

UniSource Energy Corporation

***A MESSAGE FROM THE
CHAIRMAN OF THE BOARD,
PRESIDENT AND CHIEF EXECUTIVE OFFICER***

January 2010

The Board of Directors, officers and employees of UniSource Energy Corporation (“UNS”) and its subsidiaries (collectively, the “Company”) share the following responsibilities:

1. To conduct their business activities in a way that complies with the law, and
2. To ensure that their business activities meet the highest ethical standards.

It is the policy of UniSource Energy Corporation and its subsidiaries to conduct business activities and transactions with honesty and integrity, in keeping with the moral, ethical and legal standards of the countries in which the Company conducts business. The revised “Code of Ethics and Principles of Business Conduct” (the “Code”) will be distributed to all employees as an update to the 1999 Code of Ethics and Principles of Business Conduct.

The Code serves to remind us all of the high personal standards we must meet in our day-to-day business activities. It also guides us when we develop and work toward meeting Company goals and objectives. The Code is not intended to cover all situations we might encounter on the job, but its guidelines should help reinforce our own good judgment and personal integrity in all our business activities. As a result, you may need assistance from time to time in determining how the Code applies to situations that you face.

You should be proud of your personal success, as well as the success of your company. So it is important that you take time to thoroughly read the Code. Each of us must continue a personal commitment to our tradition of meeting the highest standards of legal and ethical conduct.

Very truly yours,



Paul J. Bonavia
Chairman, President and CEO

CONTENTS

Policy Statement	1
Code of Ethics and Principles of Business Conduct.....	1
Administration of the Code.....	1
General Standards of Ethical Conduct.....	2
General Standards of Corporate Conduct	2
Responsibilities of Company and Employees.....	3
Employment Practices.....	3
Equal Employment Opportunity	3
ERISA	3
Health and Safety	4
Labor-Management Relations.....	4
Substance Use, Possession and Abuse.....	4
Outside Activities.....	4
Responsibilities to Customers, Suppliers and Competitors	5
Bribes and Kickbacks	5
Conflicts of Interest.....	5
Business Expenses	6
Gifts, Favors, Payments and Entertainment.....	6
Sales and Marketing.....	7
Responsibility to Protect Company Assets	7
Accounting and Financial Integrity.....	7
Antitrust Matters	7
Company Records and Internal Audit.....	7
Computer Software and Data Security.....	7
Copyright, Patent, Trademarks and Trade Secret Laws.....	8
Foreign Corrupt Practices Act (“FCPA”)	8
Taxes.....	9
Storage and Disposal of Company Records.....	9
Subpoenas and Pending Litigation.....	9
Responsibility to the Public	9
FERC and ACC Regulation	9
Confidential Information and Trade Secrets.....	9
Campaign Financing for the Election of Public Officials.....	10
Political Activities and Contributions.....	10
Securities Laws	10
Environmental Compliance and Protection	11
Compliance with the Code of Ethics and Principles of Business Conduct.....	11
Acknowledgment	13
Enforcement.....	13
Reporting Violations.....	13
Investigations	14
Disciplinary Action.....	15
Policy Statement on Securities Trades.....	16
Acknowledgement and Certification of Compliance.....	19

POLICY

The Board of Directors, officers and employees (officers and employees will be referred to in this document as “employees”) of UniSource Energy Corporation and its subsidiaries (the “Company”) are committed to maintaining the highest ethical standards in conducting business. We will obey and respect all laws and regulatory requirements that apply to the business of the Company. We will conduct our business in keeping with the standards reflected in this “Code of Ethics and Principles of Business Conduct” (the “Code”) and will follow all established Company policies and procedures. We will serve our shareholders, customers, suppliers, fellow employees and society as a whole with the highest level of skill and integrity and avoid situations where personal interest appears to conflict with the interests of the Company.

The Company has a Corporate Compliance Program to help prevent and detect violations of the law and Company policy. Karen Kissinger, is the Chief Compliance Officer, as well as Vice President and Controller. Ms. Kissinger manages the operation of the Compliance Program and makes certain that it operates effectively. The Corporate Compliance Committee (appointed by the Chief Compliance Officer and listed on pages 13 and 14) assists with this responsibility.

No matter what job you perform, certain general legal standards of conduct apply to you. The standards of honesty, respect for the law and integrity are necessary to assure the Company does business properly. These standards are also important as we constantly work to earn the confidence of our customers and the communities we serve.

CODE OF ETHICS AND PRINCIPLES OF BUSINESS CONDUCT

The Code is a set of rules or guidelines that the Board of Directors and employees of the Company are expected to follow as they perform their jobs. Following these rules will allow the Board of Directors and employees to avoid breaking the law or violating ethical business standards.

Therefore, it is very important that you are familiar with all of the rules and that you fully understand how they relate to the work you perform for the Company.

