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TEP AZ CORP COMMISSION
DOCKET CONTROL

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

APR 1 2015 1:26 PM

April 1, 2015

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

Re: Notice of Filing – Tucson Electric Power Company’s 2015 REST Compliance Report for the year ended 2014, Docket No. E-01933A-14-0248

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. Tucson Electric Power hereby files its 2015 REST Compliance Report for year-end 2014.

Because the Report contains confidential information, such information has been redacted from this filing. The un-redacted Report shall be provided directly to Staff pursuant to the terms of the Protective Agreement executed in Docket No. E-01933A-14-0248.

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

Sincerely,

Melissa Morales
Regulatory Services

cc: Compliance Section

Arizona Corporation Commission

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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 2014**

Executive Summary

2014 Renewable Energy Standard (“RES”) Results

Compliance with RES Requirements

For calendar year 2014, the Commission established through A.A.C. R14-2-1804(B) an annual RES requirement of 4.5 percent of the utility’s 2014 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 Tucson Electric Power’s (“TEP” or “Company”) 2014 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 reports its production in both kWh and MWh.

Table 1b (see page 6) shows TEP compliance and total RES resources. In 2014, the Company’s total RES resources, including Annualized Production and Reservations, were 647,805 MWh, which is 7.1 percent of TEP’s total 2014 retail sales. Total DE resources for the year reached 206,239 MWh. Total Residential actual performance was 102 percent of the requirement for 2014 and Non-Residential actual was 171 percent of the Non-Residential requirement. TEP will retire 412,441,000 RECs for 2014 (Actual production of Residential DE of 62,947,228; Non-Residential DE of 105,527,304 and 243,966,468 of Non-DE).

Compliance Report - Energy Tucson Electric Power Company

Table 1a - Renewable Resources

| Resource | Install Year | Technology | Ownership | MW(AC) | MW(DC) | Production (Actual) kWh | Production: Actual/(Annualized) ² kWh | Multiplier Credits ³ | Total kWh or Equivalent |
|--|--------------|--------------------------|--------------|--------------|---------------|-------------------------|--|---------------------------------|-------------------------|
| GENERATION: | | | | | | | | | |
| Springerville 1 | 2001-2004 | Fixed Tilt | TEP | | 4.60 | 3,338,467 | 3,338,467 | 1.50 | 5,007,701 |
| Springerville 2 | 2010 | Fixed Tilt | TEP | | 1.81 | 1,298,293 | 1,298,293 | 1.00 | 1,298,293 |
| White Mountain | 2014 | Fixed Tilt/LCPV | TEP | | 10.00 | 504,080 | 19,173,400 ² | 1.00 | 19,173,400 |
| Solon Tech Park 1 | 2010 | Single Axis | TEP | | 1.60 | 2,820,202 | 2,820,202 | 1.00 | 2,820,202 |
| Solon Tech Park 2 | 2011 | Fixed Tilt | TEP | | 5.00 | 8,366,007 | 8,366,007 | 1.00 | 8,366,007 |
| HQ | 2012 | Fixed Tilt | TEP | | 0.06 | 52,696 | 52,696 | 1.00 | 52,696 |
| Warehouse OH | 2012 | Fixed Tilt | TEP | | 0.56 | 751,205 | 751,205 | 1.00 | 751,205 |
| Prairie Fire | 2012 | Fixed Tilt | TEP | | 5.00 | 9,093,738 | 9,093,738 | 1.00 | 9,093,738 |
| DeMoss-Petrie | 2001 | Fixed Tilt | TEP | | 0.22 | 141,964 | 141,964 | 1.50 | 212,946 |
| AREVA | 2014 | Solar Steam Augmentation | | 5.00 | | 14,190 | 14,190 | 1.00 | 14,190 |
| PPA | | | | | | | | | |
| Amonix | 2011 | Dual Axis | PPA | | 2.00 | 1,912,772 | 1,912,772 | 1.00 | 1,912,772 |
| Gatos Montes | 2012 | Fixed Tilt | PPA | | 6.00 | 10,249,166 | 10,249,166 | 1.00 | 10,249,166 |
| NRG Avra Valley | 2012 | Single Axis | PPA | | 34.00 | 74,292,958 | 74,292,958 | 1.00 | 74,292,958 |
| Picture Rock | 2012 | Single Axis | PPA | | 25.00 | 54,864,516 | 54,864,516 | 1.00 | 54,864,516 |
| E. ON UASTP | 2012 | Single Axis | PPA | | 6.00 | 14,093,570 | 14,093,570 | 1.00 | 14,093,570 |
| E. ON Valencia | 2013 | Single Axis | PPA | | 13.20 | 25,139,895 | 25,139,895 | 1.00 | 25,139,895 |
| Macho Springs | 2011 | Wind | PPA | 50.40 | | 117,766,000 | 117,766,000 | 1.00 | 117,766,000 |
| Los Reales Landfill | 1988 | Landfill Gas | PPA | 5.00 | | 22,067,318 | 22,067,318 | 1.50 | 33,100,977 |
| Avalon | 2014 | Single Axis | PPA | | 35.00 | 2,697,488 | 70,000,000 ² | 1.00 | 70,000,000 |
| Cogenra | 2014 | CPV Single Axis | PPA | | 1.38 | 543,654 | 2,760,000 ² | 1.00 | 2,760,000 |
| Manufacturing | | PV | Global Solar | | 1.36 | 2,969,189 ³ | 2,969,189 | 1.00 | 2,969,189 |
| <i>Gross Total</i> | | | | | | | | | 453,939,421 |
| <i>Adjustments 10% wholesale DG applied to Non-Res requirement</i> | | | | | | (12,373,228) | (12,373,228) | | (12,373,228) |
| Subtotal Generation | | | | 60.40 | 152.78 | 340,604,140 | 428,792,318 | | 441,566,193 |

