NEW APPLICATION

0000150742

ORIGINAL

RECEIVED

2014 JAN 10 P 3:45

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED
JAN 10 2014
DOCKETED BY

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
BOB STUMP, CHAIRMAN
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

IN THE MATTER OF THE REORGANIZATION OF UNS ENERGY CORPORATION	) DOCKET NO.	E-04230A-14-0011 E-01933A-14-0011
	) **JOINT NOTICE OF INTENT TO REORGANIZE**	
	(Hearing Requested)	

UNS Energy Corporation ("UNS Energy"), pursuant to A.A.C. R14-2-803, on behalf of itself and its affiliates UniSource Energy Services ("UES"), Tucson Electric Power Company ("TEP"), UNS Electric, Inc. ("UNS Electric") and UNS Gas, Inc. ("UNS Gas") (TEP, UNS Electric and UNS Gas are referred to collectively as the "Arizona Utilities"), and Fortis Inc. ("Fortis"), on behalf of itself and its affiliates, FortisUS Holdings Nova Scotia Limited ("FortisUS Nova Scotia"), a wholly-owned subsidiary of Fortis, FortisUS Inc. ("FortisUS"), a wholly-owned subsidiary of FortisUS Nova Scotia, and Color Acquisition Sub Inc. ("Color Acquisition"), a wholly-owned subsidiary of FortisUS,[1] hereby submit their Joint Notice of Intent to Reorganize, as follows:

I. INTRODUCTION.

On December 11, 2013, UNS Energy, Fortis, FortisUS and Color Acquisition entered into an Agreement and Plan of Merger ("Merger Agreement") as described in **Exhibit 1** (UNS Energy's December 12, 2013 Form 8-K, excluding the Merger Agreement[2]). Pursuant to the Merger Agreement, and subject to various conditions such as shareholder and regulatory approvals,

[1] UNS Energy and Fortis shall sometimes be referred to collectively as "Joint Applicants."
[2] Joint Applicants shall provide the entire Merger Agreement in conjunction with Uniform Data Request responses.

including approval by the Arizona Corporation Commission ("Commission"), Color Acquisition will merge with UNS Energy. UNS Energy will be the surviving entity, becoming a wholly-owned subsidiary of FortisUS with Fortis as its ultimate parent. In effect, UNS Energy's existing shareholders will be replaced by FortisUS as the sole shareholder. Direct ownership of UNS Energy's affiliates, including the Arizona Utilities, will remain at UNS Energy and thus, will not be changed by the merger. Charts depicting the parties to the merger, on a pre-merger and post-merger basis, are attached as **Exhibit 2**.

UNS Energy and Fortis seek Commission approval of the reorganization under A.A.C. R14-2-803 as soon as practicable. The merger will not impair the financial status of UNS Energy or the Arizona Utilities, otherwise prevent UNS Energy or the Arizona Utilities from attracting capital at fair and reasonable terms or impair the ability of the Arizona Utilities from providing safe, reasonable and adequate service.[3] Notably, the merger is expected to improve the financial status of UNS Energy and the Arizona Utilities, improve access to capital at more favorable terms and enhance the ability of the Arizona Utilities to continue providing safe, reasonable and adequate service to their customers. Moreover, given these benefits, as well as other benefits to the customers and the communities served by the Arizona Utilities as discussed below, and the agreed upon conditions of approval also set forth below, approval of the merger is in the public interest.[4]

A. Overview of the Merger.

UNS Energy and the Arizona Utilities have worked hard to provide safe and reliable electric and gas service to more than 650,000 customers in Arizona. The Arizona Utilities have successfully managed their costs and operations even though sales levels have remained relatively flat over the past 7 years. As a result, the Arizona Utilities have gradually improved their credit ratings while charging just and reasonable rates. For example, customers of TEP and UNS Electric have electric

---

[3] A.A.C. R14-2-803(C)

[4] Joint Applicants do not believe that any approvals are required under A.R.S. 40-285 or A.R.S. 40-301 et seq. in connection with the proposed merger. However, to the extent those statutes apply, Joint Applicants request that approval be granted under the statutes.

rates that are comparable to, and in some instances significantly lower than, the rates charged by other electric utilities in Arizona.

Moreover, UNS Energy and the Arizona Utilities have a long history of being active and integral parts of the communities they serve. On a consolidated basis, UNS Energy's affiliates directly employ nearly two thousand Arizonans and effectively support many other jobs indirectly. Additionally, UNS Energy and the Arizona Utilities support local organizations and charities and help provide a stable environment for economic development in those communities. The management teams of UNS Energy and Fortis are committed to continuing and enhancing this role in Arizona.

While TEP has served its customers and communities for over 100 years as a small, local utility,[5] the past decade has brought enormous changes to the utility industry. The electric utility landscape continues to change rapidly, and those changes create numerous challenges for relatively small local utilities. In the near future, UNS Energy and the Arizona Utilities must address significant issues including: (i) sales growth that is lower than historical levels, including periods where sales have been relatively flat, as demand is reduced by improvements in energy efficiency and increased distributed generation; (ii) the need to balance generation portfolios with purchases of generation; (iii) impacts of existing and anticipated environmental regulations addressing, among other things, carbon dioxide emissions and coal ash; (iv) innovations in the nature and delivery of electricity service; (v) integration of distributed generation resources into the utility grid; (vi) increased cyber-security requirements; and (vii) investing to enhance and expand the transmission system in order to reduce reliance on carbon-intensive generation and deliver increased renewable energy to customers. These challenges are in addition to the ongoing capital needs to maintain and upgrade the Arizona Utilities' infrastructure to continue to provide safe and reliable service.

Addressing these challenges will require, among other things, access to significant capital. Indeed, the Arizona Utilities have budgeted significant capital investments over the next five years

[5] UNS Electric and UNS Gas have served their customers and communities for over 10 years as UNS Energy affiliates.

to meet these and other infrastructure needs. The capital budget for UNS Energy on a consolidated basis for the period 2014-2018 exceeds $2.0 billion. Many of these capital needs will persist regardless of load growth in the service areas. The capital requirements of UNS Energy and the Arizona Utilities are not unique, but are exacerbated by additional factors such as the potential customer growth in their service areas towards more historical levels and the ownership of significant coal generation assets.

In response to the changing landscape, the energy utility industry is consolidating. In the mid-1990s, there were approximately 100 separate shareholder-owned electric utilities in the United States. Now there are less than 50 and new mergers continue to be announced, such as MidAmerican Energy Holding Company's ("MidAmerican") acquisition of NV Energy Inc. ("NV Energy").[6] As a result of this trend, UNS Energy and the Arizona Utilities must now compete for capital with utilities having much larger balance sheets and a wider geographic reach. While the Arizona Utilities have recently achieved investment grade credit ratings – and those ratings now approach the industry average – the Arizona Utilities will face continuing challenges due in part to the limited size and scope of their operations.

The merger offers UNS Energy and the Arizona Utilities an opportunity to maintain their service quality, community support and other benefits created through continued local control of their ongoing utility operations while gaining new financial strength to address their future challenges. Furthermore, joining Fortis will provide the Arizona Utilities with access to best practices and technologies employed by an international family of well-run utilities.

Fortis is the largest investor-owned distribution utility company in Canada, providing regulated distribution services to more than 2,400,000 electricity and gas customers across Canada, New York State and the Caribbean. Its regulated utility operating companies have

[6] On May 29, 2013, MidAmerican and NV Energy entered into a definitive merger agreement whereby NV Energy would become a wholly-owned subsidiary of MidAmerican. The acquisition was approved by the Nevada Public Utilities Commission in December 2013. Similar recent mergers include: AES Corporation's acquisition of DPL Inc. in 2011; Gaz Metro Inc.'s acquisition of Central Vermont Public Service Corporation in 2012; Duke Energy Corporation's acquisition of Progress Energy, Inc. in 2012; and the Fortis acquisition of CH Energy Group, Inc. in 2013.

earned strong reputations for customer service and community support. In approving the Fortis acquisition of Aquila Networks Canada (Alberta) Ltd. ("ANCA") in 2004, the Alberta Energy and Utilities Board observed, "It appears to the Board, on the basis of the record before it, that there is little dispute that Fortis has considerable experience in the ownership and operation of utilities in general, including distribution wire services. Under the umbrella of the Fortis group of companies, ANCA would, in the Board's view, have access to this experience in delivering distribution services in Canada and overseas."[7] Similarly, in approving the Fortis acquisition of Terasen Inc. in 2007, the British Columbia Utilities Commission noted that ". . . Fortis has considerable regulatory, operating and financial expertise in relation to the management of regulated utilities."[8] The State of New York Public Service Commission ("NYPSC") recently concluded that it was in the public interest for Fortis to acquire Central Hudson Gas & Electric Corporation, a gas and electric utility serving approximately 376,000 customers in New York State.[9] Fortis is financially sound and fully capable of carrying out the financial and other commitments pertaining to the merger.

