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R14-2-1604 Competitive Phases

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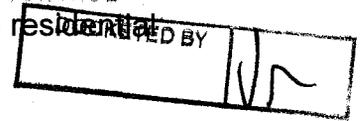
Arizona Corporation Commission

JUL 31 10 04 AM DOCKETED

Residential Phase-in

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JUL 31 2000



B.5.a The number of customers and the load currently enrolled in residential phase-in program by Energy Service Provider

- Currently, TEP has no residential customers and load enrolled in the residential phase-in program.

B.5.b The number of customers currently on the waiting list

- Currently, there is no waiting list since we have no residential customers in direct access; however, approximately 8 3/4% of TEP's residential customers are eligible for direct access.

B.5.c A description and examples of all customer education programs and other information services including the goals of the education program and a discussion of the effectiveness of the programs

- See attached information

B.5.d An overview of comments and survey results from participating residential customers.

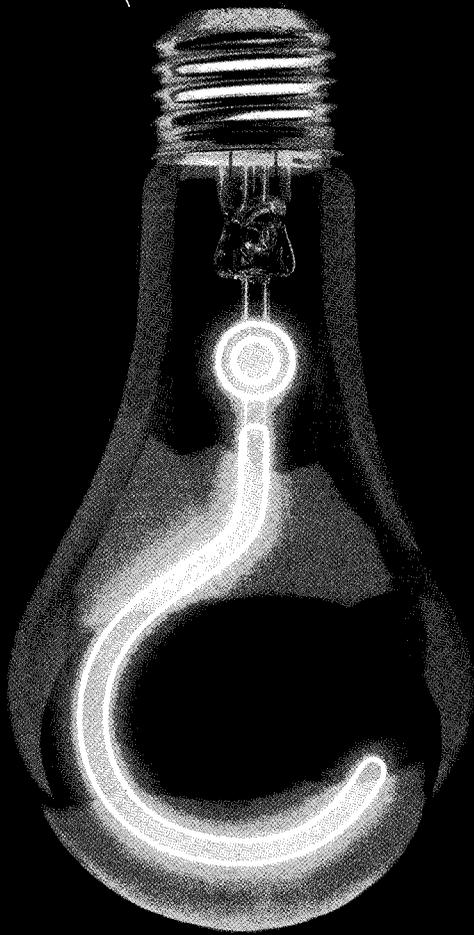
- There are no surveys to provide this quarter

CUSTOMER CHOICE CUSTOMER EDUCATION CAMPAIGN ON RETAIL ELECTRIC COMPETITION

CUSTOMER EDUCATION CAMPAIGN 2ND QUARTER

Tucson Electric Power Company continues its efforts to educate customers about retail electric competition. Communication tools include the following:

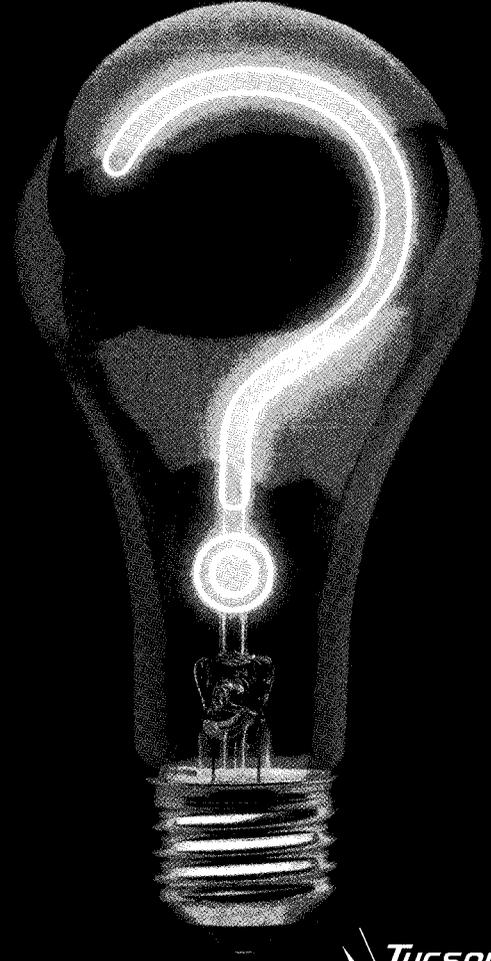
- *"Shedding Light on Deregulation: Answers to Your Questions about Electric Competition"* brochure is available upon request.
- Customers can request information via the Company's automated phone system menu.
- TEP's Web site provides information about electric competition and the new bill format. A hyperlink to the Arizona Corporation Commission's Web site is available for customers to obtain an Electric Service Provider contact list.
- Provide ESP list to customers (upon request).
- TEP representatives continue public presentations on deregulation to commercial and residential customers throughout the Company's service territory.
- Commercial Account Managers (CAMs) continue to communicate with large commercial and industrial customers. CAMs are developing communication materials that include white papers, a Web site for national franchises and a newsletter for national franchises.
- The Consumer Information Label has been incorporated into the Company's print advertising. See attached samples.
- TEP contracts with McMurry Publishing Inc. to produce Business Edge magazine, which is distributed quarterly to all TEP commercial customers. An article titled "Competitive Choice - How will electric competition affect your business" and an advertisement ran in the Summer 2000 issue. See attached sample.
- The Terms of Service is in draft form and is being reviewed by Company executives. The Terms of Service will be produced prior to the end of the third quarter.
- Continuing internal communication efforts to educate employees about retail electric competition.



AlumbRANDo el Camino hacia la Desregulaci3n

Respuestas a sus Preguntas acerca
de la Competencia El6ctrica

Shedding Light on Deregulation



Tucson Electric Power Company

220 W. Sixth Street, P.O. Box 711, Tucson, AZ 85702

Servicio de Atención al Cliente: (520) 623-7711/(800) 328-8853

Horario de Atención: De lunes a viernes, de 7 a.m. a 9 p.m. y sábados, de 8 a.m. a 5 p.m.

Horario de Oficina: De lunes a viernes, de 8 a.m. a 5 p.m.

8098 - 7.5K

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8098 - 7.5K

Los clientes de Tucson Electric Power Company (TEP) muy pronto estarán entre los primeros en la nación en tener la oportunidad de elegir quién genera su electricidad.

El primero de enero de 1999, Ud. tendrá la oportunidad de seleccionar a su administrador de generación de electricidad casi de la misma manera en la que ahora escoge a su servicio telefónico de larga distancia. TEP da la bienvenida a estos cambios porque creemos que la competencia y la selección por parte del cliente nos permitirá servirlo mejor.

Sabemos que Ud. tiene muchas preguntas. Es por eso que TEP tiene el compromiso de ayudarlo a comprender cómo estos cambios lo afectarán. A pesar de que todos los detalles aún no están resueltos, este folleto es parte de nuestro compromiso de mantenerlo continuamente informado.

A medida que se acerque el tiempo en el que Ud. tenga que hacer su selección, Ud. puede contar con que TEP le brindará todas las respuestas que Ud. necesite para tomar una decisión informada. Estamos orgullosos de servirlo hoy y esperamos seguir haciéndolo en el futuro.

Tucson Electric Power Company (TEP) customers soon will be among the first in the nation to have the opportunity to choose who generates their electricity.

On January 1, 1999, you may be able to select your electricity generation provider much the same way you now choose long-distance telephone service. TEP welcomes these changes because we believe competition and customer choice will allow us to serve you better.

We know you have many questions. That's why TEP is committed to helping you understand how customer choice will affect you. Even though all of the details have yet to be worked out, this brochure is part of our commitment to keep you informed along the way.

As customer choice nears, you can count on TEP to provide you with the answers you need to make an informed decision. We are proud to serve you today, and we plan to earn your business in the future.



Frequently Asked Questions About Deregulation

Why is deregulation coming to the electric utility industry now? Consumers currently enjoy good electrical service.

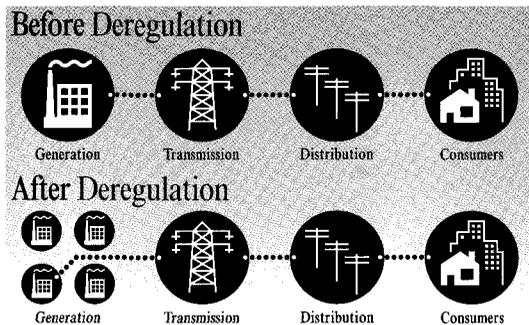
The industry is being deregulated — and competition introduced — in many areas of the U.S. in hopes of reducing prices and increasing services for all consumers.

Who made this decision?

Prompted by a 1992 act of Congress, there's been a push toward deregulation for quite a few years. The Arizona Corporation Commission (ACC), which regulates investor-owned utilities in Arizona, has been working to implement industry competition for several years. In December 1996, with input from stakeholders, the ACC adopted a set of competition rules that were modified in August 1998. The Arizona State Legislature passed similar legislation in May 1998 affecting government-operated electric utilities like the Salt River Project in Phoenix.

How will competition work?

The traditional electric utility company combines three separate activities — generation, transmission and distribution — into a single business. However, in the new environment, the generation business will be opened up to competition, providing new opportunities and choices. Consumers will be able to choose their generation (or energy) provider, much like they choose a long-distance telephone service company: AT&T, MCI or Sprint, for example. TEP will continue to deliver that



Preguntas Frecuentes Acerca de la Deregulación

¿Por qué ahora viene la deregulación al sector de la energía eléctrica si actualmente los consumidores cuentan con un buen servicio eléctrico?

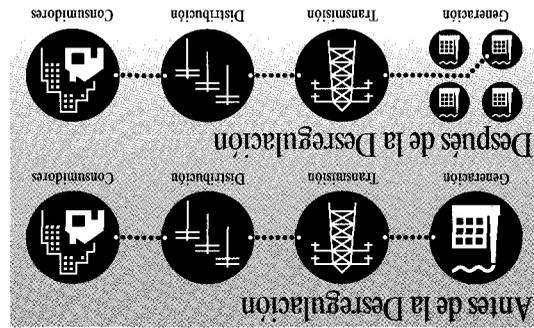
En muchas áreas de los Estados Unidos este sector está pasando por un período de deregulación y se está introduciendo el concepto de la competencia con el fin de reducir los precios e incrementar los servicios para los clientes.

¿Quién tomó esta decisión?

Impulsado por una Ley del Congreso del año 1992, ha habido un empuje hacia la deregulación en estos últimos años. La Comisión Corporativa de Arizona (ACC) que reglamenta los servicios públicos de inversión privada en Arizona, ha venido trabajando por varios años para implementar una competencia dentro de dicho sector. En diciembre de 1996, con la participación de las partes interesadas, la ACC adoptó una serie de normas de competencia que fueron modificadas en agosto de 1998. La Legislatura del Estado de Arizona pasó una legislación similar en mayo de 1998, la cual afecta los servicios públicos eléctricos operados por el gobierno, tal como el Proyecto Salt River en Phoenix.

¿Cómo funcionará este concepto de competencia?

La compañía de servicio público eléctrico tradicional combina las tres actividades separadas de generación,



transmisión y distribución en un solo negocio. Sin embargo, dentro de este nuevo ambiente, el negocio de generación estará abierto a la competencia, proviendo nuevas oportunidades y opciones. Los consumidores tendrán la opción de seleccionar a su generador o proveedor de energía casi de la misma manera en la que escogen a su servicio telefónico de larga distancia, como por ejemplo AT&T, MCI o Sprint. TEP continuará entregando poder eléctrico en sus líneas existentes hasta sus hogares y centros de trabajo, y también continuará ofreciendo servicios de atención al cliente, tales como reparaciones por corte de energía eléctrica y preguntas sobre sus cuentas.

¿Qué competidores empezarán a ofrecerte sus servicios para venderme energía eléctrica?
 Se espera que los nuevos competidores del mercado serán otros servicios públicos importantes, tanto regionales como estatales; productores independientes de energía, así como "comercializadores de energía". Ellos son un creciente grupo de intermediarios sin plantas de fuerza propias, pero que pueden coordinar la compra de energía para Ud.

¿Cuándo iniciará la selección por parte del cliente?
 En algunos estados como California ya ha empezado la selección del cliente. En Arizona, la Legislatura estatal y la ACC han decidido incorporar la competencia paulatinamente en un plazo de dos años, comenzando el primero de enero de 1999.

