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UNISOURCE ENERGY CORP
Form U-3A-2
February 28, 2003

File No. 69-427

File No. 69-293

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM U-3A-2

Statement by Holding Company Claiming Exemption Under Rule
U-3A-2 from the Provisions of the Public Utility Holding
Company Act of 1935

To be Filed Annually Prior to March 1

UNISOURCE ENERGY CORPORATION

hereby files with the Securities and Exchange Commission, pursuant to Rule 2,
its statement claiming exemption as a holding company from the provisions of the
Public Utility Holding Company Act of 1935, and

TUCSON ELECTRIC POWER COMPANY

hereby files with the Securities and Exchange Commission, pursuant to Rule 2,
its statement claiming exemption as a holding company from the provisions of
the Public Utility Holding Company Act of 1935, and submits the following
information:

1. Name, State of organization, location and nature of business of claimant[s]
and every subsidiary thereof, other than any exempt wholesale generator (EWG) or
foreign utility company in which claimant[s] directly or indirectly holds an
interest.

UniSource Energy Corporation ("UniSource Energy") was incorporated under
the laws of the State of Arizona and is a holding company organized to acquire
and hold the securities of other corporations.

UniSource Energy controls, directly or indirectly, 10% or more of the
"voting securities" of the following subsidiaries:

I. Tucson Electric Power Company ("TEP") was incorporated under the laws
of the State of Arizona and is the principal subsidiary of UniSource Energy.

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UniSource Energy owns 99.9% of the voting shares of TEP. TEP was organized as an operating public utility engaged in the generation, purchase, transmission, distribution and sale of electricity to retail customers in the City of Tucson, Arizona, and the surrounding area and to wholesale customers. TEP holds the stock of Escavada Company ("Escavada"), San Carlos Resources Inc. ("San Carlos"), Sierrita Resources Inc. ("SRI"), Tucson Resources Inc. ("TRI") and Tucsonel Inc. ("Tucsonel"), and holds a portion of the stock of Inncom, Inc. ("Inncom") and TruePricing, Inc. ("TruePricing").

A. Escavada was incorporated under the laws of the State of Arizona and is a wholly-owned subsidiary of TEP. Escavada was formed to engage in the business of maintaining miscellaneous assets and property.

B. San Carlos was incorporated under the laws of the State of Arizona and is a wholly-owned subsidiary of TEP. San Carlos holds the title to Unit No. 2 of the Springerville Generating Station, a generating facility in commercial operation located in Apache County, Arizona, and is the lessee, jointly and severally with TEP, of an undivided one-half interest in all facilities and personal property used in common between Unit No. 1 and Unit No. 2 of the Springerville Generating Station. San Carlos is not the operator of Unit No. 2 or any of such common facilities.

C. SRI was incorporated under the laws of the State of Delaware and is a wholly-owned subsidiary of TEP. SRI was formed primarily to invest in financial assets.

1. Santa Cruz Resources Inc. ("Santa Cruz") was incorporated under the laws of the State of Delaware and is a wholly-owned subsidiary of SRI. Santa Cruz held an investment in a financial service company.

D. TRI was incorporated under the laws of the State of Delaware and is a wholly-owned subsidiary of TEP. TRI was formed primarily to invest in financial assets.

1. Sabino Investing Inc. was incorporated under the laws of the State of Delaware and is a wholly-owned subsidiary of TRI. Sabino Investing Inc. holds certain real estate assets.

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E. Tucsonel was incorporated under the laws of the State of Arizona and is a wholly-owned subsidiary of TEP. Tucsonel holds an undivided ownership interest in the Springerville Coal Handling Facilities.

F. Inncom was incorporated under the laws of the State of Delaware and is 17% owned by TEP. Inncom was formed to provide demand-side and energy efficiency services.

G. TruePricing, Inc. ("TruePricing") was incorporated under the laws of the State of Delaware. TEP owns approximately 26.6% of the voting shares of TruePricing. Millennium Energy Holdings, Inc. ("Millennium") owns 20.5% of the voting shares of TruePricing (see Section 1(II)(L) below). TruePricing was formed to develop technology services that provide pricing and other related information to consumers for a wide variety of products, including utility services.

1. TrueSolar Solutions LLC ("TrueSolar") was organized under the laws of the State of California and is a wholly-owned subsidiary of TruePricing. TrueSolar was formed to develop, finance, own and operate electrical generation and related systems and, in connections therewith, to engage in traditional energy development and integration activities, including owning, operating and siting solar and other renewable plants and gas-fired generation assets.

II. Millennium was incorporated under the laws of the State of Arizona and is a wholly-owned subsidiary of UniSource Energy. Millennium holds all of the stock of Advanced Energy Technologies, Inc. ("AET"), MEH Equities Management Company ("MEH Equities"), Millennium Environmental Group, Inc. ("MEG"), Nations Energy Corporation ("Nations Energy"), Southwest Energy Solutions, Inc. ("SES"), SWPP Investment Company ("SWPP Investment") and a portion of the voting stock of MicroSat Systems, Inc. ("MicroSat"), ITN Energy Systems, Inc. ("ITN"), MetroGen Enterprises, L.L.C. ("MetroGen"), TruePricing, Carboelectrica Sabinas, S. de R.L. de C.V. ("Sabinas"), POWERTRUSION International, Inc. ("Powertrusion") and Valley Ventures III, LP ("Valley Ventures").