| DISTRIBUTED ENERGY (DE): | | | | | | Production (Actual) kWh | Production (Annualized) ² kWh | Multiplier Credits ³ = | Total kWh or Equivalent |
|--|--------------|------------|----------------|--------|--------------|-------------------------|--|-----------------------------------|--|
| <i>Residential:</i> | Install Year | Technology | Ownership | MW(AC) | MW(DC) | | | | |
| Incentive | | | | | | | | | |
| Installed | | | | | | | | | |
| Total PV- | | PV | | | 32.03 | 56,231,728 | 56,052,500 | 1.00 | 56,231,728 |
| Purchase-Incentive | | PV | Customer Owned | | 17.57 | | 30,747,500 | | |
| Lease-Incentive | | PV | Leased | | 14.46 | | 25,305,000 | | |
| Thermal | | Thermal | Customer Owned | | | 6,715,500 | 6,715,500 | 1.00 | 6,715,500 |
| Incentive-Total Installed | | | | | 32.03 | 62,947,228 | 62,768,000 | | 62,947,228 |
| Reserved | | | | | | | | | |
| Total PV- | | PV | | | | | | | |
| Purchase-Incentive | | PV | Customer Owned | | | | - | | |
| Lease-Incentive | | PV | Leased | | | | - | | |
| Thermal | | Thermal | Customer Owned | | | | 30,250 | | 30,250 |
| Incentive-Total Reserved | | | | | | | 30,250 | | 30,250 |
| Non-Incentive | | | | | | | | | |
| Installed | | | | | | | | | |
| Total PV-Non-Incentive | | PV | | | 13.81 | 7,220,663 ⁵ | 24,167,500 | | |
| Purchase-Non-Incentive | | PV | Customer Owned | | 3.34 | | 5,845,000 | | |
| Lease-Non-Incentive | | PV | Leased | | 10.47 | | 18,322,500 | | |
| Non-Incentive Total Installed | | | | | 13.81 | 7,220,663 | 24,167,500 | | |
| In-Process | | | | | | | | | |
| Total PV-Non-Incentive | | | | | 7.02 | | 12,278,000 | | |
| Purchase-Non-Incentive | | PV | Customer Owned | | 1.28 | | 2,236,500 | | |
| Lease-Non-Incentive | | PV | Leased | | 5.74 | | 10,041,500 | | |
| Non-Incentive Total In-Process | | | | | 7.02 | | 12,278,000 | | |
| Gross Total | | | | | | | | | 62,977,478 |
| Subtotal Non-Incentive Residential Installed & In Process | | | | | | | | | 20.83 7,220,663 36,445,500 |
| Subtotal Incentive Residential Installed | | | | | | | | | 32.03 62,947,228 62,798,250 62,977,478 |

