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P.O. Box 711
Tucson, Arizona 85702-0711

UniSourceEnergy SERVICES

RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL

2012 APR 2 PM 1 36

April 2, 2012

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Re: Annual Update to UNS Electric, Inc.'s December 31st Report
Updated PPFAC Schedules and Tariff
Docket No. E-04204A-06-0783, Decision No. 70360

Pursuant to Decision No. 70360 (May 27, 2008) and Section 5.B of UNS Electric, Inc.'s ("UNS Electric") approved Purchased Power and Fuel Adjustment Clause ("PPFAC") Plan of Administration ("POA"), UNS Electric hereby files Schedules 1 through 5 as its April 1st update to the December 31st Report filed on December 30, 2011. This update will replace estimated Forward Component Tracking Account balances, and the True-Up Component Tracking Account balances, with actual balances and with more current estimates for those months (March, April, and May) for which actual data are not available. This report also contains confidential information that is being provided to Commission Staff separately.

Based on the PPFAC Rate filing as submitted, UNS Electric estimates that the average residential customer will see a decrease of approximately $4.94 in their monthly electric charges (from $84.37 to $79.43 – approximately a 6% decrease).

UNS Electric residential CARES customers, pursuant to the discount approved in the most recent rate case (Decision No. 71914 (September 30, 2010)), will see a decrease of approximately $3.76 in their monthly electric charges (from $61.02 to $57.26 – approximately a 6% decrease).

Finally, UNS Electric is submitting a revised PPFAC Pricing Plan Rider No.1 reflecting the new PPFAC rate, which will become effective June 1, 2012 unless otherwise ordered by the Commission.

If you have any questions, please contact me at (520) 884-3680.

Best regards,

Jessica Bryne

Jessica Bryne
Regulatory Services

Arizona Corporation Commission
DOCKETED
APR - 2 2012
DOCKETED BY

Enclosures: Schedules and Pricing Plan

cc: Compliance, ACC

# UNS Electric, Inc.
# Purchased Power and Fuel Adjustment Clause
# April 1, 2012 Filing

| | |
|---|---|
| Schedule 1 | Rate Calculation Effective June 1, 2012 |
| Schedule 2 | PPFAC Forward Component Rate Calculation Effective June 1, 2012 |
| Schedule 3 | Forward Component Tracking Account - (PPFAC Prior Forward Component Rate in effect from June 1, 2012 to May 31, 2013) |
| Schedule 4 | PPFAC True-Up Component Rate Calculation Effective June 1, 2012 |
| Schedule 5 | True-Up Component Tracking Account - Prior PPFAC True-Up Component Rate in Effect June 1, 2012 through May 31, 2013) |


**UNS-Electric Contact Information**

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Lead Settlement Analyst

Ray Robey (520) 745-3360
Manager

**UNS Electric, Inc.**
**Schedule 1**
**Purchased Power and Fuel Adjustment Clause (PPFAC) Rate Calculation Effective June 1, 2012**
**($/kWh)**

| Line No. | PPFAC Rate Calculation | | Filed 1-Jun-11 [1] | Change due to BMGS 1-Jul-11 [5] | Proposed 1-Jun-12 | Increase / (Decrease) from June 1, 2011 Filing $/kWh | % |
|---|---|---|---|---|---|---|---|
| 1 | Forward Component Rate - FC (Sch. 2, L8) [4] | | $ (0.008938) | $ (0.002305) | $ (0.016364) | $ (0.007425) | -83.07% |
| 2 | True-Up Component Rate - HC (Sch. 4, L5) [2, 4] | | $ 0.000150 | $ 0.000150 | $ 0.001926 | $ 0.001776 | 1181.15% |
| 3 | PPFAC Rate [4] | (L1+L2) | $ (0.008788) | $ (0.002155) | $ (0.014437) | $ (0.005649) | -64.28% |
| 4 | Average Base Rate [3] | | $ 0.067700 | $ 0.061067 | $ 0.061067 | $ (0.006633) | -9.80% |
| 5 | Average Total Rate | (L3+L4) | $ 0.058912 | $ 0.058912 | $ 0.046630 | $ (0.012282) | -20.85% |

Notes:

1 See April 1, 2011 PPFAC Filing and ACC Decision No. 71914.

2 A Historical Component is a true-up related to respective prior period PPFAC activity.

3 Average Base Rate as defined in supporting documents for ACC Decision No. 71914 and Decsion No. 72213.

4 Negative value is PPFAC credit; positive value is PPFAC surcharge.

5 When Black Mountain Generating Station became effective in rate base as of July 1, 2011 per ACC Decision No. 72213, the new average PPFAC base rate became $0.061067

