

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

E-04204A
UNS Electric, Inc.
Attn: Jessica Bryne
P.O. Box 711, Mailstop HQE910
Tucson, Arizona 85702

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APR 16 2014

ACC UTILITIES DIRECTOR

ANNUAL REPORT
Electric

FOR YEAR ENDING

12	31	2013
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FOR COMMISSION USE

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5-1-14

COMPANY INFORMATION

Company Name (Business Name): <u>UNS Electric, Inc.</u>			
Mailing Address: <u>P.O. Box 711, Mailstop HQE910</u>			
(Street)			
<u>Tucson</u>	<u>Arizona</u>	<u>85702</u>	
(City)	(State)	(Zip)	
Telephone No. (Include Area Code)		Fax No. (Include Area Code)	Cell No. (Include Area Code)
Email Address: _____			
Local Office Mailing Address: <u>same as above</u>			
(Street)			
(City)		(State)	(Zip)
Local Office Telephone No. (Include Area Code)		Fax No. (Include Area Code)	Cell No. (Include Area Code)
Email Address: _____			

MANAGEMENT INFORMATION

<input checked="" type="checkbox"/> Regulatory Contact:			
<input checked="" type="checkbox"/> Management Contact: <u>Jo Smith</u> <u>Director, Regulatory Services</u>			
(Name)		(Title)	
<u>P.O. Box 711, Mailstop HQE910</u>	<u>Tucson</u>	<u>Arizona</u>	<u>85702</u>
(Street)	(City)	(State)	(Zip)
<u>(520) 884-3650</u>	<u>(520) 884-3601</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address: <u>JoSmith@uns.com</u>			
On Site Manager: <u>Bill DeJulio</u>			
(Name)			
<u>2498 Airway Avenue</u>	<u>Kingman</u>	<u>Arizona</u>	<u>86402</u>
(Street)	(City)	(State)	(Zip)
<u>(928) 681-8902</u>	<u>(928) 681-8915</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address: <u>bdejulio@uesaz.com</u>			

Statutory Agent: <u>Diana K. Durako</u>			
(Name)			
<u>P.O. Box 711, Mailstop HOE910</u>	<u>Tucson</u>	<u>Arizona</u>	<u>85702</u>
(Street)	(City)	(State)	(Zip)
<u>(520) 884-3652</u>	<u>(520) 884-3601</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Attorney: <u>Todd C. Hixon</u>			
(Name)			
<u>P.O. Box 711, Mailstop HOE910</u>	<u>Tucson</u>	<u>Arizona</u>	<u>85702</u>
(Street)	(City)	(State)	(Zip)
<u>(520) 884-3667</u>	<u>(520) 884-3601</u>	<u>N/A</u>	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Cell No. (Include Area Code)	
Email Address: <u>THixon@tep.com</u>			

OWNERSHIP INFORMATION

Check the following box that applies to your company:

<input type="checkbox"/> Sole Proprietor (S)	<input checked="" type="checkbox"/> C Corporation (C) (Other than Association/Co-op)
<input type="checkbox"/> Partnership (P)	<input type="checkbox"/> Subchapter S Corporation (Z)
<input type="checkbox"/> Bankruptcy (B)	<input type="checkbox"/> Association/Co-op (A)
<input type="checkbox"/> Receivership (R)	<input type="checkbox"/> Limited Liability Company
<input type="checkbox"/> Other (Describe) _____	

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

<input type="checkbox"/> APACHE	<input type="checkbox"/> COCHISE	<input type="checkbox"/> COCONINO
<input type="checkbox"/> GILA	<input type="checkbox"/> GRAHAM	<input type="checkbox"/> GREENLEE
<input type="checkbox"/> LA PAZ	<input type="checkbox"/> MARICOPA	<input checked="" type="checkbox"/> MOHAVE
<input type="checkbox"/> NAVAJO	<input type="checkbox"/> PIMA	<input type="checkbox"/> PINAL
<input checked="" type="checkbox"/> SANTA CRUZ	<input type="checkbox"/> YAVAPAI	<input type="checkbox"/> YUMA
<input type="checkbox"/> STATEWIDE		

SERVICES AUTHORIZED TO PROVIDE

Check the following box/es for the services that you are authorized to provide:

- Electric**
- Investor Owned Electric
 - Rural Electric Cooperative
 - Utility Distribution Company
 - Electric Service Provider
 - Transmission Service Provider
 - Meter Service Provider
 - Meter Reading Service Provider
 - Billing and Collection
 - Ancillary Services
 - Generation Provider
 - Aggregator/Broker

