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February 21, 2012

Arizona Corporation Commission
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Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

Re: Notice of Filing – UNS Electric, Inc. and UNS Gas, Inc. Financing Documents
Decision No. 71917 (October 12, 2010) Docket Nos. E-04204A-09-0582 and G-04204A-09-0582

Pursuant to Decision No. 71917 (October 12, 2010) (“Decision”), UNS Electric, Inc. (“UNS Electric”) and UNS Gas, Inc. (“UNS Gas”) are required to make a compliance filing providing copies of relevant documents and an explanation of the business rationale for the transaction and a demonstration that the rates and terms were fair, reasonable, and consistent with those generally available to comparable entities at the time. This financing was authorized on page 17, lines 18-22, and page 18, lines 8-11 of the Decision.

On November 18, 2011, UNS Electric and UNS Gas, each as a borrower (“Borrowers”), and UniSource Energy Services, Inc. (“UES”), as guarantor, amended and restated their existing unsecured credit agreement with Union Bank, as administrative agent, lead arranger and lender, and a group of lenders (“UNS Electric/UNS Gas Credit Agreement”). The UNS Electric/UNS Gas Credit Agreement consists of a \$100 million revolving credit and revolving letter of credit facility. The maximum borrowings outstanding at any one time for a Borrower under the agreement may not exceed \$70 million. Each Borrower is severally liable for its borrowings under the UNS Electric/UNS Gas Credit Agreement, with UES guaranteeing the obligations of both Borrowers. The UES guaranty may be terminated with respect to a Borrower when such Borrower does not have any other indebtedness guaranteed by UES.

The amendment extended the expiration date on the UNS Electric/UNS Gas Credit Agreement for two years to November 9, 2016. The amendment also included a change in the interest rates and fees payable by UNS Electric and UNS Gas to reflect lower prevailing bank market interest rates than those in effect when UNS Electric and UNS Gas last amended their credit agreement in November 2010.

Interest rates and fees under the UNS Electric/UNS Gas Credit Agreement are based on a pricing grid tied to the Borrower’s credit ratings. Borrowings bear interest at a variable interest

rate consisting of a spread over LIBOR or Alternate Base Rate. Alternate Base Rate is equal to the greater of: (i) the Union Bank's reference rate; (ii) the federal funds rate plus 1/2 of 1% or; (iii) the adjusted LIBOR for an interest period of one month plus 1%. The interest rate currently in effect on borrowings is LIBOR plus 1.5% for Eurodollar loans or Alternate Base Rate plus 0.5% for Alternate Base Rate loans (reduced from 2.5% and 1.5%, respectively).

The business rationale for this financing transaction was to take advantage of improved market conditions in the bank lending markets and extend the term of their credit facility and reduce the interest rates and fees payable thereunder.

UNS Electric and UNS Gas believe that the rates and terms obtained under this financing are fair and reasonable under the prevailing market conditions. UNS Electric and UNS Gas have unsecured debt ratings of Baa3 by Moody's. Based on the ratings-based pricing grid in the UNS Electric/UNS Gas Credit Agreement, each is paying a spread over LIBOR of 1.50% on its revolver borrowings and a letter of credit fee of 1.50%. Comparable rates for utility financings during the period of September through December 2011 were 1.50% - 1.625%. UNS Electric and UNS Gas were also able to obtain a five-year term on its facility, which was the market norm at the time.

Enclosed please see Exhibit A for the executed financing documents. If you have any questions regarding this filing, please call me at (520) 884-3680.