A

**UNS Electric, Inc.**
**Schedule 2**
**PPFAC Forward Component Rate Calculation Effective June 1, 2012**
**($ in thousands; Forward Component Rate in $/kWh)**

| Line No. | PPFAC Forward Component Rate - Calculation | Effective 1-Jul-11 [1] | Proposed 1-Jun-12 | Increase / (Decrease) $ Values | Increase / (Decrease) % |
|---|---|---|---|---|---|
| 1 | Projected Fuel and Purchased Power Costs | $ 113,994 | $ 82,989 | $ (31,005) | -27.20% |
| 2 | Projected Short Term Sales Revenue Credit[2] | $ (1,495) | $ (3,819) | $ (2,324) | 155.47% |
| 3 | PPFAC Ajustments to Fuel and Purchased Power Costs [3] | $ - | $ - | $ - | |
| 4 | Net Fuel and Purchased Power Cost (L1 through L3) | $ 112,499 | $ 79,169 | $ (33,330) | -29.63% |
| 5 | Projected Total Native Load Energy Sales (MWhs) | 1,914,500 | 1,770,993 | $ (143,507) | -7.50% |
| 6 | Projected Average Net Fuel Costs $/kWh (L4/L5) | $ 0.058762 | $ 0.044703 | $ (0.014058) | -23.92% |
| 7 | Authorized Base Cost of Fuel and Purchased Power Rate $/kWh | $ 0.061067 | $ 0.061067 | $ - | 0.00% |
| 8 | Forward Component Rate $/kWh (L6 - L7) [4, 5]<br>(Forward Component Capped at $0.01845 per kWh) | $ (0.002305) | $ (0.016364) | $ (0.014058) | -609.78% |

Notes:

1 See ACC Decision No. 72213.
2 Short Term Sales revenues are credited at 100% as approved by the Commission in Decision No. 70360.
3 Includes accounting adjustments.
4 Forward Component Rate capped at $.01845 per kWh in ACC Decision No. 71914.
5 Negative value is PPFAC credit; positive value is PPFAC surcharge.

*Schedule presentation will appear to roundup $'s and MWhs; however calculations are performed on an actual $ and MWh basis with resultant Rates/kWh roundup to $0.000000/kWh*

B

**UNS Electric, Inc.**
**Schedule 3**
**Forward Component Tracking Account - (PPFAC Prior Forward Component Rate in effect from June 1, 2012 to May 31, 2013**
**($ in thousands; Forward Component Rate and Base Rate in $/kWh)**
**(Negative value is over-collected, Positive value is under-collected)**