Other (Specify) _____

STATISTICAL INFORMATION

Retail Information

	Number of Arizona Customers	Number of kWh Sold in Arizona
Residential	81,677	843,616,737
Commercial	10,663	607,529,485
Industrial	20	246,253,190
Public Street and Highway Lighting	583	1,907,675
Irrigation	0	0
Total Retail	92,943	1,699,307,087

Wholesale Information

	Number of Customers	Number of kWh Sold
Resale	0	0
Short-term Sales (duration of less than one-year)	29	530,734,000
Total Wholesale	29	530,734,000

Total MWh Sold 2,230,041.087 MWh

Maximum Peak Load 423 MWh

COMPANY NAME: UNS Electric, Inc.

UTILITY SHUTOFFS / DISCONNECTS

MONTH	Termination without Notice R14-2-211.B	Termination with Notice R14-2-211	OTHER
JANUARY	0	376	0
FEBRUARY	0	444	0
MARCH	0	556	0
APRIL	0	671	0
MAY	0	576	0
JUNE	0	589	0
JULY	0	570	0
AUGUST	0	689	0
SEPTEMBER	0	700	0
OCTOBER	0	825	0
NOVEMBER	0	527	0
DECEMBER	0	350	0
TOTALS →	0	6,873	0

OTHER (description):

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

RECEIVED

APR 16 2014

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME) Pima	ACC UTILITIES DIRECTOR
NAME (OWNER OR OFFICIAL) TITLE Frank P. Marino, VP & Controller	
COMPANY NAME UNS Electric, Inc.	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2013

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2013 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)
\$ 189,947,068

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 13,805,735
IN SALES TAXES BILLED, OR COLLECTED)

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)



SIGNATURE OF OWNER OR OFFICIAL
520-745-3448

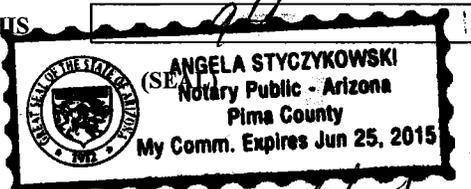
TELEPHONE NUMBER

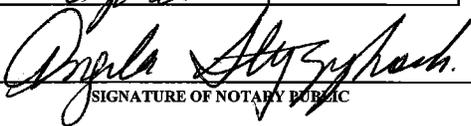
SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 14 DAY OF

COUNTY NAME <u>Pima</u>	
MONTH <u>April</u>	, 20 <u>14</u>





SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES 6/25/2015

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

RECEIVED
APR 16 2014
ACC UTILITIES DIRECTOR

STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME) Pima	
NAME (OWNER OR OFFICIAL) Frank P. Marino	TITLE VP & Controller
COMPANY NAME UNS Electric. Inc.	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2013

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2013 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ 91,533,241

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 6,652,820
IN SALES TAXES BILLED, OR COLLECTED

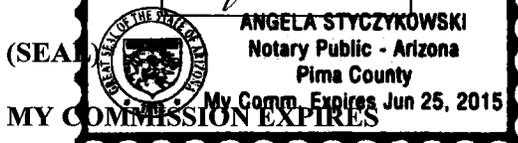
***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**


SIGNATURE OF OWNER OR OFFICIAL

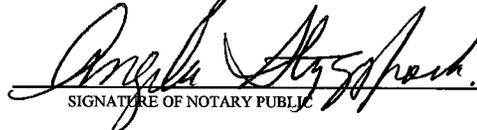
520-745-3448
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 16th DAY OF



NOTARY PUBLIC NAME ANGELA STYCZYKOWSKI	
COUNTY NAME Pima	
MONTH April	20 14


SIGNATURE OF NOTARY PUBLIC

FINANCIAL INFORMATION

Attach to this annual report a copy of the Company year-end (Calendar Year 2013) financial statements. If you do not compile these reports, the Utilities Division will supply you with blank financial statements for completion and filing. **ALL INFORMATION MUST BE ARIZONA-SPECIFIC AND REFLECT OPERATING RESULTS IN ARIZONA.**

Please see the attached Statements of Income, Statements of Cash Flows, Balance Sheets, Statements of Capitalization, and Changes in Equity for the fiscal year ended December 31, 2013 from the audited financial statements of UNS Electric, Inc.