Fortis' approach to its utility subsidiaries emphasizes local decision making and community involvement through its reliance on local utility management teams which are governed by independent boards of directors with strong representation from the local communities they serve. Fortis seeks to preserve and build on the existing strengths of each utility it owns, and it has employed this approach in its previous utility acquisitions. Moreover, as Fortis subsidiaries, UNS Energy and the Arizona Utilities will have access to capital to meet upcoming financial obligations and challenges on terms that should be more favorable than if the merger is not consummated. Fortis' vision, approach, and financial support with respect to its utility subsidiaries were critical to UNS Energy's decision to merge with Fortis.

---

[7] See Alberta Energy and Utilities Board Decision 2004-035, April 29, 2004 at page 17.

[8] See British Columbia Utilities Commission Order No. G-49-07, April 30, 2007 at page 14.

[9] See NYPSC Case 12-M-0192, Order Authorizing Acquisition Subject to Conditions, June 26, 2013, Conclusion, pages 58-61.

In this regard, following announcement of the merger, Standard & Poor's ("S&P") revised its outlook on TEP to positive from stable, reflecting the higher rating of Fortis and S&P's expectation that TEP would be at least a "moderately strategic" subsidiary of Fortis. Fortis has never sold a regulated utility subsidiary, and S&P's moderately strategic classification correctly implies that TEP is unlikely to be sold by Fortis following the merger, that the acquisition is consistent with Fortis' long-term strategy and that TEP is likely to receive support from Fortis should TEP fall into financial difficulty.[10] Fitch Ratings ("Fitch") placed TEP's ratings on Rating Watch Positive, reflecting its expectation that the utility's access to capital would improve due to Fortis' financial strength and Fitch's expectation that Fortis will support TEP's growth objectives and provide appropriate financial support as needed.[11] Moody's Investor Service ("Moody's") has taken no action with respect to the merger, but has commented that it views Fortis' potential ownership to be credit neutral to slightly positive for UNS Energy, as the utility would have access to Fortis' larger scale and scope, which may help with the funding of capital expenditures, the reduction of certain operating costs and greater access to the capital markets. Moody's also noted that Fortis has an established credit supportive track record with utility acquisitions in the U.S.[12] Although there is no guarantee that any of the rating agencies will actually upgrade the credit rating of UNS Energy or TEP following the merger, the noted rating agencies' comments reflect their view of the strength of Fortis' financial profile. Further, they confirm that the merger is expected to improve the financial status of UNS Energy and the Arizona Utilities and to improve access to capital at more favorable terms.

Finally, as discussed below, UNS Energy and Fortis have agreed to conditions for approval that ensure continuing high levels of customer service, community support and involvement, and local management and corporate governance. In light of these assurances

---

[10] See S&P's Ratings Direct Research Update, "Fortis Inc. Outlook Revised to Negative on Proposed Acquisition of UNS Energy Corp.," December 13, 2013.

[11] See Fitch's "Fitch Places Tucson Electric Power Co.'s Ratings on Rating Watch Positive on Merger Announcement," December 13, 2013.

[12] See Moody's "Issuer Comment: Fortis Inc.'s proposed acquisition of UNS Energy Corporation has no immediate ratings impact," December 12, 2013.

and the financial support of a financially secure parent company, the merger is in the public interest and should be approved.

B. Benefits of the Merger.

In light of the increasing challenges that face all electric utilities and will prove particularly daunting for smaller companies, UNS Energy and Fortis believe that the merger will produce important benefits for the Arizona Utilities' customers, their employees and the communities they serve. Those benefits include, but are not limited to, the following:

(i) **The ability to continue to provide safe, reliable and adequate service.** The merger will financially strengthen UNS Energy and the Arizona Utilities so as to enhance their ability to provide safe and reliable service, especially in an increasingly challenging and capital intensive environment.

(ii) **Infusion of equity capital into Arizona entities.** Upon closing of the merger, Fortis has agreed to immediately inject $200 million of equity capital into UNS Energy for the benefit of UNS Energy and the Arizona Utilities, thereby further strengthening their financial position.

On an on-going basis and consistent with established utility regulation, it is the practice of Fortis to inject equity into its regulated utility subsidiaries, when required, to maintain a capital structure consistent with that which is reflected in the regulated utility's customer rates and to support the regulated utility's credit ratings.

(iii) **Improved access to the capital markets on fair and reasonable terms.** UNS Energy and Fortis believe that Fortis' financial status and access to capital markets will improve the Arizona Utilities' ability to obtain sufficient capital to meet their needs. For example, any credit rating improvements should result in better access to debt capital at lower cost.

(iv) **The commitment to continue the current union contracts, employee levels and employee benefits.** As described in Part III below, the parties have committed to maintain existing employee levels at the Arizona Utilities and employee benefits for a period of at least two years after the conclusion of the merger. Moreover, the parties will continue to perform under the existing collective bargaining agreements for the Arizona Utilities. All future decisions on staffing, employment practices and labor relations at the Arizona Utilities will continue to be made by local management of the Arizona Utilities.

(v) **The commitment to keep UNS Energy an Arizona-based and operated company.** The parties have committed to retain UNS Energy's senior management, to maintain UNS Energy's headquarters in Tucson, Arizona, and to sustain UNS Energy's contributions to charitable and community programs. The parties also have committed to retain four members of the existing UNS Energy board of directors who are acceptable to FortisUS at the time of closing the merger, provided that one such designee shall be UNS Energy's Chief Executive Officer. In addition, as described in Part III below, no later than one year after closing of the merger, FortisUS shall have appointed a board of directors for UNS Energy and the Arizona Utilities, the majority of whom will be independent, with the majority of such independent directors being residents of the State of Arizona, and with emphasis on selecting candidates who reside, conduct business or work within the Arizona Utilities' service territories.

C. The Parties.

UNS Energy is an Arizona corporation, with its principal place of business in Tucson, Arizona. UNS Energy is the holding company for TEP and UES, as well as other non-utility affiliates, and its stock is publicly traded on the New York Stock Exchange under the ticker symbol UNS. TEP is an Arizona public service corporation that provides electric generation, transmission and distribution service to customers within portions of Pima and Cochise Counties. UES is the direct owner of all of the issued and outstanding common stock of UNS Electric and UNS Gas, which are also Arizona public service corporations that serve Coconino, Mohave, Navajo, Santa Cruz and Yavapai Counties. UNS Energy's relationship with TEP and UES qualifies it as an "Affiliate," a "Holding Company," and a "Public Utility Holding Company," as defined in A.A.C. R14-2-801.

Fortis, a utility holding company with its principal place of business in St. John's Newfoundland, Canada, is incorporated under the Corporations Act of Newfoundland and Labrador. Fortis is publicly traded on the Toronto Stock Exchange under the ticker symbol FTS. Fortis is the largest investor-owned gas and electric distribution utility in Canada, with total assets of approximately $17.6 billion as of September 30, 2013 and fiscal 2012 revenue totaling approximately $3.7 billion. As of September 30, 2013, the regulated electric and gas utility operations of Fortis accounted for approximately 90% of its total assets.

Fortis' regulated holdings include electric and gas utilities in New York State, five Canadian provinces and two Caribbean countries. Fortis' regulated utility companies provide gas and electric service to more than 2,400,000 customers. All of Fortis' electric and gas distribution operations in Canada and the United States are primarily regulated on a cost of service basis, with some elements of performance based regulation.

Fortis is a long-term investor. Fortis' long-term business objective is to manage and grow its investment in regulated gas and electric utilities and to provide the investment support for the provision of safe, reliable electricity and gas service to customers within the service territories of its

regulated utility subsidiaries. Fortis believes the effective management of regulated energy distribution systems requires local management and direction. Local management is positioned to understand the assets, operations, customer service expectations and the applicable regulatory framework within that jurisdiction. Fortis also believes that the financing of regulated utilities on a stand-alone basis ensures that customer rates appropriately reflect the actual cost of providing service. The operation and financing of utilities on a stand-alone basis also provides for transparency in the regulation of utility operations. For these reasons, Fortis' regulated utilities are governed, managed, operated and financed on a stand-alone basis. This vision has guided Fortis to enhance its existing gas and electric utility service and to achieve greater geographic diversification through selective acquisitions of other regulated utilities in the United States and Canada. Over the past decade, Fortis has successfully completed several acquisitions of regulated utilities in North America while continuing to provide a high quality of service to its customers.

Fortis' strong financial standing and stable risk profile is reflected in its status as one of the highest rated utility holding companies in North America. Fortis has an A- rating by S&P and an A(low) rating by Dominion Bond Rating Service ("DBRS"). Each of Fortis' five largest regulated utility subsidiaries -- FortisBC Energy Inc. (formerlyTerasen Gas Inc.), FortisBC Inc., FortisAlberta Inc., Central Hudson Gas and Electric Corporation and Newfoundland Power Inc.-- maintains stand-alone, investment-grade credit ratings with at least two nationally recognized credit rating agencies. All rated regulated utilities in the Fortis group, except one, carry a rating of at least A- (S&P), A3 (Moody's) or A(low) (DBRS).[13] These ratings are above the credit ratings of UNS Energy, TEP, UNS Electric and UNS Gas.[14] As discussed above, both S&P and Fitch have categorized TEP's credit outlook as positive based on the pending

[13] The one exception, Maritime Electric Company, Limited ("Maritime Electric"), is rated BBB+ by S&P. Maritime Electric is one of Fortis' smaller regulated utilities and comprises less than 3% of Fortis' total assets.