¿Quiénes estarán afectados?
 Tres grupos de clientes tendrán la oportunidad de hacer su selección en enero de 1999:

- ▶ Grandes clientes industriales cuyo uso/demanda promedio sea de 1 megawatio (MW) o más, tales como minas, refineries, fábricas, y lugares de verano. (TEP actualmente sirve a aproximadamente 40 clientes de esta categoría en el Condado Pima).
- ▶ Clientes comerciales de menor escala cuyo uso máximo totalice 40 kilovatios (KV) o más, que puedan combinarse con otras entidades similares para alcanzar

power over its existing power lines to your home and business, and also will continue to provide customer services such as outage repairs and billing inquiries.

What new competitors will begin offering to sell me power?

Other major utilities in Arizona; major regional utilities; independent power producers; and "power marketers," an emerging class of middlemen who do not own power plants but arrange to purchase energy for you, are expected to compete in the new marketplace.

When will customer choice begin?

In some states, such as California, customer choice already has begun. In Arizona, the State legislature and the ACC have chosen to phase-in competition over a two-year period beginning January 1, 1999.

Who will be affected?

Three customer classes will be given the opportunity for choice on January 1, 1999:

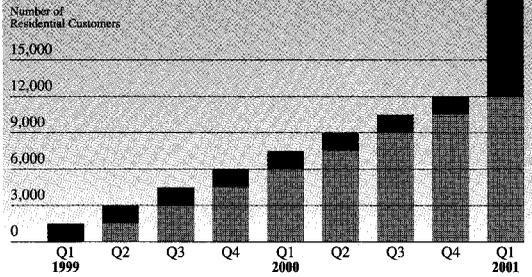
- ▶ Large industrial customers whose average usage/load is 1 megawatt (MW) or above, such as mines, refineries, factories, and resorts. (TEP currently serves about 40 such customers in Pima County.)
- ▶ Somewhat smaller commercial customers whose individual peak usage totals 40 kilowatts (KW) or greater who can aggregate with other like entities to reach a total load of 1 MW. For example, these customers can include convenience stores, fast-food restaurants and large retail stores.
- ▶ One half of one percent of TEP's residential customers (about 1,500 total) can choose to participate. Every three months, an additional one half of one percent of residential consumers will have the opportunity to choose.

By January 1, 2001, customer choice will be available to all Arizona consumers.

What "choice" do I actually have?

TEP customers can choose to have TEP continue to provide their power or select another energy provider. If

Timetable for Deregulation



you select a new energy provider, you also will have the option of selecting a different company to read your electric meter and a different company to handle your billing.

Who stands to gain from competition?

Will only large customers benefit?

It is likely that large customers with greater energy loads and more negotiating clout will see the most benefits initially.

Will residential consumers benefit from lower prices?

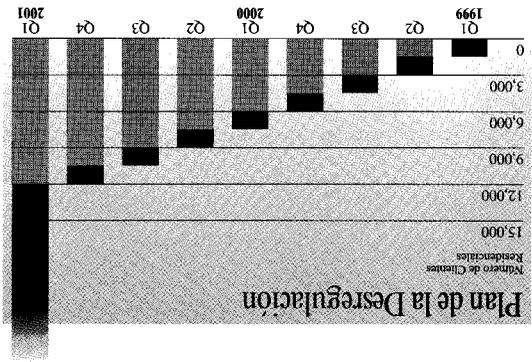
TEP is working to ensure *all* customers benefit from competition. In theory, prices ultimately will be lower for customers in a competitive market. But how much of this price relief will benefit residential customers is uncertain.

How can residential customers take advantage of this new competition?

Access to the residential phase-in program will be on a first-come, first-served basis. TEP will maintain a waiting list to manage the residential phase-in program. Again, all customers will be entitled to competitive electric services no later than January 1, 2001.

What do I have to do to have a choice?

Assuming you are in one of the customer groups selected for the initial phase-in, you will receive a packet of materials from TEP in mid-September 1998 explaining "Customer Choice." This packet will include an "Ex-



un total de 1 MW. Por ejemplo, estos clientes pueden incluir tiendas de servicio rápido, restaurantes de comida al paso y grandes tiendas comerciales. ▶ Inicialmente, la mitad del uno por ciento de los clientes residenciales de TEP (aproximadamente un total de 1500 hogares) tendrán la opción de participar. Cada tres meses, una mitad adicional del uno por ciento de los clientes residenciales tendrán la misma oportunidad. Para el primero de enero de 2001 todos los clientes en Arizona podrán seleccionar.

?Qué "opción" voy a tener en realidad? Los clientes de TEP pueden mantener a TEP como su proveedor o bien, elegir a otro suministrador de energía. Si Ud. se decide por un proveedor nuevo, también tendrá la opción de seleccionar una compañía nueva para que ésta realice la lectura de su medidor y otra compañía diferente para que se encargue de su recibo.

?Quién se beneficiará más con la competencia? Sólo se beneficiarán los grandes clientes? Es probable que los clientes grandes que tengan elevadas demandas de energía y que logren negociaciones más ventajosas sean los que más se beneficien inicialmente. Los clientes residenciales se beneficiarán con precios más bajos? TEP está trabajando para asegurarse de que todos sus clientes se beneficien de la competencia. Teóricamente, los precios serán aún ultimadamente más bajos para los

clientes que se encuentran en un mercado competitivo. En este momento es difícil estimar cual será el beneficio exacto para los clientes residenciales.

¿Cómo pueden los clientes residenciales beneficiarse con la nueva competencia?

El programa de incorporación paulatina de los clientes residenciales se basará en el concepto de "primero que venga, primero sea atendido". TEP mantendrá una lista de espera para administrar este programa de acceso gradual. Todos los clientes tendrán el derecho a gozar de servicios eléctricos competitivos a más tardar el primero de enero de 2001.

¿Qué debo hacer para poder elegir?

Asumiendo que Ud. se encuentra en uno de los grupos de clientes anteriormente seleccionados para la incorporación paulatina, Ud. recibirá un paquete informativo de TEP a mediados de septiembre de 1998 explicando todo lo relacionado a las "Opciones del Cliente". Este paquete incluirá una tarjeta de "Muestra de Interés" que debe regresarse a TEP a partir del primero de octubre de 1998. Si Ud. está interesado en escoger un nuevo proveedor de energía, deberá enviar esta tarjeta que lo incluirá en el grupo de Opciones del Cliente. Después Ud. recibirá informaciones adicionales acerca del programa "Opciones del Cliente".

¿Cómo cambiará mi servicio eléctrico?

Ud. no notará ninguna diferencia en su servicio eléctrico sin importar a quién haya Ud. seleccionado para proveerle energía eléctrica. De una u otra forma, TEP continuará suministrándole poder mediante sus líneas existentes hasta su hogar o negocio. Asimismo, continuará proveyéndole otros servicios existentes como son las reparaciones por falta de energía.

¿Continuaré recibiendo un servicio eléctrico confiable?

TEP se enorgullece de operar uno de los sistemas eléctricos más confiables del mundo. Mientras que todas las partes involucradas, incluidos los nuevos suministradores, mantengan los mismos estándares de

pression of Interest" reply card to return beginning October 1, 1998. If you are interested in choosing a new energy provider, you should return this card which places you in the pool for customer choice. At that point, you will receive additional information about customer choice.

How will my electric service change?

You should not notice any difference in your electric service, regardless of whom you choose to provide your power supply. Either way, TEP will continue to deliver the power over its existing lines to your home or business and will continue to provide existing services such as outage repairs.

Will I still receive reliable electric service?

TEP is proud to operate one of the most reliable electric systems in the world. So long as all parties, including new energy providers, are held to the same standard of operational reliability, consumers should enjoy the same level of reliable service they have come to expect from TEP.

Who do I call if the lights go out?

Your current electric company. In this case, TEP will remain the local regulated distribution company and will continue to service the poles and wires that bring electricity to your home or business.

What if I'm happy using TEP as my energy provider?

TEP will continue as the energy service provider for customers who do not select another provider. No one will be forced to switch providers. Even if you don't switch, you will benefit from competition as it pressures all providers to keep prices as low as possible.

Will customer choice change what my electric bill looks like?

Yes. Your monthly electric bill will be itemized to include separate charges for the energy supplied by your generation company and delivery of that power by TEP. In fact, if you choose a new energy service provider, you can select to receive two separate bills.

Will competition mean new kinds of products and services?

Yes. Customer choice will lead to the development and application of many new products and services resulting from advanced technologies.

What are some of the products and services I can expect from competition?

TEP has always been interested in providing innovative products and services that will help you save money and make your life simpler. Some include:

- ▶ Time-of-use pricing options;
- ▶ 24-hour ATM-like PayStations;
- ▶ New, more informative bills;
- ▶ Incentive to use renewable energy;
- ▶ A 24-hour voice response system;
- ▶ Home Energy Audits; and
- ▶ Energy-efficient home construction programs.

In years to come, consumers can expect to see:

- ▶ More choices in price, billing and payment options;
- ▶ “Smart” appliances that operate when electric prices are low;
- ▶ “Green” power produced by renewable energy sources;
- ▶ Appliance warranty programs;
- ▶ Interactive communications with your utility to notify you of significant changes in your power use or to read your meter; and
- ▶ Combined services from telephone, cable TV and energy management companies at a combined price.

Why would TEP want competition in its own backyard?

TEP favors customer choice because we believe competition ultimately will provide lower prices to customers, while increasing operational efficiencies for TEP. Consumers also will have ultimate control over where and how you spend your energy dollars.

TEP currently provides a number of environmental and social programs, such as

TEP siempre ha estado interesado en proveer productos y servicios innovativos que lo ayuden a ahorrar dinero y que le simplifiquen la vida. Algunos ejemplos son:

- ▶ Opciones de precio por tiempo de uso
- ▶ Centros de pago tipo ATM las 24 horas del día

¿Cuáles son algunos de los productos y servicios que puedo esperar de esta competencia?

La competencia incluirá nuevos tipos de productos y servicios. Si las opciones del cliente conducirán al desarrollo y aplicación de muchos productos y servicios nuevos, los cuales serán el resultado de tecnologías avanzadas.

de mi recibo de servicio eléctrico? Si su cuenta de servicio eléctrico mensual presentará un formato específico para incluir cargos separados por la energía suministrada por su compañía generadora y el suministro de ese poder por TEP. De hecho, si Ud. elige un nuevo suministrador de energía, Ud. puede solicitar que le envíen dos recibos separados.

¿Qué sucede si estoy satisfecho con el servicio de TEP como mi proveedor de energía? TEP continuará siendo el proveedor de energía para todos los clientes que no seleccionen otro suministrador. Nadie estará obligado a cambiar de proveedor. Aunque Ud. no cambie de proveedor, se beneficiará con la competencia, ya que esta presiona a todos los proveedores a mantener los precios lo más bajo posible.

¿A quién llamo si se me corta la luz? A su compañía de electricidad actual. En este caso, TEP continuará como la compañía local de distribución reglamentada y continuará brindándole servicio a los postes y alambrado eléctrico que llevan electricidad a su hogar o negocio.

confiabilidad operacional, los consumidores disfrutarán del mismo nivel de servicio confiable al que han estado acostumbrados con TEP.

- Formatos de recibos novedosos y más informativos
- Incentivos para usar energía renovable
- Sistema de contestadora automática las 24 horas del día
- Revisiones de energía doméstica en el hogar, y
- Programas de construcción de hogares para el uso eficiente de energía.

En los años venideros, los consumidores podrán contar

con:

- Más opciones en precios, cobros y pagos
- Aparatos electro-domésticos "inteligentes" que operen en las horas en las que los precios por electricidad son más bajos

► Poder "verde" producido por fuentes de energía renovables

► Programas de garantía de aparatos electro-domésticos

► Comunicaciones interactivas con su compañía de servicio público para notificarle cambios significativos en su uso de energía o en la lectura de su medidor, y

► Servicios continuados de las compañías de teléfono, cable y administración de energía a un precio

combinado.

?Por qué TEP quiere competencia en su propio territorio?

TEP promueve las opciones del cliente porque creemos

que ultimadamente, la competencia proveerá precios más bajos para los clientes y al mismo tiempo aumentará

la eficiencia operacional de TEP. Los consumidores

tendrán el control total sobre el lugar y la manera en la que gastan en su energía eléctrica.