A. AET was incorporated under the laws of the State of Arizona and

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is a wholly-owned subsidiary of Millennium. AET was formed to develop certain distributed energy projects and renewable energy sources.

1. Ascent Power Systems, Inc. ("Ascent") was incorporated under the laws of the State of Arizona and is 64% owned by AET. Ascent was formed to engage in the research, development and commercialization of solid oxide fuel cells.

2. Global Solar Holdings, L.L.C. ("Global Solar Holdings") was organized under the laws of the State of Arizona and is 66.7% owned by AET. Global Solar Holdings was formed to engage in the manufacture and sale of thin-film photovoltaic modules for distributed energy applications. Global Solar Holdings is in the process of being formally dissolved.

3. Global Solar Energy, Inc. ("Global Solar") was incorporated under the laws of the State of Arizona and is 87% owned by AET. Global Solar was formed to engage in the research, development and commercialization of thin-film photovoltaic material and products, and to perform system integration of large photovoltaic arrays.

a. Global Solar Energy International Holdings ("GS International") was organized under the laws of the Cayman Islands and is a wholly-owned subsidiary of Global Solar. GS International was formed to serve as an investment holding company.

i. Global Solar Energy Technologies ("GS Technologies") was organized under the laws of Mauritius and is a wholly-owned subsidiary of GS International. GS Technologies was formed to serve as an investment holding company.

4. Infinite Power Solutions, Inc. ("IPS") was incorporated under the laws of the State of Arizona and is 77.5% owned by AET. IPS was formed to engage in the research, development and commercialization of thin-film lithium batteries.

5. GES Shared Services, Inc. ("GES Shared") was incorporated under the laws of the State of Arizona and is a wholly-owned subsidiary of AET. GES Shared was formed to provide administrative support (e.g., accounting,

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finance, legal and human resources) to other Millennium subsidiaries.

B. Sabinas was organized under the laws of Mexico and is 50% owned by Millennium. Sabinas was formed to develop up to 800 megawatts of coal-fired generation in the Sabinas region of Coahuila, Mexico.

1. Minerale Monclova S.A. de C.V. ("Mimosa") was organized under the laws of Mexico and is 19.5% owned by Sabinas. Mimosa was formed for the purpose of owning and exploiting coal and gas reserves.

C. MEH Equities was incorporated under the laws of the State of Arizona and is a wholly-owned subsidiary of Millennium. MEH Equities was formed to hold Millennium's interest in Haddington Energy Partners II LP ("Haddington").

1. Haddington was organized under the laws of the State of Delaware and is 31.1% owned by MEH Equities. Haddington was formed to primarily fund energy-related investments.

D. MEG was incorporated under the laws of the State of Arizona and is a wholly-owned subsidiary of Millennium. MEG was formed to engage in the domestic and international purchase, sale and trading of emission allowances and associated commodities.

E. MicroSat was incorporated under the laws of the State of Colorado and is 49% owned by Millennium. MicroSat was formed to research, develop and commercialize microsatellite systems.

F. Nations Energy was incorporated under the laws of the State of Arizona and is a wholly-owned subsidiary of Millennium. Nations Energy was formed to develop and invest in independent power projects in global energy markets, including qualifying facilities, EWGs and foreign utility companies, located in the United States and abroad.

1. Nations Curacao Ltd. ("Nations Curacao") was incorporated under the laws of the Cayman Islands and is a wholly-owned subsidiary of Nations Energy. Nations Curacao was formed to invest in an independent power project located in Curacao. On December 6, 2002, a notice was filed with The Registrar of Companies in the Cayman Islands for a voluntary liquidation. On or about

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March 6, 2003, Nations Curacao will be formally dissolved.

2. Nations Curacao Operating Ltd. ("Nations Curacao Operating") was incorporated under the laws of the Cayman Islands and is a wholly-owned subsidiary of Nations Energy. Nations Curacao Operating was formed to operate or contract with others to operate the independent power project being developed and owned by Nations Energy or subsidiaries thereof. On December 6, 2002, a notice was filed with The Registrar of Companies in the Cayman Islands for a voluntary liquidation. On or about March 6, 2003, Nations Curacao Operating will be formally dissolved.

3. Nations International Ltd. ("Nations International") was incorporated under the laws of the Cayman Islands and is a wholly-owned subsidiary of Nations Energy. Nations International was formed to invest in international independent power projects. Nations International owns a 40% interest in Corporacion Panamena de Energia S.A. ("COPESA"), a Panama company, which owns a power project located in Panama.

G. ITN was incorporated under the laws of the State of Colorado and is 49% owned by Millennium. ITN was formed to research, develop and commercialize emerging space, energy and environment-related technologies for government and commercial markets.

