REST Tariff: Additional Options.

The REST Tariff filed in the Original Plan would include a customer charge of \$0.003847/kWh with no customer cap. Since the time TEP has filed its Original Plan, it has reevaluated its proposed REST tariff. Instead of proposing one version of a 2010 REST Tariff, TEP is proposing for Commission consideration two additional tariff options. Those two options are the (1) Modified Tariff and (2) the Proportional Tariff, which includes a customer cap. The Proportional Tariff is similar to TEP's current REST Tariff, adjusted proportionally for the increase in the budget request.

The following chart compares the current budget with the new budget and the three proposed REST Tariffs. A copy of the proposed tariffs is attached hereto as Exhibit D, and incorporated herein by this reference.

SUPPLEMENT TO TEP'S 2010 REST IMPLEMENTATION PLAN

REST Tariff Rate Options

<u>Rate Class</u>	<u>Current Budget</u>	<u>New Budget</u>		
	<u>Actual For Period Jul 08 - Jun 09</u>	<u>Originally Filed</u>	<u>Modified</u>	<u>Proportional</u>
Residential	\$11,870,144	\$14,921,971	\$19,106,416	\$21,352,391
Small Commercial	\$6,869,355	\$7,890,474	\$8,973,044	\$10,383,018
Large Commercial	\$1,424,554	\$4,997,717	\$3,767,283	\$3,690,719
Industrial & Mining	\$441,010	\$8,345,551	\$4,173,676	\$819,151
Public Authority	\$357,742	\$853,146	\$970,197	\$614,842
Lighting (PSHL)	\$213,654	\$131,027	\$149,004	\$278,353
Total	\$ 21,176,459	\$37,139,886	\$ 37,139,620	\$ 37,138,473
Rates/kWh				
Residential	\$ 0.008000	\$0.003847	\$0.004926	\$0.008289
Small Commercial	\$ 0.008000	\$0.003847	\$0.004375	\$0.008289
Large Commercial	\$ 0.008000	\$0.003847	\$0.002900	\$0.008289
Industrial & Mining	\$ 0.008000	\$0.003847	\$0.001924	\$0.008289
Public Authority	\$ 0.008000	\$0.003847	\$0.004375	\$0.008289
Lighting (PSHL)	\$ 0.008000	\$0.003847	\$0.004375	\$0.008289
Caps				
Residential	\$4.50	N/A	N/A	\$6.75
Small Commercial	\$75.00	N/A	N/A	\$112.50
Large Commercial	\$350.00	N/A	N/A	\$525.00
Industrial & Mining	\$1,600.00	N/A	N/A	\$2,400.00
Public Authority	\$75.00	N/A	N/A	\$112.50
Lighting (PSHL)	\$75.00	N/A	N/A	\$112.50

VIII. Proposed Modifications to the REST Rules.

As part of the Original and Amended Plan, TEP is requesting that certain provisions of the REST rules be modified by the Commission. The requested modifications are warranted based upon TEP's past experience with the REST. The requested modifications will increase the likelihood that TEP will meet the REST requirements in a manner that is in the public interest. The proposed modifications are set forth in detail in the Original Plan. By way of review, the proposed modifications are:

SUPPLEMENT TO TEP'S 2010 REST IMPLEMENTATION PLAN

1. Regulatory Contract Approval;³
2. REST Funding Flexibility;
3. Cost Recovery of Net-Metering Losses;
4. Waivers; and
5. Research and Development.

IX. Request to Expedite and Streamline Renewable Contract Approval Process.

TEP requests that the Commission expedite and streamline the approval process for contracts and PPAs pursuant to the REST Rules. It is recommended that such a process include the following criteria:

1. The PPA, contract, or investment was selected as part of a competitive procurement process;
2. The PPA, contract, or investment meets the REST rules and requirements;
3. The PPA, contract, or investment is demonstrated to be an appropriate part of the utility's energy portfolio⁴; and
4. The cost of the PPA, contract, or investment is shown to be reasonable in comparison to comparable renewable resource alternatives.

X. Conclusion.

With this Supplement, TEP's 2010 Renewable Energy Implementation Plan presents an enhanced, diverse, creative and effective approach to meeting the requirements of the REST. TEP requests that the Commission approve the 2010 Plan as supplemented, including approval of the specific projects and contracts set forth in the Supplement.

³ The Original Plan (at Page 8) contained a typographical error regarding regulatory contract approval. The sentence stated: "The REST does not expressly provide for TEP and other utilities to obtain Commission approval of PPAs and other REST-related contracts." The sentence should have read: "The REST does expressly provide for TEP and other utilities to obtain Commission approval of PPAs and other REST-related contracts as delineated in R14-2-1804.G of the REST Rules."

⁴ A PPA, contract, or investment that meets a resource requirement included in the Company's latest Integrated Resource Plan that was acknowledged or accepted by the Commission would be deemed to automatically meet this requirement.

EXHIBIT

"A"

TEP News

Tucson Electric Power Company

FOR IMMEDIATE RELEASE

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Financial Analyst Contact: Jo Smith, (520) 884-3650

September 1, 2009

Page 1 of 2

TEP SEEKS FEDERAL STIMULUS FUNDING FOR "BRIGHT TUCSON" SOLAR PROJECT

Tucson, Ariz. – Tucson Electric Power (TEP) and a team of energy industry leaders are seeking federal stimulus funding for an innovative demonstration project intended to boost the effectiveness of Tucson's solar energy resources.

TEP has requested \$25 million in stimulus funds from the U.S. Department of Energy to help fund the "Bright Tucson" project, which would employ energy storage systems and a "demand response" program to optimize the output of a new 1.6-megawatt (MW) photovoltaic (PV) array.

"We're looking for the best way to get the most out of the solar energy that surrounds us here in Tucson," said Paul Bonavia, Chairman, President and CEO of TEP and its parent company, UniSource Energy Corporation (NYSE: UNS).

"Solar energy is going to play a big part in TEP's future, so we need to find some bright solutions to the challenges that currently limit its utility and cost-effectiveness," Bonavia said. "The Bright Tucson project will help us develop a strategy to make the sun an even more valuable resource for our community."

If funding is approved, project team members would develop a lithium battery bank and a compressed air energy storage (CAES) system adjacent to the new PV array on a 20-acre site leased from the Tucson Airport Authority. The batteries would store solar energy as direct current (DC) power. The CAES system, meanwhile, would use solar power to create pressurized air that could be used later to drive a turbine, creating electric power on demand.

The project team also would recruit TEP customers to participate in a newly developed demand response program that would allow the utility to shut down their air conditioners and other equipment when additional power is needed elsewhere. Like batteries and the CAES system, such programs could help utilities manage the intermittent nature of solar energy.

Unlike the output of traditional, fossil-fueled generators, solar power is subject to frequent fluctuations due to weather conditions and other variables. Utilities must immediately compensate for those fluctuations – typically with energy from other resources – to avoid brownouts, blackouts and equipment damage. Solar energy also would be more valuable to utilities if it could be stored and deployed as needed.

"We cannot allow the challenges associated with solar energy to eclipse its potential as a clean, green energy source," said David G. Hutchens, Vice President of Energy Efficiency and Resource Planning for TEP and UniSource Energy. "Bright Tucson will help utilities find the best way to let the sun shine a little brighter in their resource mix."

Bright Tucson team members will develop software, communication and control systems and analytical tools to gauge the effectiveness of the various strategies employed as part of the five-year project. Performance data from the project will be available on a real-time display at Tucson International Airport and posted online at tep.com.

In addition to TEP, the Bright Tucson team includes the following partners:

- The University of Arizona's Arizona Research Institute for Solar Energy (AzRISE), the co-lead partner, will lead the economic and operational research to test system results and develop specifications for the control and communications systems.
- Burns & McDonnell, a Kansas City-based engineering, architecture, construction, environmental and consulting firm, will build the CAES system and commission the development of the battery storage system.
- Solon, a Tucson-based solar manufacturer, will develop the tracking PV array.
- EnerNOC, a Boston-based provider of energy management solutions, will develop a demand response program with large commercial and industrial customers.
- Tendril, a Boulder, Colo.- based provider of integrated energy management systems, will develop a demand response program involving residential and small commercial and industrial customers.
- Ventyx, an Atlanta-based provider of software, data and advisory services to the energy industry, will provide resource optimization software for the project.
- Raytheon, a defense technology company that ranks as Southern Arizona's largest employer, will provide security systems and systems modeling.
- Itron, a leader in utility meter data management based in Liberty Lake, Washington, will provide assistance in simulation modeling.
- Summit Blue, an energy industry consulting company based in Boulder, will provide data measurement, verification and evaluation assistance.

"With a remarkable team of energy industry leaders pledging significant resources to this project, Bright Tucson will pave the way for utilities across the country and around the world to reap greater benefits from solar energy at a lower cost to customers," Bonavia said.

Joe Simmons and Ardeth Barnhart, co-directors of AzRISE, said the project represents a big step forward in the development of both utility-scale and distributed solar energy systems. "It combines the most effective components that would go into such systems: components like single-axis tracking photovoltaic panels, lithium-based batteries, underground compressed air energy storage and demand-response load management," they said. "The project, the first of its kind in the world, will be evaluated for technical performance and economic value, cost and benefit, and it will serve as a model for future solar energy developments."

