ELLIE MAE INC
Form 4
May 18, 2011

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
DOLAN A BARR

(Last) (First) (Middle)

C/O ELLIE MAE, INC., 4155 HOPYARD ROAD, SUITE 200

(Street)

PLEASANTON, CA 94588

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ELLIE MAE INC [ELLI]

3. Date of Earliest Transaction (Month/Day/Year)
05/17/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. D S

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					(I
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option (right to buy)	$ 6.8	05/17/2011		A		10,000		(1)	05/16/2021	Common Stock	10,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
DOLAN A BARR C/O ELLIE MAE, INC. 4155 HOPYARD ROAD, SUITE 200 PLEASANTON, CA 94588	X			

Signatures

/s/ LeeAnn Linck, Attorney-in-Fact for A. Barr Dolan	05/18/2011
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Option vests with respect to 1/12th of the shares subject thereto monthly commencing on January 1, 2011, such that the option will be fully vested and exercisable on January 1, 2012.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. om;background-color:#cceeff;">

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Increase (Decrease) to Reflect PPFAC Recovery Treatment
—

—

11

(15
)
Total Generation and Purchased Power
6,968

6,317

$
237

$
204

Less Line Losses and Company Use
(341
)

(397
)

Total Energy Sold
6,627

5,920

(1) Springerville Unit 3 and 4 Fuel Expense is reimbursed by Tri-State and SRP.

Fuel and Purchased Power Expense increased by $33 million, or 16.2%, in the first six months of 2015 compared to 2014 primarily due to an increase related to the PPFAC under recovery in 2014, higher coal utilization in 2015, and additional generation and transmission costs associated with the addition of Gila River Unit 3. These increases have been partially offset by lower purchased power and natural gas generation costs due to historically low natural gas prices.

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The table below summarizes average fuel cost per kWh generated or purchased:

	Three Months Ended June 30,		Six Months Ended June 30,	
(cents per kWh)	2015	2014	2015	2014
Coal	2.58	2.64	2.69	2.52
Gas	3.60	5.34	3.40	5.02
Purchased Power	3.66	4.78	3.75	4.88
All Sources	3.38	4.02	3.42	3.70

O&M

The table below summarizes the items included in O&M expense. Base O&M in the first six months of 2014 included merger-related expenses of $1 million:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2015	2014	2015	2014
Base O&M (Non-GAAP)(1)	$64	$59	$126	$122
O&M Recorded in Other Expense	—	(2)	—	(4)
Reimbursed Expenses Related to Springerville Units 3 and 4(2)	16	17	32	31
Expenses Related to Customer Funded Renewable Energy and DSM Programs(3)	6	6	10	12
Total O&M (GAAP)	$86	$80	$168	$161

(1) Base O&M is a non-GAAP financial measure and should not be considered as an alternative to O&M, which is determined in accordance with GAAP. TEP believes that Base O&M, which is O&M less reimbursed expenses and expenses related to customer-funded renewable energy and DSM programs, provides useful information because it represents the fundamental level of operating and maintenance expense related to our core business.

(2) Expenses related to Springerville Units 3 and 4 are reimbursed with corresponding amounts recorded in Other Revenue. The Third-Party Owners' share of expenses related to Springerville Unit 1 is included in Base O&M.

(3) These expenses are being collected from customers and the corresponding amounts are recorded in retail revenue.

Total O&M increased by $6 million, or 7.5%, in the second quarter of 2015 compared to 2014 primarily due to an increase in employee benefit costs, and information and technology related expenses. Total O&M increased by $7 million, or 4.3%, in the first six months of 2015 compared to 2014 primarily due to an increase in employee benefit costs and outside services, partially offset by a decrease in generation expenses.

FACTORS AFFECTING RESULTS OF OPERATIONS

Regulatory Matters

TEP is subject to comprehensive regulation. The discussion below contains material developments to those matters disclosed in Item 7 of our 2014 Annual Report Form 10-K, and new regulatory matters occurring in 2015.

In March 2015, TEP filed an application with the Arizona Corporate Commission (ACC) requesting approval of a new net metering tariff to ensure that customers who install new rooftop solar power systems pay a more equitable price for electric service. In June 2015, TEP withdrew its net metering application and informed the ACC that it plans to file a rate application by the end of 2015. The rate application will include, among other things, a new net metering tariff and a request that new rates be implemented by January 2017.