1. Ascent Power Systems, Inc. ("Ascent") was incorporated under the laws of the State of Arizona and is 36% owned by ITN. Ascent was formed to engage in the research, development and commercialization of solid oxide fuel cells.

H. SES was incorporated under the laws of the State of Arizona and is a wholly-owned subsidiary of Millennium. SES was formed to provide electrical contracting services statewide to commercial, industrial and governmental customers in both high voltage and inside wiring capacities.

I. SWPP Investment was incorporated under the laws of the State of Arizona and is a wholly-owned subsidiary of Millennium. SWPP Investment was formed to manufacture and sell concrete utility poles.

1. Sentinel Concrete Utility Poles, L.L.C. ("Sentinel") was

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organized under the laws of the State of Arizona and is 50% owned by SWPP Investment. Sentinel was formed to market and distribute concrete utility poles and products.

2. SWPP International Ltd. ("SWPP International") was incorporated under the laws of the Cayman Islands and is a wholly-owned subsidiary of SWPP Investment. SWPP International was formed to invest in a Mexican joint venture(s) related to the manufacturing and selling of concrete utility poles.

a. Productos de Concreto Internacionales, S. de R.L. de C.V. ("Productos") was organized under the laws of Mexico and is 50% owned by SWPP International. Productos was formed to manufacture concrete utility poles and products in Mexico.

J. Powertrusion was incorporated under the laws of the State of Nevada and is 50.5% owned by Millennium. Powertrusion was formed to develop, manufacture and sell lightweight utility poles and products.

K. MetroGen was organized under the laws of the State of Delaware and is 20% owned by Millennium. MetroGen was formed to develop load curtailment methodologies through a remote dispatch system for idle generation assets throughout New York City.

L. TruePricing was incorporated under the laws of the State of Delaware. Millennium owns 20.5% of the voting shares of TruePricing. TEP owns 26.6% of the voting shares (see Section 1(I)(G) above). TruePricing was formed to develop technology services that provide pricing and other related information to consumers for a wide variety of products, including utility services.

1. TrueSolar was organized under the laws of the State of California and is a wholly-owned subsidiary of TruePricing. TrueSolar was formed to develop, finance, own and operate electrical generation and related systems and, in connection therewith, to engage in traditional energy development and integration activities, including owning, operating and siting solar and other renewable plants and gas-fired generation assets.

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M. Valley Ventures was formed as a venture capital fund focusing on information technology, optics and bitechnology. Millennium owns 14.8% of Valley Ventures. Millennium originally invested in Tucson Community Ventures ("TV"), which was organized under the laws of the State of Delaware. Millennium's investment represented 45.9% of the total fund at the time the fund was merged into Valley Ventures on September 16, 2002.

III. UniSource Energy Development Company ("UED") was incorporated under the laws of the State of Arizona and is a wholly-owned subsidiary of UniSource Energy. UED was formed to develop energy projects primarily in the Arizona and southwest region.

A. Springerville Power, L.L.C. ("Springerville Power") was organized under the laws of the State of Arizona and is a wholly-owned subsidiary of UED. Springerville Power was formed to develop, finance and own or lease an approximately 400 MW coal-fired power generation project to be located near Springerville, Arizona.

UniSource Energy controls, directly or indirectly, less than 10% of the "voting securities" of the following companies: None.

2. A brief description of the properties of claimant[s] and each of its subsidiary public utility companies used for the generation, transmission and distribution of electric energy for sale, or for the production, transmission and distribution of natural or manufactured gas, indicating the location of principal generating plants, transmission lines, producing fields, gas manufacturing plants, and electric and gas distribution facilities, including all such properties which are outside the State in which claimant[s] and its subsidiaries are organized and all transmission or pipelines which deliver or receive electric energy or gas at the borders of such State.

UniSource Energy does not directly own any property used for the generation, transmission and distribution of electric energy for sale, or for the production, transmission and distribution of natural or manufactured gas.

As of December 31, 2002, TEP owned or participated in an overhead electric transmission and distribution system consisting of 511 circuit-miles of 500

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kiloVolts ("kV") lines, 1,122 circuit-miles of 345 kV lines, 371 circuit-miles of 138 kV lines, 434 circuit-miles of 46 kV lines and 12,095 circuit-miles of lower voltage primary lines. TEP's underground electric distribution system is comprised of 7,353 cable miles. Approximately 77% of the poles upon which the lower voltage lines are located are owned by TEP. Electric substation capacity associated with the above-described electric system consisted of 192 substations with a total installed transformer capacity of 5,602,522 kiloVolt Amperes ("kVA"). The above facilities are all located in Arizona except for certain transmission lines consisting of 560 circuit-miles of 345 kV in which TEP has a fractional undivided interest, that are located in the State of New Mexico and used to deliver electric energy produced at the Four Corners and San Juan Stations to TEP at the Arizona-New Mexico border.

