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Tucson Electric Power

88 East Broadway Blvd., P.O. Box 711
Tucson, Arizona 85702

Arizona Corporation Commission

DOCKETED

APR - 1 2014

April 1, 2014

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

DOCKETED BY	NR
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Re: Notice of Filing – Tucson Electric Power Company’s 2014 REST Compliance Report
Docket No. E-01933A-12-0296, E-04204A-12-0297, E-01345A-10-0394,
E-01345A-12-0290

Pursuant to Arizona Administrative Code R14-2-1812, each Affected Utility shall file with Docket Control a report that describes its compliance with the requirements of the Renewable Energy Standard and Tariff (“REST”) Rules. Arizona Corporation Commission (“Commission”) Decision No. 73637 (January 31, 2013) approved Tucson Electric Power Company’s (“TEP”) 2013 REST Plan. Please find enclosed TEP’s redacted 2014 REST Compliance Report for year-end 2013. The report contains confidential information that is being provided directly to Commission Staff pursuant to the terms of the Protective Agreement executed in Docket No. E-01933A-12-0296.

If you have questions or comments please contact me at (520) 884-3680.

Sincerely,

Jessica Bryne
Regulatory Services

Enclosure: Compliance Report

cc: Compliance Section, ACC

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Tucson Electric Power

**Response to R14-2-1812 Utility Reporting Requirements
of the
Arizona Corporation Commission**

**RENEWABLES DATA
FOR
YEAR-END 2013**

Executive Summary

I. Standardized Reporting Format

Arizona Corporation Commission (Commission) Decision No. 72736 (January 18, 2012) required Tucson Electric Power Company (“TEP” or “Company”) to submit a report for Commission Staff approval on the Company’s joint RES plan formatting efforts with Arizona Public Service Company (“APS”) and in consultation with other state utility representatives and industry stakeholders. On February 19, 2013, Commission Staff docketed its formal approval of the group’s standardized reporting format for use in subsequent RES Compliance Reports and Implementation Plans.

II. 2013 Renewable Energy Standard (RES) Results

Compliance with RES Requirements

For calendar year 2013, the Commission established through A.A.C. R14-2-1804(B) an annual RES requirement of 4.0 percent of the utility’s 2013 retail kilowatt-hour (“kWh”) sales, with 30 percent of the total requirement to be fulfilled with energy produced from Distributed Energy (“DE”) resources. This separate DE carve-out provision requires half of the total DE requirement to come from residential resources and half from non-residential resources. A summary of TEP’s 2013 compliance requirements is shown in Table 1a. For the purposes of RES compliance tracking, A.A.C. R14-2-1801(N) defines a Renewable Energy Credit (“REC”) as a kWh or kWh equivalent of eligible renewable resources; however, throughout the Compliance Report, TEP discloses its production in MWh.

Table 1b (see page 5) shows TEP compliance and total RES resources. In 2013, the Company’s total RES resources, including Annualized Production and Reservations, were 515,471 MWh, which is 5.6 percent of TEP’s total 2013 retail sales requirement. Total DE resources for the year reached 169,401 MWh. Total Residential performance was 113 percent of the requirement for 2013 and Non-Residential was 191 percent of the Non-Residential requirement. TEP will retire 365,327,000 RECs for 2013 (Actual production of Residential DE of 50,100,495; Non-Residential DE of 55,416,407; and Non-DE of 259,810,000).