| Line | | | Jan-12 | Feb-12 | Mar-12 | Apr-12 | May-12 | Jun-12 | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 | Jan-13 | Feb-13 | Mar-13 | Apr-13 | May-13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | $ 49.62 | | | | | | | | | | | | | | | | |
| 1 | Prior Month Balance [10] | (L16) | $ 8,284.49 | $ 7,069.38 | $ 6,338.49 | $ 4,859.36 | $ 3,222.87 | $ - | $ (158.19) | $ (122.80) | $ (85.82) | $ (139.95) | $ 106.84 | $ 354.20 | $ 649.39 | $ 557.25 | $ 472.14 | $ 408.47 | $ 273.11 |
| **Energy Sales** | | | | | | | | | | | | | | | | | | | |
| 2 | Retail Native Load Energy Sales (MWh) | | 145,994.746 | 126,780.666 | 119,712.740 | 120,836.999 | 141,524.304 | 170,184.817 | 203,488.409 | 198,658.091 | 165,790.028 | 129,799.933 | 120,390.284 | 135,895.096 | 142,412.240 | 121,294.111 | 119,984.137 | 121,177.668 | 141,918.677 |
| 2.5 | Retail Native Load Energy Sales Less Community Solar Sales (MWh) | | | 126,768.966 | | | | | | | | | | | | | | | |
| 3 | Retail Native Load Energy Sales including losses (MWh) [1] | | 152,861.710 | 132,743.882 | 129,197.000 | 128,547.000 | 152,903.000 | 184,852.000 | 223,040.000 | 217,140.000 | 179,978.000 | 138,623.000 | 127,941.000 | 146,004.000 | 152,996.000 | 129,006.000 | 129,018.000 | 128,387.000 | 152,911.000 |
| 4 | Long Term Energy Sales (MWh) | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 | Long Term Energy Sales including losses (MWh) [2] | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 | Total Native Load Energy Sales (MWh) | (L2 + L4) | 145,994.746 | 126,780.666 | 119,712.740 | 120,836.999 | 141,524.304 | 170,184.817 | 203,488.409 | 198,658.091 | 165,790.028 | 129,799.933 | 120,390.284 | 135,895.096 | 142,412.240 | 121,294.111 | 119,984.137 | 121,177.668 | 141,918.677 |
| 7 | Total Native Load Energy Sales including losses (MWh) | (L3 + L5) | 152,861.710 | 132,743.882 | 129,197.000 | 128,547.000 | 152,903.000 | 184,852.000 | 223,040.000 | 217,140.000 | 179,978.000 | 138,623.000 | 127,941.000 | 146,004.000 | 152,996.000 | 129,006.000 | 129,018.000 | 128,387.000 | 152,911.000 |
| **Fuel and Purchased Power Costs** | | | | | | | | | | | | | | | | | | | |
| 8 | Fuel and Purchased Power Costs [3, 9] | | $ 9,471.87 | $ 8,416.83 | $ 5,763.30 | $ 5,793.53 | $ 7,273.87 | $ 7,587.27 | $ 9,364.31 | $ 9,199.71 | $ 8,157.69 | $ 7,313.45 | $ 6,511.37 | $ 6,505.56 | $ 6,291.78 | $ 5,349.01 | $ 5,299.98 | $ 5,281.66 | $ 6,126.90 |
| 9 | Short Term Sales Revenue Credit [4] | | $ (3,242.11) | $ (2,740.38) | $ (208.55) | $ (329.95) | $ (649.82) | $ (137.62) | $ (232.27) | $ (282.03) | $ (800.43) | $ (1,264.14) | $ (882.16) | $ (135.43) | $ (17.67) | $ (11.91) | $ - | $ - | $ (55.56) |
| 10 | Net Fuel and Purchased Power Costs | (L8+L9) | $ 6,229.76 | $ 5,676.45 | $ 5,554.75 | $ 5,463.59 | $ 6,624.05 | $ 7,449.65 | $ 9,132.03 | $ 8,917.69 | $ 7,357.26 | $ 6,049.31 | $ 5,629.21 | $ 6,370.12 | $ 6,274.11 | $ 5,337.10 | $ 5,299.98 | $ 5,281.66 | $ 6,071.34 |
| **Base Fuel Rate & Forward Component Recovery** | | | | | | | | | | | | | | | | | | | |
| 11 | PPFAC Retail Power Supply Costs | (L3 /L7*L10) | $ 6,229.76 | $ 5,676.45 | $ 5,554.75 | $ 5,463.59 | $ 6,624.05 | $ 7,449.65 | $ 9,132.03 | $ 8,917.69 | $ 7,357.26 | $ 6,049.31 | $ 5,629.21 | $ 6,370.12 | $ 6,274.11 | $ 5,337.10 | $ 5,299.98 | $ 5,281.66 | $ 6,071.34 |
| 12 | Base Rate Power Supply Recovery [5, 10] | (L2 * L17) | $ 8,742.73 | $ 7,533.68 | $ 7,310.50 | $ 7,379.15 | $ 8,642.46 | $ 10,392.68 | $ 12,426.43 | $ 12,131.45 | $ 10,124.30 | $ 7,926.49 | $ 7,351.87 | $ 8,298.71 | $ 8,696.69 | $ 7,407.07 | $ 7,327.07 | $ 7,399.96 | $ 8,666.55 |
| 13 | Forward Component Recovery [6, 10] | (L2 * L18) | $ (1,297.03) | $ (1,125.63) | $ (275.99) | $ (278.58) | $ (326.28) | $ (2,784.83) | $ (3,329.80) | $ (3,250.76) | $ (2,712.92) | $ (2,123.99) | $ (1,970.02) | $ (2,223.73) | $ (2,330.37) | $ (1,984.81) | $ (1,963.37) | $ (1,982.90) | $ (2,322.30) |
| **(Over) / Under Collections and Accrued Interest** | | | | | | | | | | | | | | | | | | | |
| 14 | (Over)/Under Collections | (L11 -L12 - L13) | $ (1,215.94) | $ (731.60) | $ (1,479.76) | $ (1,636.98) | $ (1,692.14) | $ (158.19) | $ 35.41 | $ 36.99 | $ (54.12) | $ 246.81 | $ 247.35 | $ 295.15 | $ (92.21) | $ (85.16) | $ (63.72) | $ (135.39) | $ (272.91) |
| 15 | Interest [7, 9] | L14*(L19 /12) | $ 0.8284 | $ 0.7069 | $ 0.6338 | $ 0.4859 | $ 0.3223 | $ - | $ (0.0158) | $ (0.0123) | $ (0.0086) | $ (0.0140) | $ 0.0107 | $ 0.0354 | $ 0.0649 | $ 0.0557 | $ 0.0472 | $ 0.0408 | $ 0.0273 |
| 16 | **Tracking Account Balance [8]** | (L1 + L14 + L15) | $ 7,069.38 | $ 6,338.49 | $ 4,859.36 | $ 3,222.87 | $ 1,531.05 | $ (158.19) | $ (122.80) | $ (85.82) | $ (139.95) | $ 106.84 | $ 354.20 | $ 649.39 | $ 557.25 | $ 472.14 | $ 408.47 | $ 273.11 | $ 0.23 |