Except as otherwise noted, at December 31, 2002 TEP owned or had a leasehold interest in the following generating stations:

| Generating Source | Location | Net Capability MW | Operating Agent | TEP's % | Share MW |
|------------------------------|------------------------------|----------------------|-----------------|---------|----------|
| Springerville Station #1 | Springerville, AZ | 380 | TEP | 100.0 | 380 |
| Springerville Station #2(1) | Springerville, AZ | 380 | TEP | 100.0 | 380 |
| San Juan Station #1 | Farmington, NM | 327 | PNM | 50.0 | 164 |
| San Juan Station #2 | Farmington, NM | 316 | PNM | 50.0 | 158 |
| Navajo Station #1 | Page, AZ | 750 | SRP | 7.5 | 56 |
| Navajo Station #2 | Page, AZ | 750 | SRP | 7.5 | 56 |
| Navajo Station #3 | Page, AZ | 750 | SRP | 7.5 | 56 |
| Four Corners Station #4 | Farmington, NM | 784 | APS | 7.0 | 55 |
| Four Corners Station #5 | Farmington, NM | 784 | APS | 7.0 | 55 |
| Irvington Station #1 | Tucson, AZ | 81 | TEP | 100.0 | 81 |
| Irvington Station #2 | Tucson, AZ | 81 | TEP | 100.0 | 81 |
| Irvington Station #3 | Tucson, AZ | 104 | TEP | 100.0 | 104 |
| Irvington Station #4 | Tucson, AZ | 156 | TEP | 100.0 | 156 |
| Internal Combustion Turbines | Tucson, AZ | 217 | TEP | 100.0 | 217 |
| Solar Electric Generation | Springerville/ Tucson, AZ | 3 | TEP | 100.0 | 3 |

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TOTAL 2,002

 =====

 (1) Title to Springerville #2 is held by San Carlos.

The electric generating stations, operating headquarters, the warehouse, service center and the electric distribution and electric transmission facilities owned by TEP are located in Arizona, except as otherwise noted. TEP, individually and in conjunction with Public Service Company of New Mexico in connection with the San Juan Station, has acquired easements and leases for transmission lines and a water diversion facility located on the Navajo Indian Reservation. TEP has also acquired easements for transmission facilities, related to the San Juan and Navajo Generating Stations, across the Zuni, Navajo and Tohono O'Odham Indian Reservations.

Various undivided interests in the common facilities at the Irvington Generating Station which serve Unit 4 were sold and are leased back by TEP.

The 50% undivided interest of San Carlos in the common facilities at the Springerville Generating Station were sold by San Carlos and leased back by TEP and San Carlos, jointly and severally. The coal-handling facilities at the Springerville Generating Station were sold and are leased back by TEP. TEP leases Springerville Unit 1, the fuel handling facilities for Springerville, and an undivided 50% interest in the facilities common to Unit 1 and Unit 2 through sale/leaseback arrangements. San Carlos holds title to Unit 2 of the Springerville Generating Station.

3. The following information for the last calendar year with respect to claimant[s] and each of its subsidiary public utility companies:

a. Number of kWh of electric energy sold (at retail or wholesale), and Mcf of natural or manufactured gas distributed at retail.

| | Electricity ----- | Gas --- |
|------------------|----------------------|------------|
| UniSource Energy | None | None |
| TEP | 12,543,211 | None |

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San Carlos

None

None

b. Number of kWh of electric energy and Mcf of natural or manufactured gas distributed at retail outside the State in which each company is organized.
None.

c. Number of kWh of electric energy and Mcf of natural or manufactured gas sold at wholesale outside the State in which each such company is organized, or at the State line.

| | Electricity Sold Outside the State ----- | Electricity Sold at the State Line ----- | Gas Sold Outside the State ----- | Gas Sold at the State Line ----- |
|------------------|---|---|---|--|
| UniSource Energy | None | None | None | None |
| TEP | 356,788 | None | None | None |
| San Carlos | None | None | None | None |

d. Number of kWh of electric energy and Mcf of natural or manufactured gas purchased outside the State in which each such company is organized or at the State line.

| | Electricity Sold Outside the State ----- | Electricity Sold at the State Line ----- | Gas Sold Outside the State ----- | Gas Sold at the State Line ----- |
|------------------|---|---|---|--|
| UniSource Energy | None | None | None | None |
| TEP | 562,228 | None | None | None |
| San Carlos | None | None | None | None |

4. The following information for the reporting period with respect to claimant[s] and each interest it holds directly or indirectly in an EWG or a foreign utility company, stating monetary amounts in United States dollars:

a. Name, location, business address and description of the facilities used by the EWG or foreign utility company for the generation, transmission and distribution of electric energy for sale or for the distribution at retail of natural or manufactured gas.

Nations Energy, an Arizona corporation, acting on behalf of COPESA hereby notifies the Commission, pursuant to Section 33(a) of the Act and Rule 57 thereunder, that during the reporting period, COPESA was a foreign utility company within the meaning of Section 33(a) of the Act.

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The name and business address for COPESA is as follows:

COPESA
Avenida Federico Boyd
E.D.F. Scotia Plaza
PISO VI Panama City, Panama

Listed below is a description of the COPESA facility:

COPESA owns an approximately 42 MW diesel-fired combustion turbine facility located in Panama City, Panama. The project sells electricity to distribution companies and large industrial users in Panama.

b. Name of each system company that holds an interest in such EWG or foreign utility company; and description of the interest held.