Compliance Report - Energy Tucson Electric Power Company

Table 1a - Renewable Resources

Resource	Install Year	Technology	Ownership	MW(AC)	MW(DC)	Production (Actual) kWh	Production + (Annualized) ² kWh	Multiplier Credits ³	Total kWh or Equivalent
GENERATION:									
Springerville 1	2001-2004	Fixed Axis	TEP		4.600	5,785,200		1.50	8,677,800
Springerville 2		Fixed Axis	TEP		1.800	2,249,800		1.00	2,249,800
Solon Tech Park 1		Single Axis	TEP		1.600	3,099,560		1.00	3,099,560
Solon Tech Park 2		Fixed Axis	TEP		5.000	7,311,868		1.00	7,311,868
HQ		Fixed Axis	TEP		0.060	104,485		1.00	104,485
Warehouse OH		Fixed Axis	TEP		0.560	268,454		1.00	268,454
Prairie Fire		Fixed Axis	TEP		5.000	8,475,554		1.00	8,475,554
DeMoss-Petrie	2001-2004	Fixed Axis	TEP		0.216	156,236		1.50	234,354
Amonix		Dual Axis	PPA		2.000	3,005,100		1.00	3,005,100
AstroSol		Fixed Axis	PPA		6.000	9,862,850		1.00	9,862,850
NRG		Single Axis	PPA		34.000	75,975,670		1.00	75,975,670
Picture Rock		Single Axis	PPA		25.000	56,152,240		1.00	56,152,240
E. ON UASTP		Single Axis	PPA		6.000	14,173,430	12,000,000	1.00	14,173,430
E. ON Valencia		Single Axis	PPA		13.200	8,304,063	26,400,000	1.00	26,400,000
Macho Springs		Wind	PPA	50.400		128,267,000		1.00	128,267,000
Los Reales Landfill		Landfill Gas	PPA	5.000		12,453,556		1.06	13,200,769
									-
<i>Gross Total (if needed)</i>									357,458,934
<i>Adjustments 10% wholesale DG applied to Non-Res requirement</i>									(11,134,702)
Subtotal Generation				55.40	105	324,510,364	38,400,000		346,324,233 (A)
DISTRIBUTED ENERGY (DE):									
<i>Residential:</i>									
Incentive Installed									
Total PV-Incentive		PV			31.504	50,100,495	55,132,000	1.0	55,132,000
Purchase-Incentive		PV	Customer Owned		17.432		30,506,000		
Lease-Incentive		PV	Leased		14.072		24,626,000		
Thermal		Thermal	Customer Owned				6,542,250	1.0	6,542,250
Incentive-Total Installed					31.504	50,100,495.0	61,674,250		61,674,250
Reserved									
Total PV-Incentive		PV			0.818		1,431,500		
Purchase-Incentive		PV	Customer Owned		0.169		295,750		
Lease-Incentive		PV	Leased		0.649		1,135,750		
Thermal		Thermal	Customer Owned				34,954		
Incentive-Total Reserved					0.818		1,466,454		1,466,454
Non-Incentive Installed									
Total PV-Non-Incentive		PV			0.343		600,250.0		
Purchase-Non-Incentive		PV	Customer Owned		0.084		147,000		
Incentive		PV	Leased		0.259		453,250		
Non-Incentive Total Installed					0.343		600,250		
In-Process									
Total PV-Non-Incentive					0.977		1,709,750		
Purchase-Non-Incentive		PV	Customer Owned		0.561		981,750		
Incentive		PV	Leased		0.416		728,000		
Non-Incentive Total In-Process					0.977		1,709,750		
<i>Gross Total (if needed)</i>									63,140,704
Subtotal Residential					32	50,100,495	63,140,704		63,140,704 (B)

Table 1a – Renewable Resources Continued

Resource	Install Year	Technology	Ownership	MW(AC)	MW(DC)	Production (Actual) kWh	Production + (Annualized) ² kWh + Credits ³	Multiplier =	Total kWh or Equivalent
Non-Residential:									
Installed									
UFI									
PV		PV	Customer Owned		4.259	9,775,315	7,453,250	1.0	9,775,315
		PV	Leased		1.392		2,436,000	1.0	2,436,000
Thermal		Thermal	Customer Owned				4,670,985	1.0	4,670,985
Wind		Wind	Customer Owned		0.012			1.0	-
Daylighting		Daylighting	Customer Owned				188,539	1.0	188,539
PBI									
PV		PV	Customer Owned		41.326	31,033,684	75,611,289	1.0	75,611,289
Chilling		Chilling	Customer Owned			1,730,706		1.0	1,730,706
Total Installed					46.989	42,539,705	90,360,063.0		94,412,834
Wholesale (10% of DG Req.)						11,134,702			11,134,702
Extra Credits									
Manufacturing and Installation Content									38,992
In-State Power Plant Installation Credit									83,096
Distributed Generation Credit									83,096
Total Installed, Wholesale & Credits									105,752,720
Reserved									
UFI									
PV		PV	Customer Owned		0.042		72,800		
Thermal		Thermal	Customer Owned						
Daylighting		Daylighting	Customer Owned						
PBI									
PV		PV	Customer Owned		0.100		180,839		
Total Reserved					0.142		253,639		253,639
Non-Incentive									
PV		PV	Customer Owned		5.214		9,124,241		
<i>Gross Total (if needed)</i>									
<i>Adjustments (if needed)</i>									
Subtotal Non-Residential				-	47	53,674,407	90,613,702		106,006,359
Subtotal Distributed Energy (B+C)				-	79	103,774,902	153,754,406		169,147,063
Total RES Resources To Be Used for Compliance (A+D)				55	184	428,285,266	192,154,406		515,471,295
Total 2013 RES Resources Available for Retirement⁴				-	-	-	-		428,285,266
Total MWac equivalent²				212					