| | | |
|---|---|---|
| 17 | Average Base Cost of Fuel & Purchased Power - $ per kWh | $0.061067 |
| 18 | Forward Component Rate - $ per kWh | ($0.002305) |
| 19 | Interest Rate [7] | 0.1200% |

Notes:

1. Retail energy losses are the difference between billed retail energy sales and UNS-E's Retail Sales per TEP's control area metering.
2. Long Term Energy Sales losses calculated using applicable EHV loss percentage as defined in appropriate OATT.
3. Includes total native load and short term fuel, purchased power and transmission.
4. Includes Short Term Sales Revenue at 100% per Decision 70360.
5. Base rate recovery is the actual recovery by customer class.
6. Forward Component Rates $/kWh Effective Jun 1, 2011 to May 31, 2012.
7. Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15 on the first business day of the calendar year.
8. Tracking Account Balance Line 16 carried to Schedule 4, Line 1.
9. Fuel & Purchased Power Costs and Interest include true-up adjustments for prior periods that reduce expense and interest.
10. December 2011 cost of fuel that was not included in the Dec-11 PPFAC filing due to timing of the 2011 year-end close adjustments.

*Schedule presentation will appear to roundup $'s and MWhs; however calculations are performed on an actual $ and kWh basis with resultant Rates/kWh roundup to $0.000000/kWh*

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# UNS Electric, Inc.
## Schedule 4
## PPFAC True-Up Component Rate Calculation Effective June 1, 2012
### ($ in thousands; True Up Component Rate in $/kWh)

| Line No. | PPFAC Historical Component Rate - Calculation | Effective 1-Jul-11 [1] | Proposed 1-Jun-12 | Increase / (Decrease) $ Values | Increase / (Decrease) % |
|---|---|---|---|---|---|
| 1 | Forward Component Tracking Account Balance (From Schedule 3, L16, Cl L) [2, 3] | $ (2,999.40) | $ 1,531.05 | $ 4,530.45 | 151.05% |
| 2 | True-Up Component Tracking Account Balance (From Schedule 5, L8) [4, 5] | $3,287.28 | $ 1,880.66 | $ (1,406.62) | -42.79% |
| 3 | Total True-Up Amount to be (refunded)/Collected Balance (L1+L2) [6] | $ 287.88 | $ 3,411.70 | $ 3,123.82 | 1085.11% |
| 4 | Projected Native Load Sales (MWh) | 1,914,500 | 1,770,993 | (143,507) | -7.50% |
| 5 | Applicable True-Up Component Rate ($/kWh) (L3 / L4) [7] | $ 0.000150 | $ 0.001926 | $ 0.001776 | 1181.14% |

Notes:

1 See ACC Decision No. 72213.
2 Estimated May 31, 2012 Forward Component Tracking Account Balance as of April 1, 2012
3 Includes interest for March, April, May.
4 Estimated May 31, 2012 True-Up Component Tracking Account Balance as of April 1, 2012
5 Because the actual amount of revenue to be received in March, April & May from application of the prior Applicable True Up Component is not available at the time. of filing, Schedule 5 will reflect as necessary estimates for those periods as well as true-up calculations for the prior period estimates, See Schedule 5 for more detail.
6 Beginning Balance as of June 1 - to be carried forward to subsequent period PPFAC, True Up Component Tracking account Balance, Schedule 5, L1.
7 Negative value is PPFAC credit; positive value is PPFAC surcharge.