Generating Resources

At June 30, 2015, approximately 54% of TEP's generating capacity was fueled by coal. Existing and proposed federal environmental regulations, as well as potential changes in state regulation, may increase the cost of operating coal-fired generating facilities. TEP is executing coal reduction strategies and evaluating additional steps for reducing the proportion of coal in its fuel mix. TEP's ability to reduce its coal-fired generating capacity will depend on several factors, including, but not limited to:

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- Regulatory approvals associated with the anticipated closure of San Juan Unit 2, and pending ownership restructuring of the remaining units;
- The outcome of the proposed Clean Power Plan;
- TEP's option to permanently convert Sundt Unit 4 to be fueled by natural gas;
- The ability to resolve Springerville Unit 1 legal proceedings relating to the Third-Party Owners.

See Note 5 to the Condensed Consolidated Financial Statements for more information.

Springerville Unit 1

TEP leased Unit 1 of the Springerville Generating Station and an undivided one-half interest in certain Springerville Common Facilities (collectively Springerville Unit 1) under seven separate lease agreements (Springerville Unit 1 Leases) that were accounted for as capital leases. The leases expired in January 2015. At that time, TEP purchased a leased interest comprising 24.8% of Springerville Unit 1, representing 96 megawatts (MW) of capacity, for an aggregate purchase price of $46 million. Following this purchase, TEP owns 49.5% of Springerville Unit 1, or 192 MW of capacity.

The remaining 50.5% of Springerville Unit 1, or 195 MW of capacity, is owned by Wilmington Trust Company and William J. Wade, as Owner Trustee and Co-trustee under a separate trust agreement with each of the remaining two owner participants, Alterna Springerville LLC (Alterna) and LDVF1 TEP LLC (LDVF1) (Alterna and LDVF1, together with the Owner Trustees and Co-trustees, the Third-Party Owners). TEP is not obligated to purchase any of the Third-Party Owners' generating output. TEP is obligated to operate the unit for the Third-Party Owners. The Third-Party Owners are obligated to compensate TEP for their pro rata share of expenses for the unit in the amount of approximately $2 million per month, and their share of capital expenditures, which are expected to be approximately $5 million in 2015.

As of June 30, 2015, TEP has billed the Third-Party Owners approximately $11 million for their pro-rata share of Springerville Unit 1 expenses and $1 million for their pro-rata share of capital expenditures, none of which had been paid as of July 30, 2015. On April 20, 2015, TEP filed a demand for arbitration seeking an award of the Third-Party Owners share of unreimbursed expense and capital expenditures for Springerville Unit 1. Since June 14, 2015, TEP has been scheduling the Third-Party Owners' entitlement share of power from Springerville Unit 1 as permitted under the Springerville Unit 1 facility support agreement.

See Note 5 to the Condensed Consolidated Financial Statements for a description of legal proceedings relating to the Third-Party Owners.

Potential Plant Retirements

TEP files an Integrated Resource Plan (IRP) every two years with the ACC that includes forecasted energy needs over a 15 year period and includes options that may be considered to meet those needs. TEP's 2014 IRP, which was acknowledged by the ACC in April 2015, reflected plans to reduce its overall coal capacity by 492 MW (32% of TEP's existing coal fleet) over the next five years at the Springerville, San Juan and Sundt Generating Stations. TEP's planning assumptions included potentially retiring certain coal-fired generating facilities at San Juan Generating Station (San Juan) and coal handling facilities at Sundt Generating Station (Sundt) earlier than their current estimated useful lives. These facilities currently do not have the requisite emission control equipment to meet proposed Environmental Protection Agency (EPA) regulations. TEP continues to evaluate the potential need to retire these coal-fired generating facilities earlier than the current estimated useful lives, and plans to seek regulatory recovery for amounts that would not otherwise be recovered if and when any assets are retired. See Part II, Item 5. Other Information, Environmental Matters.

Springerville Coal Handling Facilities Capital Lease Purchase

TEP previously leased interests in the coal handling facilities at the Springerville Generating Station (Springerville Coal Handling Facilities) under two separate lease agreements (Springerville Coal Handling Facilities Leases). The lease agreements had an initial term that expired in April 2015 and provided TEP the option to renew the leases or to purchase the leased interests at the aggregate fixed price of $120 million. In April 2015, TEP exercised its option to purchase the facilities.

Upon the expiration of the lease term, TEP purchased an 86.7% undivided ownership interest in the Springerville Coal Handling Facilities bringing TEP's total ownership interest to 100%. With the completion of the purchase, SRP was obligated to buy a 17.05% undivided interest in the Springerville Coal Handling Facilities from TEP for approximately $24 million. This transaction was completed in May 2015. Tri-State, is obligated to either: 1) buy a 17.05% undivided interest in the facilities for

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approximately $24 million or 2) continue to make payments to TEP for the use of the facilities. Tri-State has until April 2016 to exercise its purchase option.