In addition, the Company will, from time to time, provide you with training on the meaning and proper use of the Code.

The Code supplements the most current version of Company policies and procedures. The Board of Directors and employees are expected to follow the terms of all of these important documents. In addition, the Code refers to various Company policies and procedures, which you should review and understand.

ADMINISTRATION OF THE CODE

The Corporate Compliance Committee has established a plan for distributing the Code to the Board of Directors and employees, and for the Board of Directors and employees to acknowledge that they received and understand the Code. The Board of Directors has

approved this plan. The Code will be provided to the Company. Employees of the Company will be informed that they need to meet the standards established by the Code.

GENERAL STANDARDS OF ETHICAL CONDUCT

To fulfill our responsibility to customers, shareholders, suppliers, the community and one another, the Company expects the Board of Directors and employees to maintain the highest ethical standards while doing their jobs.

You should know what to do in various situations relating to business ethics. You should also know how to avoid doing things that could be considered inappropriate or unethical. Sometimes, difficult questions are involved, making it necessary that you exercise good judgment in recognizing potential ethical violations before allowing yourself to get into situations where such problems may arise.

If you ever are unsure of what to do in a particular situation, contact your supervisor, a member of your chain of command, the Chief Compliance Officer or a member of the Corporate Compliance Committee.

GENERAL STANDARDS OF CORPORATE CONDUCT

Listed below are the basic rules of business conduct that apply to the Board of Directors and employees of the Company. It is against Company policy and in many cases illegal to:

- ◆ Violate any federal, state or local law or regulation;
- ◆ Influence the judgment or conduct of a person in a position of trust or authority by bribery (offering, giving, asking for, promising, or receiving gifts, gratuities or favors);
- ◆ Steal or take Company property or someone else's property with the intent to deprive the rightful owner of it;
- ◆ Commit a fraud (purposely mislead someone by false representations or statements);
- ◆ Participate in dishonest conduct (lie, cheat or steal);
- ◆ Injure someone or his/her property;
- ◆ Use or be under the influence of alcohol on Company premises (except if expressly authorized) or in Company vehicles, or work while under the influence of alcohol;
- ◆ Possess, use or be under the influence of illegal drugs on Company premises or in Company vehicles, or work while under the influence of illegal drugs;
- ◆ Violate safety rules or practices, including tampering with safety devices and/or equipment;

- ◆ Harass or discriminate against any employee or other person on the basis of any protected characteristic, as described below, or retaliate against such a person on the basis of a complaint of harassment or discrimination;
- ◆ Threaten, intimidate, coerce, harass or engage in acts of violence against any person; or
- ◆ Engage in any other conduct that violates Company policies or procedures, whether such conduct occurs in person, via e-mail or telephone, on social networking sites, by text messaging, or in any other fashion whatsoever.

RESPONSIBILITIES OF COMPANY AND EMPLOYEES

Employment Practices

The Company is responsible for providing employees a safe, harassment-free, clean and healthy place to work. Employees should behave in a manner that protects life and property, ensures a safe work environment and contributes to the efficient operation of the Company.

The Company is also committed to the principles of equal opportunity in recruiting, hiring, training, transferring and promoting employees. The Company recognizes the duty to provide equal employment opportunities to all qualified persons. Employees must obey all laws, regulations and Company policies relating to equal opportunity, affirmative action, non-discrimination and non-harassment.

The Company has an affirmative action plan in effect to ensure that all personnel actions are applied equally, fairly and consistently to all employees without regard to race, color, religion, sex, marital status, age, veteran's status, disability, national origin or any other legally protected characteristic. (See also your employee handbook.)

Equal Employment Opportunity

The Company is responsible to follow the equal opportunities laws, which prohibit discrimination in employment because of sex, race, color, age, national origin, religion, disability or any other legally protected characteristic. The objective of these laws is to ensure that people are treated fairly throughout the employment process.

ERISA

The Company maintains pension and employee benefit programs that are subject to a federal statute -- the Employee Retirement Income Security Act ("ERISA"). As a result, the Company is expected to comply with the disclosure, reporting, funding, fiduciary and operational provisions of ERISA. It is the policy of the Company to comply with these laws, and to make sure all required document filings are timely, accurate and complete.

Health and Safety

It is the policy of the Company to comply fully with all federal, state and local health and safety laws and regulations, including the Occupational Safety and Health Act, also known as OSHA. Every employee is responsible for establishing and maintaining a safe work environment, and is expected to obey all health and safety laws, regulations and Company policies and procedures. You are also responsible for immediately bringing to your supervisor's attention any hazardous condition in the workplace. (See also Company policies and procedures.)

Labor-Management Relations

The Company recognizes the right of every employee to organize and bargain collectively through representatives of the union. You are expected not to attempt to improperly influence the actions of an officer or employee of a labor organization with respect to his or her duties as a labor organization representative.