*Schedule presentation will appear to roundup $'s and MWhs; however calculations are performed on an actual $ and MWh basis with resultant Rates/kWh roundup to $0.000000/kWh*

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# UNS Electric, Inc.
## Schedule 5
## True-Up Component Tracking Account - Prior PPFAC True-Up Component Rate in Effect June 1, 2012 through May 31, 2013
## ($ in thousands; Historical Component Rate in $/kWh)
## (Negative value is over-collected, Positive value is under-collected)

| Line No. | | Jan-12 | Feb-12 | Mar-12 | Apr-12 | May-12 | Jun-12 | Jul-12 | Aug-12 | Sep-12 | Oct-12 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | TU Beginning Balance as of June 1, 2009 and thereafter | $ 1,977.76 | $ 1,956.10 | $ 1,937.53 | $ 1,919.72 | $ 1,901.75 | $ 1,880.66 | $ 3,084.19 | $ 2,692.50 | $ 2,310.06 | $ 1,990.91 |
| 2 | Revenue True-Up from March-May Estimate [2] | | | | | | $ 1,531.05 | | | | |
| 3 | TU Adjusted Beginning Balance (L1 + L2) [1] | $ 1,977.76 | $ 1,956.10 | $ 1,937.53 | $ 1,919.72 | $ 1,901.75 | $ 3,411.70 | $ 3,084.19 | $ 2,692.50 | $ 2,310.06 | $ 1,990.91 |
| 4 | Applicable True-Up Component Rate ($/kWh) [3] | $ 0.000150 | $ 0.000150 | $ 0.000150 | $ 0.000150 | $ 0.000150 | $ 0.001926 | $ 0.001926 | $ 0.001926 | $ 0.001926 | $ 0.001926 |
| 5 | Retail Billed Sales (kWhs) [4] | 145,994,746 | 126,768,966 | 119,712,740 | 120,836,999 | 141,524,304 | 170,184,817 | 203,488,409 | 198,658,091 | 165,790,028 | 129,799,933 |
| 6 | Less Revenue from Application TU (L4 x L5) [5, 7] | $ 21.86 | $ 18.77 | $ 18.00 | $ 18.17 | $ 21.28 | $ 327.85 | $ 392.01 | $ 382.70 | $ 319.38 | $ 250.05 |
| 7 | Monthly Interest (Line 3 * Int Rate/12) [6] | $ 0.20 | $ 0.20 | $ 0.19 | $ 0.19 | $ 0.19 | $ 0.34 | $ 0.31 | $ 0.27 | $ 0.23 | $ 0.20 |
| 8 | TU Ending Balance; (L3 - L6 + L7). | $ 1,956.10 | $ 1,937.53 | $ 1,919.72 | $ 1,901.75 | $ 1,880.66 | $ 3,084.19 | $ 2,692.50 | $ 2,310.06 | $ 1,990.91 | $ 1,741.06 |

Notes:

1 True-Up component value listed on Line 1 for June 2010 is the sum of the actual Forward Component and True-Up Component balances as of June 1, 2010.

2 True-Up is the result of using estimated revenue for March through May since the actual amount was not available at the time of April 1, 2010 PPFAC filing.

3 Historical Component, Prior Period PPFAC, Sch. 4, L5.

4 Sales amounts are for energy billed beginning with the first billing cycle of June.

5 Generally, Line 4 x Line 5 = Line 6; however, differences may occur due to billing adjustments.

6 Based on one-year Nominal Treasury Constant Maturities rate contained in the Federal Reserve Statistical Release, H-15. 0.1200% As of 1/3/2012

7 Base Rate Power Supply, Forward Component and True-up Component Recoveries are reduced by a net $1,257,978.54 for a July 2010 correction for Lifeline discounts billed to residential customers in prior periods.

*Schedule presentation will appear to roundup $'s and MWhs; however calculations are performed on an actual $ and MWh basis with resultant Rates/kWh roundup to $0.000000/kWh*

