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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
Residential:	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

DISTRIBUTED ENERGY (DE):						Production (Actual) kWh	Production (Annualized) ² kWh	Multiplier Credits ³	Total kWh or Equivalent
Non-Residential: Installed	Install Year	Technology	Ownership	MW(AC)	MW(DC)				
UFI									
PV		PV	Customer Owned		4.30	8,147,453	7,741,098	1.00	8,147,453
		PV	Leased		1.39		2,504,790	1.00	2,504,790
Thermal		Thermal	Customer Owned			4,670,985	4,670,985	1.00	4,670,985
Wind		Wind	Customer Owned		0.01			1.00	-
Daylighting		Daylighting	Customer Owned			188,539	188,539	1.00	188,539
Total UFI									
					5.70	13,006,977	15,105,412		15,511,767
PBI									
PV		PV	Customer Owned		41.33	76,325,103	82,681,307	1.00	82,681,307
Chilling		Chilling	Customer Owned			1,530,149		1.00	1,530,149
Total PBI									
					41.33	77,855,252	82,681,307		84,211,456
Non-Incentive									
PV		PV	Customer Owned		12.38	4,039,920	22,280,400		
		PV	Leased		0.83		1,486,800		
In Progress									
PV		PV			7.99		12,798,000		
Total Non-Incentive									
					21.19	4,039,920 ⁶	36,565,200		
Total Incentive Installed									
					47.03	90,862,229	97,786,719		99,723,223
Utility Owned									
Fort Huachuca	2014				17.20	2,085,043	30,960,000	1.00	30,960,000
Wholesale (10% of DG Req.)									
						12,373,228			12,373,228
Residential Extra Credits									
Manufacturing and Installation						38,992			38,992
Plant Installation Credit						83,906			83,096
Distributed Generation Credit						83,906			83,096
Total Installed, Wholesale & Credits									
						105,527,304			143,261,635
Subtotal Non-Incentive									
					21.19	4,039,920	36,565,200		
Subtotal Incentive									
					47.03	105,527,304	97,786,719		143,261,635
Subtotal Distributed Energy (B + C)									
					79.06	168,474,532	160,584,969		206,239,113
Total RES Resources To Be Used for Compliance (A + D)				60.40	231.84	509,078,671	589,377,288		647,805,306
Total 2014 RES Resources Available for Retirement⁴				-	-	-	-		509,078,671
Total MWac equivalent²				257.47					

Notes to Table 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
- Represents the actual production for projects placed in service before 2014 and annualizations for 2014 projects.
 The total RES portfolio energy is in kWh(AC). An 85% DC-AC conversion factor is applied to all DC capacity.
- Extra Credit Multipliers
 Early Installation Extra Credit: Installed and Began Operating in
 2001 0.30
 2002 0.20
 2003 0.10
 Manufacturing Credit Multiplier 2,190.00
 In-State Power Plant Extra Credit (1997-2005) 0.50
 In-State Manufacturing and Installation Content (1997-2005) 0.50 X (% in-state content in installed plant)
 DE Solar Electric Generator and Solar Incentive Program (1997-2005) 0.50
- Does not include Annualized Production or Reservations
- The Residential Non-Incentive projects had actual production of 7,220,663 kWh during 2014
- The Non-Residential Non-Incentive projects had actual production of 4,039,920 kWh during 2014

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.