Interest Rates

See Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Fair Value Measurements

See Note 8 to the Condensed Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash flows may vary during the year with cash flow from operations typically the lowest in the first quarter and highest in the third quarter due to TEP's summer peaking load. As a result of seasonal cash flow, TEP will use its revolving credit facility, as needed, to fund its business activities.

The table below presents net cash provided by (used for) operating, investing and financing activities:

	Six Months Ended June 30,	
(in millions)	2015	2014
Net Cash Flows – Operating Activities	$129	$113
Net Cash Flows – Investing Activities	(349)	(161)
Net Cash Flows – Financing Activities	250	65
Net Increase (Decrease) in Cash	30	17
Beginning Cash	74	26
Ending Cash	$104	$43

Liquidity Outlook

We believe that we have sufficient liquidity under our revolving credit facilities to meet short-term working capital needs and to provide credit enhancement as necessary under energy procurement and hedging agreements. TEP issued long-term debt in February 2015. Proceeds from the issuance of the long-term debt were used to repay revolving and term loans under its credit agreements and to pay a portion of the purchase price for interests in the Springerville Coal Handling Facilities. In June 2015, UNS Energy made a $180 million equity contribution to TEP. TEP used proceeds from the equity contribution to repay the outstanding balances under TEP's revolving credit facilities. In August 2015, TEP will use the remaining proceeds to redeem long-term variable rate tax-exempt bonds which were irrevocably called for redemption in June 2015.

Operating Activities

In the first six months of 2015, net cash flows from operating activities increased $16 million compared to the same period last year primarily due to:

- $16 million of higher cash receipts from retail and wholesale sales, net of fuel and purchased power costs paid driven primarily by the change in the PPFAC rates. See Note 2 to the Condensed Consolidated Financial Statements; and
- $6 million of lower cash paid for interest on capital leases. See Note 4 to the Condensed Consolidated Financial Statements.

The increase in net cash flows from operating activities was partially offset by $6 million in cash receipts received in 2014 from insurance proceeds related to the San Juan mine fire.

Investing Activities

In the first six months of 2015, net cash flows used for investing activities increased by $188 million compared with the same period last year primarily due to:

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- the purchase, in January 2015, of an additional 24.8% undivided ownership interest in Springerville Unit 1 for a total ownership interest of 49.5% for $46 million;
- the purchase, in April 2015, of an additional 86.7% undivided ownership interest in the Springerville Coal Handling Facilities at the fixed purchase price of $120 million increasing its total ownership interest to 100%; and
- $38 million of higher capital expenditures to fund system reinforcement through replacements and betterments, with the majority of funds being used for the construction of a new 500kV transmission line.

The increase in net cash flows used for investing activities was partially offset by the sale, in May 2015, of a 17.05% undivided ownership interest in Springerville Coal Handling Facilities for approximately $24 million to SRP.

Financing Activities

In the first six months of 2015, net cash flows from financing activities increased by $185 million compared to the same period last year primarily due to:

- $180 million in higher cash proceeds from UNS Energy's equity contribution, in June 2015;
- $150 million in higher cash proceeds from the issuance of long-term debt, in February 2015; and
- $71 million in lower cash payments of capital lease obligations due to the purchase of an additional undivided ownership interest in Springerville Unit 1, in January 2015, and the Springerville Coal Handling Facilities, in April 2015.

The increase in net cash flows from financing activities was partially offset by:

- $130 million purchase of tax-exempt long-term debt, in January 2015; and
- $85 million in lower borrowings (net of repayments) under TEP's revolving credit facilities.

Issuance and Redemption

In January 2015, amounts borrowed under the term loan portion of the 2014 Credit Agreement were used to purchase $130 million aggregate principal amount of unsecured bonds. The multi-modal bonds mature in September 2029 and at June 30, 2015, TEP had not canceled or remarketed them.

In February 2015, TEP issued and sold $300 million of unsecured notes. The notes bear interest at a fixed rate of 3.05%, and mature in March 2025. TEP may redeem the notes prior to December 15, 2024, with a make-whole premium plus accrued interest. On or after December 15, 2024, TEP may redeem the notes at par plus accrued interest.

In March 2015, TEP used the net proceeds from the bond sale to repay $215 million of revolving and term loans under its 2014 Credit Agreement and 2010 Credit Agreement. In April 2015, TEP used the remaining amount to pay a portion of the purchase price for an additional interest in the Springerville Coal Handling Facilities. See Note 4 to the Condensed Consolidated Financial Statements.