Sincerely,



Jessica Bryne
Regulatory Services

cc: Compliance Section, ACC

**AMENDMENT NO. 1
TO
CREDIT AGREEMENT**

This AMENDMENT NO. 1, dated as of November 18, 2011 (this "*Amendment*"), is made by and among UNS ELECTRIC, INC., an Arizona corporation ("*UNS Electric*"), and UNS GAS, INC., an Arizona corporation ("*UNS Gas*"), and together with UNS Electric being referred to herein, individually, as a "*Borrower*" and, collectively, as the "*Borrowers*"), UNISOURCE ENERGY SERVICES, INC., an Arizona corporation (the "*Guarantor*"), the lenders listed on the signature pages of this Amendment as "Lenders" (such lenders, together with their respective permitted assignees from time to time, being referred to herein, collectively, as the "*Lenders*"), JPMORGAN CHASE BANK, N.A., WELLS FARGO BANK, NATIONAL ASSOCIATION and UNION BANK, N.A., as issuing banks (collectively, in such capacities, the "*Issuing Banks*"), and UNION BANK, N.A. (formerly known as Union Bank of California, N.A.), as administrative agent (in such capacity, the "*Administrative Agent*").

PRELIMINARY STATEMENT:

The Borrowers, the Guarantor, the Lenders and the Administrative Agent previously entered into that certain Second Amended and Restated Credit Agreement, dated as of November 9, 2010 (the "*Existing Agreement*", as amended by this Amendment, the "*Amended Agreement*", and as the Amended Agreement may hereafter be amended, restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*"). The Borrowers desire to amend the Existing Agreement to (a) extend the Final Maturity Date to November 9, 2016, (b) reduce the Applicable Margin and the Commitment Fee Rate, and (c) make certain other modifications thereto, and the Lenders, the Issuing Banks and the Administrative Agent have agreed to such amendments on the terms and conditions set forth herein. The parties therefore agree as follows (capitalized terms used but not defined herein having the meanings assigned to such terms in the Existing Agreement):

SECTION 1. Amendments to Existing Agreement. The Existing Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, hereby amended as follows:

(a) **Disclosure Documents.** The definition of "*Disclosure Documents*" contained in Section 1.01 of the Existing Agreement is hereby amended and restated in its entirety to read as follows:

"*Disclosure Documents*" means (a) the Annual Report on Form 10-K of UniSource Energy for the fiscal year ended December 31, 2010, as filed with the SEC, (b) the Quarterly Reports on Form 10-Q of UniSource Energy for the fiscal quarters ended March 31, 2011, June 30, 2011 and September 30, 2011, as filed with the SEC, and (c) the Current Reports on Form 8-K of UniSource Energy as filed with the SEC on May 11, 2011 and August 12, 2011.

(b) **Final Maturity Date.** The definition of “*Final Maturity Date*” contained in Section 1.01 of the Existing Agreement is hereby amended and restated in its entirety to read as follows:

“*Final Maturity Date*” means November 9, 2016.

(c) **Additional Definitions.** The following new definitions are hereby added to Section 1.01 of the Existing Agreement in appropriate alphabetical order:

“*Amendment No. 1*” shall mean Amendment No. 1, dated as of November 18, 2011, among the Borrowers, the Guarantor, the Issuing Banks, the Lenders and the Administrative Agent, which Amendment No. 1 amended this Agreement pursuant to the terms thereof.

“*Amendment No. 1 Effective Date*” shall mean November 18, 2011.

(d) **Disclosure; No Material Adverse Change; Etc.** Section 7.01(c) of the Existing Agreement is hereby amended by (i) deleting the date “December 31, 2009” in its entirety set forth in subsection (ii) thereof and substituting therefor the new date “December 31, 2010” and (ii) deleting the phrase “prior to the Closing Date” in its entirety set forth in subsection (iii) thereof and substituting therefor the new phrase “prior to the Amendment No. 1 Effective Date”.

(e) **Financial Condition.** Section 7.01(d) of the Existing Agreement is hereby amended by (i) deleting each reference to the date “December 31, 2009” in its entirety and substituting therefor in each case the new date “December 31, 2010” and (ii) deleting the phrase “to and including the date hereof” in its entirety and substituting therefor the new phrase “to and including the Amendment No. 1 Effective Date”.