UNS ELECTRIC, INC.
STATEMENTS OF INCOME

	Years Ended December 31,	
	2013	2012
	Thousands of Dollars	
Operating Revenues		
Electric Retail Sales	\$ 169,312	\$ 171,400
Electric Wholesale Sales	5,714	17,042
Other Revenues	1,691	1,825
Total Operating Revenues	<u>176,717</u>	<u>190,267</u>
Operating Expenses		
Fuel	7,384	9,876
Purchased Power	76,226	81,123
Transmission and Other PPFAC Recoverable Costs	13,347	11,340
Decrease to Reflect PPFAC Recovery Treatment	(1,871)	(958)
Total Fuel and Purchased Energy	<u>95,086</u>	<u>101,381</u>
Operations and Maintenance	31,741	31,042
Depreciation	21,961	21,229
Amortization	(3,122)	(3,097)
Taxes Other Than Income Taxes	5,821	4,659
Total Operating Expenses	<u>151,487</u>	<u>155,214</u>
Operating Income	<u>25,230</u>	<u>35,053</u>
Other Income (Deductions)		
Interest Income	390	152
Other Income	1,755	672
Other Expense	(753)	(768)
Total Other Income (Deductions)	<u>1,392</u>	<u>56</u>
Interest Expense		
Long-Term Debt	7,601	7,663
Other Interest Expense	125	165
Interest Capitalized	(888)	(350)
Total Interest Expense	<u>6,838</u>	<u>7,478</u>
Income Before Income Taxes	<u>19,784</u>	<u>27,631</u>
Income Tax Expense	7,031	10,777
Net Income	<u>\$ 12,753</u>	<u>\$ 16,854</u>

See Notes to Financial Statements.

UNS ELECTRIC, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,	
	2013	2012
	Thousands of Dollars	
Comprehensive Income		
Net Income	\$ 12,753	\$ 16,854
Other Comprehensive Income (Loss)		
Net Changes in Fair Value of Cash Flow Hedges, net of income tax (expense) benefit of \$(57) and \$145	87	(220)
Total Other Comprehensive Income (Loss), Net of Tax	87	(220)
Total Comprehensive Income	\$ 12,840	\$ 16,634

See Notes to Financial Statements.

UNS ELECTRIC, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2013	2012
	Thousands of Dollars	
Cash Flows from Operating Activities		
Cash Receipts from Electric Retail Sales	\$ 188,064	\$ 190,464
Cash Receipts from Electric Wholesale Sales	20,712	31,268
Income Tax Refunds Received	2,433	1,462
Customer Deposits Received	1,871	1,881
Interest Received	2	101
Other Cash Receipts	799	1,009
Purchased Power Costs Paid	(102,147)	(107,227)
Taxes Other Than Income Taxes Paid, Net of Amounts Capitalized	(19,784)	(20,247)
Payment of Operations and Maintenance Costs	(12,382)	(15,505)
Payment of Affiliate Charges	(10,471)	(9,075)
Fuel Costs Paid	(7,405)	(9,653)
Interest Paid, Net of Amounts Capitalized	(6,948)	(7,271)
Wages Paid, Net of Amounts Capitalized	(5,408)	(5,138)
Income Taxes Paid	(4,549)	(1,849)
Other Cash Payments	(1,474)	(683)
Net Cash Flows—Operating Activities	43,313	49,537
Cash Flows from Investing Activities		
Capital Expenditures	(56,278)	(38,554)
Purchase of Intangibles—Renewable Energy Credits	(3,948)	(1,868)
Contribution in Aid of Construction Receipts	737	3,512
Other Cash Receipts	196	315
Net Cash Flows—Investing Activities	(59,293)	(36,595)
Cash Flows from Financing Activities		
Proceeds from Borrowings Under Revolving Credit Facility	35,000	—
Customer Advance Receipts	2,090	402
Repayments of Borrowings Under Revolving Credit Facility	(13,000)	—
Dividends Paid to UniSource Energy Services	(10,000)	(10,000)
Customer Advance Refunds	(1,151)	(214)
Net Cash Flows—Financing Activities	12,939	(9,812)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,041)	3,130
Cash and Cash Equivalents, Beginning of Year	8,053	4,923
Cash and Cash Equivalents, End of Year	\$ 5,012	\$ 8,053

See Notes to Financial Statements.