Substance Use, Possession and Abuse

The Company requires a work environment free from the illegal or inappropriate use of drugs or alcohol. The use of drugs or alcohol may impair your job performance. Violation of any Company policy on substance abuse is a serious offense and is subject to disciplinary action. In addition, if your job performance may be impaired by the use of drugs as prescribed by a doctor, you must report this to your manager or supervisor.

Any employee whose job performance or behavior indicates he or she is under the influence of illegal drugs or alcohol may be requested by management to submit to drug and/or alcohol testing according to Company policy. (See also your employee handbook and related Company policies and procedures.)

Outside Activities

Generally, employees may be employed outside the Company or be involved in some way with other companies. However, that outside employment or involvement must not interfere with the employee's performance of duties as an employee of the Company. Any such outside employment or involvement must not create, or appear to create, a conflict of interest.

Employees are encouraged to participate in charitable, civic or other community organizations, however those activities should not interfere with the employee's performance of duties as an employee of the Company or create, or appear to create, a conflict of interest.

Employees seeking public office requiring time away from work must comply with Company policy regarding absenteeism and leaves of absence.

RESPONSIBILITIES TO CUSTOMERS, SUPPLIERS AND COMPETITORS

Bribes and Kickbacks

Bribes and kickbacks are illegal. All Company transactions, whether cash or otherwise, must be handled in a way that avoids any question of illegal or improper payments or any suspicion of wrongdoing. All transactions must be entered in the Company's accounting records.

Conflicts of Interest

A conflict of interest arises when a member of the Board of Directors or an employee has an opportunity for personal gain (other than regular employment compensation) because of his or her position with the Company. A conflict of interest may also occur when a member of the Board of Directors or an employee has personal interests that are inconsistent with Company interests. Therefore, you should avoid any business, financial or other relationship where your interests actually conflict with, or appear to conflict with, the interests of the Company and its shareholders. As an example, "moonlighting" with another organization that competes with the Company, or supplies goods or services to the Company, would create a conflict of interest. Participating or making a material financial investment in another organization that competes with the Company, or supplies goods or services to the Company, would also create a conflict of interest. What's more, a conflict of interest would exist if your position as a member of the Board of Directors or employee of the Company brings you any unique advantage in an outside business activity. Other conflicts of interest may occur from accepting gifts, payments, loans, or offers of employment from people or organizations that are doing business with the Company, or seeking to do business with the Company.

In dealing with potential conflict situations, the best rule is to ask for advice from the Chief Compliance Officer or a member of the Corporate Compliance Committee before you proceed. Also, let your area vice president know about any significant interest you or any member of your immediate family may hold in any organization that is doing business, or seeking to do business, with the Company (other than providing routine electrical or gas service), or that competes with the Company. This will allow the Company to evaluate that interest and ensure that your job responsibilities will not require you to make decisions that could be influenced by that interest. A "significant" interest means anything substantial enough to influence judgment or interfere with the best interest of the Company. Anyone who buys goods or services on behalf of the Company, or who in any way influences such buying, must maintain the highest standards of ethical conduct, objectivity and independence when choosing suppliers or negotiating contract terms.

One of the best ways to determine whether a conflict of interest exists is to ask yourself: "Is my decision to do something based on the Company's best interest?" If the answer is no, a conflict of interest may exist, and you are obligated to report it. Certain situations may create the appearance of a conflict of interest when it appears to someone outside the Company that a conflict exists.

Business Expenses

The Board of Directors and employees often pay for things on behalf of the Company while performing their job responsibilities. The policy of the Company is to reimburse Directors and employees for authorized expenses. Reimbursement is made after the appropriate expense report has been correctly filled out and filed, along with receipts. Directors and employees should be very careful when filling out expense statements to make sure that only authorized expenses are listed for reimbursement. Some employees have been issued procurement cards. The procurement cards are to be used for authorized expenses only. (See also Company policies and procedures.)

Gifts, Favors, Payments and Entertainment

Following are examples of offered items that may suggest an attempt to influence someone or to secure personal advantage:

- Gifts
- Payments or fees
- Services or privileges
- Entertainment
- Vacations or pleasure trips
- Loans
- Any other favors

If you receive a gift or favor, or offer of any gift or favor, in an apparent attempt to influence you or to secure personal advantage, you should let your area vice president know about it promptly. If the offer involves a trip for a business-related purpose such as a plant inspection or seminar, the Company should pay for your travel and lodging if at all possible. If it is not possible, or if the offer includes some sort of significant entertainment, you should handle the situation in the following manner before you accept the offer:

Non-Officer Employees who receive an offer must discuss the offer with their area vice president;

Officers who receive an offer must discuss the offer with the President and CEO; and,

The **President and CEO, and members of the Board of Directors** who receive an offer must discuss the offer or solicitation with the Chairperson of the UNS Audit Committee.

If it is decided that the offer is in the interest of the Company, the Company may choose to pay your expenses through the approved expense account or other established policies and procedures.