(f) **Organization and Ownership of Shares of Subsidiaries of each Obligor.** Section 7.01(e)(i) of the Existing Agreement is hereby amended by deleting the phrase “As of the Closing Date” in its entirety and substituting therefor the new phrase “As of the Amendment No. 1 Effective Date”.

(g) **Pricing Schedule.** Schedule 1.01 of the Existing Agreement is hereby replaced in its entirety with Schedule A attached hereto.

SECTION 2. Conditions of Effectiveness. This Amendment shall become effective as of the date first written above (the “*Effective Date*”) when, and only when, (a) the Administrative Agent shall have received all fees (including, without limitation, all upfront fees) payable by the Borrowers pursuant to that certain proposal letter agreement, dated October 5, 2011, among Union Bank, the Borrowers, UniSource Energy and Tucson Electric Power Company (the “*Proposal Letter*”), together with, to the extent invoiced, reimbursement or payment of all reasonable fees and out-of-pocket disbursements of counsel to the Administrative Agent and other out-of-pocket expenses of the Administrative Agent required to be reimbursed or paid by the Borrowers pursuant to the Proposal Letter, (b) all requisite Governmental Authorities and third parties, if any, shall have approved or consented to the execution, delivery and performance

by the Obligors of this Amendment and the Amended Agreement and the transactions contemplated thereby (collectively, the "*Transactions*") to the extent required and material (and the Administrative Agent shall have received copies, certified by an Authorized Officer of the applicable Obligor to be true, correct and complete and in full force and effect, of all such approvals and consents, which shall be in form and substance satisfactory to the Administrative Agent and the Lenders), no stay of any applicable regulatory approval shall have been issued and there shall be no litigation or governmental, administrative or judicial action, actual or, to the knowledge of the Obligors, threatened, that could reasonably be expected to restrain, prevent or impose burdensome conditions on this Amendment, the Amended Agreement, any of the other Loan Documents or the Transactions, and (c) the Administrative Agent shall have received: (i) counterparts of this Amendment executed by all of the parties hereto (in sufficient quantity for each party to have a fully executed original), and (ii) all of the following documents, each document being dated the Effective Date unless otherwise specified below, in form and substance satisfactory to the Administrative Agent and in the number of originals or photostatic copies reasonably requested by the Administrative Agent:

(A) a favorable written opinion (addressed to the Administrative Agent, the Issuing Banks and the Lenders) of (1) Morgan, Lewis & Bockius LLP, New York counsel for the Obligors, and (2) Todd C. Hixon, Esq., General Counsel for the Guarantor and counsel for the Borrowers, in each case covering such customary matters relating to this Amendment, the Amended Agreement and the Transactions as the Administrative Agent shall reasonably request, and the Obligors hereby request such counsel to deliver such opinions;

(B) such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Obligors, the authorization of the Transactions, and any other legal matters relating to the Obligors, this Amendment, the Amended Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel;

(C) a certificate (the statements in which shall be true), signed by an Authorized Officer of each Obligor, certifying that:

(1) the representations and warranties of the Obligors set forth in this Amendment, the Amended Agreement and the other Loan Documents are true and correct on and as of the Effective Date with the same effect as though made on and as of such date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties were true and correct as of such earlier date); and

(2) both before and after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing; and

(D) a certificate, signed by an Authorized Officer of each Obligor, confirming compliance with the conditions set forth in this Section 2.

SECTION 3. Representations and Warranties of the Obligors. Each Obligor represents and warrants to the Administrative Agent, each Lender and each Issuing Bank that:

(a) *Authorization; Enforceability.* Such Obligor has the corporate power and authority to execute and deliver this Amendment and to perform the provisions of this Amendment and the Amended Agreement. This Amendment has been duly authorized by all necessary corporate action on the part of such Obligor, and each of this Amendment and the Amended Agreement constitutes a legal, valid and binding obligation of such Obligor enforceable against such Obligor in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). This Amendment and has been duly executed and delivered by such Obligor.