Actualmente TEP provee un número de

programas sociales y de beneficio al medio

ambiente, tales como asistencia para personas

de bajos recursos y las llamadas Programas

Salvavidas. ¿Conducirá la competencia a su

eliminación?

No. La ACC ha señalado que los programas actuales

para personas de bajos recursos y los programas de uso

eficiente de energía continuarán por lo menos a través

low-income energy assistance and life-line programs. Will competition lead to the elimination of these programs?

No. The ACC has indicated that current low-income and energy-efficiency programs will continue at least through the initial phase of competition. Costs for these programs will be borne by all customers through a System Benefits charge.

How are consumers' rights protected? Who will handle any complaints I have?

The Arizona Corporation Commission is working on "The Arizona Electrical Consumer Bill of Rights" to ensure Arizona consumers will be protected from scams and other unfair business practices. To file a complaint, you can call the ACC's local office at 628-6596.

Where can I turn for more information about customer choice and competition?

TEP will continue to keep customers informed through educational brochures like this, radio and TV spots, bill inserts and at our web site: www.tucsonelectric.com. In addition, TEP representatives are available to speak about competition and customer choice. If you belong to a business or community organization within TEP's service territory and would be interested in a presentation, please contact us at (520) 884-3984.

Is there any other place I can turn to for unbiased information?

Yes. You can call the Arizona Corporation Commission at 1-800-222-7000, or you can visit the ACC's web site: www.cc.state.az.us.

Terms to Know

Generation This is the process of making electricity at a power plant. This is the part of the industry that will be opened up to competition.

Energy Provider The company that will generate or provide electricity. Also can be referred to as generation/ electricity supplier, independent power producer, power marketer, or aggregator.

Transmission This is the process of delivering electricity from a power plant over high voltage power lines to local distribution lines within a community. Transmission will remain regulated by the Arizona Corporation Commission.

Distribution This is the process of delivering electricity through lower voltage lines to your home and business. Distribution also will remain regulated by the ACC.

Investor-Owned Utilities Utilities that are privately owned, tax-paying businesses financed by the sale of securities and stock to the general public. Investor-owned utilities in Arizona, including TEP, are regulated by the ACC.

Government-Operated Utilities These utilities include federal power agencies, state projects, public power districts and municipally-owned systems, all of which are financed through tax-exempt bonds. The ACC does not regulate these entities.

Residential Customers Consumers living in homes and apartments. This is the largest customer category.

Commercial Customers Businesses such as restaurants, stores, hotels, office buildings, hospitals, warehouses, etc. This is the second largest customer category.

de la fase inicial de competencia. Los costos de estos programas serán sufragados por todos los clientes a través de un cargo de Sistema de Beneficios.

? Como se protegerán los derechos del consumidor? Quién resolverá mis posibles reclamos?

La ACC está actualmente redactando una "Declaración de los Derechos del Consumidor de Electricidad de Arizona" para asegurarse de que todos los consumidores de Arizona se encuentren protegidos de fraudes u otras prácticas ilegales. Para presentar un reclamo, Ud. puede llamar a la oficina local de la ACC, al 628-6560.

? Donde puedo conseguir mayores informes acerca de las opciones del cliente y la competencia?

TEP mantendrá informados a todos los clientes mediante folletos como éste, anuncios de radio y televisión, volantes dentro de su recibo mensual y en nuestra web site: www.tucsonelectric.com. Asimismo, los representantes de TEP están a su disposición para hablar con Ud. sobre las opciones del cliente. Si Ud. es integrante de un negocio o de una organización comunitaria dentro del territorio de servicio de TEP y estaría interesado en una presentación, por favor llámenos al (520) 884-3984.

? Hay algún otro lugar aparte de TEP en el que puedo obtener información objetiva?
 St. Ud. puede llamar a la ACC al (800) 222-7000 o bien, puede visitar su web site www.cc.state.az.us.

Generación Este es el proceso que consiste en generar electricidad en una planta de fuerza. Esta es la parte del sector de energía eléctrica que se abrirá a la competencia.

Proveedor de Energía La compañía que generará o proveera electricidad. También puede referirse al generador/proveedor de energía, productor de poder independiente, comercializador de poder o agregador.

Transmisión Este es el proceso de entregar electricidad desde una planta de fuerza, utilizando líneas eléctricas de alta tensión, hasta las líneas de distribución local dentro de una comunidad. La transmisión seguirá siendo reglamentada por la Comisión Corporativa de Arizona (ACC).

Distribución Este es el proceso de entregar electricidad a través de líneas eléctricas de más bajas tensiones hasta su hogar y negocio. La distribución también seguirá siendo reglamentada por la ACC.

Servicios Públicos de Inversión Privada Servicios públicos que son negocios de propiedad privada. Pagan impuestos y son financiados con la venta de valores y acciones al público en general. Los servicios públicos de inversión privada en Arizona, incluyendo a TEP, son normados por la ACC.

Servicios Públicos Operados por el Gobierno Estos servicios públicos incluyen las agencias federales de poder, proyectos estatales, distritos públicos de poder y sistemas de propiedad municipal, los cuales son financiados a través de bonos exentos de impuestos. Estas entidades no son reglamentadas por la ACC.

Clientes Residenciales Clientes que viven en casas y departamentos. Esta es la categoría de clientes más grande.

Clientes Comerciales Negocios tales como restaurantes, tiendas, hoteles, edificios de oficinas, hospitales, depósitos, etc. Esta es la segunda más grande categoría de clientes.

Industrial Customers Although they account for less than one percent of total customers, they buy about one-third of all electricity sold. Industrial customers include mines, refineries, factories, and other large industrial plants.

Aggregation The bringing together of a group of customers to create a larger load, thus allowing them to negotiate a better price for electricity purchases.

Cientes Industriales A pesar de que constituyen menos del uno por ciento del total de clientes, ellos compran aproximadamente un tercio de toda la electricidad vendida. Los clientes industriales incluyen a las minas, refinerías, fábricas, y otras plantas industriales grandes.

Agregación El acto de juntar un grupo de clientes para crear una mayor demanda de energía, lo cual les permite negociar un mejor precio en la compra de energía eléctrica.

PowerLines

Energy Tips:

- *The cooling effect of ceiling fans is based on the concept of evaporation. As the air flows across bare skin, it reduces skin temperature as much as six degrees. To get the best from your ceiling fans, use them only in occupied rooms. Reduce your monthly energy bill by increasing your air conditioner thermostat by 4-6 degrees and using ceiling fans when you're at home.*
- *Keep your air conditioner thermostat at the highest comfortable setting. A setting above 70 degrees is recommended – for each degree above 70 you save approximately 8% in cooling costs.*
- *Turning your thermostat setting extra low does not cool your home faster. A lower setting makes the unit run longer, not colder. In addition, your air conditioning fan should be set on AUTO for the unit to operate properly.*

New and Convenient Payment Locations

Thank you for your survey responses to the last issue of PowerLines. You asked for more convenient payment locations, and we've responded with more options than ever before! You can now pay your TEP bill online at usps.com under eBillPay and at the following locations:

COURTESY PAYMENT BOX LOCATIONS

ALL Fry's Food & Drug Stores	7870 N. Silverbell Rd.
.....	7951 N. Oracle Rd.
.....	10661 N. Oracle Rd.
.....	7050 E. Golf Links Rd.
.....	902 W. Irvington Rd.
.....	2001 E. Irvington Rd.
.....	2950 W. Ina Rd.
.....	3770 W. Ina Rd.
.....	7812 E. Speedway Blvd.
.....	2480 N. Swah Rd.
.....	10450 N. La Canada Dr.
.....	555 E. Grant Rd.
.....	3920 E. Grant Rd.
.....	4036 N. 1st Ave.
.....	3640 S. 16th Ave.
.....	4150 E. 22nd St.
.....	7050 E. 22nd St.
.....	9401 E. 22nd St.

Super Kmart 1800 W. Valencia Rd.

GREEN VALLEY Safeway 260 W. Continental Rd.

TRAVELERS EXPRESS PAYMENT AGENTS

* All Southwest Supermarkets (ACE/Quick Cash)	1775 W. Ajo Way
.....	3030 E. 22nd St.
.....	3356 S. 6th Ave.
.....	719 E. Fort Lowell Rd.
.....	635 W. Valencia Rd.
.....	1225 W. St. Mary's Rd.
.....	1830 E. Irvington Rd.

*ACE/Quick Cash	2410 S. 6th Ave.
.....	454 W. Valencia Rd.
*ACE Americas Cash Express	77 S. Kolb Rd.
.....	5518 E. Speedway Blvd.

* Fee may be charged to process payments. See location for details.



In July, the rate you pay for electricity will drop again by one percent. This is the third decrease in your rates from TEP in three years. Just one of the many ways TEP brings you the most value for your energy dollar!

While prices for other fuel, like natural gas, continue to rise, electricity remains one of the most cost-effective sources of power available today. For all of life's conveniences at pennies per hour, on average \$2.30 per day, electricity is the best choice you can make. And TEP brings it all to you with hassle-free, reliable service. We are proud to serve you today, and we want to earn your business in the future!



Make the Move.com

If you're contemplating a move, either across town or across the country, MakeTheMove.com can make relocating easier than ever before! Simply visit www.makethemove.com and you can transfer your residential services for free!

Electricity, phone, cable, newspapers, etc. are all just a click away! In Tucson, MakeTheMove is sponsored by TEP.



The Energy People
A UniSource Energy Company

www.tucsonelectric.com

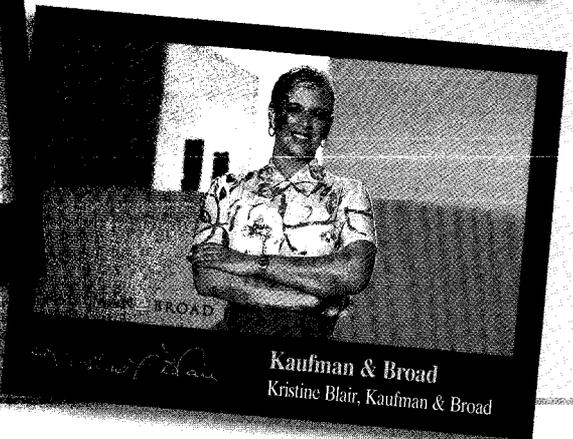
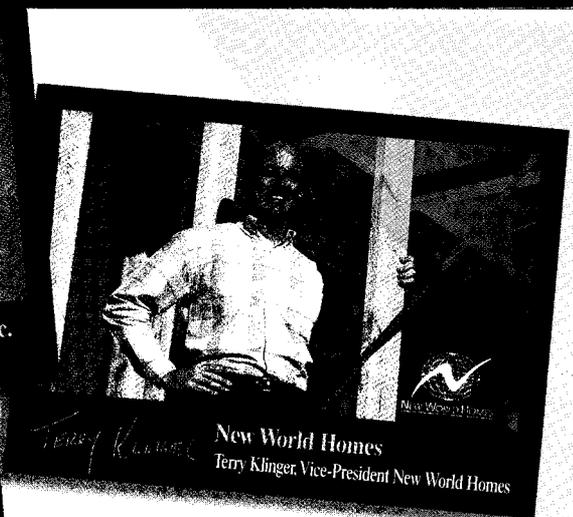
ELECTRICITY	Tucson Electric Power Company
LABEL	Residential Pricing Plan - Dec. 01, 2000
Price of Generation	\$ 0.045 to \$ 0.044 / kWh
Contract	Minimum length per Pricing Plan Market-based prices calculated quarterly
<small>(800) 623-7171 (T) 520-328-3833 (local calling area)</small>	

Interested in a Guarantee Home? Contact any of these Guarantee Builders:

Available From:

- Arizona Sunwest
544-4010
- Authentic West
886-3219
- Barnett Building & Development
749-4377
- Big Framing &
General Contracting, L.L.C.
319-9205
- Bohm Development
Casitas at Paseo Tierra
977-3094
- Diamond Key Homes
Rita Ranch III
574-3992
- Doucette Homes, Inc.
Tanque Verde Woods
622-7373
- Dowers Development
298-9301
- Enchanted Homes by Rorbach
792-9944
- First Integrity Development
991-7318
- Gene Goldstein Construction Mgmt.
529-6060
- The Genessee Company
Sagewood
544-9191
- Habitat for Humanity
326-1217
- J. Nickolas Company
219-5464
- Jamezon Custom Builders, LLC
237-7312
- John Wesley Miller Companies
Armory Park del Sol
325-3313
- KE&G Homes
Civano
546-2984
- Kaufman & Broad
AZ San Xavier
799-9602
- The Kemmerly Company
321-1190
- Mackley Bros. Contractors
647-7372
- Mark Whipp Signature Homes
237-7490
- McCreary Homes, Inc.
290-8386
- MegaTrend, Inc.
471-0004
- Milestone Homes
322-6336
- Miramonte Homes
Barrio del Este
Park Place
325-4663
- New World Homes
Desert View
806-1293
- Ollanik Construction Co., Inc.
326-1972
- Peyton Taylor Homes
722-1600
- Primavera Builders
882-5383
- Steve Emory
631-1748
- Steven J. Fetterly
Development, Inc.
240-8863
- The Springs at Santa Rita
648-7660
- Talavera Design & Construction
320-3702
- Tara-Sun Corp.
760-1944
- T.J. Bednar & Company
Civano
722-1254
- Copper Ridge
219-1789
- Whetstone Homes
Monte Vista
296-1533
- TEP Guarantee Hotline
884-3616

Gotta Get a Guarantee Builder!



