

ACC Approves Average 6 Percent Increase in TEP's Rates Beginning Dec. 1

TUCSON, Ariz., Nov 26, 2008 (BUSINESS WIRE) --

The Arizona Corporation Commission (ACC) has unanimously approved a 6-percent increase in Tucson Electric Power's rates that will take effect Dec. 1.

The bills of typical residential customers are expected to increase 4 percent under the new rates, which represent TEP's first rate increase since 1996. Heavier power users will incur larger percentage increases, while customers with below-average consumption will face smaller increases or even a slight decrease.

"Half of our residential customers will see an increase of just 1.2 percent or less under our new rates," said James S. Pignatelli, Chairman, President and Chief Executive Officer of TEP and its parent company, UniSource Energy Corporation (NYSE: UNS). "Any customer who wants to minimize the impact of our new rates can do so by conserving energy."

TEP's new rates reward energy conservation by discounting the first 500 kilowatt-hours (kWh) per month while charging a higher rate for monthly usage in excess of 3,500 kWh. Thanks to this three-tiered structure, customers who use less power pay lower average rates.

The new rates include a Purchased Power and Fuel Adjustment Charge (PPFAC) that will recover energy costs not reflected in TEP's base rates. The PPFAC is expected to remain at zero through at least April 2010 due to a credit from funds previously collected from customers.

Low-income customers who qualify for TEP's Lifeline discount will not be subject to the base rate increase or the PPFAC. Lifeline also will continue to provide a discount of \$8 per month to eligible customers whose household income does not exceed 150 percent of the federal poverty level. That eligibility limit is currently \$2,651 per month for a family of four.

TEP's new rates include new time-of-use options that allow customers to save money by shifting their electric use away from high-demand periods of the day. They also provide funding for new energy-saving programs, including rebates for energy-efficient heat pumps and air conditioners, discounts on compact fluorescent light bulbs and incentives for business owners who invest in energy-efficient equipment.

The new rates were contained in a settlement agreement reached earlier this year with the ACC Staff and endorsed by numerous groups representing customers, low-income residents, power producers and other interested parties. The agreement resolved a rate case TEP filed in July 2007.

TEP's rates had remained unchanged since July 2000, when the last of three annual 1-percent rate decreases took effect. The rates were last increased in 1996, and the subsequent reductions resulted in rates that remained below the levels charged in 1994.

Tucson Electric Power provides safe, reliable electric service to nearly 400,000 customers in southern Arizona. For more information, visit TEP.com. For more information about its parent company, UniSource Energy, visit uns.com.

SOURCE: Tucson Electric Power

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