Bright Tucson's success depends on securing a \$25 million share of \$615 million in Smart Grid Demonstration Grants that will be awarded by the U.S. Department of Energy beginning in November under the federal stimulus legislation approved by Congress earlier this year.

The federal funds would be supplemented by significant in-kind contributions from project partners and resources provided by TEP, including the proceeds of surcharges approved by the Arizona Corporation Commission (ACC) to help utilities fund energy efficiency and renewable power programs.

Tucson Electric Power provides safe, reliable power to more than 400,000 customers in southern Arizona. For more information, visit tep.com. For more information about UniSource Energy, TEP's parent company, visit uns.com.

TEP News

Tucson Electric Power Company

FOR IMMEDIATE RELEASE

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September 16, 2009

Page 1 of 2

TEP UNVEILS PLANS FOR GIANT PHOTOVOLTAIC ARRAY AND NEW SOLAR POWER PLANT

Tucson, Ariz. – Tucson Electric Power (TEP) is working with partners to develop two new solar power systems that would rank as the Tucson-area's largest renewable power plants, generating enough clean energy to serve more than 6,000 Tucson homes.

The systems, including a new 25-megawatt (MW) photovoltaic (PV) array and a 5-MW concentrating solar power (CSP) plant, are expected to be completed by January 2012. TEP has agreed to purchase power from both systems, which will be privately owned and operated.

"These new systems will exponentially expand our community's solar energy resources, helping us reduce our use of fossil fuels while taking a significant step toward achieving our renewable energy goals," said Paul Bonavia, Chairman, President and CEO of TEP and its parent company, UniSource Energy (NYSE: UNS).

The 25 MW PV array, which will be owned and operated by the global solar company Fotowatio Renewable Ventures, will feature ground-mounted solar panels that rotate along a single axis to track the sun's movement through the sky, increasing the system's energy output. The array is expected to produce enough energy to power more than 4,600 typical Tucson homes while avoiding the production of more than 48,000 tons of carbon dioxide (CO₂) per year.

"We're delighted to be working with Tucson Electric Power," said Matt Cheney, CEO of Fotowatio Renewable Ventures, "Tucson Electric Power is recognized as a worldwide leader in solar energy development. It's a visionary utility that's developing a cost-effective, diversified energy portfolio that demonstrates a strong commitment to the environment. We look forward to working with TEP and the Tucson community on the development of this significant solar power system."

The 25-MW array will be nearly twice as large as a 14-MW system at Nevada's Nellis Air Force Base that currently ranks as the nation's largest solar power system. TEP's 4.6-MW PV array in Springerville currently ranks as Arizona's largest solar array, while the largest local system is a TEP-subsidized 750-kilowatt array at Global Solar Energy, a manufacturer of thin-film PV material. The systems at Nellis Air Force Base and Global Solar Energy are also owned and operated by Fotowatio Renewable Ventures.

The other solar project announced today, the 5-MW CSP plant, will be the first system of its kind in the Tucson area. The facility will use rows of parabolic troughs and a heat-transfer and storage system to create pressurized vapor that will be used to drive a turbine. The system is expected to produce enough energy to power more than 1,500 typical Tucson homes while offsetting more than 16,000 tons of CO₂.

"We are excited about demonstrating how the Bell Energy Storage Technology (BEST) system, in conjunction with a parabolic trough CSP plant, can make solar power a more dependable and reliable energy source," said Joseph M. Bell, Jr., President of Bell Independent Power Corp. (Bell IPC), which will develop, own and operate the CSP plant.

Bell IPC's BEST system has been designed to make concentrating solar technology operate more efficiently and economically. The proprietary thermal storage system will be capable of storing the sun's heat for several hours, allowing the CSP plant to generate power into the early evening or after the sun ducks behind clouds.

"The pioneering storage technology that will be built into this new CSP plant has the potential to make solar energy even more valuable for TEP and other utilities," Bonavia said. "If it proves successful, it could lead to the development of similar systems on a much larger scale."

Tucson Regional Economic Opportunities (TREO) has been working with Bell IPC to identify a site for the plant. TREO has actively promoted the Tucson area as an ideal location for new solar generation projects as part of its overall economic development activities in the region.

The CSP plant's performance could be compared to the results of Tucson's proposed Bright Tucson project, which would test the effectiveness of several alternative storage systems in managing the output of a new 1.6 MW PV array. TEP announced earlier this month that it is seeking \$25 million in federal stimulus funds for the project.

TEP has signed contracts to purchase the energy produced from both new systems over 20-year terms. Renewable Ventures and Bell IPC plan to use those agreements to help secure financing for their projects.

The contracts, which will be submitted to the Arizona Corporation Commission (ACC) for approval, will be funded in part by an ACC-approved surcharge intended to support the state's Renewable Energy Standard (RES). The RES calls on utilities to increase their use of renewable energy each year until such resources represent 15 percent of their power by 2025.

TEP is pursuing those goals through a combination of utility-owned installations, purchased power contracts and "distributed" resources like PV systems and solar water heaters installed at local homes and businesses. Through its popular SunShare and GreenWatts programs, TEP is actively educating the community about renewable energy and offering options to customers who want to help the environment.

The output of the new systems will represent a significant addition to TEP's growing renewable energy resources. With funding provided by customers, TEP has developed nearly 10 MW of company-owned renewable energy generating capacity and is on track to add another 3.4 MW in company-owned capacity and 31.5 MW through purchased power contracts in coming years.

TEP and its sister company, UniSource Energy Services, also are seeking to secure new solar energy capacity through a request for proposals (RFP) that was issued Friday, Sept. 11. The companies will consider either large, utility-scale projects or smaller distributed systems. A conference call for potential bidders is set for Sept. 30. For more information, visit www.uesaz.com/wholesale/.

Tucson Electric Power provides safe, reliable power to more than 400,000 customers in southern Arizona. For more information, visit tep.com. For more information about UniSource Energy, TEP's parent company, visit uns.com.

EXHIBIT

"B"

Tucson Electric Power Company

EXHIBIT B

Bright Tucson Community Solar Project

Tucson Electric Power Company

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Attachment 1 – Tariffs

Tucson Electric Power Company

I. Introduction

Tucson Electric Power Company (“TEP”) proposes an option that provides customers with greater accessibility to solar distributed generation (“DG”) that does not require the customer to invest in a self-owned system, thereby avoiding large up-front costs and requiring a long-term commitment. This program will reduce economic and other feasibility barriers to solar energy for thousands of customers and will assist the Company in meeting the DG component of the Renewable Energy Standard and Tariff (“REST”) rules. This proposal will work in conjunction with TEP’s current residential and commercial programs. A number of factors, including significant customer up-front capital requirements, have convinced TEP that another viable supplement to its current renewable DG programs should be explored. TEP has therefore designed a supplement that aligns the customer, producer, Company, and community interests: The Bright Tucson Community Solar Project (“Project” or “Bright Tucson”).

The Project will consist of several distributed 1-4 MW block solar arrays throughout the Tucson area, strategically tied into distribution infrastructure. TEP will work with the City of Tucson and Pima County when evaluating potential sites. Interested TEP customers, as well as local institutional stakeholders, will be able to participate in the Project, making it a true community effort. TEP customers will be able purchase "blocks" of solar from the distributed generation arrays, in the form of a new tariff with the knowledge that the energy they are purchasing is real, renewable, reliable, and locally generated.

The benefits of this Tariff are that it:

1. Does not require any up-front capital expenditures by the customer;
2. Does not require any long-term customer commitment;
3. Provides access to lower cost solar energy to all customers;
4. Increases safety;
5. Increases reliability as it will be placed in strategically useful positions on distribution the network;
6. Alleviates any shading, tree, rooftop, or homeowner association issues;
7. Allows for scalable energy purchases;
8. Should increase residential customer participation in DG;
9. Provides our customers with greater access to more affordable renewable energy;
10. Captures the benefits of economies of scale; and
11. Enhances the national image of the Tucson Metropolitan Area.

Tucson Electric Power Company

The Project will be comprised of the following components:

1. A solar PV array;
2. A fixed-price tariff¹; and
3. A PV array with storage capacity pilot program. The storage component of the Project is dependant on federal approval and funding through the American Recovery and Reinvestment Act (“ARRA”).

The solar array will allow TEP customers to secure renewable energy for their use at various levels. The intent is that the customer would be purchasing renewable energy from a facility in the Tucson area that is visible—it will be as tangible as having a PV unit on their own roof, but without the responsibilities of actually owning and maintaining their own equipment. Many TEP customers have requested an alternative energy option and have expressed that the best source to find this option should come from their local utility.

Customers can purchase “blocks” of solar power under the Bright Tucson Community Solar Tariff. While the price of the solar tariff will be slightly higher than current prices the tariff will remain fixed over a term of up to 10 years. The customers would not receive fuel costs (including PPFAC) applied on the solar block (“Solar Capacity”) portion of the tariff. However the non-variable portion of the rate will change with the otherwise applicable tariff with rate case filings.