Gifts, favors or entertainment of nominal value provided on an infrequent basis and that are considered to be a common part of doing business may be accepted only if it will not cause bias toward the giver, or create a feeling that something is expected in return. When in doubt, ask your supervisor.

Sales and Marketing

All information provided by the Board of Directors and employees about the Company's products and services must be clear, accurate and truthful. In conducting sales or marketing activities on behalf of the Company, any statements or actions that someone might think are misleading or dishonest are prohibited.

RESPONSIBILITY TO PROTECT COMPANY ASSETS

Accounting and Financial Integrity

We will accurately record all business transactions as required by applicable laws and regulations, generally accepted accounting principles and Company policies and procedures. Company funds will be used only for lawful and proper purposes. All bank accounts containing Company funds shall be established and maintained in the name of the Company, and all transactions and accounts involving Company funds shall be clearly and accurately identified in the books and records of the Company. False or artificial entries shall not be made in the books and records of the Company for any reason. (See also Company policies and procedures.)

Antitrust Matters

Antitrust laws relate to Board of Directors and employee dealings with customers and competitors when the Company is the seller or buyer of electricity, products or services. Federal and state antitrust laws are an important means of maintaining an open, competitive marketplace. These laws prohibit a wide range of practices (*e.g.*, bribery, price fixing, bid rigging, etc.) that could restrain trade or limit competition. No agreements or understandings of any kind may be made with our competitors, suppliers or customers to fix, stabilize or control prices in violation of the antitrust laws. Also, employees should not enter into any agreement or understanding with competitors to boycott certain customers or suppliers. Antitrust violations can cause serious consequences in terms of fines and imprisonment. (See also Company policies and procedures.)

Company Records and Internal Audit

The Company's Audit Services Department ("Audit Services") has unlimited access to any and all of the organization's records, physical properties, and personnel. All employees are required to assist Audit Services in fulfilling their staff function. Documents and information given to Audit Services will be handled in the same prudent manner as those employees normally accountable for them.

Computer Software and Data Security

Computer software and data security are important concerns for the Company. To protect our Company-related data, never reveal your computer password to anyone without receiving an exception from Information Services (IS) Security. You should not copy or distribute any Company-purchased licensed software, unless it is specifically allowed in the

license agreement and the Company's procedure. (See also Company policies and procedures.)

Copyright, Patent, Trademarks and Trade Secret Laws

Federal and state laws protect intellectual property. Intellectual property includes copyrights, trademarks, patents and trade secrets. Federal copyright laws provide protection to the authors of copyrighted materials against infringement of their ownership interest in the materials. Under the "Fair Use" concept, users have the right to copy, for certain purposes, works that are otherwise protected by copyright. Several factors determine whether someone is permitted to reproduce copyrighted material: (1) the purpose and character of the copying, (2) the nature of the work copied, (3) the amount and importance of the portion copied in relation to the work as a whole, and (4) the effect of the copying on the market for, or value of, the work. Do not reproduce any copyrighted material, without determining whether the particular copying is "fair use." If you have questions, consult with your supervisor, the Library and Resource Center, the Legal Department, the Chief Compliance Officer or a member of the Corporate Compliance Committee. (See also Company policies and procedures.)

Employees must also be sure that software, which is licensed or purchased from third parties for Company use, is used according to the terms of the license or purchase agreement pertaining to that software.

Trademark laws protect consumers from confusion about the source and quality of goods or services. Trademarks become protected either by registration or by actual use that causes someone to mentally connect the trademark and the product or service. Infringement is the use of a similar mark in a way that is likely to cause confusion.

Patent laws give an inventor exclusive rights to make, use and sell a patented product. Protection is available only by filing an application within one year after the product's first commercial use or public disclosure. Once a patent is issued, the invention is protected. Employees creating inventions on Company time and/or with Company resources must contact the Legal Department to file a disclosure statement. Any invention or patent created on Company time or with Company resources is the property of the Company.

Trade secret laws prohibit someone from stealing valuable information that is not generally available and is protected from public disclosure by the owner taking reasonable steps under the circumstances. This generally involves non-disclosure or confidentiality agreements.

Foreign Corrupt Practices Act ("FCPA")

The Company is responsible for obeying all laws governing foreign and domestic operations that reach beyond U.S. borders. The FCPA covers activities of companies and their employees, and of those acting on behalf of companies such as foreign agents or representatives. The FCPA targets two types of misconduct: bribery or promising to pay foreign officials to obtain or retain business; and deceptive bookkeeping regarding overseas payments and transactions. The accounting standards require publicly traded companies and their subsidiaries to maintain reasonably detailed records that accurately reflect all payments

and transactions. Additionally, the FCPA requires an internal control system that provides reasonable assurance that management controls the use of business assets. The Board of Directors and all employees are to maintain high standards of sales representation and be extremely careful about any questionable or suspicious circumstances.

