

UES Gains Efficient Energy Resource with Purchase of Natural Gas Generation

December 10, 2014 05:49 PM Eastern Standard Time

TUCSON, Ariz.--(BUSINESS WIRE)--UniSource Energy Services (UES) has strengthened its generating portfolio and reduced its reliance on the wholesale energy market through the purchase of a share of the efficient natural gas-fired Gila River Power Station in Gila Bend.

Under terms of today's purchase, UES subsidiary UNS Electric, Inc. and sister company Tucson Electric Power (TEP) acquired the 550-megawatt (MW) Gila River Power Station Power Block 3 from Gila River Power LLC for \$219 million. UNS Electric will control 137 MW of the unit's energy, while TEP will own the remaining output.

"This acquisition contributes to an evolving resource portfolio that will provide reliable, sustainable and cost-effective energy for our customers for many years to come," said David G. Hutchens, President and Chief Executive Officer of UES, TEP and their parent company, UNS Energy.

The plant represents UES' first "base-load" power plant intended for near-continuous use. The company also owns natural gas-fired turbines with a combined capacity of 153 MW, but those units are designed to produce power only during periods of high demand, when UES' peak can exceed 450 MW.

UES has traditionally purchased the majority of its power on the wholesale energy market at variable prices that reflect natural gas costs, regional energy demand and other market forces. Gila River Power Block 3 will reduce the need for such purchases. The plant is designed to operate throughout the year and is capable of meeting approximately one-third of UES electric customers' energy needs.

"This purchase reduces our customers' exposure to volatile wholesale energy costs, while improving our ability to secure reliable, affordably priced resources during periods of high energy demand," Hutchens said.

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.

To meet additional energy needs in the future, UES may consider acquiring additional gas fired generating resources, building new local generating facilities and integrating storage technologies to help manage the intermittent output of renewable resources. UES also plans additional investments in renewable energy and energy efficiency programs.

UES provides electric service to approximately 93,000 customers. It also delivers natural gas to approximately 150,000 customers in northern and southern Arizona. For more information, visit uesaz.com. UES, TEP and their parent company, UNS Energy, are subsidiaries of Fortis, 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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