The ownership of COPESA is as follows:

A. Nations International Ltd., a wholly-owned subsidiary of Nations Energy, holds a 40% equity interest in COPESA.

B. Electric Machinery Enterprises, a Florida company, holds a 21.67% equity interest in COPESA.

C. Proquim, a Panama company, owns a 22.67% equity interest in COPESA.

D. Martino, S.A., a Panama corporation, holds an 11.66% equity interest in COPESA.

E. Ingenieria R-M, S.A., a Panama corporation, holds a 3% equity interest in COPESA.

F. The remaining 1.0% equity interest in COPESA is held by certain Panamanian individuals.

c. Type and amount of capital invested, directly or indirectly, by the holding company claiming exemption; any direct or indirect guarantee of the security of the EWG or foreign utility company by the holding company claiming exemption; and any debt or other financial obligation for which there is recourse, directly or indirectly, to the holding company claiming exemption or another system company, other than the EWG or foreign utility company.

During 2002, no additional amounts were invested by Nations International Ltd. as additional equity in COPESA. Project debt in COPESA is non-recourse.

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d. Capitalization and earnings of the EWG or foreign utility company during the reporting period.

The financial information for COPESA for the year ended December 31, 2002 has not been made available to UniSource Energy at the time of this filing. UniSource Energy has been advised by administrative personnel of COPESA that the 2002 financial statements have not yet been completed by COPESA's auditors because the auditors were delayed in beginning their review of 2002 financial information as the Panama internal revenue service was conducting a tax audit of COPESA for prior years, and that audit was only recently completed. Based on information furnished by COPESA personnel, UniSource Energy expects that the financial information for 2002 will be available shortly. Upon receipt of that information, this filing will be supplemented to include the 2002 financial data for COPESA.

e. Identify any service, sales or construction contract(s) between the EWG or foreign utility company and a system company, and describe the services to be rendered or goods sold and fees or revenues under such agreement(s).

Inapplicable.

EXHIBIT A

Consolidating statements of income of the claimants and their subsidiary companies for the last calendar year, together with the consolidating balance sheets of claimants and their subsidiary companies as of the close of such calendar year.

This statement is being filed by TEP to claim exemption in the event that San Carlos Resources Inc. is an "electric utility company" under the Act. However, the filing of this statement is not an acknowledgment by TEP that San Carlos Resources Inc. is an "electric utility company."

The above-named claimants have caused this statement to be duly executed on their behalf by its authorized officer on this 28th day of February, 2003.

UNISOURCE ENERGY CORPORATION

By: /s/ Karen G. Kissinger

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 Karen G. Kissinger
 Vice President, Controller and
 Chief Compliance Officer

(Corporate Seal)

TUCSON ELECTRIC POWER COMPANY

By: /s/ Karen G. Kissinger

 Karen G. Kissinger
 Vice President, Controller and
 Chief Compliance Officer

(Corporate Seal)

Attest:

/s/ Linda Kennedy

Name, title and address of officer to whom notices and correspondence concerning this statement should be addressed: Vincent Nitido, Vice President and General Counsel, UniSource Energy Corporation, One South Church Avenue, Suite 1820, Tucson, Arizona 85701.

UNISOURCE ENERGY CORPORATION
 CONSOLIDATING BALANCE SHEET
 DECEMBER 31, 2002
 (in thousands)

EXHIBIT

| | UNISOURCE ENERGY CORP. | TUCSON ELECTRIC POWER CO.* | MILLENNIUM ENERGY HOLDINGS** | UED*** |
|---|------------------------------|----------------------------------|------------------------------------|---------------|
| ASSETS | | | | |
| Utility Plant | | | | |
| Plant in Service | \$ - | \$ 2,598,884 | \$ - | \$ - |
| Utility Plant Under Capital Leases | - | 747,556 | - | - |
| Construction Work in Progress | - | 59,926 | - | - |
| Total Utility Plant | - | 3,406,366 | - | - |
| Less Accumulated Depreciation and Amortization | - | (1,346,101) | - | - |
| Less Accumulated Depreciation of Capital Lease Assets | - | (391,915) | - | - |
| Total Utility Plant - Net | - | 1,668,350 | - | - |
| Investments and Other Property | | | | |
| Investments in Lease Debt and Equity | - | 191,867 | - | - |
| Other | 529,659 | 21,358 | 79,145 | 22,735 |
| Total Investments and Other Property | 529,659 | 213,225 | 79,145 | 22,735 |