Taxes

The Company is required to file tax forms in many jurisdictions. Company policy is to make sure that each tax filing is accurate, complete and made within the allowed timeframe. Tax evasion is illegal. The Board of Directors and employees will not take any action to evade Company taxes, or assist others, including the Board of Directors, employees, vendors, customers or subcontractors, to misrepresent or evade taxes of any kind.

Storage and Disposal of Company Records

The Library & Resource Center develops and maintains policies for storage and disposal of Company records according to requirements of the Federal Energy Regulatory Commission (“FERC”), other regulatory organizations and Company departments. (See also Company policies and procedures.) Retention and disposal of certain Company records may also be affected by litigation hold orders issued by the Legal Services Department. Employees are expected to adhere to established Company policies and any applicable litigation hold orders.

Subpoenas and Pending Litigation

If an employee receives or learns of a subpoena or a pending, imminent or contemplated litigation or government investigation, the Legal Services Department must be contacted promptly.

RESPONSIBILITY TO THE PUBLIC

FERC and ACC Regulation

Many aspects of the Company’s business are governed by the FERC and/or the Arizona Corporation Commission. Both of these organizations have codes of conduct and other rules and regulations that the Company must follow. In your role representing the Company, you are also expected to follow these codes of conduct and other rules and regulations. Contact your supervisor to determine which codes of conduct and other rules and regulations apply to you.

Confidential Information and Trade Secrets

Privacy is essential in the Company’s relationships with customers. Therefore, the Company will not release customer information to anyone without the customer’s written permission, unless that information is required by law enforcement or other public agency, or it is reasonably necessary for legitimate account collection activities or to provide safe and reliable service to the customer.

All Company information must be used only for its intended purpose and never for personal gain. By law, and by its very nature, some Company information is restricted or proprietary and must be kept confidential. Such Company information includes customer information and customer lists; salary, wages, benefits and other personnel data; vendor and contractor lists, pricing and data; Company telephone listings; employee performance and any information contained in personnel files; financial, trade, technical, marketing and research data; marketing and operating strategies; real estate needs; acquisitions and sales; pricing information; internal business methods and processes; technological and/or mechanical improvements; and inventions, discoveries, computer products, software improvements and developments that generally are not known to the public.

If you have any doubt, refer outside requests for Company information to the Chief Compliance Officer or a member of the Corporate Compliance Committee.

Campaign Financing for the Election of Public Officials

Federal and state laws governing campaign contributions by corporations are very complex. In general, corporations may not make campaign contributions. However, under the laws, a political action committee (“PAC”) may be formed by employees of a corporation to solicit contributions from management and employees. The UniSource Energy Corporation PAC has been organized for participation by management. Operation of the PAC must follow campaign finance laws, including a requirement that the PAC be separate from the Company.

Political Activities and Contributions

Employees are encouraged to be well informed, responsible citizens. While you may support candidates, political parties or other causes during your personal time with your own resources, you may not authorize the use of Company funds or resources to support any political party or candidates. All employees will comply with all applicable laws and regulations related to political and lobbying activities on behalf of the Company.

Securities Laws

The Company must obey the many federal and state laws that regulate the trading of its securities. Securities fraud is illegal. If you are aware that the Company failed to disclose a “material fact” or correct a “material misstatement” in any of the Company’s disclosure documents, you should immediately bring it to the attention of the Chief Financial Officer, the Chief Compliance Officer or a member of the Corporate Compliance Committee. The Securities and Exchange Commission (“SEC”) requires the Company to provide full, fair, accurate, timely and understandable disclosure in the Company’s various financial reports and other official documents.

The Board of Directors has adopted the UniSource Energy Corporation Policy Statement on Securities Trades by Company Personnel (the “Securities Trades Policy”) to ensure you obey SEC laws and regulations governing “insider trading.” If a member of the Board of Directors or any employee has, or believes he or she may have, material non-public information relating to the Company, neither that person nor any related person may buy or

sell securities of the Company, or engage in any other action to take advantage of, or pass on to others, that information.

You should avoid even the appearance of an improper transaction, in order to preserve the Company's reputation for following the highest standards of conduct. The Policy Statement on Securities Trades follows this Code. Each member of the Board of Directors and employee should become familiar with its terms.

Environmental Compliance and Protection

The Company's facilities and operations are subject to a complex set of federal, state, county and municipal environmental laws and regulations. The policy of the Company is to obey those laws and regulations. Each employee must be aware of environmental requirements and must exercise good judgment regarding the environmental impact of the Company's operations. If you discover a potential violation of environmental laws or regulations, immediately notify your supervisor and area vice president. Also, if appropriate, notify the Environmental Services Department, the Chief Compliance Officer or a member of the Corporate Compliance Committee. (See also Company policies and procedures.)