In June 2015, TEP issued an irrevocable notice to redeem approximately $79 million of variable rate tax-exempt bonds in August 2015. TEP plans to fund the redemption using proceeds from the UNS Energy equity contribution.

Credit and Debt Agreements

		At June 30, 2015				As of July 30, 2015
(in millions)	Expires	Facility Size	LOC Outstanding	Borrowings	Available Balance	Available Balance(1)(2)
2010 Credit Agreement(3)	November 2016					
Revolving Credit and LOC Facility		$200	$—	$—	$200	$200
LOC Facility		82	82	—	—	—
Reimbursement Agreement(4)	February 2019					
LOC Facility		37	37	—	—	—

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(1) In June 2015, proceeds received from a UNS Energy equity contribution were used to repay the outstanding balances under TEP's revolving credit facilities. In June 2015, TEP terminated the remaining credit available under the 2014 Credit Agreement.

(2) In January 2015, amounts borrowed under the term loan commitment were used to purchase existing Industrial Development Authority of Pima County, Arizona unsecured tax-exempt industrial development revenue bonds issued in June 2008 for the benefit of TEP in the amount of $130 million. See Note 4 to the Condensed Consolidated Financial Statements. In March 2015, the $130 million term loan portion of the 2014 Credit Agreement was repaid.

(3) Interest rates and fees under the 2010 Credit Agreement are based on a pricing grid tied to TEP's credit ratings. In February 2015, Moody's Investors Service, Inc. (Moody's) upgraded the senior unsecured and issuer rating of TEP to A3 from Baa1. The interest rate currently in effect on borrowings is LIBOR plus 1.00% for Eurodollar loans or Alternate Base Rate with no margin for Alternate Base Rate loans. The margin rate currently in effect on the $82 million Letter of Credit (LOC) facility is 1.00%. See Note 4 to the Condensed Consolidated Financial Statements.

(4) The LOC supports variable rate tax-exempt pollution control bonds and includes fees payable on the aggregate outstanding amount. The rate currently in effect after Moody's credit upgrade in February 2015 is 0.75% per annum.

Restrictive Debt Covenants

Certain of TEP's credit and variable-rate debt agreements contain pricing based on TEP's credit ratings. A change in TEP's credit ratings can cause an increase or decrease in the amount of interest TEP pays on its borrowings and the amount of fees it pays for its LOCs and unused commitments. A downgrade in TEP's credit ratings would not cause a restriction in TEP's ability to borrow under its revolving credit facilities.

The agreements contain restrictions on mergers and sales of assets as well as a maximum leverage test. TEP can pay dividends if it maintains compliance with these restrictions as well as those of the Merger order. The agreements also include conditions of default that would entitle the lenders to accelerate the maturity of all amounts outstanding. At June 30, 2015, TEP was in compliance with all covenants related to its credit agreements and the terms of the Merger order. See Note 4 to the Condensed Consolidated Financial Statements.

Capital Lease Obligations

In January 2015, TEP purchased an additional undivided ownership interest in Springerville Unit 1. In April 2015, TEP purchased the remaining undivided ownership interest in the Springerville Coal Handling Facilities. At June 30, 2015 there was no capital lease obligation balance related to Springerville Unit 1 or the Springerville Coal Handling Facilities.

The table below provides a summary of the outstanding capital lease obligations:

(in millions)	June 30, 2015	Expiration	Renewal/Purchase Option
Springerville Common Facilities(1)	$70	2017 and 2021	Fixed price purchase option of $106 million

(1) The Springerville Common Facilities Leases cover an undivided one-half interest in certain Springerville Common Facilities.

TEP's capital lease obligation balances decline over time due to the normal capital lease payments made by TEP.

Contractual Obligations

There have been no changes in TEP's contractual obligations or other commercial commitments from those reported in our 2014 Annual Report on Form 10-K, other than the following changes in 2015:

- TEP issued and sold $300 million of its senior unsecured notes. The notes bear an interest at the fixed rate of 3.05% and mature March 15, 2025. See Note 4 to the Condensed Consolidated Financial Statements.
- TEP repurchased $130 million aggregate principal amount of unsecured bonds. See Note 4 to the Condensed Consolidated Financial Statements.
- Upon the expiration of the lease term, TEP purchased an undivided ownership interest in the Springerville Coal Handling Facilities at the fixed purchase price of $120 million. In May 2015, SRP purchased from TEP a 17.05% undivided interest in the Springerville Coal Handling Facilities for approximately $24 million. With

the completion of TEP's purchase, Tri-State does not have an obligation to purchase the facilities, but by April 2016 Tri-State must elect to either 1) buy a portion of the facilities for $24 million or 2) continue to make payments to TEP for the use of the facilities. See Factors Affecting Results of Operations, Springerville Coal Handling Facilities Capital Lease Purchase and Note 4 to the Condensed Consolidated Financial Statements.