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| | | | | |
|---|------------|--------------|------------|-----------|
| Note Receivable from UniSource Energy | - | 79,462 | - | - |
| <hr/> | | | | |
| Current Assets | | | | |
| Cash and Cash Equivalents | 22 | 55,778 | 33,304 | 1,824 |
| Accounts Receivable - Net | 44,684 | 82,575 | 15,980 | 11,640 |
| Materials and Fuel Inventory | - | 44,500 | 2,157 | - |
| Current Regulatory Assets | - | 11,778 | - | - |
| Deferred Income Taxes - Current | - | 15,917 | - | - |
| Interest Receivable - Current | - | 12,178 | - | - |
| Other | - | 8,407 | 20,865 | 1,640 |
| <hr/> | | | | |
| Total Current Assets | 44,706 | 231,133 | 72,306 | 15,104 |
| <hr/> | | | | |
| Regulatory and Other Assets | | | | |
| Transition Recovery Asset | - | 307,120 | - | - |
| Income Taxes Recoverable Through Future Revenues | - | 57,044 | - | - |
| Other Regulatory Assets | - | 10,504 | - | - |
| Other Assets | 837 | 46,752 | 17 | - |
| <hr/> | | | | |
| Total Regulatory and Other Assets | 837 | 421,420 | 17 | - |
| <hr/> | | | | |
| Total Assets | \$ 575,202 | \$ 2,613,590 | \$ 151,468 | \$ 37,839 |
| <hr/> | | | | |

UNISOURCE ENERGY CORPORATION
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2002
(in thousands)

| | UNISOURCE ENERGY CORP. | TUCSON ELECTRIC POWER CO. | MILLENNIUM ENERGY HOLDINGS | UED |
|--|------------------------------|---------------------------------|----------------------------------|--------|
| <hr/> | | | | |
| CAPITALIZATION AND OTHER LIABILITIES | | | | |
| Capitalization | | | | |
| Common Stock | \$ 661,185 | \$ 647,172 | \$ - | \$ - |
| Additional Paid-In Capital | - | - | 163,900 | 32,250 |
| Accumulated Deficit | (218,932) | (305,685) | (34,921) | 1,670 |
| Accumulated Other Comprehensive Income - Minimum Pension Liability (Net of Tax) | - | (4,024) | - | - |
| <hr/> | | | | |
| Common Stock Equity | 442,253 | 337,463 | 128,979 | 33,930 |
| Capital Lease Obligations | - | 801,508 | 103 | - |
| Long-Term Debt | 104,723 | 1,128,410 | 553 | - |
| <hr/> | | | | |
| Total Capitalization | 546,976 | 2,267,381 | 129,635 | 33,930 |
| <hr/> | | | | |
| Current Liabilities | | | | |
| Current Obligations Under Capital Leases | - | 42,872 | 88 | - |
| Current Maturities of Long-Term Debt | - | 1,725 | 115 | - |
| Accounts Payable | 31,718 | 54,182 | 37,850 | 3,420 |
| Interest Accrued | - | 60,238 | - | - |

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| | | | | |
|---|-------------------|---------------------|-------------------|-----------------|
| Taxes Accrued | (2,782) | 35,772 | 766 | 9 |
| Accrued Employee Expenses | - | 13,370 | 274 | |
| Other | - | 7,543 | 10,371 | |
| Total Current Liabilities | 28,936 | 215,702 | 49,464 | 3,52 |
| Deferred Credits and Other Liabilities | | | | |
| Deferred Income Taxes - Noncurrent | (1,017) | 67,490 | (32,306) | 38 |
| Other | 307 | 63,017 | 4,675 | |
| Total Deferred Credits and Other Liabilities | (710) | 130,507 | (27,631) | 38 |
| Total Capitalization and Other Liabilities | \$ 575,202 | \$ 2,613,590 | \$ 151,468 | \$ 37,83 |

UNISOURCE ENERGY CORPORATION
CONSOLIDATING STATEMENT OF INCOME (LOSS)
TWELVE MONTHS ENDED DECEMBER 31, 2002
(in thousands except for per share amounts)

| | UNISOURCE ENERGY CORP. | TUCSON ELECTRIC POWER CO. | MILLENNIUM ENERGY HOLDINGS | UED |
|---|------------------------------|---------------------------------|----------------------------------|--------------|
| Operating Revenues | | | | |
| Electric Retail Sales | \$ - | \$ 666,049 | \$ - | \$ - |
| Electric Wholesale Sales | - | 177,908 | - | - |
| Net Gain on TEP Forward Contracts And MEG Trading Activities | - | 533 | 111 | - |
| Other Revenues | - | 6,603 | 19,910 | 2,520 |
| Total Operating Revenues | - | 851,093 | 20,021 | 2,520 |
| Operating Expenses | | | | |
| Fuel | - | 209,712 | - | - |
| Purchased Power | - | 64,504 | - | - |
| Coal Contract Termination Fee | - | 11,250 | - | - |
| Other Operations and Maintenance | 257 | 163,616 | 41,587 | 862 |
| Depreciation and Amortization | - | 124,054 | 3,570 | 299 |
| Amortization of Transition Recovery Asset | - | 24,554 | - | - |
| Taxes Other Than Income Taxes | 6 | 44,228 | 1,274 | - |
| Total Operating Expenses | 263 | 641,918 | 46,431 | 1,161 |
| Operating Income | (263) | 209,175 | (26,410) | 1,359 |
| Other Income (Deductions) | | | | |
| Interest Income | - | 20,094 | 558 | 2 |
| Interest Income - Note Receivable From UniSource Energy | - | 9,329 | - | - |
| Other Income (Deductions) | 39,082 | 4,338 | (4,148) | - |
| Total Other Income (Deductions) | 39,082 | 33,761 | (3,590) | 2 |
| Interest Expense | | | | |
| Long-Term Debt | 9,329 | 65,620 | - | - |
| Interest on Capital Leases | - | 87,783 | 18 | - |