[14] UNS Energy - Baa3 (Moody's); TEP – Baa2 (Moody's), BBB (S&P, Fitch); UNS Electric and UNS Gas - Baa2 (Moody's).

acquisition by Fortis and the resulting improvement in TEP's access to capital. Additionally, Moody's has commented that the potential acquisition should be credit neutral to slightly positive for UNS Energy and the Arizona Utilities.

Fortis' regulated utilities are governed, managed, operated and financed on a stand-alone basis. Each Fortis regulated utility has its own board of directors and, except for Fortis' small regulated utilities in Ontario and in the Turks and Caicos Islands, the majority of directors are independent and reside in the jurisdiction served by the utility. Each regulated utility has its own senior management team that lives in the area served by the utility and stands accountable to the individual utility's board of directors. Within the Fortis group, management focus and accountability are reinforced through effective corporate governance. For example, each Fortis utility's senior management team is required to report to its board of directors on the key aspects of utility operations such as safety, customer satisfaction, service continuity, environmental compliance, cost management and financial performance.

Each Fortis regulated utility has the required physical, financial and human resources required to discharge its obligation to provide safe, reliable service. Consequently, there currently is no shared services company within the Fortis group. At the same time, Fortis utilities are encouraged to share best operating practices through collaboration with other utilities within the group where practical.

Fortis has ready access to debt and equity capital markets and maintains consolidated committed credit facilities of approximately $2.7 billion. Each of Fortis' regulated utilities has both stand-alone credit facilities and stand-alone senior long-term debt instruments. These utility financing arrangements do not permit lending or guarantees to Fortis or any of its affiliates.

Fortis is respectful of regulatory oversight and takes seriously its obligations and commitments to regulators. It is a key expectation, and a cornerstone of Fortis' stand-alone

operating philosophy, that local management of its operating subsidiaries will deal respectfully and responsively with local regulators.

FortisUS, a Delaware corporation, is a direct subsidiary of FortisUS Nova Scotia, which was expressly formed for the purpose of holding FortisUS, and is an indirect wholly-owned subsidiary of Fortis. Upon consummation of the merger, UNS Energy will be a wholly-owned subsidiary of FortisUS. Currently, the wholly-owned subsidiaries of FortisUS are:

i. CH Energy Group, Inc., which owns Central Hudson Gas & Electric Corporation, a gas and electric utility regulated by the NYPSC, and Central Hudson Enterprises Corporation;

ii. FortisUS Energy Corporation, which owns and operates four small hydro-electric generating facilities in Upstate New York; and

iii. Color Acquisition, which was expressly formed for the purpose of acquiring UNS Energy.

II. A.A.C. R14-2-803 CRITERIA.

A. The Names and Business Addresses of the Proposed Officers and Directors of the Holding Companies.

UNS Energy's current officers are expected to continue as the officers of UNS Energy after the merger. Attached as **Exhibit 3** is a list of the names of, and business addresses for, the officers and directors of UNS Energy, UES, Fortis, FortisUS Nova Scotia and FortisUS.

B. The Business Purposes for Establishing or Reorganizing the Holding Company.

The merger is expected to expand the financial and managerial resources available to UNS Energy and the Arizona Utilities and thereby produce benefits to their customers and employees, as well as the local communities in their service areas. The financial strength and other resources of Fortis should position UNS Energy and the Arizona Utilities to have access to adequate

capital for the service needs of their customers and to address future challenges. In addition, Fortis believes it is making a sound long-term investment in Arizona and in UNS Energy, whose affiliated public utilities will give Fortis additional geographical diversity in its portfolio of regulated electric and gas utilities, operate in a constructive regulatory environment and have opportunities for growth while maintaining or improving the services provided to customers under the aegis of the strong existing UNS Energy management team.

C. The Proposed Method of Financing the Holding Company and the Resultant Capital Structure.

At the closing of the merger, Color Acquisition will merge with and into UNS Energy, with UNS Energy being the surviving corporation. The separate legal existence of Color Acquisition will cease at the time of the merger. Immediately following the merger, Fortis will indirectly own all of the common stock of FortisUS and FortisUS will directly own all of the common stock of UNS Energy.

UNS Energy is not expected to incur any new debt in connection with the merger. Fortis intends to finance the purchase primarily through the issuance of new equity. Upon announcement of the acquisition of UNS Energy, Fortis executed a bought deal transaction with a group of underwriters to issue C$1.8 billion of convertible debentures which will convert to common equity once all regulatory and governmental approvals required to finalize the merger have been obtained and all other outstanding conditions under the Merger Agreement have been fulfilled or waived. Upon completion of all acquisition financing, Fortis expects that its consolidated capital structure will continue to reflect a reasonable balance of debt and equity capital consistent with, and to support, its strong investment grade credit ratings. Fortis expects to maintain its A- and A(low) credit rating following completion of the merger.

D. The Resultant Effect on the Capital Structure of the Public Utilities.

As described in Part III below, Fortis will invest $200 million of equity into UNS Energy upon closing of the merger. UNS Energy will invest the $200 million as equity into TEP and UNS

Electric, retire UNS Energy short term debt, or undertake some combination of the equity injection and debt retirement. The level of each will be dependent on the timing of the merger closing. TEP and UNS Electric intend to purchase the Gila River Power Plant Unit #3 ("Gila River") in December 2014 for $219 million; the companies will need external financing to fund this large investment. The $200 million from Fortis would be used as an equity contribution into TEP and UNS Electric to help fund the Gila River purchase. However, if the merger closing occurs shortly before or after the Gila River purchase, UNS Energy would temporarily issue short term debt to assure a funding source and liquidity which would subsequently be re-paid with funds from Fortis' $200 million equity injection.

Another benefit of the merger is the expected immediate credit ratings upgrades to TEP. The credit upgrades should reduce TEP's cost of the long term debt that TEP intends to issue to help fund Gila River, the $66 million purchase of Springerville Unit 1 in January 2015 and the $73 million purchase of the Springerville fuel handling facilities in April 2015.

The immediate capital infusion and improved access to equity capital in the future is expected to result in improved capital structures and credit ratings for the Arizona Utilities, which should ultimately benefit their customers.

E. An Organization Chart of the Holding Company that Identifies all Affiliates and their Relationships within the Holding Company.

Organizational charts for Fortis and UNS Energy, which include their respective active direct and indirect operating subsidiaries, are attached as **Exhibit 4**.

F. The Proposed Method for Allocating Federal and State Income Taxes to the Holding Company's Subsidiaries.

FortisUS will continue to file a single consolidated US federal income tax return, which will include UNS Energy and its subsidiary entities after closing of the transaction. Similar to the current practice, state income tax returns will be filed for UNS Energy on a consolidated basis. However,

federal and state taxes will be calculated on a stand-alone basis for individual entity financial statement and regulatory reporting purposes.

G. The Anticipated Changes in the Utility's Cost of Service and the Cost of Capital Attributable to the Reorganization.

The merger will not have an immediate impact on the cost of service provided by the Arizona Utilities. However, compared to the status quo, a lower cost of debt should be realized over time by the Arizona Utilities as a result of the anticipated higher credit ratings, which should ultimately result in lower cost of service rates.

H. A Description of Diversification Plans of Affiliates of the Holding Company.

Fortis will maintain its business strategy of owning and operating regulated utility companies in North America. UNS Energy does not have any diversification plans.

I. Copies of all Relevant Documents and Filings with the United States Securities and Exchange Commission and other Federal or State Agencies.

A copy of the UNS Energy Form 8-K dated December 12, 2013 (excluding the Merger Agreement) is attached as **Exhibit 1**. UNS Energy will provide Commission Staff with a copy of the Merger Agreement and its December 11, 2013 Form 8-K in conjunction with its Uniform Data Request responses. Copies of other relevant documents and filings, such as a UNS Energy Proxy Statement, the Federal Energy Regulatory Commission application pursuant to the Federal Power Act and filings related to the Hart-Scott-Rodino Act and the Exon-Florio Amendment to the Defense Production Act are not yet completed. UNS Energy and Fortis will supplement this Joint Notice of Intent to Reorganize with copies of those documents as they become available.

No Canadian approvals are required with respect to the merger.

J. The Contemplated Annual and Cumulative Investment in each Affiliate for the Next 5 Years, in Dollars and as a Percentage of Projected Net Utility Plant, and an Explanation of the Reasons Supporting the Level of Investment and the Reasons this Level will not Increase the Risks of Investment in the Public Utility.

