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ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Commissioner

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October 8, 2008

Mr. James Pignatelli
President and CEO
Tucson Electric Power/UniSource Energy
P.O. Box 711
Tucson, AZ 85702

Re: Impact of recent financial crisis on TEP and Unisource's access to commercial paper markets and ability to finance capital projects; exposure to auction rate securities.

Dear Mr. Pignatelli:

As you know, the recent upheaval in America's financial markets has had an unsettling effect on our national and local economies. It has also had serious consequences for individuals and companies who need to access financing, as credit tightens and capital markets become less fluid.

In recognition of the current environment, I write to request that you provide the Commission with information regarding whether the unfolding events on Wall Street have had an impact on Tucson Electric Power ("TEP") or Unisource Energy, with a particular focus on several areas.

First, please tell the Commission whether TEP or Unisource Energy has experienced difficulty gaining access to short or long term debt markets. In particular, have you seen a decline in the Company's ability to issue commercial paper, a practice that has become common among large utilities seeking to make payments for short term capital expenditures and operating expenses. If so, please describe the ways in which you have responded to this deficiency in order to meet the Company's capital needs. Have you experienced additional expenses associated with accessing these markets? What is the short-term and long-term impact to TEP's planned capital projects?

Second, please tell the Commission whether TEP or Unisource engaged in any significant financial transactions with Lehman Brothers, American International Group, Bear Stearns, or any other investment firm that has been the subject of recent bankruptcies or governmental takeovers. If so, please detail those transactions, and to what extent they have impacted the Company.

Finally, as you know, the auction rate securities market recently collapsed. Please tell the Commission whether TEP or UniSource Energy holds any auction rate securities, and if so, what worth those securities now have, and what the Company intends to do with those securities in order to minimize any losses associated with them.

Thank you for your attention to these questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kris Mayes', written in a cursive style.

Kris Mayes
Commissioner

Cc: Chairman Mike Gleason
Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
Commissioner Gary Pierce
Ernest Johnson
Janice Alward
Brian McNeil
Rebecca Wilder