II. Program Structure

Project Mechanism: How it Works

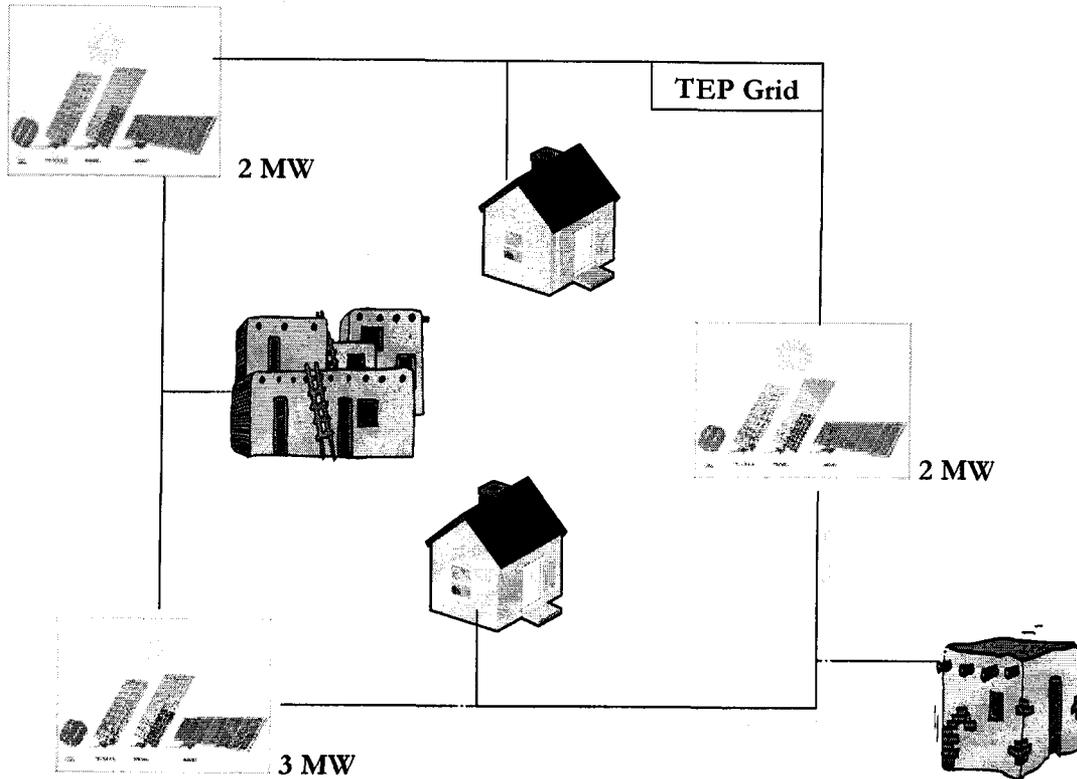
This project brings local solar energy to the customer without the high up-front cost that self-owned solar power entails. This allows customers new flexibility in meeting their energy needs with renewable energy, at rate that is affordable. TEP will either enter into a power purchase agreement with a developer, or own and operate utility-scale priced DG solar arrays that are placed strategically around Pima County. Customers will be able to take advantage of the resulting economies of scale encompassing the panels, inverters, and Balance-of-System costs. Figure 1 below depicts how the Project works in terms of the array layout, grid interconnection and customer participation.

¹ The tariffs are set forth in Attachment 1.

Tucson Electric Power Company

Figure 1. Community Solar

Bright Tucson Community Solar Project



In order to be a viable option, solar energy needs to be available to all customer classes, including lower-income customers. This project takes a critical step toward precisely this: customers that do not have access to capital or extra disposable income can access solar energy through this Project. The cost to participate, found in more detail in Section V will be approximately 12 cents per kWh, purchased in “blocks” of 150 kWh of locally produced solar energy (representative of a power increment of 1 kW). This solar energy would displace the customer’s energy use from traditional generation at equivalent levels of demand and results in an additional cost of only \$3.00 per block per month compared to conventional energy supply.

This Project mimics the traditional DG program by simulating customer “ownership” of solar energy, through the monthly purchase of solar power increments. If this program is undersubscribed by

Tucson Electric Power Company

customers, the policy of the Commission is still enhanced as the energy is converted to utility-scale class energy, which is also an important component of TEP's increasingly diversified resource portfolio.

III. Financing and Pricing

This project would be funded through multiple funding mechanisms as appropriate opportunities arise:

- (1) Power Purchase Agreement (PPA);
- (2) TEP Capital; and
- (3) Up-front REST funding.

Each of the above options would apply as opportunities become available, providing for the optimum value. The first phase of this Project would be a pilot phase in 2010 utilizing the 1.6 MW Bright Tucson Storage Project Solar PV array at the Tucson Airport. The second phase would utilize PPA's with yet-to-be-named developers in conjunction with the 2009 Solar RFP issued on September 11, 2009. As an additional benefit it is possible that the scale of this distributed generation project could be used as leverage to recruit another solar PV manufacturing company to Arizona.

1) Power Purchase Agreement ("PPA"):

Currently, procurement for utility scale renewable energy is accomplished through a PPA between the utility and a private developer owning the facility. TEP envisions that the same process could apply under Bright Tucson Community Solar Project.

2) TEP Capital:

This is the most straightforward and familiar structure applied in this context, and is the usual procedure for asset recovery. TEP would own and operate the solar system in this instance. However, TEP would request that it be able to recover the carrying charges on the asset through the REST until established in rate base in the next rate proceeding.

Tucson Electric Power Company

3) Upfront REST “Capital”:

This method would use REST funds to provide up-front project capital and other associated costs. This is a cost-effective structure with no financing charges, applied tax benefits or other complications. This structure would be limited to smaller projects due to the high upfront cost to the REST.

Under each of these options, the result should produce a REC cost that will be substantially lower than the cost of a customer-sited solar array. TEP estimates that the overall REC price from the REST funds would equal approximately 8¢ per kWh—a substantial reduction from the current credit purchase program of 18¢ in 2009.

IV. Tariff

The Bright Tucson Community Solar Tariff that will be offered to residential and commercial customers is designed to result in a 2-cent premium on the standard equivalent class rate, as shown in the above table. The customer will buy blocks of solar capacity in 1 kW increments that will provide 150 kWh of energy (per month) in order to best mimic a customer-owned solar array, but the block purchase is translated into a new customer solar tariff. This tariff fixes the solar capacity component of the tariff for a maximum of ten years (the customer may cancel at any time before that), thereby providing the same hedge against future energy price increases that a rooftop system would provide. For this reason, and because of a public preference for sourcing their electricity use from renewable sources, TEP believes that the solar tariff will be well-subscribed and well-received. The chart below a summary of tariff options (the proposed tariffs in Attachment 1 hereto set forth the full details of the five rate class tariff options.)

Tucson Electric Power Company

Rates by Customer Class	Delivery Services-Energy	Power Supply Charges			Total
		Base Power	PPFAC	Solar Capacity	
Standard Rate Residential R-03-01	\$0.058663	\$0.030324	<i>Varies</i>	N/A	\$0.088987
Solar Residential R-03-01	\$0.058663	N/A	N/A	\$0.050324	\$0.108987
Standard Residential Lifeline RL-03-01	\$0.055942	\$0.030198	<i>Varies</i>	N/A	\$0.086140
Solar Residential Lifeline RL-03-01	\$0.055942	N/A	N/A	\$0.050198	\$0.106140
Standard Small General Service GS-03-10	\$0.080428	\$0.028475	<i>Varies</i>	N/A	\$0.108903
Solar Small General Service GS-03-10	\$0.080428	N/A	N/A	\$0.048475	\$0.128903
Standard Large General Service LGS-03-13	\$0.024915	\$0.029371	<i>Varies</i>	N/A	\$0.054286
Solar Large General Service LGS-03-13	\$0.024915	N/A	N/A	\$0.049371	\$0.074286
Standard Municipal PS-03-40	\$0.055689	\$0.029086	<i>Varies</i>	N/A	\$0.084775
Solar Municipal PS-03-40	\$0.055689	N/A	N/A	\$0.049086	\$0.104775