The financial strength and other resources of Fortis should position UNS Energy and the Arizona Utilities to have access to adequate capital for the current and expected future service needs of their customers. As referred to above, Fortis will immediately invest $200 million of equity into UNS Energy upon the merger closing. Depending on the timing of the merger closing, UNS Energy will either infuse the additional equity into TEP and UNS Electric in connection with the planned Gila River purchase or will use the proceeds to retire short-term debt and invest any remaining proceeds in TEP and UNS Electric. Going forward, as described in Part III below, FortisUS will commit to providing additional equity capital to UNS Energy when, and to the extent, necessary for the Arizona Utilities to continue to provide safe and reliable service to their customers pursuant to their rights and obligations as public service companies under Arizona law. It is expected that each of the Arizona Utilities will be able to maintain a capital structure over the next five and subsequent years which is consistent with regulatory orders and which strives to maintain or improve upon existing credit ratings by using internally generated funds for capital expenditures and by retaining a portion of earnings to build additional equity capital.

K. An Explanation of the Manner in Which the Utility can Assure that Adequate Capital will be Available for the Construction of Necessary New Utility Plant and for Improvements in Existing Utility Plant at No Greater Cost than if the Utility or its Affiliate did not Organize or Reorganize a Public Utility Holding Company.

As discussed above, the Arizona Utilities have budgeted significant capital investments over the next five years to meet these and other infrastructure needs. The capital budget for UNS Energy on a consolidated basis for the period 2014-2018 exceeds $2.0 billion.

TEP, UNS Gas and UNS Electric will continue to fund a substantial portion of their projected capital expenditures with internally generated funds. To the extent that additional funds are needed, debt financing should be positively impacted by anticipated upgrades to credit ratings. The cost and availability of these funds should, therefore, be positively affected by the merger.

Fortis has ready access to capital markets and, on a consolidated basis, has committed credit facilities of approximately C$2.7 billion. Fortis' access to both long and short term capital will enable Fortis to provide UNS Energy and the Arizona Utilities with the equity required to meet their respective capital investment needs. Equity financing should, therefore, also be positively impacted as a result of the financial strength of Fortis and the better access it has to the capital markets.

III. STIPULATED CONDITIONS.

UNS Energy and Fortis believe that it is important to provide the Commission, customers, employees and the communities served by the utility affiliates of UNS Energy with adequate assurances that the parties intend to realize the stated benefits of the merger. Consequently, and in addition to the post-merger covenants included in the Merger Agreement, UNS Energy and Fortis have agreed to the following in connection with the merger:

Quality of Service

1. UNS Energy , Fortis and FortisUS acknowledge and agree to support UNS Energy's regulated subsidiaries, TEP, UNS Gas and UNS Electric in maintaining a high level of customer service and providing safe, reliable service to their customers

2. The Arizona Utilities will maintain and if necessary improve their current quality of service in an effort to ensure that the number of service complaints does not increase, that the response time to service complaints does not increase and that service interruptions do not increase as a result of the transaction.

Capital Requirements

3. UNS Energy, FortisUS and Fortis acknowledge the Arizona Utilities' need for capital to continue to deliver service to their customers. FortisUS commits to providing the equity capital, when required, to UNS Energy, to the extent necessary for the Arizona Utilities to continue to provide safe and reliable service to their customers pursuant to the Arizona Utilities' rights and obligations as public service corporations under Arizona law.

4. As part of this commitment to provide equity capital, upon closing of the transaction, FortisUS will make an equity infusion into UNS Energy, for the benefit of UNS Energy and the Arizona Utilities, of US$200 million.

Goodwill, Acquisition Costs and Synergy Savings

5. UNS Energy, the Arizona Utilities and FortisUS agree that the goodwill and transaction costs of this acquisition will be excluded from the rate base, expenses, and capitalization in the determination of rates and earned returns of the Arizona Utilities and for Arizona state regulatory accounting and reporting purposes.

6. To the extent permissible under U.S. Generally Accepted Accounting Principles ("U.S. GAAP"), no goodwill or transaction costs associated with this acquisition will be reflected on the books of the Arizona Utilities. Should U.S. GAAP, including any future accounting changes, require that the goodwill associated with the acquisition be "pushed down" and therefore reflected in the accounts of the Arizona Utilities, the goodwill will not be reflected in the regulated accounts of the Arizona Utilities for purposes of determining rate base, setting rates, establishing capital structure or other regulatory accounting and reporting purposes.

7. UNS Energy and the Arizona Utilities will prepare a final schedule of the external costs to achieve the merger following consummation of the transaction as a demonstration that there will be no recovery requested in the Arizona Utilities' rates, or recognition in the determination of rate base of any legal or financial advisory fees, or other external costs associated with the FortisUS acquisition of UNS Energy, and indirectly, the Arizona Utilities.

8. Any cost savings from realized synergies that result from the merger and that are directly attributable to the Arizona Utilities, including but not limited to reduced or eliminated public company costs and reduced insurance costs which are anticipated, will be credited through rates to the benefit of customers.

Credit Quality and Other Restrictions

9. The Arizona Utilities will be registered with at least one of the following credit rating agencies: Fitch, Moody's or S&P. The Arizona Utilities will continue to maintain separate debt instruments as well as their own corporate and debt credit ratings with at least one of these nationally recognized rating agencies.

10. Fortis, FortisUS and UNS Energy will continue to support the objective of maintaining and supporting an investment grade credit rating for each of the Arizona Utilities.

11. UNS Energy and the Arizona Utilities will continue to abide by the conditions set forth in the Citizens Acquisition Order in Decision No. 66028 (July 3, 2003) (as modified or waived by subsequent Commission orders) until further order of the Commission. Fortis and FortisUS acknowledge these conditions and will abide by them as applicable.

12. UNS Energy and the Arizona Utilities will abide by the applicable conditions set forth in Attachment A of the holding company order adopted by the Commission in Decision No. 60480 (November 25, 1997) (as modified or waived by subsequent Commission orders) until further order of the Commission. Fortis and FortisUS acknowledge these conditions and will abide by those applicable conditions which are associated with affiliate transactions and reporting.

13. The Arizona Utilities will not lend to, guarantee or financially support Fortis or any of its affiliates, or any subsidiary or other joint venture of UNS Energy or the Arizona Utilities except as authorized by the Commission. Furthermore, the Arizona Utilities will not engage in, provide financial support to or guarantee any non-regulated businesses, except as authorized by the Commission.

14. The Arizona Utilities shall maintain banking, committed credit facilities and cash management arrangements which are separate from UNS Energy, FortisUS, Fortis and other affiliates.

15. Neither FortisUS nor Fortis may, at closing of the approved acquisition of UNS Energy, and indirectly the Arizona Utilities, have any cross default provision that affects the Arizona Utilities in any manner. Neither Fortis nor FortisUS, nor any of their affiliates may enter into any cross default provision following the closing that affects the Arizona Utilities in any manner.

Legal Separateness

16. Upon closing, TEP, UNS Electric and UNS Gas will amend their respective organizational documents to provide protections to ensure legal separateness from UNS Energy and FortisUS.

Financial Transparency and Reporting Conditions

17. UNS Energy and the Arizona Utilities will, for purposes of its financial accounting and financial reporting, continue to use the generally accepted accounting principles which include, but are not limited to determinations by the Financial Accounting Standards Board ("FASB"), or any successor entity, for U.S. publicly accountable enterprises (i.e., "U.S. GAAP" or simply "GAAP").

18. Fortis, FortisUS, UNS Energy and the Arizona Utilities will provide Commission Staff access to the books and records of Fortis and FortisUS, including, but not limited to, tax returns, to the extent necessary to determine whether the rates and charges of the Arizona Utilities are just and reasonable and provide Commission Staff the opportunity to ensure that costs are allocated equitably and that any intercompany transactions involving the Arizona Utilities are priced reasonably. Subject to confidentiality and privilege, such access by Commission Staff will include, but not be limited to, all information supporting the underlying costs and the basis for any factor that determines the allocation of those costs.

19. Commencing for the year in which the closing takes place, the Arizona Utilities will provide the Commission with the annual Affiliated Interest Report filing Fortis' financial statements, including balance sheets, income statements, and cash flow statements for Fortis, and FortisUS and its major regulated and unregulated energy company subsidiaries in the United States. U.S. business entities with annual revenues less than ten percent of total Fortis revenues may be aggregated, provided that each entity included is fully identified. Aggregated U.S. business entities shall be identified as either regulated or unregulated. To satisfy this filing requirement, Fortis' U.S. GAAP, Canadian dollar denominated, quarterly and annual Financial Reports, including Management Discussion and Analysis, which have been filed publically with Canadian securities regulators, will be filed with the Commission by the Arizona Utilities.

Affiliate Transactions

20. The Arizona Utilities will not enter into transactions with affiliates that are not in compliance with Commission requirements regarding affiliate transactions. The Arizona Utilities will also not enter into transactions with affiliates on terms less favorable to the Arizona Utilities than specified in Commission requirements.

Corporate Governance and Operational Provisions

21. No later than one year after closing of the FortisUS acquisition of UNS Energy, FortisUS shall have appointed a board of directors for UNS Energy and the Arizona Utilities, the majority of whom will be independent, with the majority of such independent directors being resident in the State of Arizona, with emphasis on selecting candidates who reside, conduct business or work within the Arizona Utilities service territories.