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- TEP entered into new forward purchased power commitments with minimum payment obligations of $45 million in 2016. See Note 5 to the Condensed Consolidated Financial Statements.
- TEP entered into a new gas transportation commitment with minimum payment obligations of $1 million in 2015, $2 million in each year from 2016 through 2019, and $46 million in total thereafter through 2039. See Note 5 to the Condensed Consolidated Financial Statements.

We have reviewed our contractual obligations and provide the following additional information:

- TEP conducts its wholesale marketing and risk management activities under certain master agreements whereby TEP may be required to post credit enhancements in the form of cash or an LOC due to exposures exceeding unsecured credit limits provided to TEP, changes in contract values, a change in TEP’s credit ratings, or if there has been a material change in TEP’s creditworthiness. As of June 30, 2015, TEP had posted less than $1 million in LOCs as collateral with wholesale counterparties for credit enhancement.
- We do not have any provisions in any of our debt or lease agreements that would cause an event of default or cause amounts to become due and payable in the event of a credit rating downgrade.

Income Tax Position

The 2010 Federal Tax Relief Act, the American Taxpayer Relief Act of 2012, and the Tax Increase Prevention Act of 2014 include provisions that make qualified property placed in service between 2010 and 2014 eligible for bonus depreciation for tax purposes. In addition, the IRS issued new guidance related to the treatment of expenditures to maintain, replace, or improve property. These provisions are an acceleration of tax benefits TEP otherwise would have received over 20 years and have created net operating loss carryforwards that can be used to offset future taxable income. As a result, TEP did not pay any federal or state income taxes the first six months of 2015 and does not expect to make any payments until 2019.

Contribution from Parent

In June 2015, UNS Energy made an equity contribution of $180 million to TEP. A portion of the contribution was used to repay $80 million in TEP's revolving credit loans. The balance of the proceeds will be used to redeem $79 million of bonds in August 2015 and to provide additional liquidity to TEP.

Dividend Paid

TEP did not pay dividends to UNS Energy in the first six months of 2015 and 2014. In July 2015, TEP paid $25 million in dividends to UNS Energy.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, net revenues and expenses, and disclosure of contingent liabilities. Our management believes that there have been no significant changes during the six months ended June 30, 2015, to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2014 Annual Report on Form 10-K.

ACCOUNTING PRONOUNCEMENTS

For a summary of recent accounting pronouncements applicable to our financial statements see Note 9 to the Condensed Consolidated Financial Statements in Part I, Item 1.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

TEP’s primary market risks include fluctuations in interest rates, commodity prices and volumes, and counterparty credit. Fluctuations in interest rates can affect earnings and cash flows. We can enter into interest rate swaps and financing transactions to manage changes in interest rates. Fluctuations in commodity prices and volumes and counterparty credit losses may temporarily affect cash flows, but are not expected to affect earnings due to expected recovery through regulatory mechanisms.

There have been no additional risks and no material changes to market risks disclosed in Part II, Item 7A in our 2014 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

TEP’s Chief Executive Officer and Chief Financial Officer supervised and participated in TEP’s evaluation of its disclosure controls and procedures as such term is defined under Rule 13(a) – 15(e) or Rule 15(d) – 15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this report. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in TEP’s periodic reports filed or submitted under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. These disclosure controls and procedures are also designed to ensure that information required to be disclosed by TEP in the reports that it files or submits under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, or person performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based upon the evaluation performed, TEP’s Chief Executive Officer and Chief Financial Officer concluded that TEP’s disclosure controls and procedures are effective as of June 30, 2015. While TEP continually strives to improve its disclosure controls and procedures to enhance the quality of its financial reporting, there has been no change in TEP’s internal control over financial reporting during the second quarter of 2015 that has materially affected, or is reasonably likely to materially affect, TEP’s internal control over financial reporting.

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PART II
ITEM 1. LEGAL PROCEEDINGS
For a description of certain legal proceedings affecting TEP, refer to Note 5 of the Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

ITEM 1A. RISK FACTORS
The business and financial results of TEP are subject to numerous risks and uncertainties. You should carefully consider the risks and uncertainties reported in our 2014 Annual Report on Form 10-K.