Got Questions? Ask the Electric League!

It's the hot season again in Tucson! If you are considering professional maintenance or the purchase of an efficient heat pump, air conditioner or evaporative cooler, you may be overwhelmed by all the choices you have. Help is one phone call away! The Electric League is a professional service available to answer your questions on residential and commercial services.



From upgrading your electric panel to advice on heating and cooling equipment, the Electric League has professionals ready to help. Call them today at 882-4040.



The Energy People

A UniSource Energy Company

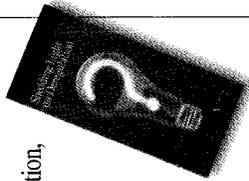
www.tucsonelectric.com

Electric Deregulation is Here.

How and who you buy electricity from is changing. In the past, electric utility companies provided you with *Generation, Transmission, and Distribution*. Now with deregulation, *Generation* will be open to competition in stages. Which means you may have the option to choose a new electric service provider. TEP will continue the *Transmission and Distribution* portion of your electric service, regardless of who you choose for *Generation*.

To learn more about electric deregulation, Tucson Electric Power Company has put together a simple brochure, *Shedding Light on Deregulation: Answers to Your Questions About Electric Competition*.

Call us today for your free copy at 623-7711.



Para obtener la información contenida en este folleto, así como el folleto "Alumbrando el Camino hacia la Deregulación: Respuestas a sus Preguntas sobre la Competencia Eléctrica" en español, sírvase llamar a nuestro Departamento de Atención a Clientes, al 623-7722.

Your New Billing Statement

The Beginning of Electric Competition.



If you have any further questions, please call us at 623-7711.

www.tucsonelectric.com

220 W. Sixth Street, P.O. Box 711, Tucson, AZ 85702
Customer Service: (520) 623-7711 or 1-800-328-8853
Telephone hours: Mon. - Fri., 7 a.m. to 9 p.m. and Sat., 8 a.m. to 5 p.m.
Office hours: Mon. - Fri., 8 a.m. to 5 p.m.



Your New TEP Billing Statement, A Tool for Cost Comparison.

To help you choose your electric service provider, your billing statement has taken on a whole new look. Services and charges that were combined or "bundled" before have now been broken down and itemized or "unbundled".

1 If you choose to stay with TEP, these "Competitive Charges" will be billed at your current rates.

2 Services and charges for TEP delivery services will remain the same, regardless of who you choose as your electric service provider.



Account:
Customer Name:

9654757002
CUSTOMER, JOHN J; CUSTOMER, DENISE M

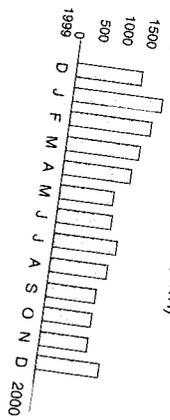
SAMPLE: Standard Offer Residential Bill

R01-Residential (Service No. 9654752644)

Cost of Electric Service Used
COMPETITIVE CHARGES
Generation of Electricity
Transmission & Ancillary Billing
Meter Services
Meter Reading

42.55
9.27
1.00
0.80
0.51

Your average cost per day for this Bill was \$4.51
Historical Usage (KWH)



TEP DELIVERY SERVICES
Customer Charge
Distribution Delivery System Benefits
Competitive Transition Charge

2.69
36.16
1.84
28.92

TAXES AND ASSESSMENTS
ACC Assessment
RUCO Assessment
City Franchise Fee
State Sales Tax
City Sales Tax

0.19
0.07
2.47
6.33
2.47

Total Electric Service Charges
\$135.27

Meter	Unit of Measure	Next Read Date	Current Read Date	Prior Read Date	Days	Current Reading	Prior Reading	= Reading Difference	x Multiplier	= Usage
XH-44935	KWH	7-1	6-2	5-3	30	2032	1904	0.128	10	1280

Electric Deregulation Q & A:

Q. Do I have to choose a new electric service provider?
A. No. You can stay with TEP and receive the same service and rates you are receiving now. In fact, with TEP's current rate freeze, your rates will be guaranteed to remain the same through 2008.

Q. How will I be able to choose?

A. First, determine if you want to choose a new electric service provider. You can obtain a list of ESPs (Electric Service Providers) authorized to do business in Arizona by visiting the ACC's website at <http://wwwcc.state.az.us> or by calling the ACC at 1-800-222-7000. You can also obtain this information by contacting TEP at 623-7711. Second, once you have chosen a new provider, the ESP will contact TEP and make arrangements to switch your service. Third, if you choose an ESP, you could receive a bill from your ESP and a bill from TEP.

Q. So, I could get two separate bills for different electric services?

A. If you select a new electric service provider, you have several billing options. You may get your bill from your utility distribution company (TEP), or from your electric service provider. If you choose, you can even receive two separate bills.

BUSINESS EDGE

You're Hired!

You can't clone yourself—
but you *can* hire workers who
share your passion

.....

Competitive Choice

How will electric
competition
affect your
business?

.....

Top Biz Trends

How the big
stuff affects
us little guys

SUMMER 2000

TUCSON ELECTRIC POWER
PO BOX 711
TUCSON, AZ 85702

BULK RATE
US POSTAGE
PAID
BUSINESS
EDGE

BROUGHT TO YOU BY



WWW.TUCSONELECTRIC.COM



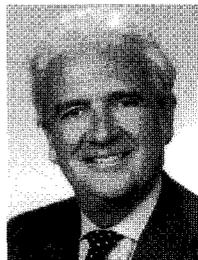
THANK YOU FOR YOUR SUPPORT

Tucson Electric Power Company is proud to send you this third issue of *Business Edge* magazine. Our goal is to provide you with a business resource you can really use. For example, if you are about to hire new employees, the cover story "You're Hired!" is a must-read.

Whether this is your first experience with hiring or you're an old hand at the personnel game, we think you'll find some practical ideas, tips and insights.

As it turns out, one trend identified in the article "Top Biz Trends" focuses on the way employee attitudes about their jobs are changing. Ultimately the way we all do business could be affected.

And speaking of change, as energy deregulation becomes part of the Arizona landscape, we at Tucson Electric Power Company have received many questions about what it will mean. In the feature article "Competitive Choice," we talk about the basics of deregulation and provide you with further information about this timely

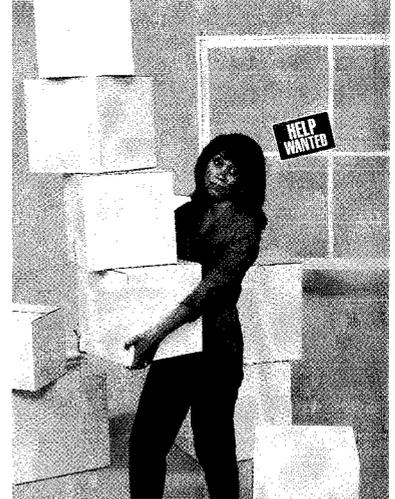


topic. As business owners, you can rely on Tucson Electric Power Company as a community resource to provide honest, accurate information to help you make the best business decisions possible.

Because we have provided dependable electric service to Tucson for over 100 years, we value the success of your business as a key to the greater prosperity of our community.

May Your Summer Be Prosperous!

Jim Pignatelli
Chairman, President and CEO
Tucson Electric Power Company



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New trends will change the way you run your business

8 Staffing Up

How to hire and train workers who share your passion

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How will electric competition affect you?



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The best of the business press

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Stopping the Brain Drain • Home Office Etiquette • Freedback.com: A Success Story • Employee or Freelancer • The Largest Economic Entity in the World

ARE YOUR OPINIONS WORTH \$500? READ ON!

Business Edge magazine is delighted to announce that it will give away \$500 cash to some lucky small business owner in the first ever *Business Edge Sweepstakes Drawing* to be held August 31, 2000. Simply click on www.bizedgemagazine.com/survey17 and fill out a short survey online. Entry is free. Your completed survey by return e-mail is your entry in the Sweepstakes Drawing. Good luck!



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THEBUZZ

THE BEST OF THE BUSINESS PRESS

The New VCs: Red Herring asked several venture capital companies why, in an era of unprecedented success, they are tearing down their old methods of doing business. The answer: There's so much money available to entrepreneurs—even for mediocre ideas—that VCs have to offer something more than cash. Expect the new generation of venture capitalists to offer assistance at every stage of a startup, from management to networking. But any VC worth his salt is doing well in this bull market. "The best way to measure the quality of a business model is to see how it withstands an inhospitable market," says the article, "a test that...many other new firms have yet to take."

It's the Economics, Stupid! Internet industry watcher The Industry Standard expects minority-targeted Web sites to be big business in the coming months. A recent Forrester Research survey indicated black Internet users have grown 42 percent in the past year. One site, BlackPlanet.com,

registered 10,000 users in its first month of business; six months later, they were up to 100,000, with 40 million page views a month. The bottom line: VCs are left kicking themselves for overlooking such an obviously underserved market. Duh!

Crash Course: Entrepreneur magazine's cover story asks the question we all hope to face one day: How do you deal with too much success, too fast? The dangers lie in mismanaging growth, not staying focused on the core business, and losing touch with what's important (to yourself and your business). The solution? Plan your business with the assumption you'll be more successful than your wildest dreams. Realize that your business will not operate as it did before its success—and realize that you will change, as well. Be prepared to make some hard

choices about what you'll give up to keep up with your own good fortune.

Should You Lie? A recent Fortune Small Business (FSB) issue asked this question of executives and business ethicists. "We all carry around two sets of ethics," the article explains: Personal ethics and "game ethics," the set of ethics that allows for misdirection because it's all part of the game (think poker). The verdict: Business operates more like a game than like your personal life, but you should ask yourself if it's fair to burden other people with the risks of a venture without telling them about those risks first.



Southwest Energy Solutions

A UniSource Energy Company

Southwest Energy Solutions, Inc. is a unique electrical contractor that truly cares about its customers. Southwest Energy Solutions provides services from Infa-Red preventative maintenance to installation of wiring, lighting, motor controls and emergency repair work. Southwest Energy Solutions has service professionals trained in all aspects of electrical system integration for commercial and large industrial customers. Call now for your estimating needs and electrical consultation.

- ▶ **Wiring Solutions and Installation**
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Southwest Energy Solutions, Inc.

2450 N. Flowing Wells Road, Tucson, AZ 85705 • Tel: (520) 745-3333 ext. 109 • Fax: (520) 903-9106

Liar, Liar

▶ CAN YOU TRUST WHAT YOU CLICK?

A fundamental truth of e-commerce is that content draws audiences into a Web site. But what if the audience can't, or won't, trust the information they read? Last year's hit, "The Blair Witch Project," succeeded largely through word-of-mouth hype generated from the Internet (although rumors persist that 20 of its fan sites were fakes). Customer reviews, on sites such as Amazon.com, allow readers to rank a book—but anyone who ranks the book has to read it first, and a nonprofessional who takes the time to read and



review a book is most likely already a big fan of the author.