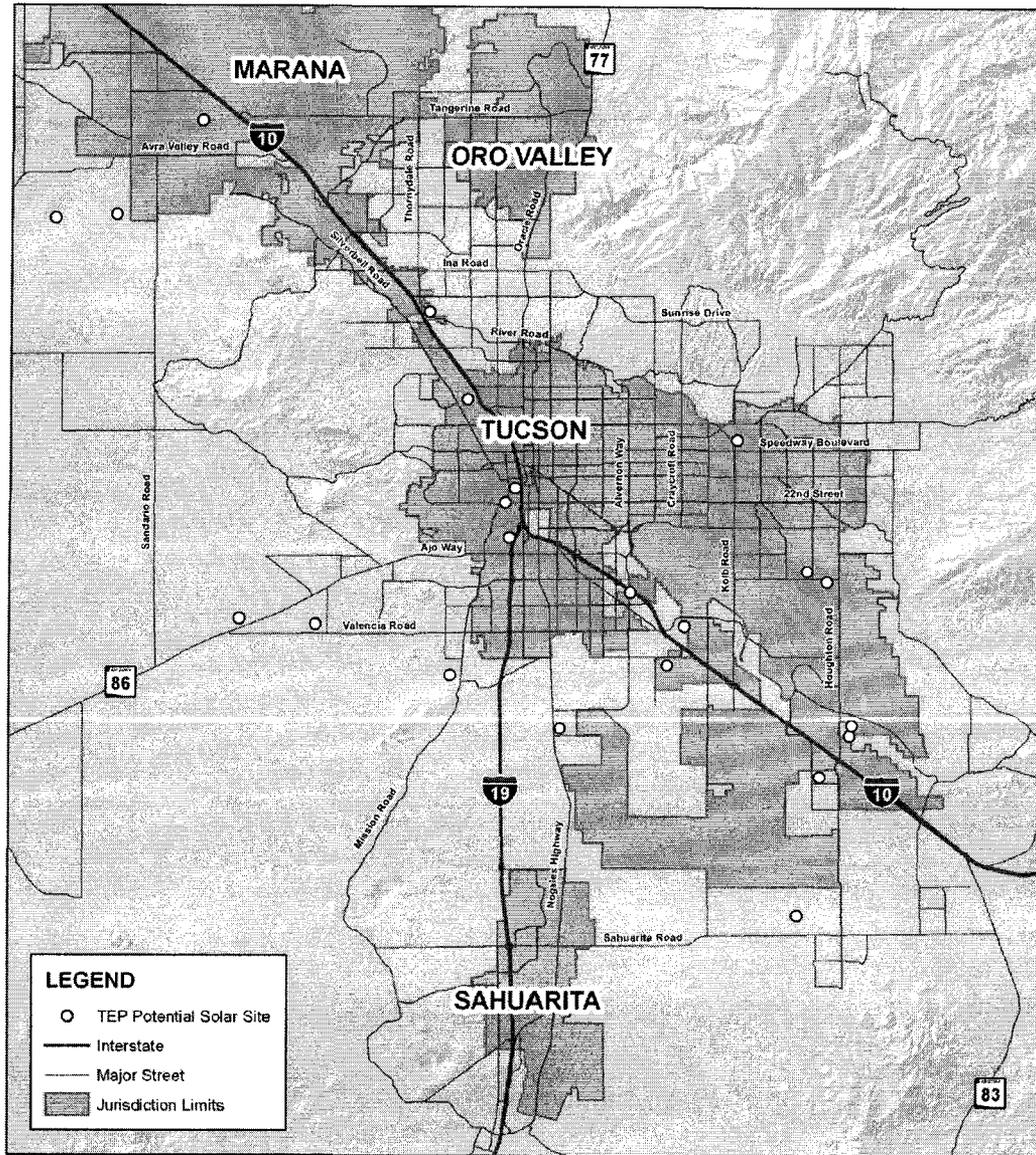
V. Locations

Building many MWs of DG through a PPA mechanism will allow TEP to capture economies of scale. For the second phase, it is the Company's plan to invest in arrays in numerous strategically useful locations. Multiple locations have been examined as potential sites including land owned by Pima County, the City of Tucson, TEP substations, and 400 acres of land owned by the Tucson Airport Authority.

In order to determine optimal siting for this Project, TEP, in conjunction with Pima County and the City of Tucson, has developed a strategic map that overlays available public land sites with the utility transmission and distribution circuits and substations. This map will provide a necessary and clear picture of feasible Project sites. Figure 2 below shows the map as modified to fit the page.

Figure 2.

TEP Potential Solar Sites



Map created by GRS using LandViewPro on September 8, 2009

VI. Construction Schedule

If approved, the Pilot Program, referenced below, will begin construction in 2010 and should be completed in the summer of 2010. Subsequent phases will begin construction in 2010 with a 2011 completion date. The exact “go-live” date (when the Project first becomes operational) will depend on the number of specific sites chosen to apportion the Project total. Marketing efforts will run in conjunction with permitting and construction: up to 3,200 customers will have access to the Project with the potential to replace 100 percent of their bill (energy use) with solar energy by December 31, 2011.

VII. Branding & Marketing

Branding

The Project will utilize a traditional branding strategy, which facilitates recall (brand recognition) and positive perception and associations among customers, regulators, media, program partners, and other stakeholders.

Marketing

The aggressive, adoption-oriented marketing campaign that is crucial to the uptake up this Project will be funded by the REST. Bright Tucson will be positioned as an opportunity for residential customers to participate in solar energy generation, and essentially derive a portion of their total power demand from this local PV array. Bright Tucson, amongst its other benefits, will be tacitly offered as an alternative to the GreenWatts program, which is often *perceived* as a donation program rather than a clean energy purchase program.

A combination of paid advertising, web visibility, news media exposure, collateral and promotional events will deliver the marketing messages and provide the call-to-action for increased local renewable energy. In addition, on-site or near-site signage — perhaps with a real-time solar production display — will call attention to the array.

Bright Tucson will offer customers an attractive alternative to solar PV power without having to install their own rooftop system. The target audiences for Bright Tucson adoption include:

- Renters
- Homeowners without adequate south-facing rooftop exposure
- Customers in shaded areas
- Customers with limited capital resources
- Small-business owners with inadequate space or lack of building ownership
- Non-profit organizations
- Customers lacking access to up-front capital
- Customers unable to sign long-term contracts

Tucson Electric Power Company

The marketing campaign will focus on ease of customer involvement and control over how their energy is produced. Although societal benefits should not be ignored, marketing messages would encourage the perception that customers are buying solar power, rather than making a donation to a worthy cause. Additionally, recent studies have shown that people act according to perceived social norms statistically more than to the idea of “doing what’s right.” Therefore, a key component to the marketing campaign should include an emphasis on the growing market share of solar power.

TEP will develop a series of community events that are geared to introduce, educate and promote the benefits of investing in Bright Tucson. In addition to traditional media advertising, TEP will work closely with the local organizations in the following possible ways:

- Partner with a local network affiliate to develop a 30-minute program on Bright Tucson. The program would highlight the various technologies involved, energy storage, grid connection and monitoring systems. This program would not only educate viewers on solar energy production but show them that they now have a clear choice in how their electricity is generated. This program could also link personal energy use to the greater domestic and international context of energy cycles and its consequences, therefore connecting the dots among consumer behavior, technology, and energy markets.
- Work with local schools in developing educational programs that include field trips to view the Bright Tucson Community Solar Array and Visitor’s Center.
- Produce a series of bill inserts to provide information about, and promote the purchase of, solar energy from the Bright Tucson array.
- Niche target customers who live in condos and apartments that are unable to install individual rooftop solar systems.
- Create a robust on-line campaign to promote customer adoption.
- Construct and post a solar energy tracker on tep.com where viewers can see how much energy Bright Tucson is producing at any given time.

Tucson Electric Power Company

- Partner with the Green Media Alliance in promoting Bright Tucson through targeted media outlets that support green living.

VIII. Distribution/Transmission Capacity Assessment

Specific project locations will be directed by TEP. This will allow the Company to control the placement of the array and maximize its usefulness to the TEP system. As mentioned in the prior “Map” section, critical circuits have already been identified on TEP’s system: this information will be used to appropriately site PV power. Panels will be located either on customer land, such as the County’s or the City’s, at a very competitive cost, or on TEP’s land. This is a significant advantage of utility-informed distributed generation over customer/developer sited systems, as these customers have no control over the circuit choice.

TEP has also requested funding to study in 2010 the impact of renewable generators on its distribution network. This study will further inform TEP in site selection and should result in increased reliability and grid efficacy.

IX. Pilot Program

TEP, in cooperation with the Arizona Research Institute for Solar Energy (AzRISE), Solon, Raytheon, the Tucson Airport Authority (TAA) and other engineering, battery, compressed air energy storage (CAES), and construction organizations, is developing a multifaceted program for advancing solar energy production and renewable energy technology in the Tucson area.

The PV portion of this project – an approximate 1.6 MW solar array tied to local transmission or distribution infrastructure – will be used for the Pilot Phase of the Community Solar Tariff. Interested TEP residential customers will be able to participate in the project, making it a true “community” effort.

This project will also study PV dynamics in conjunction with battery storage, CAES, and complex data capture devices. This data and experience is extremely important for the furtherance of intermittent renewable energy sources in terms of the interaction with utility distribution facilities. As solar (or other renewable generators) increase in size and number of installations, it will become increasingly important to understand how to best utilize intermittent energy and how to most effectively access this energy during times of peak demand. The proposed project is a significant step that will help TEP strategically incorporate renewable energy in the Company’s energy portfolio and will help TEP

Tucson Electric Power Company

meet the Company's Residential DG mandate in conjunction with currently offered residential programs. Limited market penetration and intensive customer up-front capital requirements have resulted in a need for TEP to find a viable supplement to the current programs.

One of the components of this program involves a scalable solar array that encourages TEP residential customer participation. The intent is that such participation would lead to a customer's sense of ownership in the project. This project would provide utility scale renewable pricing for residential customers. Many TEP customers have requested an alternative energy option and have expressed that the best source to find this option should come from their local utility.

X. Conclusion

In order for TEP to efficiently and effectively meet its DG mandate, a supplement to its existing programs has been suggested in the form elaborated in this plan. The proposed Bright Tucson Community Solar Project will give renewable energy access to all TEP customers. In conjunction with existing programs, the solar array will expand TEP REST offerings to more demographic and socio-economic groups, thereby increasing distributed generation participation tremendously.

Many benefits of this system make it a viable supplement to TEP program offerings in addition to enhanced customer access and participation. Economies of scale will make more effective use of REST funds. TEP site selection will ensure that the system benefits to TEP's grid are maximized. An exciting project may gain national attention and give the Tucson community a sense of ownership in an endeavor that is environmentally sustainable, creates quality jobs, and takes a leadership role in electric utility distribution in the United States.

Tucson Electric Power Company

ATTACHMENT 1

**Tariffs—Residential, Residential Lifeline, Small General Service,
Large General Service, and Municipal Rates**



Pricing Plan GS-03-10 Solar General Electric Solar Service (Bright Tucson Community Solar™)

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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. The Bright Tucson Community Solar Program is an experimental program available to standard offer General Service customers seeking to purchase electricity from solar generation sources. The rates herein are available for subscription January 1, 2010 through December 31, 2019.