ITEM 5. OTHER INFORMATION
RATIO OF EARNINGS TO FIXED CHARGES

	Six Months Ended June 30, 2015	Twelve Months Ended June 30, 2015
Ratio of Earnings to Fixed Charges	2.839	2.729

For purposes of this computation, earnings are defined as pre-tax earnings from continuing operations before minority interest, or income/loss from equity method investments, plus interest expense and amortization of debt discount and expense related to indebtedness. Fixed charges are interest expense, including amortization of debt discount and expense, interest on operating lease payments, and expense on indebtedness, including capital lease obligations.

ENVIRONMENTAL MATTERS
Environmental Regulation
The EPA regulates the amount of sulfur dioxide (SO_2), nitrogen oxide (NOx), particulate matter, mercury and other by-products produced by power plants. TEP may incur added costs to comply with future changes in federal and state environmental laws, regulations, and permit requirements at its power plants. Complying with these changes may reduce operating efficiency. TEP expects to recover the cost of environmental compliance from its ratepayers.
National Ambient Air Quality Standards
In November 2014, the EPA released a proposed rule that would revise the ozone National Ambient Air Quality Standards (NAAQS). The proposal revises the primary and secondary 8-hour NAAQS to within a range of 65-70 parts per billion (ppb), but the EPA is also taking comments on retaining the existing 75 ppb 8-hour standard or adopting an 8-hour standard as low as 60 ppb.
If the standard is ultimately revised below 70 ppb, Pima County and many other parts of Arizona would likely not be able to comply based on current ozone levels. Arizona would then need to submit a plan to meet the revised standard which could potentially limit economic growth in the affected regions. TEP filed comments on the proposed rule urging the EPA to retain the existing standard at 75 ppb. The EPA is expected to finalize the rule by October 2015.
Hazardous Air Pollutant Requirements
The Clean Air Act requires the EPA to develop emission limit standards for hazardous air pollutants that reflect the maximum achievable control technology. In February 2012, the EPA issued final Mercury and Air Toxics Standards (MATS) rules to set the standards for the control of mercury emissions and other hazardous air pollutants from power plants. Based on the rules, additional emission control equipment would have been required by April 2015. TEP, as operator of Springerville and Sundt, and the operator of Navajo Generating Station (Navajo) received extensions until April 2016 to comply with the MATS rules.
In June 2015, the U.S. Supreme Court reversed and remanded the DC Circuit Court of Appeals decision to uphold the MATS rule requiring power plants to control mercury and other emissions. The Supreme Court held that the EPA did not adequately consider “cost” before determining that MATS is “appropriate and necessary”.

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At this time, the existing MATS rules remain in force and effect. TEP will proceed with its planned MATS compliance activity at each of our facilities. Additionally, Arizona has an Arizona-specific mercury rule in place that would become effective and applicable to our Arizona facilities in the event the Federal rule is struck down. Our compliance strategy ensures compliance with both the Federal and the State rule, as applicable.

For more information see Note 5 to the Condensed Consolidated Financial Statements.

Navajo

Based on the MATS rules, Navajo will require mercury control equipment by April 2016. TEP’s share of the estimated capital costs of this equipment is $1 million for mercury control. TEP expects its share of the annual operating costs for mercury control to be $1 million.

San Juan

TEP expects San Juan’s current emission controls to be adequate to comply with the MATS rules.

Four Corners

TEP expects Four Corners Generating Station's (Four Corners) current emission controls to be adequate to comply with the MATS rules.

Springerville Generating Station

Based on the MATS rules, Springerville will require mercury emission control equipment by April 2016. The estimated capital cost of this equipment for Springerville Units 1 and 2 is about $5 million. TEP expects the annual operating cost of the mercury emission control equipment to be about $1 million. Estimated costs are split equally between the two units. With the completion of the lease option purchases in December 2014 and January 2015, TEP owns 49.5% of Springerville Unit 1, and Third-Party Owners are now responsible for 50.5% of environmental costs attributed to Springerville Unit 1. TEP continues to be responsible for 100% of environmental costs attributable to Springerville Unit 2.

Sundt Generating Station

TEP expects the MATS rules will have little effect on capital expenditures at Sundt.

Regional Haze Rules

The EPA's Regional Haze Rules require emission controls known as Best Available Retrofit Technology (BART) for certain industrial facilities emitting air pollutants that reduce visibility in national parks and wilderness areas. The rules call for all states to establish goals and emission reduction strategies for improving visibility. States must submit these goals and strategies to the EPA for approval. BART applies to plants built between August 1962 and August 1977. Because Navajo and Four Corners are located on the Navajo Indian Reservation, they are not subject to state oversight; the EPA oversees regional haze planning for these power plants.