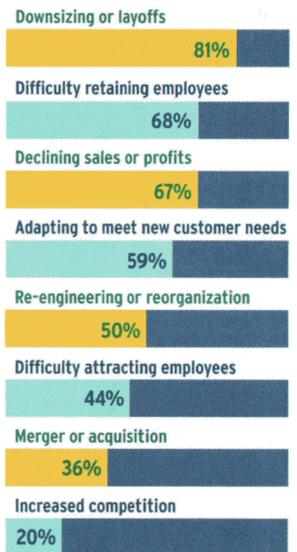
Anyone who's spent a few weeks on the Web learns to take any opinions they read with a grain of salt. The largest red flag is the anonymous opinion—a review or commentary from a faceless entity somewhere out in Net-land. For buying advice, consumers generally value opinions that have a name, and preferably a face, behind them.

They check credentials, too: If your Web site offers a way around the problem of anonymous opinion, let the reader know.

Finally, watch out for variations on your domain name. Plenty of scam artists, activists and e-terrorists have set up bogus Web sites at easy-to-mistype domains: Yohoo.com, Amazoon.com and MicrOsoft.com, for example.

WORKPLACE MORALE BUSTERS

Gallup and Carlson Marketing Group recently conducted a survey of 362 senior managers at companies with at least 500 employees about which major workplace changes negatively affect employee satisfaction.



Sources: The Gallup Organization, Carlson Marketing Group's 1999 American Workforce Study

12

Basic Rules to Reduce Energy Consumption at the Office

1. Turn it off whenever possible.
2. Don't forget the "hidden" machines and equipment - the almost silent photocopier, computer or scanner.
3. Adjust controls to a temperature, speed, or other setting that uses less energy but still does the job properly.
4. Use your equipment more efficiently—for example, load it to capacity rather than do partial loads.
5. Clean, tune and adjust, lubricate, replace worn parts, and otherwise maintain the equipment.
6. Don't create unnecessary problems—for example, don't release process heat inside your building where the air conditioning system must then cool it.
7. Manage your electricity use to avoid additional costs if your rate includes charges for demand.
8. When equipment that is worn out must be replaced, choose the most energy-efficient replacement, properly sized to meet the needs of the job.
9. If cost-justified, do a major overhaul to make equipment more energy efficient.
10. If cost-justified, replace equipment that still operates, with more energy-efficient equipment. Usually the best cost justification scenario is when a less efficient unit breaks down and you replace it with a more efficient one.
11. Install new automatic controls, if cost-justified.
12. Consider using waste heat to advantage—for example, excess process heat may be used to help warm the building or heat water, or even used to create steam and electricity.

Is Your ISP All It Could Be?

► QUESTIONS TO ASK

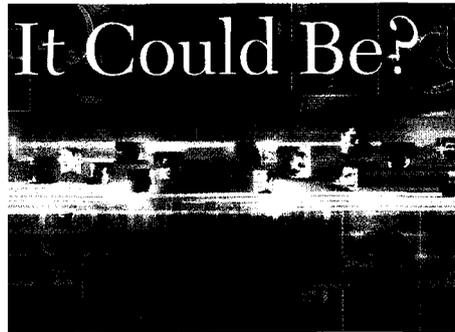
Is your Internet Service Provider getting stale? Questions to ask yourself about your ISP:

Is it keeping current? Has your ISP implemented cable modems, DSL or ISDN? Or does it max out at 56 Kbps?

Is your ISP a committed spam fighter? Would your current ISP sell your name and contact data to spammers? If privacy and an uncluttered inbox are important to you, it's time to say goodbye.

Do they support 24/7/365? Does your ISP offer decent tech support? At 3 a.m.? Immediately? Nothing is more frustrating than not getting the help you need, when you need it.

Can you dial in from the road? If you travel a lot, make sure your ISP has local dialup numbers where you'll be traveling.



Will your ISP help your e-business? Some ISPs offer multiple e-mail addresses for free, while others charge \$5 a pop or more. If e-commerce is important to your business down the line, make sure your ISP offers online credit card purchasing, shopping carts and encryption.

Are you paying the best price? If you're online just for e-mail, metered or hourly rates may be the best option. If you're online all day, look for a flat fee. Most ISPs offer unlimited connect time for \$20 a month.

VIRTUAL STAMPS

Tired of waiting in line at the post office? Buy your postage online from one of four companies. You won't be alone: International Data Corp. says revenues at e-stamp firms may reach \$300 million this year.

► Stamps.com

Download the free software

or visit www.stamps.com to order a CD-ROM. The monthly fee is 10 percent of the postage bought, with a \$2 minimum and \$20 maximum. Stamps.com maintains an online account that stores your postage value online. You'll need a digital scale (\$50) to interface with stamps.com (you must be online when you buy a stamp).

► E-Stamp

Download software from estamp.com for \$50 or buy it from a retailer. Pricing is 10 percent of monthly postage, but with a \$5 minimum and \$50 maximum. You don't have to be online each time you stamp your mail: E-Stamp gives you software and a

storage vault that plugs into your PC.

► Pitney-Bowes ClickStamp

This system, still pending USPS approval, will be like E-Stamp, featuring an offline storage vault that plugs into your PC. Pitney-Bowes' Clickstamp Web site (<http://vm1.pb.com/home/>) says they won't charge for the software. Monthly fees should be similar.

► Neopost's Simply Postage

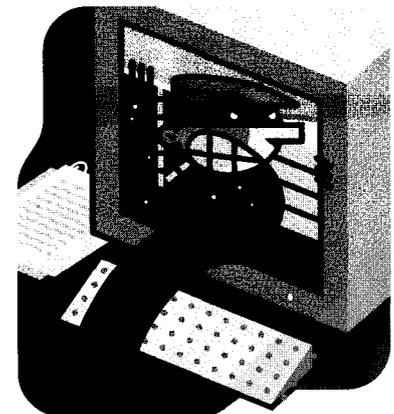
Order CD-ROM, scale and storage/printing vault at simply-postage.com for \$50, or buy the software at a retail store. The first three months are free, and then the monthly fee is \$15 no matter how much postage you buy. Your \$50 setup fee buys you \$50 in "free postage." This is the only Mac-compatible stamp system.

Stop, Data Thief!

According to the FBI, a hack takes place on the Internet every 30 seconds. Every three minutes, an intranet is under siege. Five tips to scare away data thieves:

1. Set up a firewall system. A system like Computer Associates SessionWall-3 4.0 costs about \$2,000.

2. Turn on the audit logs feature in your operating system. This will let you review who enters and exits the network using traditional (user name and password) methods. You can also purchase network monitoring software, such as General Software's Snooper, for about \$350.



3. Inoculate your computer against viruses. Network Associates' McAfee VirusScan is \$20, and you can buy and download it from the Web.

(www.mcafee.com). A better network solution is Computer Associates InnocuLAN (\$995), which warns you whenever someone opens an infected file anywhere on the network.

4. Keep off-site tape backups. Quantum's DLT line starts at around \$1,600 for a 20GB- capacity system. Don't forget to back up stand-alone PCs and laptops as well!

5. Change everyone's password every 90 days, and whenever anyone leaves the company.

Brave N

Get ready for
new trends in the
fast future

[BY RICHARD BRUNER]

THE YEAR IS 2002.

Your business is thriving. Of course, you have some anxiety over the competition. But, the economy's humming, and you're in good shape. So far. But nothing is forever. What's coming next, and what will it do to you?

Your best employee raps on your office door. "Got a minute?" she says. You wave her in. "I want to make a suggestion," she says.

Fine. No problem. But, as she outlines what's on her mind, you realize she is proposing a complete restructuring of a key operation. Your stomach begins to churn. You offer a few objections, but she stands firm. Nothing belligerent, but quite adamant. In fact, she hints that your competitor on the other side of town is quite eager to make the changes she suggests.

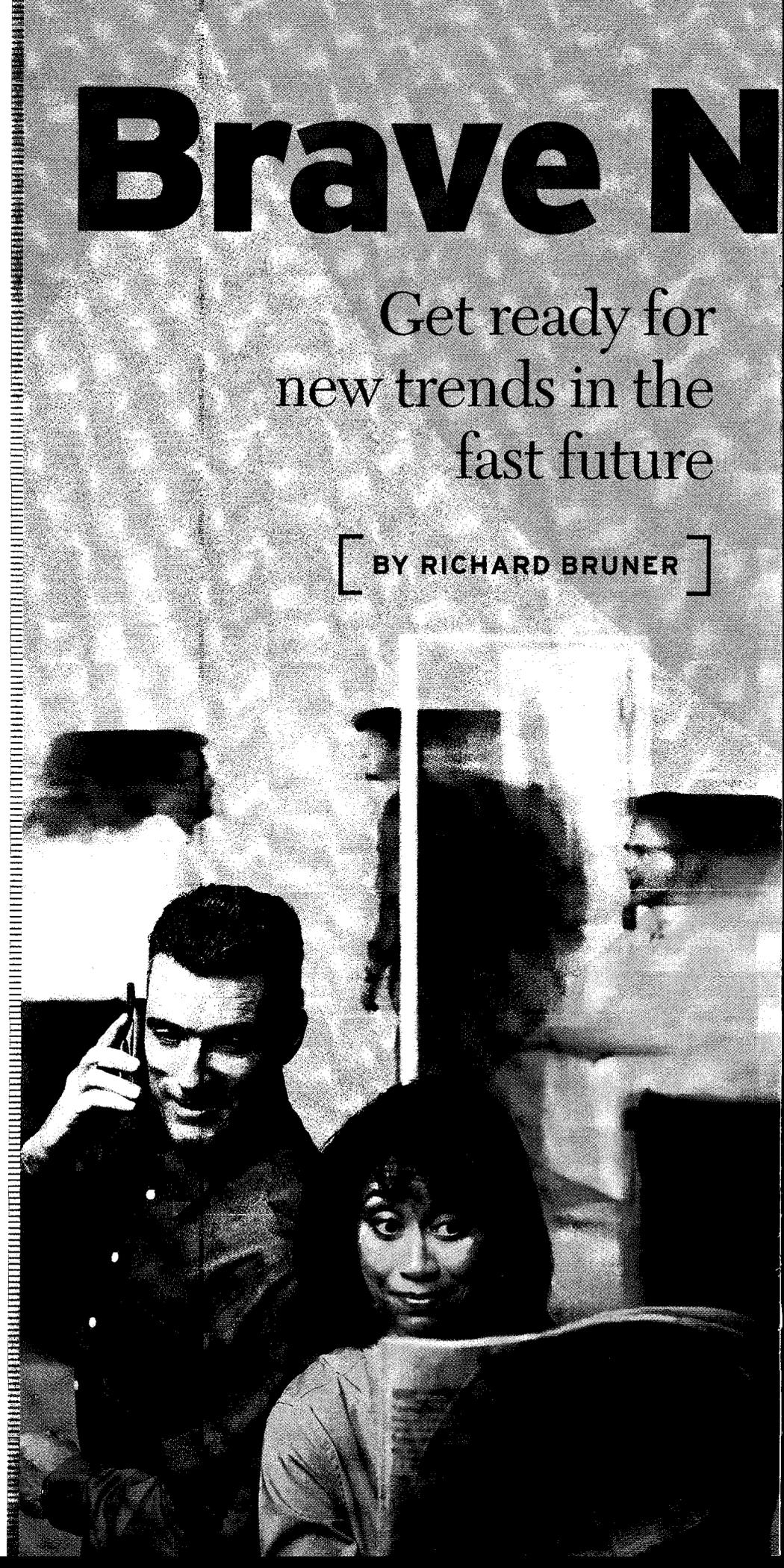
Welcome to one of the most important trends of the future. Employees—of both small and large businesses—will be more independent in years to come. All experts predict it.

Employee independence is one of several trends that will come about because of what one expert, Bruce Tulgan of RainmakerThinking, Inc., predicts as "the most profound shift in our society and economy since the Industrial Revolution:

"Technology, globalization, and diversity will create a constant state of flux among individuals and put them into constant motion," says Tulgan. "It will also create a tidal wave of information."

What small businesses can expect

A hurricane of change doesn't mean small businesses will be swept away. Some things



ew Business

will stay the same. Another expert, Joe Hosey, predicts, "Brick and mortar stores will stay." Despite the onslaught of Internet-based businesses, small businesses will persist, just as they have through the previous trends—catalogue showrooms, wholesale clubs and category killers. What's more, says John McMorrow of the Talent Alliance, the number of small businesses—companies with fewer than 100 employees—will grow. They will take advantage of technology and available venture capital.