APPLICABILITY

Under this program customers may contract for service in multiples of blocks (Solar Blocks) of 1kW per block which is equivalent to 150 kWh per month per block for billing purposes. The Company may limit subscription to the program based upon solar generation resources available.

Not applicable to resale, breakdown, standby, auxiliary service, or service to individual motors exceeding 40 amperes at a rating of 230 volts or which will cause excessive voltage fluctuations.

CHARACTER OF SERVICE

Single 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 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
Customer Charge, Three Phase service and minimum bill \$14.00 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.

	Delivery Services-Energy ¹	Power Supply Charges ²			Total ³
		Base Power	PPFAC ²	Solar Capacity	
Standard Rate, per kWh	\$0.080428	\$0.028475	Varies	N/A	\$0.108903
Solar Block Rate, per kWh	\$0.080428	N/A	N/A	\$0.048475	\$0.128903

1. Delivery Services-Energy is a bundled charge that includes: Local Delivery-Energy (Local Delivery and/or Distribution exclusive of Transmission/Ancillaries), Generation Capacity, Fixed Must-Run, System Benefits, Transmission and Ancillary Services.
2. The Power Supply Charges shall be comprised of the Base Power, Purchased Power and Fuel Adjustment Clause ("PPFAC"), and Solar Capacity. The PPFAC is a per kWh adjustment in accordance with Rider-1 PPFAC and 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. PPFAC may vary over time as the cost of energy changes relative to the Base Power component of Power Supply Charges. The Base Power and PPFAC charge is not applicable to contracted Solar Blocks.

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

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Pricing Plan GS-03-10 Solar General Electric Solar Service (Bright Tucson Community Solar™)

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3. The Solar Capacity Charge. The Solar Capacity charge is the contracted rate charged for Power Supply per kWh for each contracted Solar block. Power Supply Charges for Base Power and the PPFAC are not applicable to be charged to the contracted Solar Blocks.
4. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC varies over time 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 for all standard rate kWhs.

ADJUSTMENT FOR TRANSFORMER OWNERSHIP AND METERING

1. When Company owns transformers and energy is metered on primary side of transformers, the demand shall be metered and the above schedule subject to a discount of 10.3¢ per kW per month of the billing demand each month.
2. When Customer owns transformers and energy is metered on primary side of transformers, the demand shall be metered and the above schedule subject to a discount of 20.6¢ per kW per month of the billing demand each month.
3. When Customer owns transformers and, at Company's option, energy is metered on secondary side of transformers, the demand shall be metered and the above schedule subject to a discount of 10.3¢ per kW per month of the billing demand each month.

TERMS AND CONDITIONS

1. The Company agrees to maintain the Solar Block energy price at \$0.048475 per kWh for contracted solar capacity through December 31, 2019 - for uninterrupted service, at the originally contracted service address.
2. Should the Customer discontinue service for any reason prior to December 31, 2019, the Customer will need to apply for service under a current and available pricing plan at that time.
3. The Customer is responsible for paying each month for the Solar Capacity charges calculated as his contracted amount (in kWh) multiplied by the Solar Capacity charge. Should Kilowatt-hours (kWhs) billed under the contracted amount exceed actual usage in a month, the Customer will be responsible for the total contracted amount times the Solar Capacity charge.

For example: Customer contracts two Solar Blocks for a total of 300 kWh. The Customer's actual usage in a month is 250 kWh. The Customer will be billed \$0.128903 per kWh for 250 kWhs and \$0.048475 (Solar Capacity charge) for the remaining 50 kWhs that were contracted but not used.

4. Excess Solar Block Energy(kWh): If for a billing month the Customer's contract Solar Blocks energy exceed the energy used by the Customer, the excess Solar Block energy shall be rolled forward and credited against usage in the next billing period. Any excess Solar Block energy remaining upon termination of service will be purchased back from the customer at \$0.048475 per kWh.

For example: Customer contracts two Solar Blocks for a total of 300 kWh. The Customer's actual usage in a month is 250 kWh. The Customer shall receive a credit of 50 solar block kWh to be carried forward to net against actual usage in subsequent period. If in the subsequent period they only use 100 kWh of their 300 kWh contracted and then would carry forward 250 kWh to the next period until consumed or a final bill is rendered. If the second month in the example were the customer's final bill they would receive a credit for 250 kWh @ \$0.048475 per kWh.

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

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**Pricing Plan GS-03-10 Solar
General Electric Solar Service
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5. The Customer's contract Solar Block(s) are exempt from the following Green Energy Charges:
 - a. Demand Side Management Surcharge, Rider R-2 DSMS,
 - b. Renewable Energy Standard and Tariff Surcharge, REST-TS1.
6. The non-contracted blocks hereunder this pricing plan are subject to change upon Commission approval.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling) - Single Phase Service:

Meter Services	\$2.12 per month
Meter Reading	\$0.80 per month
Billing & Collection	\$3.23 per month
Customer Delivery	<u>\$1.85 per month</u>
	\$8.00 per month

Customer Charge Components of Delivery Services (Unbundling) - Three Phase Service:

Meter Services	\$8.12 per month
Meter Reading	\$0.80 per month
Billing & Collection	\$3.23 per month
Customer Delivery	<u>\$1.85 per month</u>
	\$14.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate per kWh
Local Delivery-Energy, All kWh	\$0.039648
Generation Capacity	\$0.027689
Fixed Must-Run	\$0.003293
System Benefits	\$0.000443
Transmission	\$0.007298
Transmission Ancillary Services consists of the following charges:	
System Control & Dispatch	\$0.000099
Reactive Supply and Voltage Control	\$0.000390
Regulation and Frequency Response	\$0.000377
Spinning Reserve Service	\$0.001024
Supplemental Reserve Service	\$0.000167
Energy Imbalance Service: currently charged pursuant to the Company's OATT.	

Power Supply Charges:

Base Power	\$0.028475
PPFAC	Varies

Per Contracted Block	
Solar Capacity	\$0.048475

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

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**Pricing Plan GS-03-10 Solar
General Electric Solar Service
(Bright Tucson Community Solar™)**

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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.

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

Tariff No.: GS-03-10 Solar
Effective: DRAFT
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Pricing Plan LGS-03-13 Solar Large General Electric Solar Service (Bright Tucson Community Solar™)

A UniSource Energy Company

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. The Bright Tucson Community Solar Program is an experimental program available to standard offer Large General Service customers seeking to purchase electricity from solar generation sources. The rates herein are available for subscription January 1, 2010 through December 31, 2019.

APPLICABILITY

The minimum monthly billing demand hereunder is 200 kW. Under this program customers may contract for service in multiples of blocks (Solar Blocks) of 1kW per block which is equivalent to 150 kWh per month per block for billing purposes. The Company may limit subscription to the program based upon solar generation resources available.

Not applicable to resale, breakdown, standby, auxiliary service, or service to individual motors exceeding 40 amperes at a rating of 230 volts or which will cause excessive voltage fluctuations.

CHARACTER OF SERVICE

Single or three phase, 60 Hertz, and at one standard nominal voltage as mutually agreed and subject to availability at point of delivery. Primary metering shall be required for new installations with service requirements in excess of 2,500 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 Component of Delivery Services:

Customer Charge and minimum bill \$371.88 per month

Demand Charge Component of Delivery Services: All demand charges are on a per kW basis

Demand Charge \$10.352 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.

	Delivery Services-Energy ¹	Power Supply Charges ²			Total ³
		Base Power	PPFAC ²	Solar Capacity	
Standard Rate, per kWh	\$0.024915	\$0.029371	Varies	N/A	\$0.054286
Solar Block Rate, per kWh	\$0.024915	N/A	N/A	\$0.049371	\$0.074286

1. Delivery Services-Energy is a bundled charge that includes: Local Delivery-Energy (Local Delivery and/or Distribution exclusive of Transmission/Ancillaries), Generation Capacity, Fixed Must-Run, System Benefits, Transmission and Ancillary Services.
2. The Power Supply Charges shall be comprised of the Base Power, Purchased Power and Fuel Adjustment Clause ("PPFAC"), and Solar Capacity. The PPFAC is a per kWh adjustment in accordance with Rider-1 PPFAC and 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. PPFAC may vary over time as the cost of energy changes relative to the Base Power component of Power Supply Charges. The Base Power and PPFAC charge is not applicable to contracted Solar Blocks.

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

Tariff No.: LGS-03-13 Solar
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Pricing Plan LGS-03-13 Solar Large General Electric Solar Service (Bright Tucson Community Solar™)

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3. The Solar Capacity Charge. The Solar Capacity charge is the contracted rate charged for Power Supply per kWh for each contracted Solar block. Power Supply Charges for Base Power and the PPFAC are not applicable to be charged to the contracted Solar Blocks.
4. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC varies over time 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 for all standard rate kWhs.

BILLING DEMAND

The maximum 15 minute measured demand in the month, but not less than 50% of the maximum demand used for billing purposes in the preceding 11 months, nor less than the contract demand, nor less than 200 kW.