22. The corporate headquarters of the Arizona Utilities shall remain in Tucson, Arizona.

23. The Arizona Utilities shall be governed, managed and operated as follows:

(i) The board of directors of the Arizona Utilities will be responsible for management oversight generally, including the approval of annual capital and operating budgets; establishment of dividend policy; and determination of debt and equity requirements. The UNS Energy and Arizona Utilities' board of directors will have an audit committee, the majority of whom will also be independent. The responsibility of this committee will include the oversight of the ongoing financial integrity and effectiveness of internal controls of UNS Energy and the Arizona Utilities.

(ii) The Arizona Utilities' local management will continue to make decisions regarding staffing levels and hiring practices; will continue to negotiate future collective bargaining agreements; will continue to be the direct contact and

decision making authority in regulatory matters; and, will continue to represent the Arizona Utilities in all future regulatory matters.

(iii) To provide continuity in the management and staffing of the Arizona Utilities, and ensure that the necessary human resources are maintained to continue the delivery of safe and reliable service to customers, the current level of employees of the Arizona Utilities (union and management) will be retained for a period of at least two years following the closing under their respective current conditions of employment, subject to changes in the ordinary course of business. The Arizona Utilities reserve the right to take disciplinary and any other actions it determines necessary or appropriate within their existing labor agreements and employee relations practices. The Arizona Utilities also agree to file a report with the Commission within 30 days after the first two anniversary dates of the merger's closing comparing the level of union and management employees on the anniversary date to the levels on the date upon which the merger closed.

(iv) UNS Energy and its subsidiaries shall continue to support and, where appropriate, enhance (a) existing charitable and community corporate "giving programs", (b) educational, environmental, economic and philanthropic partnerships and (c) consumer partnerships. For a period of five (5) years from closing, UNS Energy and the Arizona Utilities shall make annual charitable contributions within the communities served by the Arizona Utilities not less than the level of charitable contributions made by UNS Energy and the Arizona Utilities for the fiscal year that ended December 31, 2012, and otherwise maintain a level of involvement in community activities in the State of Arizona not less than the level of community involvement and related activities carried on by UNS Energy and the Arizona Utilities for the fiscal year that ended December 31, 2012.

Low Income Assistance

24. UNS Energy, TEP, UNS Electric, UNS Gas and FortisUS commit to continue support for the Arizona Utilities' low income assistance programs at or above current levels.

IV. UNS ENERGY HOLDING COMPANY ORDER.

UNS Energy and its subsidiaries currently operate under a holding company order adopted by the Commission in 1997. Decision No. 60480 (November 25, 1997) ("UNS Holding Company Order"). The UNS Holding Company Order contained numerous conditions. Over the past 16 years, there have been significant changes at UNS Energy and the utility landscape that render

certain of the conditions meaningless, ineffective or inappropriate. The Commission has modified those conditions in the past to reflect changed conditions. See Decision No. 71256 (September 3, 2009). There have been additional changes since that time and the merger also causes change to the underlying bases for the UNS Holding Company Order. Therefore, the conditions in the UNS Holding Company Order should be reviewed and revised to better address the circumstance should the merger be approved. Therefore, UNS Energy and Fortis request that the Commission replace the conditions set forth in the existing UNS Holding Company Order with appropriate conditions, which will be identified in testimony, for the new holding company structure for the Arizona utilities.

V. NOTICE.

All communications and correspondence concerning this Joint Notice of Intent to Reorganize, as well as communications and pleadings with respect thereto filed by other parties, should be served upon the following:

On behalf of UNS Energy:

Bradley S. Carroll
UNS Energy Corporation
88 East Broadway Blvd., MS HQE910
P. O. Box 711
Tucson, Arizona 85702
520-884-3679
bcarroll@tep.com

and

Michael W. Patten
Roshka, DeWulf & Patten, PLC
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004
602-256-6100
mpatten@rdp-law.com

On behalf of Fortis:

Patricia Lee Refo
Snell & Wilmer, L.L.P.
One Arizona Center
400 East Van Buren Street, Suite 1900
Phoenix, Arizona 85004
602-382-6290
prefo@swlaw.com

VI. REQUEST FOR RELIEF.

A.A.C. R14-2-803 provides that (i) within 30 days of the filing of this Notice of Intent, the Commission will notify UNS Energy and Fortis of any questions which it has concerning the information provided herein; and (ii) within 60 days from the receipt of this Notice of Intent, the Commission will determine whether to hold a hearing or to approve the reorganization without a hearing.

UNS Energy and Fortis believe that a public forum in which the Commission can review and deliberate on the reorganization plan will provide interested parties with an opportunity to better understand the benefits and merits of the merger. Accordingly, UNS Energy and Fortis hereby waive the 60 day hearing determination deadline and request that the Commission conduct a hearing in Tucson in connection with the Joint Notice of Intent to Reorganize at the earliest practicable date.

UNS Energy and Fortis also intend to submit pre-filed direct testimony in connection with this Joint Notice of Intent to Reorganize in the near future in order to assist the Commission with its consideration of the merger.

WHEREFORE, UNS Energy and Fortis request that the Commission:

(i) Issue a procedural order, as soon as possible, establishing a hearing schedule with a hearing to be conducted in Tucson, including deadlines for intervention, the filing of testimony and exhibits, and the exchange of discovery in connection with this Joint Notice of Intent to Reorganize; and

(ii) Issue an order approving the merger and granting other appropriate relief as soon as practicable.

RESPECTFULLY SUBMITTED this 10th day of January, 2014

UNS ENERGY CORPORATION

By _____

Bradley S. Carroll
UNS Energy Corporation
88 East Broadway Blvd., MS HQE910
P. O. Box 711
Tucson, Arizona 85702

and

Michael W. Patten
Roshka DeWulf & Patten, PLC
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Attorneys for UNS Energy Corporation

FORTIS INC.

By _____

Patricia Lee Refo
Snell & Wilmer, L.L.P.
One Arizona Center
400 East Van Buren Street, Suite 1900
Phoenix, Arizona 85004

Attorneys for Fortis Inc.

Original and 13 copies of the foregoing filed this 10th day of January 2014 with:

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

Copy of the foregoing hand-delivered/mailed this 10th day of January 2014 to:

Chairman Bob Stump
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Commissioner Gary Pierce
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Commissioner Brenda Burns
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Commissioner Robert Burns
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Commissioner Susan Bitter Smith
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Lyn A. Farmer, Esq.
Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Janice Alward, Esq.
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Steve Olea
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Jodi Jerich
Executive Director
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Patrick Quinn, Director
Residential Utility Consumer Office
1110 West Washington, Suite 220
Phoenix, Arizona 85007

By Jaclyn Howard

Exhibit 1

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): **December 11, 2013**

Commission File Number	Exact name of registrant as specified in its charter; State of Incorporation; Address of principal executive offices and zip code; Registrants' telephone number, including area code	I.R.S. Employer Identification Number
1-13739	**UNS ENERGY CORPORATION** (An Arizona corporation) 88 E. Broadway Boulevard Tucson, AZ 85701 (520) 571-4000	**86-0786732**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☒ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On December 11, 2013, UNS Energy Corporation, an Arizona corporation ("UNS Energy"), entered into an Agreement and Plan of Merger (the "Merger Agreement") with FortisUS Inc., a Delaware corporation ("Fortis"), Color Acquisition Sub Inc., an Arizona corporation and a wholly owned subsidiary of Fortis ("Merger Sub"), and, solely for the purposes of Sections 5.5(c) and 8.15, Fortis Inc., a corporation incorporated under the Corporations Act of Newfoundland and Labrador and the parent company of Fortis ("Fortis Parent").

The Merger Agreement provides for a business combination whereby Merger Sub will merge with and into UNS Energy (the "Merger"). As a result of the Merger, the separate corporate existence of Merger Sub will cease and UNS Energy will continue as a wholly owned subsidiary of Fortis. The Boards of Directors of each of UNS Energy and Fortis have approved the Merger.

Under the Merger Agreement, at the effective time of the Merger, each outstanding share of UNS Energy common stock (other than shares owned by UNS Energy, Fortis Parent, Fortis or Merger Sub or their subsidiaries) will be converted into the right to receive $60.25 in cash (the "Merger Consideration"). At the effective time and as a result of the merger, each outstanding option to acquire UNS Energy common stock issued by UNS Energy will be converted into the right to receive the difference between the Merger Consideration and the exercise price of the option, on a per-share basis, and each outstanding share of restricted stock, restricted stock unit, performance share and other equity-based awards will vest and be converted into the right to receive the Merger Consideration.

The Merger is subject to the approval of stockholders holding a majority of the outstanding shares of UNS Energy and other customary closing conditions, including, among other things:

- the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;
- approvals of the Arizona Corporation Commission and the Federal Energy Regulatory Commission;
- confirmation of review, without unresolved concerns, from the Committee on Foreign Investment in the United States; and
- the absence of any injunction, order or other law prohibiting the Merger.

The obligations of each party to close the Merger are also subject to the accuracy of representations and warranties of, and compliance with covenants by, the other parties as set forth in the Merger Agreement, and, in the case of Fortis, the absence of any material adverse effect on UNS Energy.