COMPLIANCE WITH THE CODE OF ETHICS AND PRINCIPLES OF BUSINESS CONDUCT

The Company has established procedures to answer questions, provide advice, look into charges of wrongdoing and arrange for appropriate corrective or disciplinary action for violations of acceptable business conduct. In order for the procedures to be effective, the Company, the Board of Directors and all employees each have important responsibilities.

The Company shall:

- ◆ Implement and enforce the Code;
- ◆ Review and update the Code as appropriate;
- ◆ Distribute copies of the Code to all members of the Board of Directors and employees and obtain from each of them a certification that he or she has read, understands and agrees to obey the requirements of the Code;
- ◆ Create and maintain a work environment that promotes ethical conduct, integrity, trustworthiness, accuracy and following the Code as the most important principle in all business activities and relationships;
- ◆ Provide employee training about the meaning and use of the Code;
- ◆ Establish a way for employees to obtain advice and guidance about the meaning and use of the Code;
- ◆ Make sure employees are able to confidentially report actual or possible Code violations, and can do so without fear of retaliation;
- ◆ Investigate promptly any charges or indications of illegal or unethical conduct, and promptly correct the conditions causing or contributing to that conduct;

- ◆ Audit and monitor Company-wide compliance with the Code;
- ◆ Provide appropriate disciplinary action for Code violations or for the failure of any member of the Board of Directors or employee to take appropriate steps to detect, report or correct such conduct; and
- ◆ Protect the privacy of the Board of Directors and employees to the fullest extent required by law.

Supervisory personnel have a special responsibility for implementing and enforcing the Code, for working to make sure that Code violations do not occur and for discovering and reporting violations if they do occur. This responsibility is an important aspect of the job performance of all supervisory personnel.

All supervisory personnel shall:

- ◆ Ensure that all employees under their supervision receive a copy of the Code and read and understand the Code and its requirements;
- ◆ Ensure that all employees understand their duty to report actual or suspected Code violations;
- ◆ Ensure that all employees understand the procedures for reporting actual or suspected Code violations;
- ◆ Ensure that all employees receive appropriate training in the meaning and use of the Code;
- ◆ Maintain a workplace environment that stresses commitment to the Code, and demonstrate their own commitment to the Code by managing their areas of responsibility in strict accordance with the Code; and
- ◆ Maintain a workplace environment that encourages frank and open communication about Code requirements free from the fear of retaliation or reprisal, and that encourages reporting of actual or suspected Code violations.

All members of the Board of Directors, officers and employees shall:

- ◆ Read and understand the requirements of the Code and sign required Acknowledgment Forms;
- ◆ Follow the Code;
- ◆ Attend Company training programs that explain the meaning and use of the Code;
- ◆ Seek advice from appropriate Company sources if they are unclear about the meaning or use of the Code;
- ◆ Contribute to a workplace environment that promotes the following of the Code;
- ◆ Demonstrate through daily conduct their personal commitment to following the Code;

- ◆ Refuse to tolerate any conduct by any member of the Board of Directors, officer, employee, supplier, customer, consultant, or any other person or organization with whom the Company has a relationship, that violates the Code or that otherwise is inappropriate or improper; and
- ◆ Report to the area vice president, the Chief Compliance Officer or a member of the Corporate Compliance Committee any actual or suspected Code violations or otherwise inappropriate or improper conduct shown by any member of the Board of Directors, officer, employee, supplier, customer, consultant, or any other person or organization with whom the Company has a relationship.

ACKNOWLEDGMENT

As a condition to employment with the Company, each employee shall certify that he or she has read and understands the Code, including the Policy Statement on Securities Trades by Company Personnel, and that he or she will obey the Code.

ENFORCEMENT

Each member of the Board of Directors and employee is responsible for obeying the Code at all times. Any employee who violates any aspect of the Code will be subject to disciplinary action, including, if appropriate, termination of employment. Supervisors have the responsibility to not only communicate the terms of the Code to his or her employees, but also to follow up and reinforce commitment to the Code by reviewing internal processes and investigating potential violations.

While not presently the intent of the Board of Directors to grant waivers, should the Board of Directors or a committee of the Board of Directors decide to grant a waiver for compliance with a provision of the Code in the future, any such waivers must be approved by the Board of Directors or a committee of the Board of Directors and disclosed to shareholders.

