

Solar Power Surge Drains 2010 Funding for UES SunShare Up-Front Incentives

TUCSON, Ariz., Jul 14, 2010 (BUSINESS WIRE) -- A dramatic surge in solar power system sales has depleted the rebate funds available from UniSource Energy Services (UES) to subsidize the installation of photovoltaic (PV) arrays at local homes and businesses.

UES customers are on track to install 500 solar power systems in 2010, exceeding the total number of systems completed over the previous seven years combined. Rebate requests received in June alone consumed nearly half of the company's \$5.2 million budget for up-front incentives in 2010.

"Interest in solar power systems has exceeded even our most optimistic projections, giving us a real boost toward achieving our renewable energy goals," said David Hutchens, Vice President of Energy Efficiency and Resource Planning for UniSource Energy Corporation (NYSE: UNS), UES' parent company.

New requests for incentives are being placed on a waiting list until the Arizona Corporation Commission (ACC) determines how the company should proceed. UES could wait until new resources are available next year, restore up-front rebates by tapping funds now preserved for performance-based incentives or raise additional resources through customer surcharges.

Increased demand for UES SunShare subsidies has been driven in part by reduced costs for solar power systems. The prices of installed PV systems in Arizona have dropped to about \$5 per watt from nearly \$12 per watt in 2006, while UES' incentives have remained unchanged.

The pace of rebate reservations also quickened after Phoenix-based utility Arizona Public Service (APS) reduced its PV incentive levels to \$1.95 per watt in April, encouraging PV installers to step up their marketing efforts elsewhere. Tucson Electric Power (TEP), UES' sister company, has experienced a similar surge in recent rebate applications that exhausted its 2010 funding for up-front commercial system rebates and prompted a request for lower residential incentives.

UES has asked the ACC to make \$6.7 million available in 2011 for up-front incentives that would be reduced to reflect higher demand and lower PV prices. Residential customers would be eligible for rebates of \$2.25 per watt - down from \$3 per watt - while up-front incentives for commercial systems would be reduced from \$2.50 to \$2 per watt. The ACC is set to review that proposal later this year.

Reduced incentives would help keep renewable energy costs down for UES customers, who fund the SunShare program through monthly surcharges set by the ACC under Arizona's Renewable Energy Standard (RES). The RES calls on electric utilities to increase their use of renewable energy each year until it represents 15 percent of their power in 2025.

UES complements the solar energy generated by SunShare-subsidized systems with renewable power purchased from outside providers. Beginning next year, UES customers should begin receiving power from a new wind farm and solar array developed in the Kingman area by Western Wind Energy.

UniSource Energy Services provides natural gas and electric service to more than 236,000 customers across Arizona. To learn more, visit uesaz.com. For more information about UniSource Energy, UES' parent company, visit uns.com.

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