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| | | | | |
|--|-----------|-----------|-------------|--------|
| Interest Imputed on Losses Recorded at Present Value | - | 1,166 | - | - |
| Other Interest Expense | - | (720) | 684 | - |
| Total Interest Expense | 9,329 | 153,849 | 702 | - |
| Income (Loss) Before Income Taxes | 29,490 | 89,087 | (30,702) | 1,361 |
| Income Taxes | (3,785) | 35,350 | (15,222) | 535 |
| Net Income (Loss) | \$ 33,275 | \$ 53,737 | \$ (15,480) | \$ 826 |
| Average Shares of Common Stock Outstanding (000) | | | | |
| Basic Earnings per Share | | | | |
| Average Shares of Common Stock Outstanding, Including Effect for Dilutive Securities (000) | | | | |
| Diluted Earnings per Share | | | | |
| Dividends Paid per Share | | | | |

TUCSON ELECTRIC POWER COMPANY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2002
(in thousands)

EXHIBIT A

| | TUCSON ELECTRIC POWER CO. | INVESTMENT SUBS * | CONSOL. ADJUST. | 2002 CONSOL. |
|---|---------------------------------|----------------------|--------------------|-----------------|
| ASSETS | | | | |
| Utility Plant | | | | |
| Plant in Service | \$ 2,598,884 | \$ - | \$ - | \$ 2,598,884 |
| Utility Plant Under Capital Leases | 747,556 | - | - | 747,556 |
| Construction Work in Progress | 59,926 | - | - | 59,926 |
| Total Utility Plant | 3,406,366 | - | - | 3,406,366 |
| Less Accumulated Depreciation and Amortization | (1,346,101) | - | - | (1,346,101) |
| Less Accumulated Depreciation of Capital Lease Assets | (391,915) | - | - | (391,915) |
| Total Utility Plant - Net | 1,668,350 | - | - | 1,668,350 |
| Investments and Other Property | | | | |
| Investments in Lease Debt and Equity | 191,867 | - | - | 191,867 |
| Other | 18,643 | 5,032 | (2,317) | 21,358 |
| Total Investments and Other Property | 210,510 | 5,032 | (2,317) | 213,225 |
| Note Receivable from UniSource Energy | 79,462 | - | - | 79,462 |
| Current Assets | | | | |
| Cash and Cash Equivalents | 54,327 | 1,451 | - | 55,778 |
| Accounts Receivable - Net | 82,752 | 4,376 | (4,553) | 82,575 |

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| | | | | |
|-----------------------------------|--------------|-----------|------------|--------------|
| Materials and Fuel Inventory | 44,500 | - | - | 44,500 |
| Current Regulatory Assets | 11,778 | - | - | 11,778 |
| Deferred Income Taxes - Current | 15,917 | - | - | 15,917 |
| Interest Receivable - Current | 12,178 | - | - | 12,178 |
| Other | 8,407 | - | - | 8,407 |
| | ----- | ----- | ----- | ----- |
| Total Current Assets | 229,859 | 5,827 | (4,553) | 231,133 |
| | ----- | ----- | ----- | ----- |
| Regulatory and Other Assets | | | | |
| Transition Recovery Asset | 307,120 | - | - | 307,120 |
| Income Taxes Recoverable Through | | | | |
| Future Revenues | 57,044 | - | - | 57,044 |
| Other Regulatory Assets | 10,504 | - | - | 10,504 |
| Other Assets | 46,752 | - | - | 46,752 |
| | ----- | ----- | ----- | ----- |
| Total Regulatory and Other Assets | 421,420 | - | - | 421,420 |
| | ----- | ----- | ----- | ----- |
| Total Assets | \$ 2,609,601 | \$ 10,859 | \$ (6,870) | \$ 2,613,590 |
| | ===== | ===== | ===== | ===== |

TUCSON ELECTRIC POWER COMPANY
CONSOLIDATING BALANCE SHEET (CONTINUED)
DECEMBER 31, 2002
(in thousands)