And some things will get measurably better. Small business administration will be increasingly easier and cheaper, according to Robert Ramsay, a marketing consultant. He predicts accounting, taxes, human resources and procurement will take less time from the entrepreneur, mostly because of the Internet.

Furthermore, business leaders surveyed by PriceWaterhouseCoopers are mostly optimistic about the economy. Two-thirds of them believe prices will either continue stable or become disinflationary.

But remember—even in such a favorable climate, the name of the game is fast change. Two categories of trends are particularly relevant to small businesses: employee relations and customer attitudes.

Employee relations

►Jobs will be portable. Workers will make mid-life career changes and adjust to workplaces with no lifetime employment guarantee. Jeff Hunter, a human resources expert, believes the "implied good-faith contract" between employer and employee will dissolve. "This is the most significant single issue in workforce management and development over the next ten years," says Hunter. "Career change will be the rule rather than the exception, and career development will be a lifelong process."

►Employees will act like free agents. Tulgan predicts employees will believe that, if they are going to survive and succeed, they've got to fend for themselves. They will demand more and more from the employment relationship. The more valuable they

are, the more they will negotiate with you. They will constantly assess and reassess what they're doing with their lives and careers. "And that puts employers in a very difficult position. It means that the people you rely on most, your most competent employees, are likely to be constantly considering other options."

Quality of life will be at the heart of employment. "People are no longer content with income alone," says Don Kuhn, another personnel expert, "but are looking for personal satisfaction." That means more flex time and increased mobility to create a sense of balance between work and fun, job and family, productive time vs. leisure time. Kerry Bunker, of the Center for Creative Leadership, says people want "meaningful work."

►Entrepreneurship will increase. John McMorrow of Talent Alliance says young people will increasingly want to work at a smaller place of business. "They will no

longer see life in terms of getting an MBA and working for a large company."

►People will work past traditional retirement ages. McMorrow points out, "They will be in better shape intellectually, emotionally and physically and will want to continue working, especially if they are not doing physical work."

Your strategy: abandon the goal of long term, across-the-board employee loyalty and instead focus your retention efforts only on key employees, says Peter Cappelli, the director of Wharton's Center for Human Resources. If you carefully examine which employees you need to retain and for how long, you can target those you want to keep. Your new goal should be to influence who leaves and when.

Customer attitudes

►"There will be no such thing as a loyal customer," says Tulgan, "because customers are driven by the same imperatives as employees. They're the same people wearing different hats."

Customers, like employees, will fend for themselves. "This is another offshoot of this fierce self-reliance that is emerging in the American mind," says Tulgan. "To the extent that you sell services and products that tap into this need that people feel for self-reliance, it will be a powerful marketing tool."

►Customers will demand customization. You must ask yourself, "Am I able to customize my services and products to meet the demands of my clients and customers? Can I customize quickly and accurately and keep the price down?" Can you position your products or services as helping people fend for themselves?

Your strategy: find a niche. According to Ramsay, small businesses will increasingly focus on tighter and tighter niches, with the benefit of being able to claim "most expert" status within a chosen field. ■

FOR FURTHER READING

► Managing Generation X

By Bruce Tulgan

Capstone Publishing

► The Manager's Pocket Guide to Generation X

By Bruce Tulgan

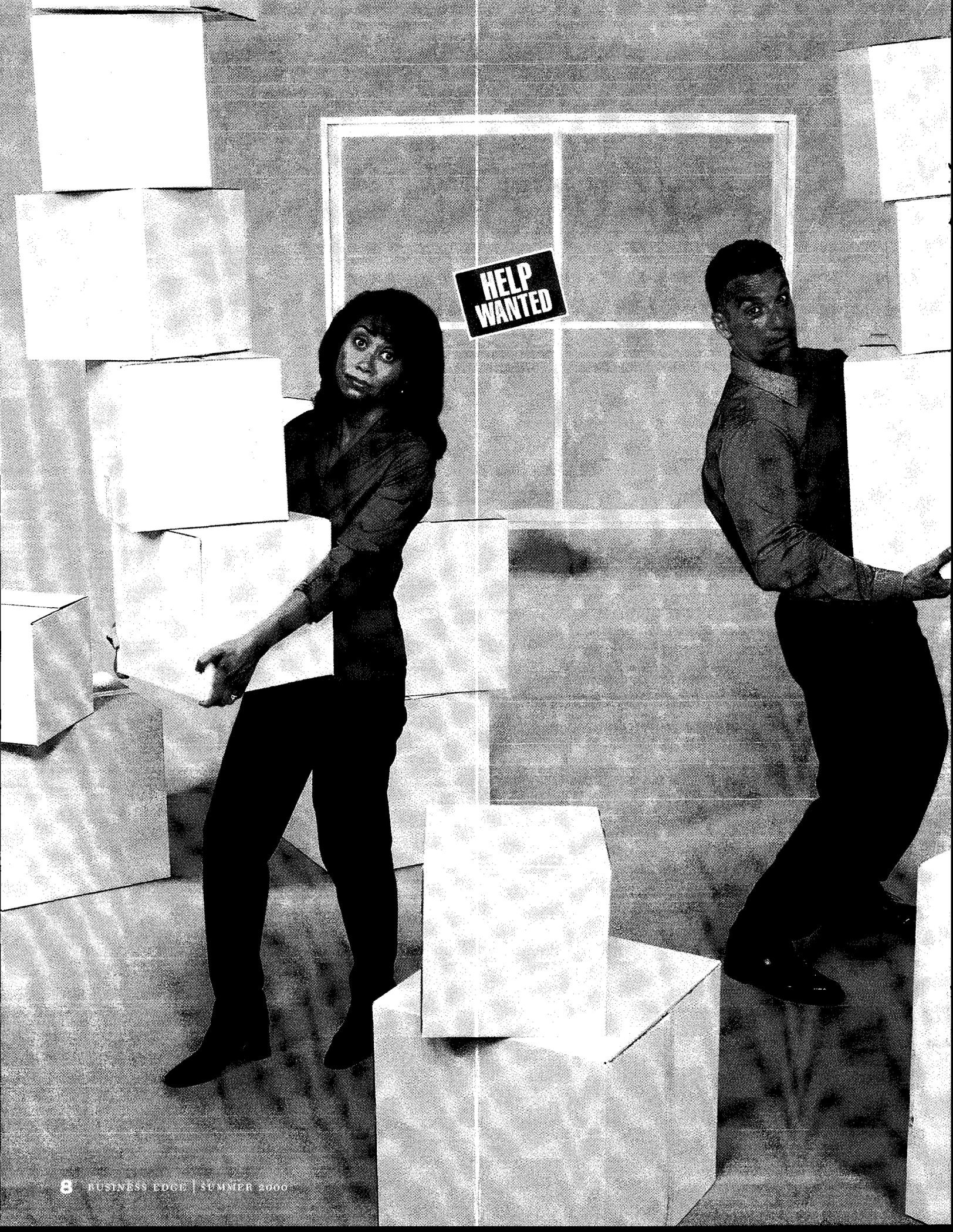
Lakewood Publications

► The Future Ain't What It Used To Be: The 40 Cultural Trends Transforming Your Job, Your Life, Your World

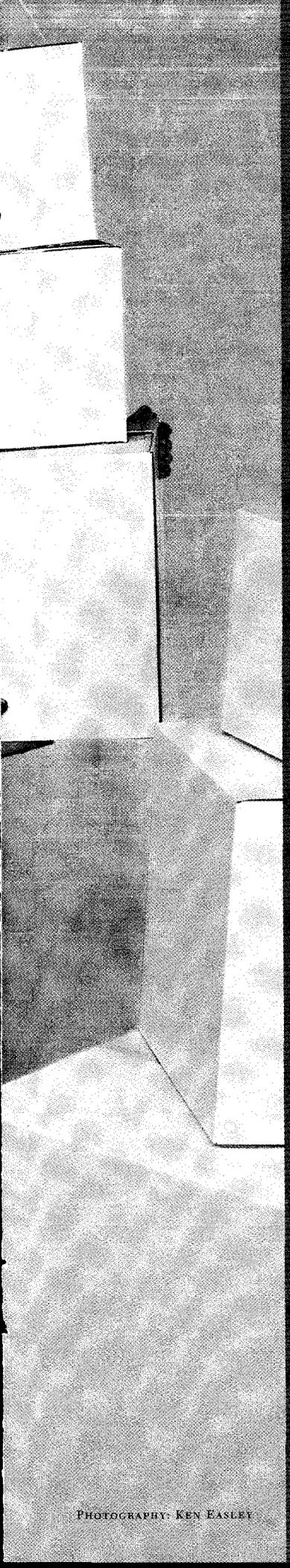
By Vickie Abrahamson, Mary

Meehan and Larry Samuel

Riverhead Books



**HELP
WANTED**



Staffing

Up

In the beginning, your business was yours. You did it all—sales, service, marketing, carrying out the trash. But now, success means you need to hire help. Suddenly, your challenge has become time, training and trust

[BY T.R. NOTHUM]

IT'S ONLY 7:45 A.M. BUT ALREADY YOU FEEL LIKE YOU'VE been going full throttle for hours. Ahead of you stretches a long day, maybe lasting until 9, 10 or 11 tonight. Yesterday, tomorrow, last weekend—they all blur together with a gray sameness. You and your spouse or partner have worked hard to get your business to this point. Now you're working harder than ever. Sure, business is good. But aren't there limits?

"If our business gets any better, I don't think we can stand it," says Carl Medgers with a brave smile. He and his wife Cindy own and operate a booming natural foods e-business in Arizona. But you can see the stress of success on their faces. In the beginning it was strictly a bootstrap operation. But hard work, good timing and a little luck have brought rewards and success.

"Too much success, we think sometimes," muses Cindy. "Sure we need the business to continue growing, but we're not too sure we can continue, at least not at this pace. We need help."

"And that's our dilemma," says Carl. "We can't clone ourselves. But how do we find, hire and train people we can trust to jump in here and do the work with the same passion and knowledge we have?"

The little guy's big picture

Carl and Cindy are not alone, though they often feel like it. The stress on their faces is repeated on thousands of

successful small business owners. Maybe that's the price of success during this, the nation's longest era of sustained economic growth—which small business success has helped fuel. According to the U.S. Small Business Administration, small businesses play a crucial role, especially in new job creation. Small businesses:

- ▶ account for nearly all of the new jobs
- ▶ represent 99.7 percent of all employers
- ▶ represent 51 percent of private sector output
- ▶ employ 52 percent of the private workforce
- ▶ have a 15.2 percent turnover rate (versus 9 percent for large employers)

Small business, big decision

Adding employees and creating jobs may be great for the nation, but what about your business? Is the time right for you to staff up?

“By definition, successful businesses grow,” says small business consultant Bernard Lafollette. “But the challenge comes when the owners’ personal resources—time, stamina or ability to take advantage of emerging opportunities—reach their limits. That’s the first warning sign.”

Ronald Lloyd, veteran of several successful small start-up businesses, agrees, calling the hiring of its first employee an

“essential and logical economic decision” for a growing business. “But when to make that step, that’s the question. For me, it’s simple—you hire when you can no longer afford not to have an employee,” says Lloyd. “That sounds simplistic, but it means that first, last and always, hiring an employee should be a business decision driven by the bottom line.”

Once that business decision is made, the next challenge is more practical—how do you do it? This challenge can become a personal conundrum if you discover the skills that have already made you successful—hard work, creativity, product awareness, sales and service savvy—may not be enough. Suddenly, you need new skills, such as how to hire, train, delegate, motivate and retain employees while complying with more employer rules and regulations than anyone should have to understand.

Your essential how-to-hire guide

Adding staff is not a natural skill. It’s not something you learn in college, and some businesses never manage to do it right. Hiring is never easy, and in today’s labor market, more difficult than ever before: It’s just not a good time to find good workers.

According to a recent study of 600,000 small employers conducted by the National Federation of Independent Business, more than 30 percent of the businesses claim difficulty in filling open positions, and 21 percent complain about the poor quality of available help. What’s worse, a bad hiring decision is the gaffe that keeps on giving, in the form of high turnover, higher recruitment and training costs, poor employee morale, declining product or service quality, deteriorating client trust and, in the end, lost business.

Business owners new to the hiring game have to do their homework before embarking on a quest for staff. Employment professionals recognize several key areas that need to be addressed:

ASSESS YOUR NEEDS

Do you really need an employee? Are there ways to increase your productivity without adding bodies? Can outsourcing help? Do the numbers. Prove to yourself that hiring additional help is the best way to meet demand and grow the bottom line.