Complying with the EPA’s BART findings, and with other future environmental rules, may make it economically impractical to continue operating all or a portion of the Navajo, San Juan, and Four Corners power plants or for individual owners to continue to participate in the units they own at these power plants. TEP cannot predict the ultimate outcome of these matters.

For more information see Note 5 to the Condensed Consolidated Financial Statements.

Navajo

In August 2014, the EPA published the final Regional Haze Federal Implementation Plan (FIP) for Navajo. Among other things, the FIP calls for the shut-down of one unit or an equivalent reduction in emissions by 2020. The shutdown of one unit will not impact the total amount of energy delivered to TEP from Navajo. Additionally, the remaining Navajo participants would be required to install Selective Catalytic Reduction (SCR) or an equivalent technology on the remaining two units by 2030, and the current owners have to cease their operation of conventional coal-fired generation at Navajo no later than December 22, 2044. The Navajo Nation can continue operation after 2044 at its election. The final BART includes options that accommodate potential ownership changes at the plant. The plant has until December 2019 to notify the EPA which option will be implemented.

If SCR technology is ultimately implemented at Navajo, TEP estimates its share of the capital cost will be $28 million for the two remaining units. Also, the installation of SCR technology at Navajo could increase the power plant's particulate emissions

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which may require that baghouses be installed. TEP estimates that its share of the capital expenditure for baghouses would be about $28 million for the two remaining units. TEP's share of annual operating costs for SCR and baghouses is estimated at less than $1 million each.

San Juan

In October 2014, the EPA published a final rule approving a revised State Implementation Plan (SIP) covering BART requirements for San Juan. The SIP requires the closure of Units 2 and 3 by December 2017 and the installation of Selective Non-Catalytic Reduction (SNCR) on Units 1 and 4 by February of 2016. TEP owns 50% of Units 1 and 2 at San Juan. TEP expects its share of the cost to install SNCR technology on San Juan Unit 1 to be approximately $12 million. Additionally, the SIP approval references a New Source Review permit issued by the New Mexico Environment Department in November 2013 which, among other things, calls for balanced draft upgrades on San Juan Unit 1 to reduce particulate matter emissions. Public Service Company of New Mexico (PNM), the operator of San Juan, is currently installing SNCR and balanced draft modifications to San Juan Unit 1 were completed in June 2015. TEP’s share of the balanced draft upgrades was approximately $19 million. TEP's share of incremental annual operating costs for SNCR for San Juan Unit 1 is estimated at $1 million.

In connection with the implementation of the SIP revision and the early retirement of San Juan Units 2 and 3, some of the San Juan owner participants (Participants) have expressed a desire to exit their ownership in the plant. As a result, the Participants have negotiated a restructuring of the ownership in San Juan, as well as addressing the obligations of the exiting Participants for plant decommissioning, mine reclamation, environmental matters, and certain ongoing operating costs, among other items. The Participants engaged a mediator to assist in facilitating the resolution of these matters among the Participants. The Participants of the affected units also may seek approvals of their utility commissions or governing boards. We are unable to predict the outcome of the negotiations and mediation.

Upon the early retirement of San Juan Unit 2, TEP will seek ACC approval to recover any unrecovered cost. TEP's 2013 Rate Case identified an excess of required generation depreciation reserves. As stipulated in the 2013 Rate Order, TEP will seek the ACC's authority to apply any excess generation depreciation reserves to the unrecovered book value of any early retirement of generation assets prior to seeking additional recovery. TEP expects the excess generation depreciation reserves to fully cover the costs associated with early retirement of Unit 2. At June 30, 2015, the net book value of TEP's share in San Juan Unit 2 was $114 million.

Four Corners

In 2012, the EPA finalized the regional haze FIP for Four Corners. The final FIP requires SCR technology to be installed on one unit by October 2016 and the remaining units by October 2017. In December 2013, Arizona Public Service Company (APS), the operator of Four Corners, decided to exercise an option to shut down Units 1, 2, and 3 and install SCRs on Units 4 and 5. Under this scenario, the installation of SCR technology can be delayed until July 2018. TEP's estimated share of the capital costs to install SCR technology on Units 4 and 5 is approximately $44 million. TEP's share of incremental annual operating costs for SCR is estimated at $2 million.

Springerville

The BART provisions of the Regional Haze Rules requiring emission control upgrades do not apply to Springerville Units 1 and 2 since they were constructed in the 1980s which is after the time frame as designated by the rules. Other provisions of the Regional Haze Rules requiring further emission reduction are not likely to impact Springerville operations until after 2018.