Notes to Table 1:

¹ Assumes the following kWh per installed kW:
 Residential and Non-Residential: 1750 kWh/kW
 Utility Generation, Fixed Tilt: 1800 kWh/kW
 Utility Generation, Single-Axis Tracker: 2000 kWh/kW
 Utility Generation, Dual-Axis Tracker: 2200 kWh/kW

² Represents the total RES portfolio energy in kWh(AC). An 85% DC-AC conversion factor is applied to all DC capacity.

³ Extra Credit Multipliers

Early Installation Extra Credit: Installed and Began Operating in	
2001	0.3
2002	0.2
2003	0.1
In-State Power Plant Extra Credit (1997-2005)	0.5
In-State Manufacturing and Installation Content (1997-2005)	0.5 X (% in-state content in installed plant)
DE Solar Electric Generator and Solar Incentive Program (1997-200	0.5

⁴ Does not include Annualized Production or Reservations

Table 1b - Compliance Summary

Category	Metric	%	Compliance Measure (MWh)	Compliance RES Resources (MWh or Equivalent)	Allowable Carry Forward
Retail Sales	Actual MWh Sales for 2013		9,278,918		
2012 Carrying Balance					212,884 (N)
Residential Carrying Balance					-
Non-Residential Carrying Balance					1,742
Non-DE Carrying Balance					211,142
2013 Total RES Resources [From (E) in Table 1a]					515,471 (E)
2013 Actual Production [From (F) in Table 1a]					428,285 (F)
2013 Total RES Requirement					
	% of Retail Sales	4%	371,157 (M)		
DE Requirement	% of RES Requirement	30%	111,347		
<i>DE Sub-Requirements:</i>					
Residential DE	% of DE Requirement	50%	55,674	63,141	
Actual Production				61,674	50,100 (G)
Reserved				1,466	
Non-Residential DE	% of DE Requirement	50%	55,674	106,260	
Actual Production				106,006	53,674 (H)
Reserved				254	
Non-DE Requirement	% of RES Requirement	70%	259,810 (K)	346,324	
Actual Production				346,324	324,510 (I)
Retired for LEED Certification					(14,521) (J)
Allowable REC's for carryover					309,989 (J)
Actual Production Resources Available for 2013 REC Retirement (N + G + H + J)					626,648 (L)
Retirement¹					365,327
Residential					50,100
Non-Residential					55,416
Non-DE					259,810
Total 2013 carrying balance					261,322
Residential Carrying Balance					-
Non-Residential Carrying Balance					-
Non-DE Carrying Balance					261,322

Notes to Table 1b:

¹ On March 31, 2014 Tucson Electric Power (TEP) retired 365,327,000 Renewable Energy Credits towards meeting its 2013 RES requirements.

Table 2a RES Resource Costs Tucson Electric Power Company

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Table 2b - RES Cash Incentive Costs Tucson Electric Power Company

2013 Distributed Energy Cash Incentive Program Costs

Up-Front Incentives							2013 Total Incentives Paid (\$)
	MW	MWh	(\$/MW) ¹	(\$/MWh) ¹			
Residential:							
PV Leased	5,998	10,796	\$ 195,683.23	\$ 108.71			\$ 1,173,708
PV Customer Owned	1,621	2,918	\$ 167,206.05	92.89			271,041
Thermal		545		425.46			231,876
<i>Subtotal: Residential</i>							\$ 1,676,625

Up-Front Incentives					Production-Based Incentives		2013 Total Incentives Paid (\$)
	MW	MWh	(\$/MW) ¹	(\$/MWh) ¹	(\$/MW)	(\$/MWh)	
Non-Residential:							
UFI							
PV-Leased	0.163	293	\$ 537,987.73	\$ 298.88			\$ 87,692
PV-Customer Owned	0.254	457	787,413.39	437.45			200,003
Thermal		1,673		437.05			731,191
Daylighting		145		765.88			111,053
PBI							
PV	25.318	45,572		11.68	\$ 21,033	\$ 11.68	532,508
PBI Legacy							
PV		25,973				155.56	4,040,347
Solar Chilling		1,731				99.98	173,071
<i>Subtotal: Non-Residential</i>							5,875,865
Total DE Incentive Costs							\$ 7,552,490

Notes to Table:

¹ Based on expected annual system production.