ADJUSTMENT FOR TRANSFORMER OWNERSHIP AND METERING

1. When Company owns transformers and energy is metered on primary side of transformers, the demand shall be metered and the above schedule subject to a discount of 10.3¢ per kW per month of the billing demand each month.
2. When Customer owns transformers and energy is metered on primary side of transformers, the demand shall be metered and the above schedule subject to a discount of 20.6¢ per kW per month of the billing demand each month.
3. When Customer owns transformers and, at Company's option, energy is metered on secondary side of transformers, the demand shall be metered and the above schedule subject to a discount of 10.3¢ per kW per month of the billing demand each month.

TERMS AND CONDITIONS

1. The Company agrees to maintain the Solar Block energy price at \$0.049371 per kWh for contracted solar capacity through December 31, 2019 - for uninterrupted service, at the originally contracted service address.
2. Should the Customer discontinue service for any reason prior to December 31, 2019, the Customer will need to apply for service under a current and available pricing plan at that time.
3. The Customer is responsible for paying each month for the Solar Capacity charges calculated as his contracted amount (in kWh) multiplied by the Solar Capacity charge. Should Kilowatt-hours (kWhs) billed under the contracted amount exceed actual usage in a month, the Customer will be responsible for the total contracted amount times the Solar Capacity charge.

For example: Customer contracts two Solar Blocks for a total of 300 kWh. The Customer's actual usage in a month is 250 kWh. The Customer will be billed \$0.074286 per kWh for 250 kWhs and \$0.049371 (Solar Capacity charge) for the remaining 50 kWhs that were contracted but not used.

4. Excess Solar Block Energy(kWh): If for a billing month the Customer's contract Solar Blocks energy exceed the energy used by the Customer, the excess Solar Block energy shall be rolled forward and credited against usage in the next billing period. Any excess Solar Block energy remaining upon termination of service will be purchased back from the customer at \$0.049371 per kWh.

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

Tariff No.: LGS-03-13 Solar
Effective: DRAFT
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**Pricing Plan LGS-03-13 Solar
Large General Electric Solar Service
(Bright Tucson Community Solar™)**

A UniSource Energy Company

For example: Customer contracts two Solar Blocks for a total of 300 kWh. The Customer's actual usage in a month is 250 kWh. The Customer shall receive a credit of 50 solar block kWh to be carried forward to net against actual usage in subsequent period. If in the subsequent period they only use 100 kWh of their 300 kWh contracted and then would carry forward 250 kWh to the next period until consumed or a final bill is rendered. If the second month in the example were the customer's final bill they would receive a credit for 250 kWh @ \$0.049371 per kWh.

5. The Customer's contract Solar Block(s) are exempt from the following Green Energy Charges:
 - a. Demand Side Management Surcharge, Rider R-2 DSMS,
 - b. Renewable Energy Standard and Tariff Surcharge, REST-TS1.
6. The non-contracted blocks hereunder this pricing plan are subject to change upon Commission approval.
7. The Company may require a written contract and a minimum term of contract.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling)

Meter Services	\$223.128 per month
Meter Reading	\$ 18.594 per month
Billing & Collection	\$111.564 per month
Customer Delivery	<u>\$ 18.594 per month</u>
	\$371.880 per month

Demand Charge Components of Delivery Services: All demand charges are on a per kW basis

Generation Capacity	\$6.911 per kW
Transmission	\$2.685 per kW
Transmission Ancillary Services	
System Control & Dispatch	\$0.036 per kW
Reactive Supply and Voltage Control	\$0.143 per kW
Regulation and Frequency Response	\$0.139 per kW
Spinning Reserve Service	\$0.377 per kW
Supplemental Reserve Service	\$0.061 per kW
Energy Imbalance Service: currently charged pursuant to the Company's OATT.	

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate per kWh
Local Delivery-Energy, All kWh	\$0.011656
Generation Capacity	\$0.009523
Fixed Must-Run	\$0.003293
System Benefits	\$0.000443

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

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**Pricing Plan LGS-03-13 Solar
Large General Electric Solar Service
(Bright Tucson Community Solar™)**

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Power Supply Charges:

Base Power	\$0.029371
PPFAC	<i>Varies</i>

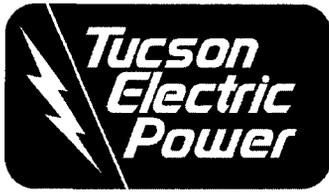
	<i>Per Contracted Block</i>
Solar Capacity	\$0.049371

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.



Pricing Plan PS-03-40 Solar
Municipal Electric Solar Service
(Bright Tucson Community Solar™)

A UniSource Energy Company

AVAILABILITY

Available for Municipal Service where the facilities of the Company are of adequate capacity and are adjacent to the premises. The Bright Tucson Community Solar Program is an experimental program available to standard offer municipal customers seeking to purchase electricity from solar generation sources. The rates herein are available for subscription January 1, 2010 through December 31, 2019.

APPLICABILITY

Under this program customers may contract for service in multiples of blocks (Solar Blocks) of 1kW per block which is equivalent to 150 kWh per month per block for billing purposes. The Company may limit subscription to the program based upon solar generation resources available.

Not applicable to resale, breakdown, standby, auxiliary service, or service to individual motors exceeding 40 amperes at a rating of 230 volts or which will cause excessive voltage fluctuations.

CHARACTER OF SERVICE

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

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

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges. All energy charges below are on a per kWh basis.

Table with 6 columns: Rate Type, Delivery Services-Energy, Base Power, PPFAC, Solar Capacity, Total. Rows include Standard Rate and Solar Block Rate.

- 1. Delivery Services-Energy is a bundled charge that includes: Local Delivery-Energy (Local Delivery and/or Distribution exclusive of Transmission/Ancillaries), Generation Capacity, Fixed Must-Run, System Benefits, Transmission and Ancillary Services.
2. The Power Supply Charges shall be comprised of the Base Power, Purchased Power and Fuel Adjustment Clause ("PPFAC"), and Solar Capacity.
3. The Solar Capacity Charge. The Solar Capacity charge is the contracted rate charged for Power Supply per kWh for each contracted Solar block.

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

Tariff No.: PS-03-40 Solar
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**Pricing Plan PS-03-40 Solar
Municipal Electric Solar Service
(Bright Tucson Community Solar™)**

A UniSource Energy Company

4. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC varies over time 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 for all standard rate kWhs.

TERMS AND CONDITIONS

1. The Company agrees to maintain the Solar Block energy price at \$0.049086 per kWh for contracted solar capacity through December 31, 2019 - for uninterrupted service, at the originally contracted service address.
2. Should the Customer discontinue service for any reason prior to December 31, 2019, the Customer will need to apply for service under a current and available pricing plan at that time.
3. The Customer is responsible for paying each month for the Solar Capacity charges calculated as his contracted amount (in kWh) multiplied by the Solar Capacity charge. Should Kilowatt-hours (kWhs) billed under the contracted amount exceed actual usage in a month, the Customer will be responsible for the total contracted amount times the Solar Capacity charge.

For example: Customer contracts two Solar Blocks for a total of 300 kWh. The Customer's actual usage in a month is 250 kWh. The Customer will be billed \$0.104775 per kWh for 250 kWhs and \$0.049086 (Solar Capacity charge) for the remaining 50 kWhs that were contracted but not used.

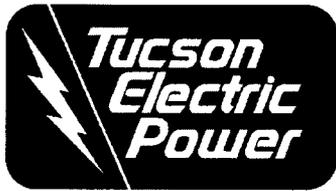
4. Excess Solar Block Energy(kWh): If for a billing month the Customer's contract Solar Blocks energy exceed the energy used by the Customer, the excess Solar Block energy shall be rolled forward and credited against usage in the next billing period. Any excess Solar Block energy remaining upon termination of service will be purchased back from the customer at \$0.049086 per kWh.

For example: Customer contracts two Solar Blocks for a total of 300 kWh. The Customer's actual usage in a month is 250 kWh. The Customer shall receive a credit of 50 solar block kWh to be carried forward to net against actual usage in subsequent period. If in the subsequent period they only use 100 kWh of their 300 kWh contracted and then would carry forward 250 kWh to the next period until consumed or a final bill is rendered. If the second month in the example were the customer's final bill they would receive a credit for 250 kWh @ \$0.049086 per kWh.

5. The Customer's contract Solar Block(s) are exempt from the following Green Energy Charges:
 - a. Demand Side Management Surcharge, Rider R-2 DSMS,
 - b. Renewable Energy Standard and Tariff Surcharge, REST-TS1.
6. The non-contracted blocks hereunder this pricing plan are subject to change upon Commission approval.

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

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**Pricing Plan PS-03-40 Solar
Municipal Electric Solar Service
(Bright Tucson Community Solar™)**

A UniSource Energy Company

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate per kWh
Local Delivery-Energy, All kWh	\$0.016298
Generation Capacity	\$0.027812
Fixed Must-Run	\$0.003289
System Benefits	\$0.000434
Transmission	\$0.006129
Transmission Ancillary Services consists of the following charges:	
System Control & Dispatch	\$0.000083
Reactive Supply and Voltage Control	\$0.000327
Regulation and Frequency Response	\$0.000317
Spinning Reserve Service	\$0.000860
Supplemental Reserve Service	\$0.000140
Energy Imbalance Service: currently charged pursuant to the Company's OATT.	

Power Supply Charges:

Base Power	\$0.029086
PPFAC	<i>Varies</i>

	Per Contracted Block
Solar Capacity	\$0.049086

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.