EXHIBIT

| | TUCSON ELECTRIC POWER CO. | INVESTMENT SUBS | CONSOL. ADJUST. | 2002 CONSOL. |
|--|---------------------------------|--------------------|--------------------|-----------------|
| | ----- | ----- | ----- | ----- |
| CAPITALIZATION AND OTHER LIABILITIES | | | | |
| Capitalization | | | | |
| Common Stock | \$ 653,529 | \$ 2 | \$ (2) | \$ 653,529 |
| Premium on Capital Stock | - | 263,378 | (263,378) | - |
| Capital Stock Expense | (6,357) | - | - | (6,357) |
| Accumulated Deficit | (313,236) | (261,063) | 268,614 | (305,685) |
| Accumulated Other Comprehensive Income - Minimum Pension Liability (Net of Tax) | (4,024) | - | - | (4,024) |
| | ----- | ----- | ----- | ----- |
| Common Stock Equity | 329,912 | 2,317 | 5,234 | 337,463 |
| Capital Lease Obligations | 801,508 | - | - | 801,508 |
| Long-Term Debt | 1,128,410 | - | - | 1,128,410 |
| | ----- | ----- | ----- | ----- |
| Total Capitalization | 2,259,830 | 2,317 | 5,234 | 2,267,381 |
| | ----- | ----- | ----- | ----- |
| Current Liabilities | | | | |
| Current Obligations Under Capital Leases | 42,872 | - | - | 42,872 |
| Current Maturities of Long-Term Debt | 1,725 | - | - | 1,725 |
| Accounts Payable | 58,237 | 498 | (4,553) | 54,182 |
| Interest Accrued | 60,238 | - | - | 60,238 |
| Taxes Accrued | 35,742 | 30 | - | 35,772 |
| Accrued Employee Expenses | 13,370 | - | - | 13,370 |
| Other | 7,543 | - | - | 7,543 |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|--|--------------|-----------|------------|--------------|
| Total Current Liabilities | 219,727 | 528 | (4,553) | 215,702 |
| Deferred Credits and Other Liabilities | | | | |
| Deferred Income Taxes - Noncurrent | 67,027 | (123) | 586 | 67,490 |
| Other | 63,017 | 8,137 | (8,137) | 63,017 |
| Total Deferred Credits and Other Liabilities | 130,044 | 8,014 | (7,551) | 130,507 |
| Total Capitalization and Other Liabilities | \$ 2,609,601 | \$ 10,859 | \$ (6,870) | \$ 2,613,590 |

TUCSON ELECTRIC POWER COMPANY
CONSOLIDATING STATEMENT OF INCOME (LOSS)
TWELVE MONTHS ENDED DECEMBER 31, 2002
(in thousands)

EXHIBIT A

| | TUCSON ELECTRIC POWER CO. | INVESTMENT SUBS | CONSOL. ADJUST. | 2002 CONSOL. |
|--|---------------------------------|--------------------|--------------------|-----------------|
| Operating Revenues | | | | |
| Electric Retail Sales | \$ 666,049 | \$ - | \$ - | \$ 666,049 |
| Electric Wholesale Sales | 177,908 | - | - | 177,908 |
| Net Unrealized Gain on Forward Electric Sales and Purchases | 533 | - | - | 533 |
| Other Revenues | 6,604 | - | (1) | 6,603 |
| Total Operating Revenues | 851,094 | - | (1) | 851,093 |
| Operating Expenses | | | | |
| Fuel | 209,712 | - | - | 209,712 |
| Purchased Power | 64,504 | - | - | 64,504 |
| Coal Contract Termination Fee | 11,250 | - | - | 11,250 |
| Other Operations and Maintenance | 163,616 | - | - | 163,616 |
| Depreciation and Amortization | 124,054 | - | - | 124,054 |
| Amortization of Transition Recovery Asset | 24,554 | - | - | 24,554 |
| Taxes Other Than Income Taxes | 44,228 | - | - | 44,228 |
| Total Operating Expenses | 641,918 | - | - | 641,918 |
| Operating Income | 209,176 | - | (1) | 209,175 |
| Other Income (Deductions) | | | | |
| Interest Income | 20,065 | 29 | - | 20,094 |
| Interest Income - Note Receivable from UniSource Energy | 9,329 | - | - | 9,329 |
| Other Income | 4,289 | (72) | 121 | 4,338 |
| Total Other Income (Deductions) | 33,683 | (43) | 121 | 33,761 |
| Interest Expense | | | | |
| Long-Term Debt | 65,620 | - | - | 65,620 |
| Interest on Capital Leases | 87,783 | - | - | 87,783 |
| Interest Imputed on Losses Recorded at Present Value | 1,166 | - | - | 1,166 |

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| | | | | |
|----------------------------|-----------|----------|--------|-----------|
| Other Interest Expense | (720) | 2 | (2) | (720) |
| | ----- | ----- | ----- | ----- |
| Total Interest Expense | 153,849 | 2 | (2) | 153,849 |
| | ----- | ----- | ----- | ----- |
| Income Before Income Taxes | 89,010 | (45) | 122 | 89,087 |
| Income Taxes | 35,273 | 77 | - | 35,350 |
| | ----- | ----- | ----- | ----- |
| Net Income (Loss) | \$ 53,737 | \$ (122) | \$ 122 | \$ 53,737 |
| | ===== | ===== | ===== | ===== |

EXHIBIT B

An organizational chart showing the relationship of each EWG or foreign utility company to associate companies in the holding company system.

See attached organizational charts for COPESA.

COPESA PROJECT OWNERSHIP STRUCTURE