Other Reports

Tucson Electric Power
 Budget Overview
 January through December 2013

REST Revenue & Expenses

Tariff Income	\$ 35,779,502	
Carry Forward	4,343,494	
Income		\$ 40,122,996
Expense		
Customer Sited DG		
Meter Reading	29,832	
Production Based Payment	6,453,375	
Total Up-Front Payments Residential	<u>744,486</u>	
	Total Customer Sited DG	7,227,693
Information Systems		100,000
Total Labor & Administration		1,738,342
Metering		131,365
Consumer Education and Outreach		100,000
Purchased Renewable Energy		
AM CCGG	23,021,000	
Purchase Sun Edison RECS	1,275,000	
TEP Owned	<u>5,929,596</u>	
	Total Purchased Renewable Energy	30,225,596
Research & Development		
Dues & Fees	10,000	
Repairs & Maintenance	240,000	
University Support R & D	<u>275,000</u>	
	Total Research & Development	525,000
Technical Training		75,000
	Total Expense	<u>40,122,996</u>
	Net Income	<u>\$ -</u>

Tucson Electric Power Company
 REST Revenue/Expenses
 January through December 2013

Recoverable REST Revenue/Expenses

REST Revenue		\$ 34,191,251
REST Expenditures		
Customer Sited DG		
Production Based Payment	\$ 4,025,820	
Up-Front Payments Residential	739,564	
	<hr/>	
Total Customer Sited DG		4,765,384
Information Systems		95,849
Labor & Administration		946,046
Metering		131,365
Consumer Education and Outreach		93,014
Purchased Renewable Energy		
AMCCCG	18,879,626	
Manufacturing RECS	235,549	
Other Purchased Power	2,329,210	
TEP Owned	3,639,783	
	<hr/>	
Total Purchased Renewable Energy		25,084,168
Research & Development		519,500
Technical Training		73,004
		<hr/>
Total REST Expenses		31,708,330
		<hr/>
Net REST Revenue		\$ 2,482,921

Explanation of 2013 TEP REST Over-collection

Per previous practices, TEP will include the \$2,482,921 over collection in TEP's 2015 Implementation Plan budget.

Utility Scale – Over-collection was due to the following:

- Due to significant delays in obtaining the land lease and permission to construct, the Avalon 35 MW Solar PV PPA was not completed by mid-2013 as expected. The project is expected to be complete in the second half of 2014.
- AREVA 5 MW Solar Thermal was not operational by the end of 2013 as expected. The project is currently under construction and should be operational by the end of 2014.
- SunEdison experienced delays in obtaining permission to construct the Davis-Monthan Air Force Base 20 MW Solar PV and it was not completed until the end of 2013, not mid-year as expected. This project is now operational.

Labor and Administration – Over-collection was due to the following:

- TEP's 2013 Implementation Plan ("IP") approved a full calendar year budget for Labor and Administration. However, when the 2012 TEP Rate Case was approved by the Commission in July of 2013, it converted previous REST recovered personnel, who were employed in the 2011 Test Year, to rate-based employees. This left almost \$1 million of the 2013 IP Labor and Administrative budget unused.

Performance-Based Incentives – Over-collection was due to the following:

- Various projects, whose PBI reservations occurred in 2012, were completed throughout 2013, and not at the beginning of the year as was expected. PBIs are reserved for the full amount at the time of reservation, so there is a lag of collection versus pay-out until the project is complete and operational. As there were no new reservations in 2013 and all projects are currently operational, TEP does not expect this to be an ongoing issue.

TEP Owned – Over-collection was due to the following:

- The Company's authorized solar build out program had originally planned to build a 10 MW facility on tribal lands near Tucson. However, due to significant issues with the leasing entity and the inability to secure the rights to construct, the project has been relocated to Springerville, AZ. Although the Company procured the materials to build the project, the project was not completed in 2013 and therefore TEP did not take the authorized Return-on-Investment or the allowed depreciation.