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

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 Effective: DRAFT
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Pricing Plan R-03-01 Solar Residential Electric Solar Service (Bright Tucson Community Solar™)

A UniSource Energy Company

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. The Bright Tucson Community Solar Program is an experimental program available to standard offer Residential customers seeking to purchase electricity from solar generation sources. The rates herein are available for subscription January 1, 2010 through December 31, 2019.

APPLICABILITY

To all single phase (subject to availability at point of delivery) residential electric service in individual private dwellings and individually metered apartments when all service is supplied at one point of delivery and energy is metered through one meter. Under this program customers may contract for service in multiples of blocks (Solar Blocks) of 1kW per block which is equivalent to 150 kWh per month per block for billing purposes. The Company may limit subscription to the program based upon solar generation resources available.

Not applicable to resale, breakdown, standby, auxiliary service, or service to individual motors exceeding 40 amperes at a rating of 230 volts or which will cause excessive voltage fluctuations.

CHARACTER OF SERVICE

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

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 \$ 7.00 per month

Energy Charge Components are unbundled into Delivery Services-Energy and Power Supply Charges.

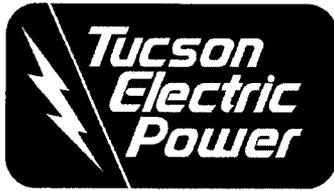
All energy charges below are on a per kWh basis.

	Delivery Services-Energy ¹	Power Supply Charges ²			Total ³
		Base Power	PPFAC ²	Solar Capacity	
Standard Rate, per kWh	\$0.058663	\$0.030324	Varies	N/A	\$0.088987
Solar Block Rate, per kWh	\$0.058663	N/A	N/A	\$0.050324	\$0.108987

1. Delivery Services-Energy is a bundled charge that includes: Local Delivery-Energy (Local Delivery and/or Distribution exclusive of Transmission/Ancillaries), Generation Capacity, Fixed Must-Run, System Benefits, Transmission and Ancillary Services.
2. The Power Supply Charges shall be comprised of the Base Power, Purchased Power and Fuel Adjustment Clause ("PPFAC"), and Solar Capacity. The PPFAC is a per kWh adjustment in accordance with Rider-1 PPFAC and 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. PPFAC may vary over time as the cost of energy changes relative to the Base Power component of Power Supply Charges. The Base Power and PPFAC charge is not applicable to contracted Solar Blocks.

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

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**Pricing Plan R-03-01 Solar
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3. The Solar Capacity Charge. The Solar Capacity charge is the contracted rate charged for Power Supply per kWh for each contracted Solar block. Power Supply Charges for Base Power and the PPFAC are not applicable to be charged to the contracted Solar Blocks.
4. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC varies over time 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 for all standard rate kWhs.

TERMS AND CONDITIONS

1. The Company agrees to maintain the Solar Block energy price at \$0.050324 per kWh for contracted solar capacity through December 31, 2019 - for uninterrupted service, at the originally contracted service address.
2. Should the Customer discontinue service for any reason prior to December 31, 2019, the Customer will need to apply for service under a current and available pricing plan at that time.
3. The Customer is responsible for paying each month for the Solar Capacity charges calculated as his contracted amount (in kWh) multiplied by the Solar Capacity charge. Should Kilowatt-hours (kWhs) billed under the contracted amount exceed actual usage in a month, the Customer will be responsible for the total contracted amount times the Solar Capacity charge.

For example: Customer contracts two Solar Blocks for a total of 300 kWh. The Customer's actual usage in a month is 250 kWh. The Customer will be billed \$0.108987 per kWh for 250 kWhs and \$0.050324 (Solar Capacity charge) for the remaining 50 kWhs that were contracted but not used.

4. Excess Solar Block Energy(kWh): If for a billing month the Customer's contract Solar Blocks energy exceed the energy used by the Customer, the excess Solar Block energy shall be rolled forward and credited against usage in the next billing period. Any excess Solar Block energy remaining upon termination of service will be purchased back from the customer at \$0.050324 per kWh.

For example: Customer contracts two Solar Blocks for a total of 300 kWh. The Customer's actual usage in a month is 250 kWh. The Customer shall receive a credit of 50 solar block kWh to be carried forward to net against actual usage in subsequent period. If in the subsequent period they only use 100 kWh of their 300 kWh contracted and then would carry forward 250 kWh to the next period until consumed or a final bill is rendered. If the second month in the example were the customer's final bill they would receive a credit for 250 kWh @ \$0.050324 per kWh.

5. The Customer's contract Solar Block(s) are exempt from the following Green Energy Charges:
 - a. Demand Side Management Surcharge, Rider R-2 DSMS,
 - b. Renewable Energy Standard and Tariff Surcharge, REST-TS1.
6. The non-contracted blocks hereunder this pricing plan are subject to change upon Commission approval.

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

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**Pricing Plan R-03-01 Solar
Residential Electric Solar Service
(Bright Tucson Community Solar™)**

A UniSource Energy Company

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$1.51 per month
Meter Reading	\$0.80 per month
Billing & Collection	\$3.29 per month
Customer Delivery	<u>\$1.40 per month</u>
	\$7.00 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate per kWh
Local Delivery-Energy, All kWh	\$0.012785
Generation Capacity	\$0.031916
Fixed Must-Run	\$0.003849
System Benefits	\$0.000468
Transmission	\$0.007525
Transmission Ancillary Services consists of the following charges:	
System Control & Dispatch	\$0.000102
Reactive Supply and Voltage Control	\$0.000402
Regulation and Frequency Response	\$0.000389
Spinning Reserve Service	\$0.001055
Supplemental Reserve Service	\$0.000172
Energy Imbalance Service: currently charged pursuant to the Company's OATT.	

Power Supply Charges:

Base Power	\$0.030324
PPFAC	<i>Varies</i>
	<i>Per Contracted Block</i>
Solar Capacity	\$0.050324

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.

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

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Pricing Plan RL-03-01 Solar Residential Lifeline Electric Solar Service (Bright Tucson Community Solar™)

A UniSource Energy Company

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. The Bright Tucson Community Solar Program is an experimental program available to standard offer Residential Lifeline customers seeking to purchase electricity from solar generation sources. The rates herein are available for subscription January 1, 2010 through December 31, 2019.

APPLICABILITY

To all residential electric service in individual private dwellings and individually metered apartments when all service is supplied at one point of delivery and energy is metered through one meter. This discount is also available to tenants of master metered mobile home parks and apartments. Under this program customers may contract for service in multiples of blocks (Solar Blocks) of 1kW per block which is equivalent to 150 kWh per month per block for billing purposes. The Company may limit subscription to the program based upon solar generation resources available.

Not applicable to resale, breakdown, standby, auxiliary service, or service to individual motors exceeding 40 amperes at a rating of 230 volts or which will cause excessive voltage fluctuations.

ELIGIBILITY

- 1. The TEP account must be in the customer's name applying for a lifeline discount.
2. Applicant must be a TEP residential customer.
3. Applicant must have a combined household income at or below 150% of the federal poverty level. See Income Guidelines Chart on TEP's website at www.tep.com or contact a TEP customer care representative.

CHARACTER OF SERVICE

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

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 \$ 4.90 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.

Table with 6 columns: Rate Type, Delivery Services-Energy, Base Power, PPFAC, Solar Capacity, Total. Rows include Standard Rate and Solar Block Rate.

- 1. Delivery Services-Energy is a bundled charge that includes: Local Delivery-Energy (Local Delivery and/or Distribution exclusive of Transmission/Ancillaries), Generation Capacity, Fixed Must-Run, System Benefits, Transmission and Ancillary Services.
2. The Power Supply Charges shall be comprised of the Base Power, Purchased Power and Fuel Adjustment Clause ("PPFAC"), and Solar Capacity. The PPFAC is a per kWh adjustment in accordance with Rider-1 PPFAC

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

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Pricing Plan RL-03-01 Solar Residential Lifeline Electric Solar Service (Bright Tucson Community Solar™)

A UniSource Energy Company

and 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. PPFAC may vary over time as the cost of energy changes relative to the Base Power component of Power Supply Charges. The Base Power and PPFAC charge is not applicable to contracted Solar Blocks.

- 3. The Solar Capacity Charge. The Solar Capacity charge is the contracted rate charged for Power Supply per kWh for each contracted Solar block. Power Supply Charges for Base Power and the PPFAC are not applicable to be charged to the contracted Solar Blocks.
4. Total is calculated above for illustrative purposes, and excludes PPFAC, because PPFAC varies over time 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 for all standard rate kWhs.

MONTHLY DISCOUNT:

The monthly bill shall be in accordance to the rate above except that a discount of \$8.00 per month shall be applied.

TERMS AND CONDITIONS

- 1. The Company agrees to maintain the Solar Block energy price at \$0.050198 per kWh for contracted solar capacity through December 31, 2019 - for uninterrupted service, at the originally contracted service address.
2. Should the Customer discontinue service for any reason prior to December 31, 2019, the Customer will need to apply for service under a current and available pricing plan at that time.
3. The Customer is responsible for paying each month for the Solar Capacity charges calculated as his contracted amount (in kWh) multiplied by the Solar Capacity charge. Should Kilowatt-hours (kWhs) billed under the contracted amount exceed actual usage in a month, the Customer will be responsible for the total contracted amount times the Solar Capacity charge.

For example: Customer contracts two Solar Blocks for a total of 300 kWh. The Customer's actual usage in a month is 250 kWh. The Customer will be billed \$0.106140 per kWh for 250 kWhs and \$0.050198 (Solar Capacity charge) for the remaining 50 kWhs that were contracted but not used.