UNDERSTAND THE FULL COSTS

Begin with your legal obligations as an employer. Consider the cost of additional administrative, accounting and reporting responsibilities, workplace health and safety requirements, additional liability and health insurance needs, and new security challenges created by widening the access and perhaps increasing the risk to your company’s assets.

DEFINE THE NEW POSITION

You know the duties you want your new hire to do, but chances are you’ve never written a job description for the position. Yet a comprehensive job description is a powerful tool that can serve



FOR FURTHER READING

► **The Unofficial Guide to Hiring and Firing People**, By Ian S. Horowitz, paperback, IDG Books Worldwide, 1999. Useful work for small and large businesses with good time- and money-saving tips.

► **Smart Staffing**, By Wayne Outlaw, paperback published by Upstart Pub Co., 1998. Well-organized, step-by-step approach to hiring, training and retaining good employees written by a seasoned professional.

► **Finding & Keeping Great Employees**, By Jim Harris and Joan Brannick, Ph.D., hardcover published by Amacom, 1999. Authors focus on employees from the perspective of four organizational purposes: operational excellence, customer service, unleashing technology and spirit.

► **Now Hiring!: Finding & Keeping Good Help for Your Entry-Wage Jobs**, By Steve Lauer and B. Jack Gebhardt, paperback published by Amacom, 1996. A "must read" for employers and supervisors.

► **Hire Tough, Manage Easy: How to Find and Hire the Best Hourly Employees**, By Mel Kleiman, paperback published by Humetrics, Inc., 1999. Fast read on recruiting, selecting and interviewing candidates, plus useful forms for employers.

you well. It should define the position's essential and desired requirements—education, skills, experience, etc.; create a fair and objective standard for evaluating the qualifications of each applicant (assuming you attract more than one); make clear to applicants the precise nature and scope of job responsibilities; and lay the foundation for mutually agreed-upon job expectations and performance evaluation standards.

PLAN YOUR PROCESS

There are natural steps within the hiring process and it is important to define the limits and scope of each:

► **SOURCES** Where will your applicants come from? Traditional sources? Nontraditional media? If you run a traditional classified ad, have you written effective ad copy that attracts the right people and motivates them to apply? Also, do you

understand what you can and cannot say (e.g., gender, age, ethnic requirements) in an employment ad?

► **JOB APPLICATION** Resumes are notorious for exemplifying the best in creative writing. That's why a properly drafted job application is an essential tool. With it you can get the information you need (and only what you need) and can ask legally.

► **PRE-SCREENING** Using the criteria you've already defined in your job description, evaluate each applicant's strengths and weaknesses on paper, eliminating obviously unqualified or ineligible candidates (for example, candidates not available for required hours).

► **INTERVIEW** Be prepared. Study professional human resource guidelines on how to frame proper interview questions (strong, weak or illegal). Base your questions on proven models that you make specific to your needs. Prepare a detailed answer to each question, including what you consider an ideal or complete answer. Score each applicant's response against your answer.

Your goal is to get the information you need to evaluate a candidate's appropriateness for the job. Ask for personal and professional references, and contact them. Don't be afraid to ask questions that test an applicant's skills or knowledge.

"Prove to yourself that hiring help is the best way to meet demand and grow the bottom line"

► **SELECTION** Once you've winnowed out your best candidate, make your offer, but be prepared to negotiate. Today's candidates are not shy about what they want and will test the limits of what you can pay, the benefits you're prepared to offer and opportunities for growth, training or mentoring. Know your limits before you make your offer.

Keeping the good apples

Finding good employees is only half the battle—keeping them has become the employer challenge of the new millennium. The cream of the crop seek companies with an entrepreneurial spirit that embraces change and new opportunities; they seek prevailing employee values that emphasize personal flexibility and growth over loyalty and long-term commitment. Too often an employer's question, "What do we have to do to keep you here?" is asked on the employee's last day on the job rather than the first.

Periodic reviews should help employees know how they're doing and employers know what further incentives they should offer. Not all effective incentives are about money. Many employees are more motivated by a work environment that builds self-esteem, creates opportunities to improve their skills, and offers flexibility and fresh challenges.

Hiring your first employee is a big step. But if done with a little knowledge, planning and attention to detail, it can prove the next step toward unimagined business success. ■

Competitive Choice

How Will Electric Competition Affect You?

The traditional electric utility combines three separate activities—generation, transmission and distribution—into a single business. However, in the new competitive utility environment, the generation portion of the business is open to competition, providing consumers—businesses and residences—with new choices.

Early this year, some Tucson Electric Power (TEP) customers began having the opportunity to purchase the generation portion of their electric service from an electric service provider other than TEP. Between now and January of 2001, all customers will have the option to choose their electric service provider.

TEP will continue to generate, transmit and deliver power over its existing power lines. With deregulation

and competition, other electric service providers will also be available to consumers. That means you will have a choice as to which company will supply your electricity. If you do not change your electric supplier, TEP will continue to provide that electricity to you. That means your service and your rates will remain unchanged.

There are many things to be considered before you decide whether to change your electric service provider, and we know you will have questions. TEP is committed to helping you understand the choices you will have and to assisting you in making the right choice for your business.

“There are many things to be considered before you decide whether to change your electric service, and we know you will have questions.”



TEP'S COMMITMENT TO OUR COMMUNITY

TEP wants to continue to be your first choice for electric service, regardless of how many other choices you may have. That's because TEP has been providing simple, hassle-free service to Tucson for more than 100 years. We have always delivered dependable power, available at the flick of a switch, with a proven track record of customer satisfaction. When utility customers rate their service providers nationally, the average satisfaction level is between 50 and 60 percent. But TEP customers consistently rate our service satisfaction at over 85 percent. That's a record that we are not only very proud of, but we are also committed to maintain and improve.

TEP has earned these high customer satisfaction ratings because we have worked very hard to earn our customers' trust. What's more, our customers can count on a continuation of guaranteed low rates into the future. In July of this year, we will be implementing a one percent rate *decrease*, the third of three decreases in as many years. Plus, our rates will not increase until the year 2008 at the earliest.

At TEP, the focus is on service. TEP has earned a reputation for reliability, operating one of the most dependable transmission and distribution systems in the nation. One reason for this is that we've more than 100 years of practice.

We have also made a significant investment in this community over the years. By supporting a wide variety of programs that benefit youth, education and other social services; we are able to give back to the community that supports us. At the same time, being a major employer means that TEP is helping to build the economy in Southern Arizona.

We greatly appreciate the support our customers have given us for taking a position of leadership in the Tucson community. To us, leadership means developing and implementing programs to make use of 'green' energy from the sun

or from landfill gases. It means partnering with builders to create energy efficient homes with guaranteed energy savings. Most of all it means providing a high level of service and an equally high level of community support to Tucson and Southern Arizona.

TEP welcomes deregulation and the competition it will bring. We are confident that our customers will want to keep TEP as their first and best choice for energy services.

For a free copy of the brochure, "Shedding Light on Deregulation," please call TEP Customer Service at (520) 623-7711.

FREQUENTLY ASKED QUESTIONS ABOUT DEREGULATION

▶ **Q. What if I am happy using TEP as my electric provider?**

A. TEP will continue as the electric service provider for customers who do not select another provider.

▶ **Q. Why is deregulation coming to the electric utility industry now?**

A. The industry is being deregulated and competition is being introduced in many areas of the U.S. in order to provide consumers with choice for price and services.

▶ **Q. Who made this decision?**

A. The Arizona Corporation Commission (ACC), which regulates investor-owned utilities in Arizona, has been working to implement industry competition for several years.

▶ **Q. How do I measure my electricity so I can compare rates?**

A. Electricity is measured in kilowatts used per hour (kWh). One method to determine if you want to change electric service providers is to compare rates, or costs per kWh. If you decide to shop for a new provider, ask how their rates compare to other electric service providers.

▶ **Q. When will customer choice begin?**

A. The ACC has chosen to phase in competition over a one-year period. All customers will have access to competition on January 1, 2001.

▶ **Q. Who will be affected?**

A. Three customer classes will be given the opportunity for choice on January 28, 2000:

- 3700 residential customers per quarter in 2000
- 20% of large industrial customers whose average usage is 1 megawatt (MW).
- 20% of commercial and residential customers who can aggregate to reach a total usage of 1 MW.

▶ **Q. Will I still receive reliable electric service?**

A. TEP is proud to operate one of the most reliable electric systems in the world. So long as all parties, including new electric providers, are held to the same standard of operational reliability, consumers should enjoy the same level of reliable service they have come to expect from TEP.

▶ **Q. Where can I turn for more information about customer choice and competition?**

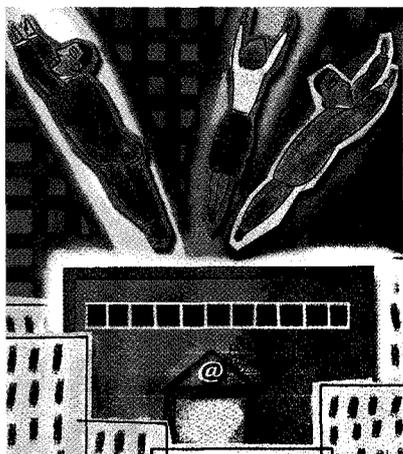
A. TEP will continue to keep customers informed through educational materials, bill inserts and at our web site: www.tucsonelectric.com. Please visit our web site for the most up-to-date information.

▶ **Q. Is there any other place I can turn to for unbiased information?**

A. Yes. You can call the Arizona Corporation Commission at 1-800-222-7000, or you can visit the ACC's Web site at www.cc.state.az.us.



Stopping the brain drain



Fact: Today's workforce believes in job-hopping. What was once considered a black mark is now the norm. Part of the reason stems from a shortage of qualified IT workers. But as severe as the shortage is today, it's likely to get worse. According to the Resource Development Group, it will cost four

times an employee's salary to find and train a successor. So how do you keep your best and brightest from leaving you high and dry?

Skilled people won't stay unless they're well compensated and have some say in the company's direction. "Good pay, bonuses, stock options, and the ability to work remotely are all necessary today," says June Drewry, president of the Society of Information Management.

Don't underestimate the attractiveness of telecommuting as a perk. Equip telecommuting staffers with notebook computers and high-speed access.

Use consultants to avoid overloading your employees. Burnout is real, but cross-training helps. A staff challenged to learn new skills is more energetic and loyal.

"Your business benefits from a cross-trained staff," says Drewry.

Home Office Etiquette

Working out of your home no longer has a stigma attached to it, but it still requires professionalism. Here are five key tips:

Dress professionally. You'll feel more professional, especially if new to telecommuting. Workplace image is important to you and your visitors.

Have a separate office. Like dressing professionally, this is part of putting yourself in the proper frame of mind to work. Keep your office space free of domestic noise and fuss.

Have an appropriate meeting space. Your living room doesn't count. If you have no space, meet clients at a hotel or restaurant.

Establish rapport with workers at headquarters. Telecommuters are right to fear getting "out of the loop." Rapport with co-workers is a proven element of success, so don't let yourself be forgotten. Meet the people you talk with on the phone and network when you're in the office.

Have a dedicated phone and fax/data line for business. They're necessary tools for business, so don't scrimp. Don't let family members use these lines, and don't use call waiting on business calls—both are rude and unprofessional.

EMPLOYEE OR FREELANCER?

The line is becoming blurred these days, but labor and employment laws, not to mention the IRS, still require you understand the difference between an employee and a freelancer.

► Don't provide employee benefits or withhold taxes for independent contractors.

► Pay independent contractors on a per-project basis, rather than hourly.

Require an invoice for services rendered by a contractor.

