

**UNISOURCE ENERGY CORPORATION**  
**CORPORATE GOVERNANCE AND NOMINATING**  
**COMMITTEE OF THE BOARD OF DIRECTORS**

**CHARTER**

**1. COMPOSITION**

The Corporate Governance and Nominating Committee of the Board of Directors (the “Committee”) consists of not fewer than three Directors appointed annually by the Board, each of whom satisfies the independence requirements of the New York Stock Exchange. The Board shall designate one of the Committee members as Chairman of the Committee.

**2. QUALIFICATIONS**

A Director shall be qualified to serve on the Committee if he or she is determined by the Board to be independent under the Company’s Director Independence Standards.

**3. APPOINTMENT AND REMOVAL OF COMMITTEE MEMBERS**

All members of the Committee shall be appointed and/or removed by the Board of Directors.

**4. MEETINGS**

The Committee will meet regularly to prepare for any current or anticipated vacancies on the Board of Directors and to address corporate governance matters. In addition to the Committee members and the Secretary, the Chairman of the Board, Chief Executive Officer and President and other members of the Board and management may attend as appropriate.

**5. RULES OF PROCEDURE**

The Committee will determine its own rules of procedure with respect to how its meetings are to be called, as well as the place, time and frequency. In the absence of such rules, the Committee will meet at the call of its Chairman as is required to accomplish the purposes of the Committee.

**6. COMPENSATION**

Each member will be paid such fees as may be established from time to time by the Board for service on the Committee, and will be reimbursed for travel expenses incurred by attendance at meetings.

**7. COMMITTEE SECRETARY**

The Secretary of the Committee will be the Corporate Secretary of the Company (or such other representative of management as the Committee may designate) and will not be a member of the Committee. The Secretary will attend all meetings and maintain minutes, advise members of all meetings called, arrange with the Chairman or other convening authority for preparation and distribution of the agenda for each meeting, and carry out other functions as may be assigned from time to time by the Committee. At such meetings where attendance by a Company representative is not appropriate or practical, the Chairman shall act as secretary of the meeting or appoint another member of the Committee to act as secretary of such meetings.

8. **QUORUM**

A majority of the total membership of the Committee will constitute a quorum.

9. **RESPONSIBILITIES AND SPECIFIC DUTIES OF THE COMMITTEE**

The functions of the Committee shall be:

- a. Regularly review and assess the current Board membership as to size, skills and current or anticipated upcoming vacancies.
- b. Make recommendations to the Board with respect to desired background, skill sets, experience and characteristics of Board members, as well as continuing education, conferences and seminars that Directors might attend to enhance their skill sets.
- c. Review and report to the Board at least annually, for the Board's determination, that the Board and each of its committees meet the requirements for independence and expertise and other criteria imposed by the NYSE and any other body with authority over the Board and its composition.
- d. Regularly review and/or update the Candidate Evaluation Form contained in the Company's Corporate Governance Guidelines.
- e. Identify and recommend potential nominees to the Board and submit to the Board names of nominees for election to the Board between annual meetings of stockholders as well as nominees for the election by stockholders at the annual meeting. Subject to applicable law, consider nominations or proposals (for inclusion in the proxy statement) made by stockholders and make recommendations regarding the same to the Board.
- f. Recommend to the Board criteria relating to tenure, such as retirement age, and limitations on the number of times a director may stand for reelection; in addition, recommend to the Board criteria for retention of directors insofar as attendance, health or assumption of responsibilities are incompatible with effective Board membership.
- g. Recommend to the Board individuals for appointment to and removal from UniSource Board committees and board members of major subsidiaries.
- h. Make recommendations to the Board concerning the Board's duty to conduct an annual self-evaluation and assist the Board in its self-evaluation.
- i. Annually evaluate the performance of this Committee.
- j. Retain and terminate any consultants to advise it, including any search firms to be used to identify director candidates and to set the terms of retention. This authority shall be exclusive to this Committee.
- k. Annually review the Company's Corporate Governance Guidelines to assure that they are appropriate for the Company and comply with the requirements of the NYSE and to approve any desirable modifications thereto.

- l. Annually review board and committee memberships of each Director with other companies for compliance with applicable laws, regulations and the Company's Director Independence Standards.
- m. Recommend to the Board a process for selecting a Lead Director when the roles of Chairman of the Board and CEO are combined.
- n. Review current developments in the corporate governance area and to make recommendations as appropriate.

**10. RESPONSIBILITIES OF THE CHAIR**

The Chair of the Committee will present the Committee's recommendations to the Board for its approval and periodically provide the Board, for its information, with a summary of the Committee's determinations and approvals.

**11. OTHER AUTHORITY**

The Committee may call upon any person including employees of the Company or its subsidiaries, knowledgeable in matters discussed by the Committee, for information and counsel.