**UNS ELECTRIC, INC.
BALANCE SHEETS**

	December 31,	
	2013	2012
	Thousands of Dollars	
ASSETS		
Utility Plant		
Plant in Service	\$ 433,029	\$ 379,988
Construction Work in Progress	20,707	28,574
Total Utility Plant	453,736	408,562
Less Accumulated Depreciation and Amortization	(113,291)	(103,244)
Total Utility Plant—Net	340,445	305,318
Investments and Other Property		
	808	808
Current Assets		
Cash and Cash Equivalents	5,012	8,053
Accounts Receivable—Customer	12,354	12,935
Unbilled Accounts Receivable	7,789	7,189
Allowance for Doubtful Accounts	(1,142)	(1,073)
Accounts Receivable—Due from Affiliates	858	197
Materials and Supplies	11,645	11,101
Deferred Income Taxes—Current	661	—
Regulatory Assets—Current	10,269	13,554
Derivative Instruments	2,403	881
Interest Receivable	35	40
Other	1,146	1,063
Total Current Assets	51,030	53,940
Regulatory and Other Assets		
Regulatory Assets—Noncurrent	7,707	7,959
Derivative Instruments	336	2,110
Renewable Energy Credits	3,734	2,048
Other Assets	490	836
Total Regulatory and Other Assets	12,267	12,953
Total Assets	\$ 404,550	\$ 373,019

See Notes to Financial Statements.

(Continued)

**UNS ELECTRIC, INC.
BALANCE SHEETS**

	December 31,	
	2013	2012
	Thousands of Dollars	
CAPITALIZATION AND OTHER LIABILITIES		
Capitalization		
Common Stock Equity	\$ 145,601	\$ 142,761
Long-Term Debt	130,000	130,000
Total Capitalization	275,601	272,761
Current Liabilities		
Borrowings Under Revolving Credit Facilities	22,000	—
Accounts Payable—Trade	11,393	12,556
Accounts Payable—Due to Affiliates	3,858	6,161
Regulatory Liabilities—Current	14,240	5,446
Accrued Taxes Other than Income Taxes	4,747	4,339
Customer Deposits	6,250	6,134
Accrued Employee Expenses	1,451	1,197
Accrued Interest	2,786	2,794
Derivative Instruments	1,256	6,613
Deferred Income Taxes—Current	—	2,593
Other	2,573	925
Total Current Liabilities	70,554	48,758
Deferred Credits and Other Liabilities		
Deferred Income Taxes—Noncurrent	33,818	16,650
Regulatory Liabilities—Noncurrent	12,296	11,890
Customer Advances for Construction	4,225	7,716
Pension and Other Retiree Benefits	3,027	4,927
Derivative Instruments	1,476	1,785
Other	3,553	8,532
Total Deferred Credits and Other Liabilities	58,395	51,500
Commitments and Contingencies (Note 6)		
Total Capitalization and Other Liabilities	\$ 404,550	\$ 373,019

See Notes to Financial Statements.

(Concluded)

UNS ELECTRIC, INC.
STATEMENTS OF CAPITALIZATION

		December 31,	
		2013	2012
		Thousands of Dollars	
COMMON STOCK EQUITY			
Common Stock-No Par Value		\$ 78,887	\$ 78,887
	2013	2012	
Shares Authorized	1,000	1,000	
Shares Outstanding	1,000	1,000	
Retained Earnings		66,885	64,132
Accumulated Other Comprehensive Loss		(171)	(258)
Total Common Stock Equity		\$ 145,601	\$ 142,761
LONG-TERM DEBT			
	Maturity	Interest Rate	
Senior Unsecured Notes - Series A	8/7/2015	6.50%	50,000
Senior Unsecured Notes - Series B	8/7/2023	7.10%	50,000
Senior Unsecured Notes - Term Loan	8/10/2015	Variable	30,000
Total Stated Principal Amount			130,000
Total Capitalization			\$ 275,601

See Notes to Financial Statements.

UNS ELECTRIC, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

	Common Shares Outstanding	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholder's Equity
	Thousands of Shares		Thousands of Dollars		
Balances at December 31, 2011	1,000	\$ 78,887	\$ 57,278	\$ (38)	\$ 136,127
Net Income			16,854		16,854
Other Comprehensive Loss, net of tax				(220)	(220)
Dividends Declared			(10,000)		(10,000)
Balances at December 31, 2012	1,000	\$ 78,887	\$ 64,132	\$ (258)	\$ 142,761
Net Income			12,753		12,753
Other Comprehensive Income, net of tax				87	87
Dividends Declared			(10,000)		(10,000)
Balances at December 31, 2013	1,000	\$ 78,887	\$ 66,885	\$ (171)	\$ 145,601

We describe limitations on our ability to pay dividends in Note 10.

See Notes to Consolidated Financial Statements.