Tucson Electric Power

Table 1b - Compliance Summary

| | | | Compliance Measure (MWh) | Available RECs for Retirement | Carryforward |
|--|--|------|--------------------------|-------------------------------|----------------|
| Retail Sales | Actual MWh Sales for 2014 | | 9,165,354 | | |
| 2014 Carryforward Balance | | | | | |
| Non-DE Balance | | | | 261,322 | 261,322 |
| Total RES Requirement | % of Retail Sales | 4.5% | 412,441 | | |
| DE Requirement | % of RES Requirement | 30% | 123,732 | | |
| Residential DE | % of DE Requirement | 50% | 61,866 | 62,947 | - |
| Non-Residential DE | % of DE Requirement | 50% | 61,866 | 105,527 | - |
| Non-DE | Non-DE Requirement = Total RES Requirement - Residential RECs ¹ - Non-Residential RECs ¹ | | 243,967 | 340,604 | 96,637 |
| Total Resources Available for 2014 REC Retirement | | | | 770,401 | |
| Retirement | | | | 412,441 | |
| Residential DE | | | | 62,947 | |
| Non-Residential DE | | | | 105,527 | |
| Non-DE | | | | 243,967 | |
| Total 2015 Carryforward Balance | | | | | 357,959 |

Carryforward RECs + Non-DE RECs - Non-DE Retired RECs

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

2014 Distributed Energy Cash Incentive Program Costs

| | MW | MWh | (\$/MW) ¹ | (\$/MWh) ¹ | | | | 2014 Total Incentives Paid (\$) |
|------------------------------|------|----------|----------------------|-----------------------|--|--|--|---------------------------------|
| Residential: | | | | | | | | |
| PV Leased | 0.64 | 1,154.68 | 103,806.68 | 57.67 | | | | \$ 66,590.74 |
| PV Customer Owned | 0.32 | 576.21 | 99,685.61 | 55.38 | | | | 31,911.06 |
| Thermal | | 169.81 | | 411.41 | | | | 69,861.00 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| <i>Subtotal: Residential</i> | | | | | | | | \$ 168,362.80 |

| | MW | MWh | Up-Front Incentives | | Production-Based Incentives | | | 2014 Total Incentives Paid (\$) |
|----------------------------------|------|-----------|----------------------|-----------------------|-----------------------------|----------|--|---------------------------------|
| | | | (\$/MW) ¹ | (\$/MWh) ¹ | (\$/MW) | (\$/MWh) | | |
| Non-Residential: | | | | | | | | |
| UFI | | | | | | | | |
| PV-Leased | | | | | | | | |
| PV-Customer Owned | 0.04 | 74.88 | 200,000.00 | 111.11 | | | | \$ 8,320.00 |
| Thermal | | | | | | | | |
| Daylighting | | | | | | | | |
| PBI | | | | | | | | |
| PV | | | | | | | | |
| PBI Legacy | | | | | | | | |
| PV | | 76,325.10 | | | | 93.00 | | 7,097,926.44 |
| Solar Chilling | | 1,530.15 | | | | 103.29 | | 158,054.50 |
| | | | | | | | | |
| <i>Subtotal: Non-Residential</i> | | | | | | | | 7,264,300.94 |
| Total DE Incentive Costs | | | | | | | | \$ 7,432,663.74 |

Notes to Table:
¹ Based on expected annual system production.