The Merger Agreement provides that Fortis and UNS Energy may mutually agree to terminate the Merger Agreement before completing the Merger. In addition, either Fortis or UNS Energy may decide to terminate the Merger Agreement if, among other things:

- the Merger is not consummated by December 11, 2014, subject to extension to June 11, 2015 if regulatory approvals have not been obtained (or further if approvals have been obtained but have not yet become final orders), but other closing conditions have been satisfied or waived;
- UNS Energy stockholders fail to adopt the Merger Agreement;
- a court or other governmental entity issues a final and nonappealable order prohibiting the Merger; or
- the other party breaches the Merger Agreement in a way that would entitle the party seeking to terminate the Merger Agreement not to consummate the Merger, subject to the right of the breaching party to cure the breach.

UNS Energy may also terminate the Merger Agreement prior to receiving stockholder approval, after complying with certain procedures set forth in the Merger Agreement, in order to accept a superior takeover proposal upon payment of a termination fee of $63.9 million (the "Termination Fee"). Fortis may terminate the Merger Agreement and require payment of the Termination Fee if UNS Energy enters into an agreement with respect to a superior takeover proposal, or if the Board of Directors of UNS Energy recommends or proposes to approve or recommend any alternative takeover proposal with a third party, or withdraws, modifies or proposes publicly to withdraw or modify its approval or recommendation with respect to the Merger Agreement. The Merger Agreement further provides that, upon termination under certain other circumstances, UNS Energy may be obligated to reimburse up to $12.5 million of Fortis' expenses with respect to the transaction and, if another takeover proposal is agreed or consummated, pay Fortis the Termination Fee (net of any expense reimbursement previously paid).

Fortis has agreed to maintain UNS Energy's community involvement efforts and charitable donations for five years following the closing and to keep UNS Energy's headquarters in Tucson, Arizona. Fortis has also agreed to retain four of UNS Energy's current directors on the board of UNS Energy following the closing.

UNS Energy and Fortis have agreed to customary representations, warranties and covenants in the Merger Agreement, including, among others, covenants (i) with respect to the conduct of its business during the interim period between the

execution of the Merger Agreement and consummation of the Merger, (ii) not to solicit proposals regarding alternative business combination transactions and (iii) not to engage in certain kinds of transactions during such period. UNS Energy and Fortis have agreed to use their reasonable best efforts to obtain required governmental approvals to effect the transaction.

The foregoing description does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, a copy of which is filed as Exhibit 2.1 to this Current Report on Form 8-K and incorporated herein by reference. The Merger Agreement provides further information regarding the terms of the Merger.

The above description of the Merger Agreement and the copy of the Merger Agreement attached hereto have been included to provide investors with information regarding certain material terms and conditions and, except for its status as a contractual document that establishes and governs the legal relationship among the parties thereto with respect to the Merger, not to provide any other factual information regarding UNS Energy, Fortis or their respective businesses or the actual conduct of their respective businesses during the pendency of the Merger Agreement. The Merger Agreement contains representations and warranties made by and to the parties thereto as of specific dates and you should not rely on the representations and warranties as characterizations of the actual state of facts about UNS Energy, Fortis or any other person. The statements embodied in those representations and warranties were made for purposes of that contract between the parties and may be subject to qualifications and limitations agreed by the parties in connection with negotiating the terms of that contract. In addition, certain representations and warranties were made as of a specified date, may be subject to a contractual standard of materiality different from those generally applicable to investors, or may have been used for allocating risk between the parties rather than establishing matters as facts. Furthermore, you should not rely on the covenants in the Merger Agreement as actual limitations on the respective businesses of UNS Energy and Fortis, because either party may take certain actions that are consented to by the appropriate party, which consent may be given without notice to the public.

Item 5.01. Change in Control of Registrant.

(b)

The information contained in Item 1.01 above is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of December 11, 2013, among FortisUS Inc., Color Acquisition Sub Inc., UNS Energy Corporation, and solely for purposes of Sections 5.5(c) and 8.15, Fortis Inc.

Forward-Looking Statements -

Statements included in this report and any documents incorporated by reference which are not historical in nature are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by Section 21E of the Exchange Act. Forward-looking statements may be identified by words including "anticipates," "intends," "estimates," "believes," "projects," "expects," "plans," "assumes," "seeks," and similar expressions. Forward-looking statements including, without limitation, those relating to UNS Energy and its subsidiaries' future business prospects, revenues, proceeds, working capital, investment valuations, liquidity, income, and margins, as well as the timing and consequences of the Merger, are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements, due to several important factors, including those identified from time-to-time in the forward-looking statements. Those factors include, but are not limited to: the possibility that various conditions precedent to the consummation of the Merger will not be satisfied or waived; the ability to obtain shareholder and regulatory approvals of the Merger on the timing and terms thereof; state and federal regulatory and legislative decisions and actions; regional economic and market conditions which could affect customer growth and energy usage; weather variations affecting energy usage; the cost of debt and equity capital and access to capital markets; the performance of the stock market and changing interest rate environment, which affect the value of our pension and other retiree benefit plan assets and the related contribution requirements and expense; unexpected increases in O&M expense; resolution of pending litigation matters; changes in accounting standards; changes in critical accounting estimates; the ongoing restructuring of the electric industry; changes to

long-term contracts; the cost of fuel and power supplies; cyber attacks or challenges to our information security; and the performance of Tucson Electric Power Company's generating plants; and certain presently unknown or unforeseen factors, including, but not limited to, acts of terrorism. UNS Energy and its subsidiaries undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. Given these uncertainties, undue reliance should not be placed on the forward-looking statements.

Participants in Solicitation

UNS Energy, Fortis and certain of their respective directors and officers may be deemed to be participants in the solicitation of proxies from UNS Energy's stockholders with respect to the meeting of stockholders that will be held to consider the proposed transaction. Information about UNS Energy's directors and executive officers and their ownership of UNS Energy's common stock is set forth in its 2012 Annual Report on Form 10-K filed with the SEC on February 27, 2013, and the proxy statement for UNS Energy's 2013 annual meeting of stockholders, which was filed with the SEC on March 21, 2013. Information about Fortis' directors and executive officers may be found in its Management and Information Circular available on its website at www.fortisinc.com. Stockholders may obtain additional information regarding the interests of such potential participants in the solicitation of proxies in connection with the proposed transaction, which may be different than those of UNS Energy's stockholders generally, by reading the proxy statement and other relevant documents regarding the proposed transaction, when filed with the SEC.

Additional Information

In connection with the Merger, UNS Energy will file a proxy statement with the SEC. The Merger will be submitted to UNS Energy's stockholders for their consideration. INVESTORS ARE URGED TO READ THE PROXY STATEMENT WHEN IT BECOMES AVAILABLE BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION ABOUT THE MERGER AND UNS ENERGY. The final proxy statement will be mailed to UNS Energy's stockholders. Investors will also be able to obtain the proxy statement, as well as other filings containing information about UNS Energy, free of charge, at the website maintained by the SEC at www.sec.gov. Copies of the proxy statement and other filings made by UNS Energy with the SEC can also be obtained, free of charge, by directing a request to Library and Resource Center, UNS Energy Corporation, 88 E. Broadway Boulevard, Mail Stop HQW302, Tucson, Arizona 85701.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: December 12, 2013