(b) *Governmental Authorizations.* No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by such Obligor of this Amendment, except for the ACC Order, which ACC Order has been obtained and is in full force and effect.

(c) *Compliance with Laws, Other Instruments, etc.* The execution and delivery by such Obligor of this Amendment, and the performance by such Obligor of this Amendment and the Amended Agreement, will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any Property of such Obligor or any of its Subsidiaries under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which such Obligor or any such Subsidiary is bound or by which such Obligor or any such Subsidiary or any of their respective Properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to such Obligor or any of its Subsidiaries or (iii) violate any provision of any Governmental Rule applicable to such Obligor or any of its Subsidiaries.

(d) *Litigation.* There are no actions, suits or proceedings pending or, to the knowledge of such Obligor, threatened against or affecting such Obligor or any of its Subsidiaries or any Property of such Obligor or any of its Subsidiaries in any court or before any arbitrator of any kind or before or by any Governmental Authority that involve this Amendment, the Amended Agreement or the Transactions.

(e) *No Default.* No Default or Event of Default has occurred and is continuing or would occur as a result of the execution, delivery or performance of this Amendment.

SECTION 4. Reference to and Effect on the Existing Agreement. (a) Upon the effectiveness of this Amendment: (i) each reference in the Existing Agreement to “this Agreement”, “hereunder”, “hereof” or words of like import referring to the Existing Agreement shall mean and be a reference to the Amended Agreement; and (ii) each reference in any other Loan Document to “the Credit Agreement”, “thereunder”, “thereof” or words of like import referring to the Existing Agreement shall mean and be a reference to the Amended Agreement. This Amendment shall constitute a “Loan Document” for all purposes under the Credit Agreement.

(b) Except as specifically amended above, the Existing Agreement shall continue to be in full force and effect and is hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders, the Administrative Agent or the Issuing Banks under the Existing Agreement or any other Loan Document, nor constitute a waiver of any provision of the Existing Agreement or any other Loan Document.

SECTION 5. Costs and Expenses. The Borrowers agree to pay, promptly after delivery to the Borrowers of a reasonably detailed statement therefor, all reasonable costs and expenses of the Administrative Agent in connection with the preparation, negotiation, syndication, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent with respect thereto and with respect to advising the Administrative Agent as to its rights and responsibilities hereunder and thereunder, and all costs and expenses of the Administrative Agent, the Issuing Banks and each Lender (including, without limitation, the fees and disbursements of counsel to the Administrative Agent, counsel for each Issuing Bank and counsel for each Lender) in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of this Amendment and the other documents to be delivered hereunder.

SECTION 6. Execution in Counterparts. This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Amendment by facsimile or other electronic transmission (including, without limitation, by Adobe portable document format file (also known as a “PDF” file)) shall be as effective as delivery of a manually signed counterpart of this Amendment.

SECTION 7. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of the New York.

SECTION 8. Miscellaneous. This Amendment shall be subject to the provisions of Sections 12.09, 12.10, 12.11 and 12.13 of the Existing Agreement, each of which is incorporated by reference herein, *mutatis mutandis*.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

UNS ELECTRIC, INC., as a Borrower

By: 
Name: Kentton C. Grant
Title: Vice President

UNS GAS, INC., as a Borrower

By: 
Name: Kentton C. Grant
Title: Vice President

**UNISOURCE ENERGY SERVICES, INC.,
as Guarantor**

By: 
Name: Kentton C. Grant
Title: Vice President and Treasurer

**UNION BANK, N.A., as Administrative
Agent and as an Issuing Bank**

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

UNS ELECTRIC, INC., as a Borrower

By: _____
Name:
Title:

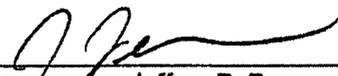
UNS GAS, INC., as a Borrower

By: _____
Name:
Title:

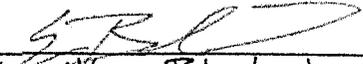
**UNISOURCE ENERGY SERVICES, INC.,
as Guarantor**

By: _____
Name:
Title:

**UNION BANK, N.A., as Administrative
Agent and as an Issuing Bank**

By:  _____
Name: **Jeffrey P Fesenmaier**
Title: **Vice President**

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as an Issuing Bank

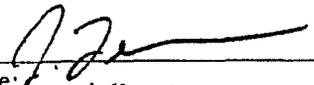
By: 
Name: Yann Isindent
Title: Director

JPMORGAN CHASE BANK, N.A., as an
Issuing Bank

By: Nancy A. Browly
Name: Nancy A. Browly
Title: Credit Executive

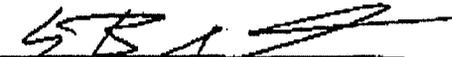
Lender

UNION BANK, N.A.

By: 
Name: Jeffrey P Fesenmaier
Title: Vice President

Lender

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By: 
Name: Yanni Blumenthal
Title: Director

S-5

Amendment No. 1 to UNS Gas/ UNS Electric Second Amended and Restated Credit Agreement

Lender

JPMORGAN CHASE BANK, N.A.

By: Nancy R. Barwig
Name: Nancy R. Barwig
Title: Credit Executive

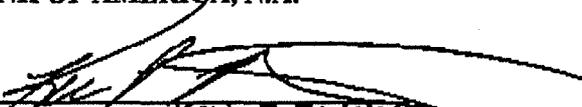
Lender

SUNTRUST BANK

By: 
Name: Andrew Johnson
Title: Director

Lender

BANK OF AMERICA, N.A.

By: 

Name:

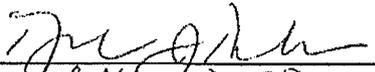
Kevin P. Bertelsen

Title:

Managing Director

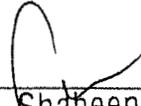
Lender

U.S. BANK NATIONAL ASSOCIATION

By: 
Name: RAYMOND J. PALMER
Title: SENIOR VICE PRESIDENT

Lender

CREDIT SUISSE AG, CAYMAN
ISLANDS BRANCH

By: 
Name: Shaheen Malik
Title: Vice President

By: 
Name: Rahul Parmar
Title: Associate

Lender

THE BANK OF NEW YORK MELLON

By: Mark W. Rogers
Name: Mark W. Rogers
Title: Vice President

SCHEDULE A
to Amendment No. 1 to Credit Agreement

SCHEDULE 1.01

PRICING SCHEDULE

The "Applicable Margin" and the "Commitment Fee Rate" for any day for any Borrower (a) from and after the Closing Date through (but not including) the Amendment No. 1 Effective Date, are the respective annual percentage rates set forth in Table A below in the applicable row under the column corresponding to the Status that exists on such day for such Borrower, which Status shall be determined based on the applicable ratings of such Borrower's Index Debt on such day, and (b) from and after the Amendment No. 1 Effective Date, are the respective annual percentages rates set forth in Table B below in the applicable row under the column corresponding to the Status that exists on such day for such Borrower, which Status shall be determined based on the applicable ratings of such Borrower's Index Debt on such day:

TABLE A						
	Level 1 ≥A-/A3	Level 2 BBB+/Baa1	Level 3 BBB/Baa2	Level 4 BBB-/Baa3	Level 5 BB+/Ba1	Level 6 ≤BB/Ba2
Applicable Margin -- Eurodollar Loans	1.625%	1.875%	2.125%	2.50%	3.00%	3.50%
Applicable Margin -- ABR Loans	0.625%	0.875%	1.125%	1.50%	2.00%	2.50%
Commitment Fee Rate	0.175%	0.225%	0.350%	0.450%	0.600%	0.750%
TABLE B						
	Level 1 ≥A-/A3	Level 2 BBB+/Baa1	Level 3 BBB/Baa2	Level 4 BBB-/Baa3	Level 5 BB+/Ba1	Level 6 ≤BB/Ba2
Applicable Margin -- Eurodollar Loans	1.00%	1.125%	1.25%	1.50%	1.75%	2.00%
Applicable Margin -- ABR Loans	0.00%	0.125%	0.25%	0.50%	0.75%	1.00%
Commitment Fee Rate	0.125%	0.175%	0.20%	0.25%	0.30%	0.35%

