

TEP NEWS

Tucson Electric Power

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TUCSON ELECTRIC POWER REDUCES RELIANCE ON COAL WITH PURCHASE OF NATURAL GAS GENERATION

Tucson, Ariz. – Tucson Electric Power Company (TEP), an indirect, wholly owned subsidiary of Fortis Inc. (TSX:FTS), has taken another significant step toward diversifying its generating portfolio by purchasing a 413-megawatt (MW) share of the efficient natural gas-fired Gila River Power Station in Gila Bend.

Under the terms of the purchase, TEP and UNS Electric, Inc., a subsidiary of UniSource Energy Services (UES), acquired the 550-MW Gila River Power Station Power Block 3 from Gila River Power LLC for US\$219 million. TEP will control 413 MW of its output, while UNS Electric will own the remaining energy.

“This acquisition contributes to an evolving resource portfolio that will continue to provide reliable, affordable and sustainable energy for our customers for many years to come,” said David G. Hutchens, TEP’s President and Chief Executive Officer.

Gila River Power Block 3, completed in 2003, features combined cycle technology that improves fuel efficiency by capturing waste heat and using it to help generate additional electricity.

TEP is planning to significantly reduce its coal-fired generation capacity in coming years:

- At the end of this year, the expiration of a lease for a unit at the Springerville Generating Station in eastern Arizona will remove approximately 200 MW of coal-fired capacity from the company’s portfolio.
- By the end of 2017, TEP will begin using natural gas exclusively as a fuel source for Unit 4 at the H. Wilson Sundt Generating Station in Tucson, removing another 120 MW of coal-fired capacity.
- The company also is planning for the 2017 shutdown of Unit 2 at the San Juan Generating Station in New Mexico; TEP owns 170 MW of that coal-fired unit.

This portfolio diversification strategy will reduce TEP’s overall coal capacity by approximately 490 MW, or about 32 percent, by 2018. “Our resource plan will result in a 25 percent reduction in carbon dioxide emissions by 2020 without compromising the affordability, safety or reliability of our service,” Hutchens said.

Acquiring Gila River Power Block 3 is one of several steps TEP is taking to replace that coal power and diversify its generation portfolio. The company continues to be a leader in its industry by expanding its renewable resource portfolio, with a 35-MW solar array near Green Valley and a nearly 18-MW system at Fort Huachuca in Sierra Vista scheduled to come online this month.

By the end of 2014, TEP expects to have more than 340 MW of total renewable generating capacity, enough to meet the electric needs of more than 71,000 homes. TEP’s successful track record of solar energy development has earned the company repeated recognition among the Solar Electric Power Association’s Top 10 Utility Solar Rankings as well as the honor of being named the group’s 2012 Investor-Owned Utility of the Year.

In addition to the continued expansion of its renewable solar and wind resources, TEP will be relying on cost-effective energy efficiency programs and will evaluate new storage technologies to help manage the intermittent output of renewable resources.

TEP provides safe, reliable electric service to approximately 414,000 customers in southern Arizona. To learn more, visit tep.com. UES provides natural gas and electric service to more than 243,000 customers across Arizona. For more information, visit uesaz.com.

TEP, UES and their parent company, UNS Energy, are subsidiaries of Fortis Inc., which owns utilities that serve more than 3 million customers across Canada and in the United States and the Caribbean. To learn more, visit fortisinc.com.

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