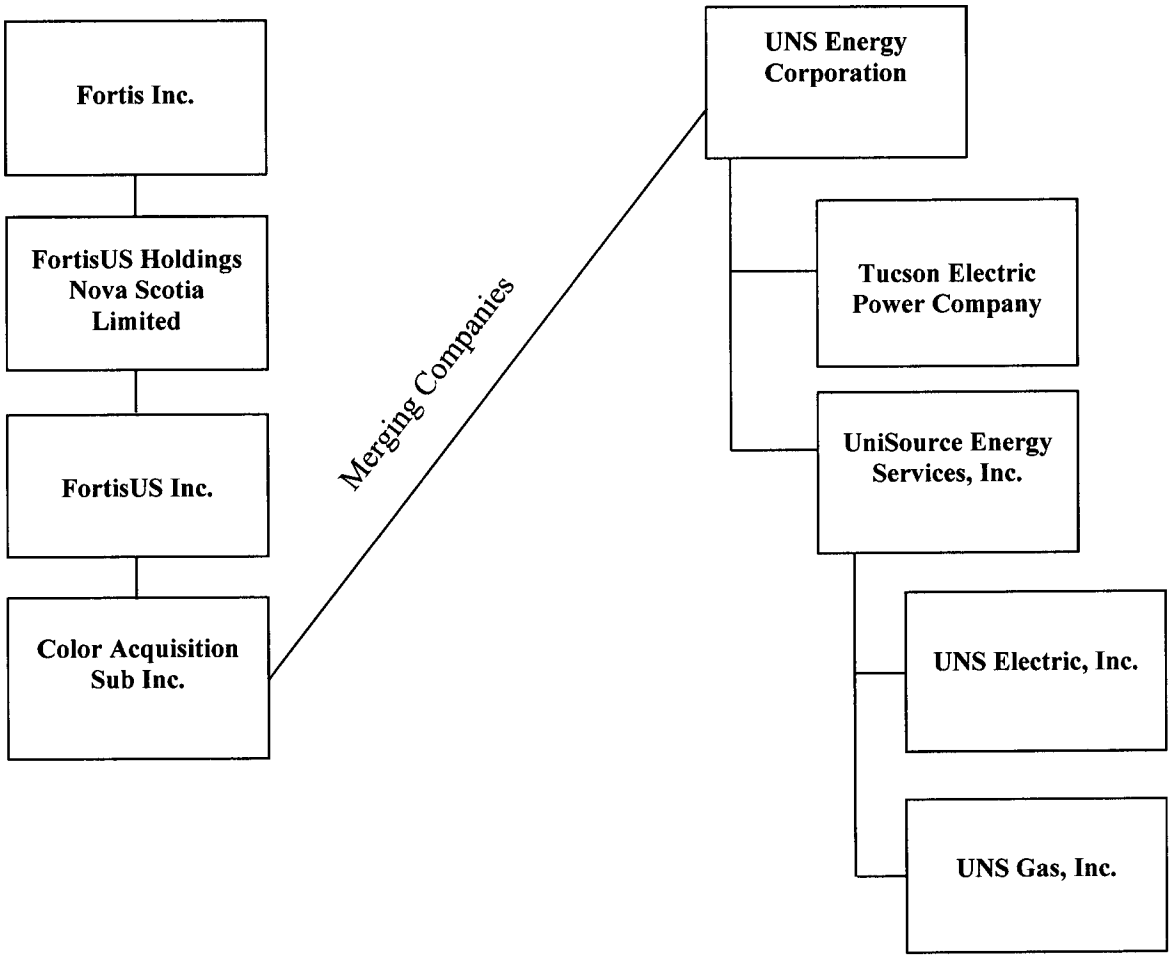
UNS ENERGY CORPORATION

(Registrant)

/s/ Kevin P. Larson
Kevin P. Larson
Senior Vice President and Chief Financial Officer

Exhibit 2

Pre-Merger


Fortis Inc.
FortisUS Holdings Nova Scotia Limited
FortisUS Inc.
Color Acquisition Sub Inc.
Merging Companies
UNS Energy Corporation
Tucson Electric Power Company
UniSource Energy Services, Inc.
UNS Electric, Inc.
UNS Gas, Inc.

Post-Merger

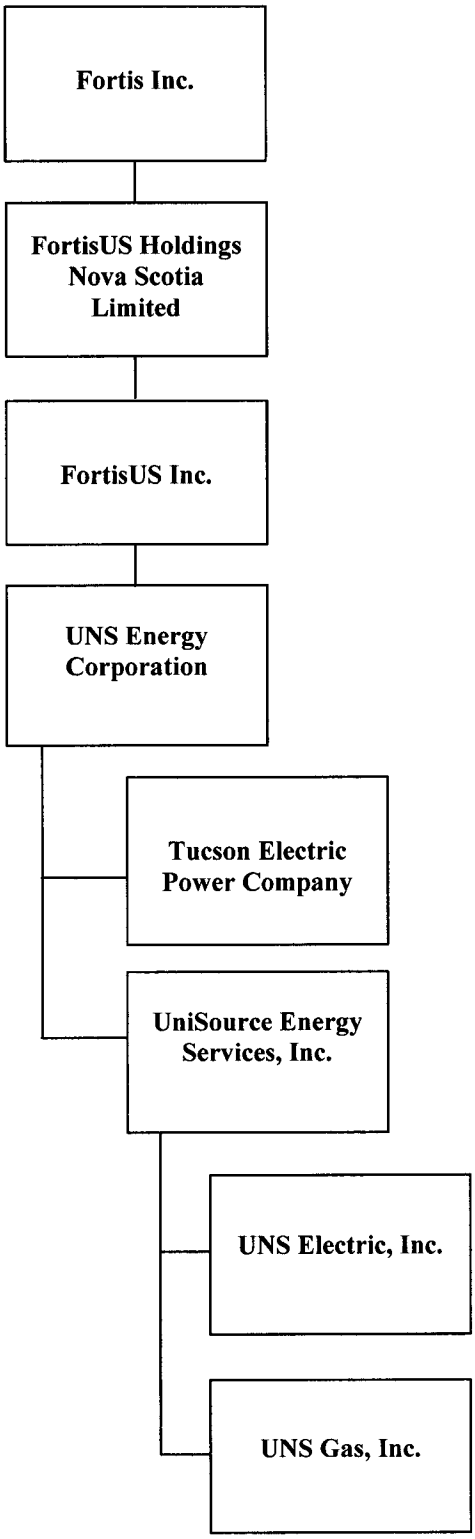

Fortis Inc.
FortisUS Holdings Nova Scotia Limited
FortisUS Inc.
UNS Energy Corporation
Tucson Electric Power Company
UniSource Energy Services, Inc.
UNS Electric, Inc.
UNS Gas, Inc.

Exhibit 3

UNS ENERGY CORPORATION AND SUBSIDIARIES
DIRECTOR AND OFFICER LIST
(effective 1/01/2014)

UNS ENERGY CORPORATION

Officers:

Paul J. Bonavia	Chief Executive Officer
David G. Hutchens	President and Chief Operating Officer
Philip J. Dion	Senior Vice President, Public Policy and Customer Solutions
Kevin P. Larson and Treasurer	Senior Vice President, Chief Financial Officer
Kentton C. Grant	Vice President, Finance & Rates
Todd C. Hixon	Vice President and General Counsel
Karen G. Kissinger	Vice President and Chief Compliance Officer
Mark C. Mansfield	Vice President, Energy Resources
Frank P. Marino	Vice President and Controller
Thomas A. McKenna	Vice President, Energy Delivery
Catherine E. Ries	Vice President, Human Resources and Information Technology
Herlinda H. Kennedy	Corporate Secretary

Directors:

Paul J. Bonavia, Chairman
Lawrence J. Aldrich
Barbara M. Baumann
Larry W. Bickle
Robert A. Elliott
Daniel W. L. Fessler
Louise L. Francesconi
David G. Hutchens
Ramiro G. Peru
Gregory A. Pivirotto
Joaquin Ruiz

Assistant Officers:

Michael Daranyi	Assistant Treasurer
Kris Page-Iverson	Assistant Corporate Secretary
Martha Pritz	Assistant Treasurer

UNS ENERGY CORPORATION AND SUBSIDIARIES
DIRECTOR AND OFFICER LIST
(effective 1/01/2014)

UNISOURCE ENERGY SERVICES, INC.

Officers:

Paul J. Bonavia	Chief Executive Officer
David G. Hutchens	President and Chief Operating Officer
Philip J. Dion	Senior Vice President, Public Policy and Customer Solutions
Kevin P. Larson	Senior Vice President and Chief Financial Officer
Kentton C. Grant	Vice President and Treasurer
Todd C. Hixon	Vice President and General Counsel
Karen G. Kissinger	Vice President and Chief Compliance Officer
Frank P. Marino	Vice President and Controller
Mark C. Mansfield	Vice President, Energy Resources
Thomas A. McKenna	Vice President
Catherine E. Ries	Vice President
Herlinda H. Kennedy	Corporate Secretary

Directors:

Paul J. Bonavia, Chairman

David G. Hutchens

Kevin P. Larson

Assistant Officers:

Roxana Ashurst	Assistant Corporate Secretary
Michael Daranyi	Assistant Treasurer
Kris Page-Iverson	Assistant Corporate Secretary
Martha Pritz	Assistant Treasurer

FORTIS INC.

Officers

H. Stanley Marshall President & Chief Executive Officer	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
Barry V. Perry Vice President, Finance and Chief Financial Officer	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
Ronald W. McCabe Vice President, General Counsel & Corporate Secretary	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
James D. Spinney Treasurer	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
James D. Roberts Controller	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
Donna G. Hynes Assistant Secretary	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2

Directors

Peter E. Case	302-5 Gore Street Kingston, ON K7L 0A1
Frank J. Crothers	Island Corporate Holdings Ltd. Templeton Building, Western Road P.O. Box N-7776 Lyford Cay Nassau, Bahamas
Ida J. Goodreau	1239 Miller Road Bowen Island, BC V0N 1G0
Douglas J. Haughey	2004-45 Avenue South W Calgary, AB T2T 2P5
H. Stanley Marshall	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
John S. McCallum	University of Manitoba Asper School of Business Faculty of Management Drake Centre 3rd Floor Reception, Room 324 Winnipeg, MB R3T 5V4
Harry McWatters	Vintage Consulting Group Inc. #3, 7519 Prairie Valley Road Summerfair Plaza Summerland, BC V0H 1Z4
Ronald D. Munkley	1706 The Pines Mississauga, ON L5J 4V5
David G. Norris	23 Mountbatten Drive St. John's, NL A1A 3Y1
Michael A. Pavey	24 Sam Snead Court Moncton, NB E1H 3K7

FORTISUS HOLDINGS NOVA SCOTIA LIMITED

OFFICERS

H. Stanley Marshall President and Chief Executive Officer	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
Barry V. Perry Vice President Finance and Chief Financial Officer	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
Ronald W. McCabe Vice President, General Counsel and Corporate Secretary	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
James D. Spinney Treasurer	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
James D. Roberts Controller	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2

DIRECTORS

Barry V. Perry	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
Ronald W. McCabe	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
James D. Spinney	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2

FortisUS Inc.