For purposes of this Pricing Schedule, the following terms have the following meanings:

“Level 1 Status” exists at any date if, at such date, the Index Debt is rated either A- or higher by S&P *or* A3 or higher by Moody’s.

“Level 2 Status” exists at any date if, at such date (i) the Index Debt is rated either BBB+ or higher by S&P *or* Baa1 or higher by Moody’s and (ii) Level 1 Status does not exist.

“Level 3 Status” exists at any date if, at such date (i) the Index Debt is rated either BBB or higher by S&P *or* Baa2 or higher by Moody’s and (ii) neither Level 1 Status nor Level 2 Status exists.

“Level 4 Status” exists at any date if, at such date (i) the Index Debt is rated either BBB- or higher by S&P *or* Baa3 or higher by Moody’s and (ii) none of Level 1 Status, Level 2 Status or Level 3 Status exists.

“Level 5 Status” exists at any date if, at such date (i) the Index Debt is rated either BB+ or higher by S&P *or* Ba1 or higher by Moody’s and (ii) none of Level 1 Status, Level 2 Status, Level 3 Status or Level 4 Status exists.

“Level 6 Status” exists at any date if, at such date, no other Status exists.

“Status” refers to the determination of which of Level 1 Status, Level 2 Status, Level 3 Status, Level 4 Status, Level 5 Status or Level 6 Status exists at any date.

Notwithstanding the foregoing, if the Index Debt is split-rated and the ratings differential is two or more ratings levels, the Status shall be determined assuming that (a) the higher rating is equal to the midpoint of the two ratings (e.g., for a split rating of BBB+/Baa3, BBB is the midpoint and will be deemed to be the higher rating, and for a split rating of BB/Baa1, Baa3 is the midpoint and will be deemed to be the higher rating) or (b) if there is no exact midpoint, the higher rating is equal to the higher of the two middle intermediate ratings (e.g., for a split rating of BBB+/Ba1, BBB is the higher of the two middle intermediate ratings and will be deemed to be the higher rating, and for a split rating of BB/Baa2, Ba3 is the higher of the two middle intermediate ratings and will be deemed to be the higher rating).

If at any time the Index Debt is unrated by both Moody’s and S&P, Level 6 Status shall exist; *provided* that if the reason that there is no such Moody’s rating or S&P rating results from Moody’s or S&P, as the case may be, ceasing to issue debt ratings generally, then the Borrowers and the Administrative Agent may select another nationally-recognized rating agency to substitute for Moody’s or S&P, as applicable, for purposes of this Pricing Schedule (and all references herein to Moody’s or S&P, as applicable, shall refer to such substitute rating agency), and until a substitute nationally-recognized rating agency is so selected the Status shall be determined by reference to the rating most recently in effect prior to such cessation; and *provided, further*, that if the Index Debt is rated by only one of Moody’s or S&P, the Status shall be determined by reference to the rating of such Rating Agency.

The Applicable Margin and Commitment Fee Rate applicable to any Borrower (and, accordingly, the Status of such Borrower at any date) shall be based on the applicable ratings in effect from time to time on such Borrower's Index Debt. The Applicable Margin and Commitment Fee Rate applicable to each Borrower shall be increased or decreased in accordance with the foregoing Pricing Schedule upon any change in the applicable ratings of the Index Debt of such Borrower. The ratings of the Index Debt in effect at any date is that in effect at the close of business on such date.