Other Reports

Tucson Electric Power
ACC Budget
January through December 2014

| | <i>Jan - Dec 14</i> |
|---|---------------------|
| Revenue | |
| Tariff Billing | 33,601,642 |
| Carryforward from Previous Year | 6,521,431 |
| Total Revenue | 40,123,073 |
| Expenses | |
| <i>Purchased Renewable Energy</i> | |
| AMCCCG | 25,481,208 |
| TEP Owned | 5,230,122 |
| Total Purchased Renewable Energy | 30,711,330 |
| <i>Customer Sited DG</i> | |
| Consumer Education and Outreach | 100,000 |
| Meter Reading | 35,363 |
| Production Based Payment | 7,944,363 |
| Reserved Up-Front Incentives | 60,000 |
| Total Customer Sited DG | 8,139,726 |
| <i>Technical Training</i> | |
| | 75,000 |
| <i>Information Systems</i> | |
| | 100,000 |
| <i>Metering</i> | |
| | 118,204 |
| <i>Labor & Administration</i> | |
| Internal Labor | 339,103 |
| External Labor | 300,710 |
| Materials, Fees & Supplies | 60,000 |
| AZ Solar Website | 4,000 |
| Total Labor & Administration | 703,813 |
| <i>Research & Development</i> | |
| | 275,000 |
| Total Expenses | 40,123,073 |
| Net Revenue | \$ - |

Tucson Electric Power
REST Revenue and Expenses
 January through December 2014

| | <i>Jan - Dec 14</i> |
|---|---------------------|
| Revenue | |
| Tariff | \$ 33,836,498 |
| Liquidated Damages | 156,000 |
| Total Revenue | 33,992,498 |
| Expenses | |
| <i>Purchased Renewable Energy</i> | |
| AMCCCG | 21,158,174 |
| Manufacturing RECs | 74,230 |
| Other Purchased Power | 704,303 |
| TEP Owned | 300,155 |
| Total Purchased Renewable Energy | 22,236,861 |
| <i>Customer Sited DE</i> | |
| Consumer Education and Outreach | 99,870 |
| Production Based Payment | 7,733,721 |
| Reserved Up-Front Incentives | 51,202 |
| Total Customer Sited DE | 7,884,793 |
| <i>Technical Training</i> | 77,880 |
| <i>Information Systems</i> | 98,000 |
| <i>Metering</i> | 512,185 |
| <i>Labor & Administration</i> | |
| Internal Labor | 392,170 |
| External Labor | 166,485 |
| Materials, Fees & Supplies | 58,944 |
| AZ Solar Website | 2,602 |
| Total Labor & Administration | 620,201 |
| <i>Research & Development</i> | 274,687 |
| Total Expenses | 31,704,608 |
| Net Revenue | \$ 2,287,890 |

Explanation of 2014 TEP REST Over- and Under-Collections

Per previous practices, TEP will include the 2014 \$2,287,890 over-collection, plus the prior year carry forward of \$6,521,431 to TEP's 2016 Implementation Plan.

Purchased Renewable Energy – Over-collection was due to the following:

PPAs

- Avalon 35 MW Solar PV PPA: Significant delays experienced in obtaining the land lease and permission to construct caused this project to be commercially operational in December, rather than in mid-2014, as expected.
- AREVA 5 MW Solar Thermal: was operational at the end of 2014 as expected. AREVA is currently undergoing its 1-year production testing, and will be tentatively purchased by TEP at the end of 2015.

TEP-Owned

- Ft. Huachuca 17 MW Solar PV: Significant delays from construction crews caused project to be complete in December, rather than in Quarter 3 as expected.
- White Mountain 10 MW Solar PV/Low-Concentrated Solar PV: Significant delays in material delivery caused project to be complete in December, rather than in Quarter 3 as expected.

Due to the delays for both Ft. Huachuca and White Mountain, TEP was not able to realize the authorized return on investment, and depreciation for the original time period anticipated.

These projects qualified for FERC-required accruals for Allowance for Funds Used During Construction (“AFUDC”) in lieu of a return on investment on construction expenditures collected through the REST in 2014. The accrued AFUDC will be recovered over the useful lives of the projects through depreciation expense.

Metering – Under-collection was due to Residential DE being considerably more active in 2014 than was anticipated in the 2014 Implementation plan.

Performance-Based Incentives – Over-collection was due to production under-performance from various projects throughout the year.