► It's helpful if independent contractors have an entre-



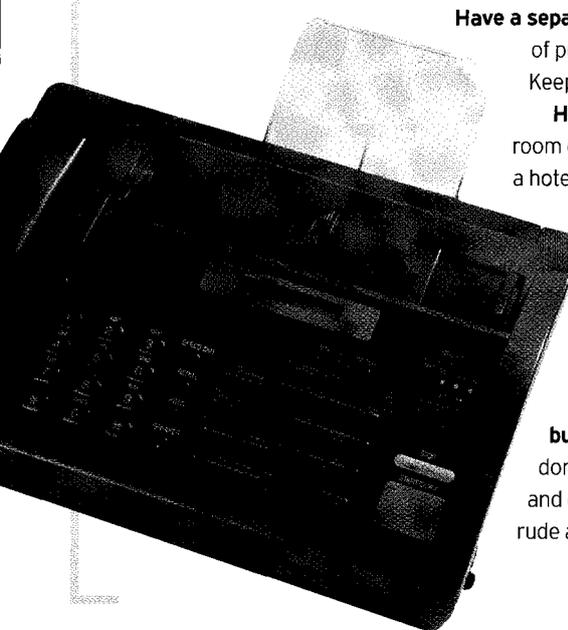
preneurial stake in your business:

For example, they (rather than you) pay for their expenses.

► Have a contract documenting their independent contractor status; be careful about termination and exclusivity provisions that may be more suitable to an employee contract.

► Watch your language: Say "retained" and "discontinued," not "hired" and "fired." You are the "principal" and not the "employer." Contractors are paid "fees" and not "salaries" or "wages."

► If you run a newspaper ad for a contractor, place it in the "Business Opportunities" section and keep a copy for your records.



Freedback.com

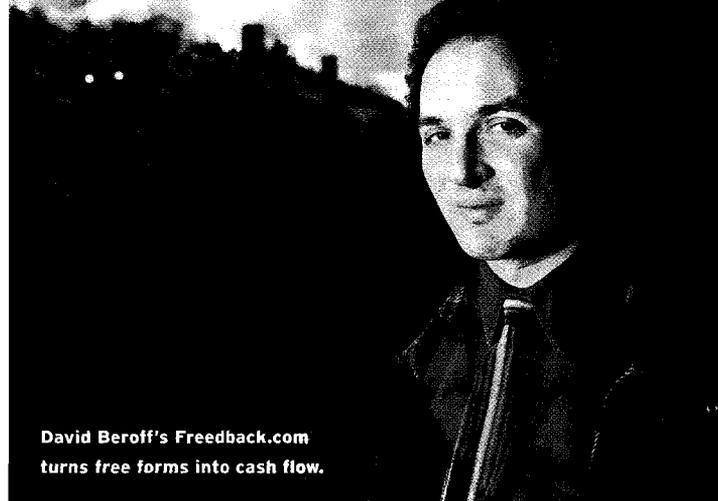
Funny how a three-year-old company can be a strapping young startup in the real world, and a grizzled old warrior on the Internet. **Freedback.com** is one such warrior.

Begun by **David Beroff** in 1997, Freedback.com gives Web designers free interactive forms—you know, the kind used for customer service Web sites, guest books, straw polls and so on. More than 200,000 Web designers have built interactive forms at Beroff's site.

Freedback.com is an excellent lesson in content driving commerce. The content-free interactive Web forms—doesn't make Beroff's company a penny. It's free! Yet his

► SUCCESS STORY company pulls down \$15,000 a month and was well and truly profitable in just a couple years. The trick is a combination of advertising revenue and mailing list rentals: When a Web designer puts a Freedback.com form on their site, they send anyone who answers the form to an outside advertising page (run by Freedback.com); anyone who doesn't want to send their customers elsewhere can pay \$5 a month to use the form. Then, anyone who answers the form has to give their name and e-mail address, allowing Freedback.com to build a massive mailing list.

This last bit is straight from the pages of Seth Godin's *Permission Marketing*. Rather than arbitrarily spamming anyone who gives their name, the form user has to first allow their name to be used, and then select areas of



interest. CDNow.com, for example is a Freedback.com client. They buy only names that selected "music" from a list of interests.

Beroff, 35, has been a programmer his whole life. Until January 2000, he was employed by a Fortune 500 investment analysis company. Before that, a string of ever-smaller employers. He only made the switch to full-time when Freedback.com pulled itself into the black.

"We're in this business to make money," says Beroff from his Philadelphia offices. "It's all funded out of personal money, credit cards, etc. We're going for our first round of angel funding sometime this summer, maybe \$250,000 or so." At the top of Beroff's wish list for this money is more staff and more advertising.

Beroff is naturally tempted by the IPO lottery that so many people seem to be winning, but he's not yet prepared to make that leap. "We need more momentum, and quite frankly an IPO is considerably expensive. Besides the up-front costs, there's the ongoing workload after the IPO—you need staff to watch SEC requirements and handle investor relations."

Freedback.com sounds wise beyond its years.

THE LARGEST ECONOMIC ENTITY IN THE WORLD

In the United States, women control 53 percent of investments and make 80 percent of household buying decisions. At current growth rates, women could own more than 50 percent of businesses in the next two years. If you think your business doesn't need to target women business owners and consumers, think again.

If you want to corner this profitable and growing market, pay attention to these issues:

► Build a relationship first. Not only is this an excellent way to understand your audience, but women are more likely to do business with people they know and

trust—and, according to a survey by Yankelovich Partners, they'll become your most loyal customers.

► Be prepared for a longer sales cycle. Women will take longer to consider the impact of a decision before making it.

► Provide references. Women are more likely than men to ask others about a product or service. Women are also likely to give referrals if they're happy with their experience.

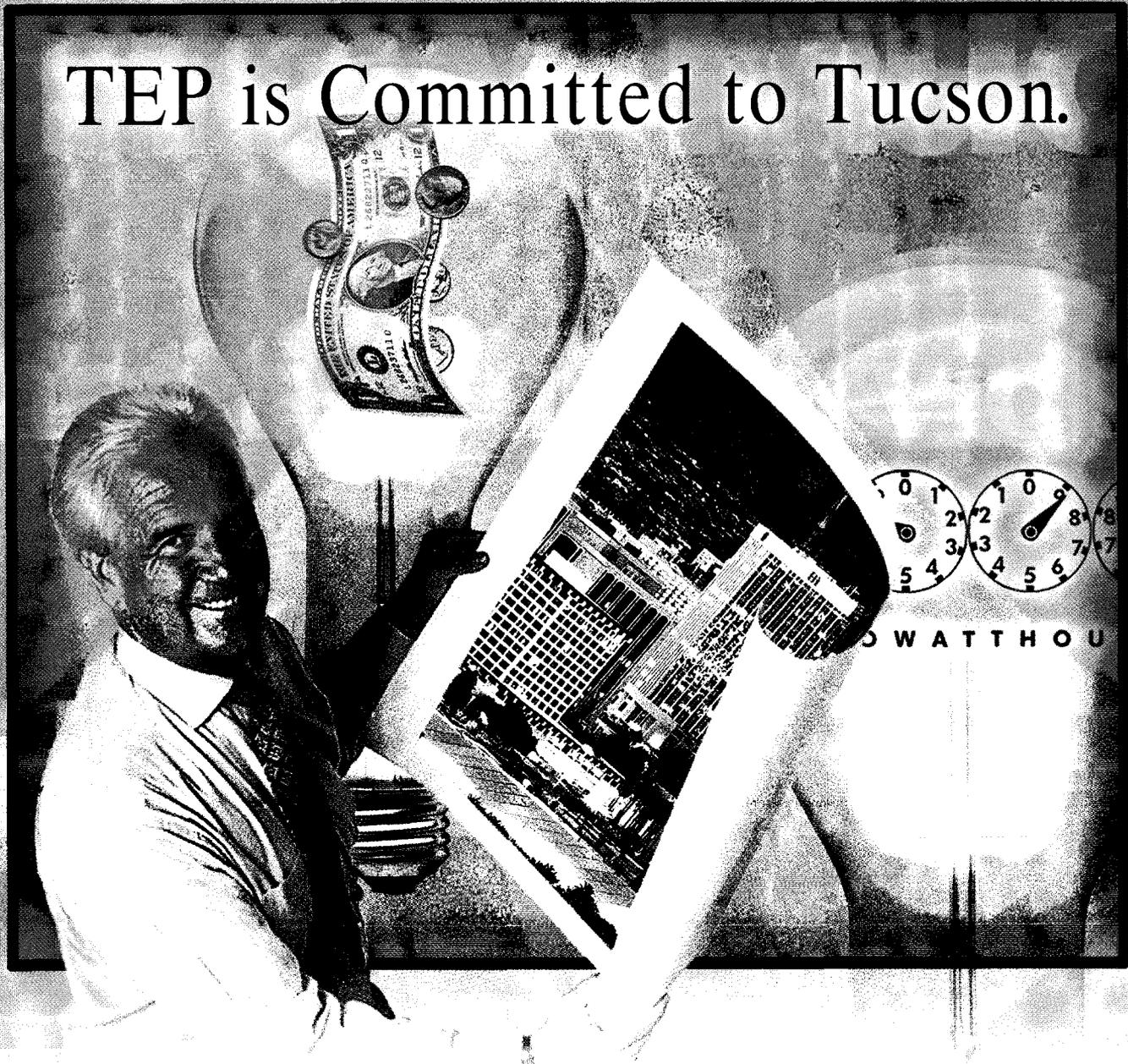
► Focus on your product's or service's benefits to others. Women take into account how a purchase will affect



their employees or clients.

► Do business with other women-owned businesses. If your company buys from women-owned businesses, women are more likely to buy from you.

TEP is Committed to Tucson.



Deregulation is redefining the way we do business. But one thing remains, TEP's commitment to Tucson and your peace of mind.

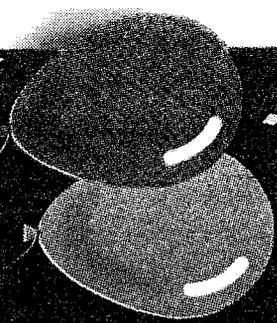
- We'll continue to provide easy, hassle-free service for you and your business.
- We'll continue to lower your energy costs with another one percent rate decrease in July. This will be the third decrease since 1998.
- We'll continue to bring you one of the most reliable and cost-effective power supplies in the world.
- We'll continue to provide more value for your energy dollar by re-investing in the community. From the Chamber of Commerce and Greater Tucson Economic Council to more than 48 community and service groups, Tucson Electric Power Company has been, and will continue to be here when you need us.

We are proud to serve you today and we want to earn your business in the future.

Jim Pignatelli

Jim Pignatelli, CEO
Tucson Electric Power Company



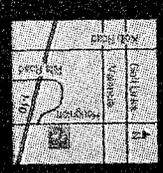


KESG HOMES

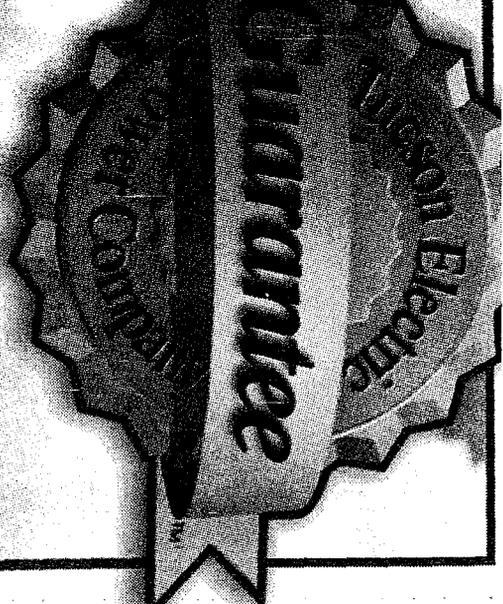


Join us today to celebrate...
Civano's 1st Anniversary

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TJ Bednar Homes
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Gotta Get a Guarantee Builder!



When you get a TEP Guarantee Home, Guaranteed comfort and guarantee-delineate and looking costs. *See your TEP Guarantee Home today. They may be just what you need for your home!*

Guarantee homes qualify for the lowest residential rate, RED 2011!

- With TEP's lowest residential rates, RED 2011, you only will your home less energy, you'll pay less for all the energy you use for the life of your home!
 - TEP's energy experts inspect each home multiple times during the construction process to make sure you get exactly what you pay for.
- When it comes to your new home, demand a written guarantee. Visit a Guarantee builder today, or tell your builder you want a TEP Guarantee!



The Energy People
A Tucson Electric Company
884-3616
www.tucsonelectric.com

	ELECTRICITY LABEL	Tucson Electric Power Company
Price of electricity	\$ 0.089 to \$ 0.012 / kWh	Residential Meter Rate - 2nd/3rd Area
Overhead	Required for the Power Plan	Available on all residential service.
<small>©2011 Tucson Electric Power Company</small>		