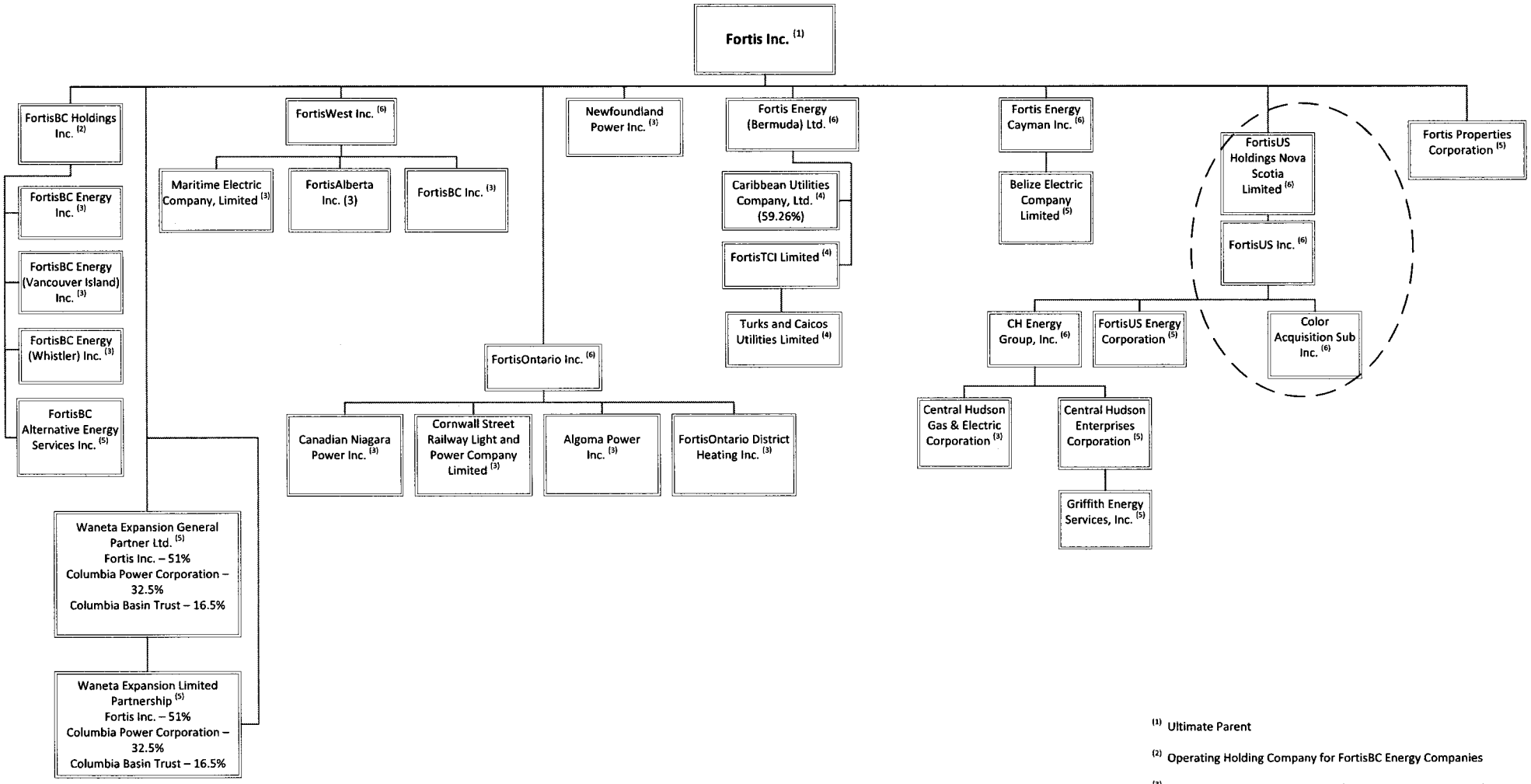
Officers

Name	Address
H. Stanley Marshall President and CEO	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
Barry V. Perry VP, Finance and CFO	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
Ronald W. McCabe VP, General Counsel and Corporate Secretary	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
William J. Daley Vice President	1130 Bertie Street P.O. Box 1218 Fort Erie, ON L2A 5Y2
James D. Spinney Treasurer	Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2

Directors

Barry V. Perry Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
Ronald W. McCabe Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2
James D. Spinney Suite 1201, Fortis Building 139 Water Street P.O. Box 8837 St. John's, NL A1B 3T2

Exhibit 4



(1) Ultimate Parent

(2) Operating Holding Company for FortisBC Energy Companies

(3) Regulated Operating Companies (Canada and United States)

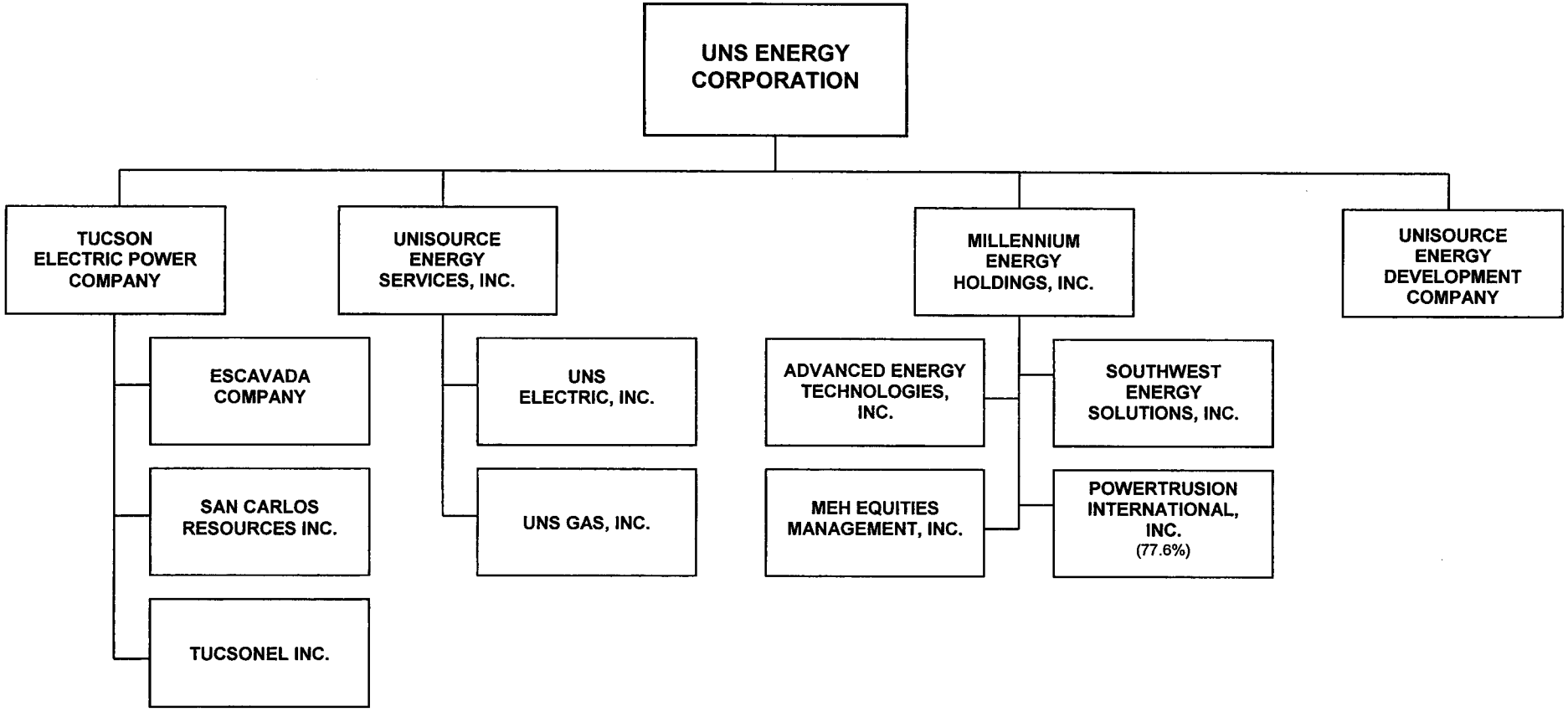
(4) Regulated Operating Companies (Caribbean)

(5) Non-Regulated Operating Companies

(6) Internal Holding Companies and Subsidiaries

This chart does not include certain inactive, intermediate or immaterial subsidiaries. Fortis will provide the complete organizational chart in its responses to the Uniform Data Requests.

UNS ENERGY CORPORATION & SUBSIDIARIES



As of January 1, 2014