REPORTING VIOLATIONS

If you have a concern about an unethical, illegal or unsafe activity, or any other violation of the Code, or have information about something that violates, or may violate, the Code, you should promptly discuss the problem with your supervisor or a member of your chain of command. If you are uncomfortable bringing the problem to your supervisor or chain of command, you should contact the Chief Compliance Officer or a member of the Corporate Compliance Committee listed below:

- ◆ Chief Compliance Officer: Karen Kissinger, (520) 745-3122 or (520) 241-9256 (cell)
- ◆ Committee Members:
 - ◆ Michael DeConcini, Senior Vice President and Chief Operating Officer, (520) 884-3669
 - ◆ Raymond Heyman, Senior Vice President and General Counsel, (520) 884-3635

- ◆ Linda Kennedy, Corporate Secretary, (520) 884-3604
- ◆ Kevin Larson, Senior Vice President, Chief Financial Officer and Treasurer, (520) 884-3660
- ◆ Catherine Ries, Vice President, Human Resources, (520) 884-3670
- ◆ James Wright, Manager and General Auditor, (520) 745-3221

Reports of violations, or suspected violations, will be kept anonymous if at all possible. If you call during non-business hours, you may leave a message and ask that your call be returned.

An alternate method of reporting a violation is to send a letter to one of the addresses below:

Communication regarding non-financial violations:
 Attention: Daniel W. L. Fessler
 Chairperson, Corporate Governance & Nominating Committee
 UniSource Energy Corporation
unscorpgov@earthlink.net

- or -

PO Box 1110
 Fort Bragg, CA 95437

Communication of concerns regarding accounting,
 internal accounting controls or auditing matters:
 Attention: Barbara M. Baumann, Chairperson, Audit Committee
 UniSource Energy Corporation
unscorpaudit@earthlink.net

- or -

P.O. BOX 46093
 Denver, CO 80201

Pursuant to Sections 806 and 1107 of the Sarbanes-Oxley Act of 2002, employers are prohibited from terminating or taking other retaliation against employees because they provide evidence relating to corporate fraud or who assist in a fraud-related investigation.

INVESTIGATIONS

Upon receiving a violation or potential violation report, the Chief Compliance Officer and the Corporate Compliance Committee shall:

- ◆ Promptly take all action necessary to prevent or correct any Code violation;

- ◆ Immediately record all reports and any corrective action taken involving such reports; and
- ◆ Promptly bring any Code violation and any corrective action taken to the attention of the General Counsel for investigation and for the determination of appropriate disciplinary action.

In the event that a complaint is raised involving the conduct, acts or omissions of a Manager, General Manager or Officer of the Corporation, the complaint will be reviewed by the General Counsel, who will determine how the investigation of the charges will be conducted, including but not limited to, hiring of outside counsel. In the event that a complaint is raised involving the conduct of the General Counsel, the Chief Executive Officer will determine how the investigation will take place.

When the Chief Compliance Officer or any of the above-referenced contacts receive reports of violations of the Code, an investigation will be conducted and the appropriate action, as considered necessary, will be taken to prevent or correct violations. Also, the recommended corrective and/or disciplinary action will be communicated to the offending employee's supervisor and the appropriate Manager in order to prevent the violation from happening again.

DISCIPLINARY ACTION

Failure of an employee to obey this Code may result in disciplinary action, which may include but is not limited to reprimand, probation, suspension, demotion, salary reduction, bonus elimination or reduction or dismissal. Disciplinary action will also apply to supervisors, managers and senior executives who, in connection with those employees reporting to them:

- ◆ Know that conduct which is prohibited by this Code is considered by such employees and do nothing to prevent it; or
- ◆ Know that such employees have engaged in conduct that is prohibited by this Code and fail to take appropriate corrective action.

Violations of the Code are not the only basis for employee disciplinary action. There are additional Company policies and procedures governing employee conduct. Questions about these additional Company policies and procedures should be addressed to an employee's supervisor. In addition to the Company disciplinary actions, some Code violations may be serious enough to result in civil or criminal fines and/or imprisonment.

UNISOURCE ENERGY CORPORATION
POLICY STATEMENT
on
SECURITIES TRADES BY COMPANY PERSONNEL

This Policy Statement applies to all members of the Board of Directors, officers and employees of UniSource Energy Corporation and its subsidiaries.

I. INTRODUCTION

The Securities and Exchange Commission (the “SEC”) actively pursues violations of insider trading laws. In 1988, to further deter insider trading violations, Congress expanded the authority of the SEC, adopting the Insider Trading and Securities Fraud Enforcement Act (the “Act”). In addition to increasing the penalties for insider trading, the Act puts the burden on companies and possibly other “controlling persons” for violations by company personnel.

In addition to specific actions being taken to comply with the Act, UniSource Energy Corporation (the “Company”) has adopted this Policy Statement to avoid even the appearance of improper conduct on the part of anyone employed by or associated with the Company (not just so-called insiders).

II. THE CONSEQUENCES

The consequences of insider trading violations can be staggering.

A. *For individuals* who trade on inside information (or tip information to others):

- A civil penalty of up to three times the profit gained or loss avoided;
- A criminal fine (no matter how small the profit) of up to \$1 million; and
- A jail term of up to ten years.

B. *For a company* (as well as possibly any supervisory person) that fails to take appropriate steps to prevent illegal trading:

- A civil penalty of the greater of \$1 million or three times the profit gained or loss avoided as a result of the employee’s violation, and
- A criminal penalty of up to \$2.5 million.