Sundt

In June 2014, the EPA issued a final Regional Haze FIP for Arizona including BART requirements for Sundt. The final FIP would require TEP to either (i) install, by mid-2017, SNCR and dry sorbent injection (DSI) if Sundt Unit 4 continues to use coal as a fuel source, or (ii) permanently eliminate coal as a fuel source as a better-than-BART alternative by the end of 2017. TEP estimates that the cost to install SNCR and DSI would be approximately $12 million, and the incremental annual operating costs would be $5 million to $6 million. Under the rule, TEP is required to notify the EPA of its decision by March 2017. We expect to make a decision by early 2016 as part of our MATS compliance plan for Sundt. At June 30, 2015, the net book value of the Sundt coal handling facilities was $16 million. If retired early, we will request the ACC's approval to recover all the remaining costs of the coal handling facilities.

Greenhouse Gas Regulation

In June 2013, President Obama directed the EPA to move forward with carbon emission regulations for both new and existing fossil-fueled power plants.

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In January 2014, the EPA published a re-proposed rule for new power plants. At this time, TEP does not anticipate that a final rule related to new fossil-fueled power plant sources will have a significant impact on its operations.
In June 2014, the EPA issued proposed carbon emission regulations for existing power plants called the Clean Power Plan. The Clean Power Plan targets a nation-wide reduction in carbon emissions of 30% by 2030. To achieve this goal, the proposed plan sets carbon emission rates for each state that must be achieved by an interim period of 2020-2029, with final emission rates by 2030. States can apply a variety of strategies to achieve the interim and final emission rates. Using 2012 as a baseline year, Arizona's carbon emission rate for 2030 represents a 52% reduction, most of which would be required by the interim emission rate requirement and could lead to the early retirement of coal generation in Arizona by 2020. The EPA expects to issue a final rule in August of 2015. Under the current proposal, states must file implementation plans approximately one year after the rule is finalized or two years after the rule is finalized for multi-state plans. In October 2014, the EPA issued a supplemental proposal regarding carbon emissions regulation impacting the Navajo Nation and Four Corners and Navajo which are located on land leased from the Navajo Nation. The regulation, if implemented as proposed, will require carbon reductions on the Navajo Reservation; however, the reduction requirement is less than what is anticipated from unit retirements at Four Corners and Navajo associated with Regional Haze requirements. See Regional Haze Rules above.
TEP will continue working with federal and state regulatory authorities, other neighboring utilities, and stakeholders to seek relief from the proposed regulation by reducing the disproportionately high level of carbon emissions reduction for Arizona, and to seek relief from the interim and final proposed compliance requirements. The final rule will likely be challenged by a number of interested parties. TEP cannot predict the ultimate outcome of these matters.
Coal Combustion Residuals Regulation
In April 2015, the EPA issued a final rule requiring all coal ash and other coal combustion residuals to be treated as a solid waste under Subtitle D of the Resource Conservation and Recovery Act while allowing for the continued recycling of coal ash. TEP is in the process of evaluating the final impacts of the rule on our coal-fired generation. TEP does not own or operate any impoundments. Under the rule, the Springerville ash landfill is classified as an existing landfill and is not subject to the lateral expansion requirements. However, TEP will incur additional costs for site preparation and monitoring at Springerville to be fully compliant with the rule. TEP’s share of the cost is approximately $2 million, the majority of which is expected to be capital expenditures. TEP is still evaluating the potential costs associated with the implementation of the Coal Combustion Residuals Regulation rule at Navajo, Four Corners, and San Juan. TEP's share of the costs is not expected to have a material impact on its results of operations, financial position, or cash flows.
For more information see Note 5 to the Condensed Consolidated Financial Statements.

ITEM 6. EXHIBITS
See Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TUCSON ELECTRIC POWER COMPANY
(Registrant)

Date: July 31, 2015

/s/ Kevin P. Larson
Kevin P. Larson
Senior Vice President and Chief Financial Officer

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EXHIBIT INDEX

4	—	Amendment, dated May 26, 2015, between Tucson Electric Power Company, STI Institutional & Government, Inc. and Branch Banking and Trust Company, to Lender Rate Mode Covenants Agreement, dated November 1, 2013.
12	—	Computation of Ratio of Earnings to Fixed Charges.
31(a)	—	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act, by David G. Hutchens.
31(b)	—	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act, by Kevin P. Larson.
*32	—	Statements of Corporate Officers (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002).
101.INS	—	XBRL Instance Document
101.SCH	—	XBRL Taxonomy Extension Schema Document
101.CAL	—	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	—	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	—	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	—	XBRL Taxonomy Extension Definition Linkbase Document

* Pursuant to Item 601(b)(32)(ii) of Regulation S-K, this certificate is not being “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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