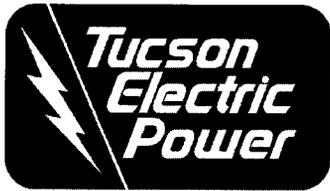
- 4. Excess Solar Block Energy(kWh): If for a billing month the Customer's contract Solar Blocks energy exceed the energy used by the Customer, the excess Solar Block energy shall be rolled forward and credited against usage in the next billing period. Any excess Solar Block energy remaining upon termination of service will be purchased back from the customer at \$0.050198 per kWh.

For example: Customer contracts two Solar Blocks for a total of 300 kWh. The Customer's actual usage in a month is 250 kWh. The Customer shall receive a credit of 50 solar block kWh to be carried forward to net against actual usage in subsequent period. If in the subsequent period they only use 100 kWh of their 300 kWh contracted and then would carry forward 250 kWh to the next period until consumed or a final bill is rendered. If the second month in the example were the customer's final bill they would receive a credit for 250 kWh @ \$0.050198 per kWh.

- 5. The Customer's contract Solar Block(s) are exempt from the following Green Energy Charges:
a. Demand Side Management Surcharge, Rider R-2 DSMS,

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

Tariff No.: RL-03-01 Solar
Effective: DRAFT
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**Pricing Plan RL-03-01 Solar
Residential Lifeline Electric Solar Service
(Bright Tucson Community Solar™)**

A UniSource Energy Company

b. Renewable Energy Standard and Tariff Surcharge, REST-TS1.

6. The non-contracted blocks hereunder this pricing plan are subject to change upon Commission approval.

BUNDLED STANDARD OFFER SERVICE CONSISTS OF THE FOLLOWING UNBUNDLED COMPONENTS:

Customer Charge Components of Delivery Services (Unbundling):

Meter Services	\$1.51 per month
Meter Reading	\$0.80 per month
Billing & Collection	\$1.59 per month
Customer Delivery	<u>\$1.00 per month</u>
	\$4.90 per month

Energy Charge Components of Delivery Services (Unbundling) (\$/kWh):

Component	Rate per kWh
Local Delivery-Energy, All kWh	\$0.010109
Generation Capacity	\$0.031871
Fixed Must-Run	\$0.003849
System Benefits	\$0.000468
Transmission	\$0.007525
Transmission Ancillary Services consists of the following charges:	
System Control & Dispatch	\$0.000102
Reactive Supply and Voltage Control	\$0.000402
Regulation and Frequency Response	\$0.000389
Spinning Reserve Service	\$0.001055
Supplemental Reserve Service	\$0.000172
Energy Imbalance Service: currently charged pursuant to the Company's OATT.	

Power Supply Charges:

Base Power	\$0.030198
PPFAC	<i>Varies</i>

	<i>Per Contracted Block</i>
Solar Capacity	\$0.050198

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.

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

Tariff No.: RL-03-01 Solar
 Effective: DRAFT
 Page No.: 3 of 3

EXHIBIT

"C"



DEPARTMENT OF ENVIRONMENTAL QUALITY
150 W. Congress Street
Tucson, Arizona 85701-1317
Visit our website at: www.deq.pima.gov

Ursula Kramer, P.E.
Director

(520) 740-3340
FAX (520) 882-7709

July 9, 2009

By E-MAIL
MMansfield@tep.com

Mr. Mark Mansfield
General Manager
Tucson Electric Power
P.O. Box 711
Tucson, Arizona 85702

Re: Confirmation of Biodiesel being Equivalent to Fuel Oil (Air Permit # 1052)

Dear Mr. Mansfield:

PDEQ has reviewed the documentation submitted with your letter received June 26, 2009 requesting our confirmation that biodiesel is equivalent to fuel oil. As discussed in our meeting on March 4, 2009 and other subsequent telephone calls, TEP may use biodiesel fuel in its daily operations wherever fuel oil #2 – #6 is permitted to be used.

It will not be necessary to revise the air quality permit since the permit conditions state that fuel oil #2 – #6 or their equivalent may be used.

Please call Mukonde Chama or me at (520) 740-3340 if you have questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "TASW", with a long horizontal line extending to the right.

Teresa Sobolewski
Air Program Manager

EXHIBIT

"D"

**"MODIFIED
TARIFF"**



**Renewable Energy Standard and Tariff Surcharge
REST-TS1
Renewable Energy Program Expense Recovery**

A UniSource Energy Company

APPLICABILITY

Mandatory, non-bypassable surcharge applied to all energy consumed by all customers throughout Company's entire electric service area.

RATES

For all energy billed which is supplied by the Company to the customer, the price shall be at the following rate by Class per kWh:

For residential customers: \$0.004926 per kWh per month

For small commercial customers: \$0.004375 per kWh per month

For Large commercial customers: \$0.002900 per kWh per month

For Industrial commercial customers: \$ 0.001924 per kWh per month

Note: (1) A Large commercial customer is one with monthly demand greater or equal to 200 kW but less than 3,000 kW.

(2) An industrial customer is one with monthly demand in excess of 3,000 kW for the three consecutive months preceding the current billing period.

For non-metered services, the lesser of the load profile or otherwise estimated kWh required to provide the service in question, or the service's contract kWh shall be used in the calculation of the surcharge.

This charge will be a line item on customer bills reading "Arizona Corporation Commission Renewable Energy Standard & Tariff"

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.

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
District: Entire Electric Service Area

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**Renewable Energy Standard and Tariff Surcharge
REST-TS1
Renewable Energy Program Expense Recovery
Best Value Plan**

A UniSource Energy Company

APPLICABILITY

Mandatory, non-bypassable surcharge applied to all energy consumed by all customers throughout Company's entire electric service area.

RATES

For all energy billed which is supplied by the Company to the customer, the price shall be at the following rate by Class ~~\$0.004988~~ per kWh; ~~of metered monthly energy consumption on all kWh consumed per meter that month up to and including a monthly cap of:~~

For residential customers:	\$2.90 <u>0.004926</u> per kWh-per month.
For small commercial customers:	\$39.00 <u>0.004375</u> per kWh-per month.
For Large commercial customers:	\$100.00 <u>0.002900</u> per kWh-per month
For Industrial commercial customers:	\$1,150.00 <u>0.001924</u> per kWh-per month

- Note: (1) A Large commercial customer is one with monthly demand greater or equal to 200 kW but less than 3,000 kW.
(2) An industrial customer is one with monthly demand in excess of 3,000 kW for the three consecutive months preceding the current billing period.

For non-metered services, the lesser of the load profile or otherwise estimated kWh required to provide the service in question, or the service's contract kWh shall be used in the calculation of the surcharge.

This charge will be a line item on customer bills reading "Arizona Corporation Commission Renewable Energy Standard & Tariff"

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.

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.

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Tariff No.: REST-TS1
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"PROPORTIONAL TARIFF"

**Renewable Energy Standard and Tariff Surcharge
REST-TS1
Renewable Energy Program Expense Recovery**

APPLICABILITY

Mandatory, non-bypassable surcharge applied to all energy consumed by all customers throughout Company's entire electric service area.

RATES

For all energy billed which is supplied by the Company to the customer, the price shall be \$0.008289 per kWh of metered monthly energy consumption on all kWh consumed per meter that month up to and including a monthly cap of:

For residential customers: \$6.75 per month.
For small commercial customers: \$112.50 per month.
For Large commercial customers: \$525.00 per month
For Industrial commercial customers: \$2,400.00 per month

Note: (1) A Large commercial customer is one with monthly demand greater or equal to 200 kW but less than 3,000 kW.
(2) An industrial customer is one with monthly demand in excess of 3,000 kW for the three consecutive months preceding the current billing period.

For non-metered services, the lesser of the load profile or otherwise estimated kWh required to provide the service in question, or the service's contract kWh shall be used in the calculation of the surcharge.

This charge will be a line item on customer bills reading "Arizona Corporation Commission Renewable Energy Standard & Tariff"

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.

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.

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Title: Senior Vice President
District: Entire Electric Service Area

Tariff No.: REST-TS1
Effective: January 1, 2010
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Renewable Energy Standard and Tariff Surcharge
REST-TS1
Renewable Energy Program Expense Recovery
Best Value Plan

APPLICABILITY

Mandatory, non-bypassable surcharge applied to all energy consumed by all customers throughout Company's entire electric service area.

RATES

For all energy billed which is supplied by the Company to the customer, the price shall be \$0.0082894988 per kWh of metered monthly energy consumption on all kWh consumed per meter that month up to and including a monthly cap of:

- For residential customers: \$~~6.752.00~~ per month.
- For small commercial customers: \$~~112.5039.00~~ per month.
- For Large commercial customers: \$~~525.00100.00~~ per month
- For Industrial commercial customers: \$~~2,400.001,150~~ per month

- Note: (1) A Large commercial customer is one with monthly demand greater or equal to 200 kW but less than 3,000 kW.
(2) An industrial customer is one with monthly demand in excess of 3,000 kW for the three consecutive months preceding the current billing period.

For non-metered services, the lesser of the load profile or otherwise estimated kWh required to provide the service in question, or the service's contract kWh shall be used in the calculation of the surcharge.

This charge will be a line item on customer bills reading "Arizona Corporation Commission Renewable Energy Standard & Tariff"

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.

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.

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