Moreover, failure to obey company policies and procedures against insider trading could result in company-imposed penalties, including dismissal. Needless to say, any of the above consequences, even an SEC investigation that does not result in prosecution, can tarnish one’s reputation and irreparably damage a career.

III. OUR POLICY

If a member of the Board of Directors, officer or any employee has, or believes he or she may have, material non-public information relating to the Company, it is our policy that

neither that person nor any related person may buy or sell securities of the Company or engage in any other action to take advantage of, or pass on to others, that information.

A. Material Information. Material information is any information that a reasonable investor would consider important in a decision to buy, hold or sell stock. In short, any information which could reasonably be anticipated to affect the price of the stock.

Some common examples of information that will frequently be regarded as material are:

- Projections of future earnings or losses;
- News of a pending or proposed merger, acquisition or tender offer;
- News of a significant sale of assets or the disposition of a subsidiary;
- Changes in dividend policies or the declaration of a stock split or the offering of additional securities;
- Changes in management;
- Significant new products or discoveries;
- Impending bankruptcy or financial liquidity problems; and
- Gain or loss of a substantial customer or supplier.

Material information may be either positive or negative in nature.

B. Twenty-Twenty Hindsight. Remember, if your securities transactions become the subject of scrutiny, they will be viewed after-the-fact with the benefit of twenty-twenty hindsight. As a result, before engaging in any transaction you should carefully consider how regulators and others might view your transaction on the after-the-fact basis.

C. Transactions by Family Members. The same restrictions apply to your family members and others living in your household. The Board of Directors and employees are expected to be responsible for the compliance of their immediate family and personal household with all applicable restrictions.

D. Tipping Information to Others. Whether the information is proprietary information about the Company or information that could have an impact on our stock price, the Board of Directors and employees must not pass the information on to others. The above penalties apply, whether or not you receive any benefit from another's actions.

E. When Information is Public. As you can appreciate, it is also improper for the Board of Directors or any employee to enter into a trade immediately before or after the Company has made a public announcement of material information, including earnings releases. Because the Company's shareholders and the investing public should be given the time to receive the information and act upon it, you should not engage in any transactions until the third business day after the information has been released.

IV. OTHER SECURITIES ACTIVITIES

Because we believe it is improper and inappropriate for any member of the Board of Directors or employee to engage in short-term or speculative transactions involving Company stock, members of the Board of Directors, officers and employees may not engage in any of the following activities with respect to securities of the Company:

- Trading in securities on a short-term basis (any Company stock purchased in the open market must be held for a minimum of six months and ideally longer);
- Short sales; and
- Buying or selling puts or calls.

(Note that the SEC's rules already prevent officers and members of the Board of Directors from engaging in the transactions described above. We are simply expanding these rules to include all employees.)

V. COMPANY ASSISTANCE

Any person who has any questions about specific transactions, or a question about the policy generally, may obtain additional guidance from the Company's General Counsel. Remember, however, the ultimate responsibility for following the terms of this Policy Statement and avoiding improper transactions rests with you. In this regard, it is essential that you use your best judgment.

VI. TRADES BY THE BOARD OF DIRECTORS AND OFFICERS

"trading window" has been established. Directors and officers should notify the General Counsel in advance of any trade activity involving the Company's securities. To facilitate trading in the Company's securities by Directors and Officers, the Company generally opens a "trading window" shortly after the annual filing of its 10-K and the quarterly filing of its 10-Qs.

VII. CERTIFICATIONS

All members of the Board of Directors, officers and employees will be required to acknowledge their understanding of and intent to comply with this Policy Statement.

VIII. POLICY STATEMENT USE

This Policy Statement is intended only for the internal use and exclusive benefit of the Company, and its officers, members of the Board of Directors and employees and it may not be relied upon by nor does it create any rights in any third party.

**UNISOURCE ENERGY CORPORATION
ACKNOWLEDGMENT AND
CERTIFICATION OF COMPLIANCE**

I have received and read the UniSource Energy Corporation Code of Ethics and Principles of Business Conduct (“Code”) dated January 2010. I understand that the standards and policies in the Code represent the policies of the Company and that violating those standards and policies, or any legal and regulatory requirements may result in disciplinary action up to and including termination. I agree to abide by and support the standards and policies contained in the Code and to abide by and support all legal and regulatory requirements applicable to my job. I understand that there are several sources whom I can consult if I have questions concerning the Code. These include my supervisor, a member of my chain of command, the Chief Compliance Officer and the Corporate Compliance Committee. I understand that my questions or reports to these sources will be kept anonymous to the extent possible.

I also certify that I have received, read, understand and agree to comply with the Policy Statement on Securities Trades by Company Personnel.

Signature

Name (please type or print)

Date

Department

Please sign this acknowledgment
and return it to Human Resources.