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| Nov-12 | Dec-12 | Jan-13 | Feb-13 | Mar-13 | Apr-13 | May-13 |
|---|---|---|---|---|---|---|
| $ 1,741.06 | $ 1,509.31 | $ 1,247.67 | $ 973.44 | $ 739.88 | $ 508.81 | $ 275.42 |
| | | | | | | |
| $ 1,741.06 | $ 1,509.31 | $ 1,247.67 | $ 973.44 | $ 739.88 | $ 508.81 | $ 275.42 |
| $ 0.001926 | $ 0.001926 | $ 0.001926 | $ 0.001926 | $ 0.001926 | $ 0.001926 | $ 0.001926 |
| 120,390,284 | 135,895,096 | 142,412,240 | 121,294,111 | 119,984,137 | 121,177,668 | 141,918,677 |
| $ 231.92 | $ 261.79 | $ 274.35 | $ 233.67 | $ 231.14 | $ 233.44 | $ 273.40 |
| $ 0.17 | $ 0.15 | $ 0.12 | $ 0.10 | $ 0.07 | $ 0.05 | $ 0.03 |
| $ 1,509.31 | $ 1,247.67 | $ 973.44 | $ 739.88 | $ 508.81 | $ 275.42 | $ 2.05 |

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# CLEAN

UniSourceEnergy SERVICES

# UNS Electric, Inc.
# Pricing Plan Rider No. 1
# Purchased Power Fuel Adjustor Clause (PPFAC)

APPLICABILITY

The Purchased Power and Fuel Adjustment Clause ("PPFAC") will be applied to all customers taking Standard Offer service from the Company pursuant to the Arizona Corporation Commission ("ACC") Decision No 70360 and as defined in the Company's PPFAC Plan of Administration.

RATE

The customer monthly bill shall consist of the applicable Pricing Plan charges and adjustments in addition to the PPFAC. The PPFAC adjuster rate is an amount expressed as a rate per kWh charge that is approved by the ACC on or before June 1 of each year and effective with the first billing cycle in June. The PPFAC is the difference between the forecasted fuel and purchased power costs expressed as a rate per kWh less the Base Cost of Fuel and Purchased Power generally expressed as a rate per kWh embedded in UNSE's bundled rate. The PPFAC per kWh charge will be modified to reflect an increase or decrease, as approved by the ACC.

**Effective June 1, 2012 per Commission decision the PPFAC shall be applied to all monthly usage as follows:**

Applicable to all customers except those customers who take service under the Customer Assistance Residential Energy Support (C.A.R.E.S) pricing plan or Low income Medical Life Support Program (C.A.R.E.S.-M) pricing plan:

$(0.014437) per kWh

For all customers who take service under the Customer Assistance Residential Energy Support (C.A.R.E.S) pricing plan or Low income Medical Life Support Program (C.A.R.E.S.-M) pricing plan:

$(0.013829) per kWh

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

This standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with the Rider.

# REDLINED

UniSourceEnergy SERVICES

# UNS Electric, Inc.
# Pricing Plan Rider No. 1
# Purchased Power Fuel Adjustor Clause (PPFAC)

APPLICABILITY

The Purchased Power and Fuel Adjustment Clause ("PPFAC") will be applied to all customers taking Standard Offer service from the Company pursuant to the Arizona Corporation Commission ("ACC") Decision No 70360 and as defined in the Company's PPFAC Plan of Administration.

RATE

The customer monthly bill shall consist of the applicable Pricing Plan charges and adjustments in addition to the PPFAC. The PPFAC adjuster rate is an amount expressed as a rate per kWh charge that is approved by the ACC on or before June 1 of each year and effective with the first billing cycle in June. The PPFAC is the difference between the forecasted fuel and purchased power costs expressed as a rate per kWh less the Base Cost of Fuel and Purchased Power generally expressed as a rate per kWh embedded in UNSE's bundled rate. The PPFAC per kWh charge will be modified to reflect an increase or decrease, as approved by the ACC.

**Effective June 1, 2012~~1~~ per Commission decision the PPFAC shall be applied to all monthly usage as follows:**

Applicable to all customers except those customers who take service under the Customer Assistance Residential Energy Support (C.A.R.E.S) pricing plan or Low income Medical Life Support Program (C.A.R.E.S.-M) pricing plan:

$(~~0.008788~~0.014437) per kWh

For all customers who take service under the Customer Assistance Residential Energy Support (C.A.R.E.S) pricing plan or Low income Medical Life Support Program (C.A.R.E.S.-M) pricing plan:

$(~~0.008418~~0.013829) per kWh

TAX CLAUSE

To the charges computed under the above rate, including any adjustments, shall be added the applicable proportionate part of any taxes or governmental impositions which are or may in the future be assessed on the basis of gross revenues of the Company and/or the price or revenue from the electric energy or service sold and/or the volume of energy generated or purchased for sale and/or sold hereunder.

RULES AND REGULATIONS

This standard Rules and Regulations of the Company as on file with the Arizona Corporation Commission shall apply where not inconsistent with the Rider.