
**TUCSON ELECTRIC
POWER COMPANY**

*Summary Plan
Description
for*

**THE PENSION PLAN FOR EMPLOYEES
OF UNISOURCE ENERGY SERVICES**

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**SUMMARY PLAN DESCRIPTION
OF THE PENSION PLAN FOR EMPLOYEES
OF UNISOURCE ENERGY SERVICES**

Introduction

This document constitutes the Summary Plan Description (“SPD”) for the Pension Plan for Employees of Unisource Energy Services (the “Plan”). The Plan is a defined benefit pension plan that Tucson Electric Power Company (“TEP”) has adopted for eligible employees of Unisource Energy Services (“UES”). The Plan became effective as of August 11, 2003.

On August 11, 2003, TEP acquired certain assets and liabilities of Citizens Communications Company (“Citizens”). In connection with that acquisition, certain Citizens employees who were active participants in the Citizens Pension Plan became employees of UES. To the extent that those employees will also be entitled to benefits under this Plan, their benefits from this Plan will be integrated with the benefits provided from the Citizens Pension Plan.

Few goals are of greater long-range importance than providing for a financially secure retirement. That is why TEP sponsors this Plan for you and other Eligible Employees. The Plan is designed to provide you with retirement income for life based on your salary and the years you work for UES or any other participating company (“Employer”). When your benefits under this Plan are combined with Social Security and your personal savings, it offers valuable financial security for your retirement years.

Some terms in the summary are technical. See the Glossary of Terms in Appendix A at the back of the SPD for the definition of any capitalized term you do not understand. If you still have questions, please call the Plan Administrator for additional help.

You should read this summary closely so you understand how the Plan works. However, because this is a summary, not every provision is described and the description of certain provisions has been simplified. Full details are contained in the Plan document, which is a legal text governing the operation of the Plan. Copies of the Plan document are available to review in the Plan Administrator’s office during regular business hours. If you have any questions, contact the Plan Administrator. This SPD does not interpret, extend or change the Plan in any way. If there are any inconsistencies between this SPD and the Plan document, the provisions of the Plan document will govern your rights and benefits.

Eligibility and Enrollment

When Are You Eligible to Participate in this Plan?

Current Participants. If you were an active Participant in the Plan on the effective date, you will continue to be a Participant in the Plan.

New Participants. You will become a Participant on the first day of the month on or after the day you become an Eligible Employee. You are an “Eligible Employee” if:

- UES has classified you as a common law employee of the Employer;
- you are at least age 21; and
- you have completed a one-year Period of Service.

You are **not** in the class of employees eligible to participate in the Plan if:

- you provide services to UES as an independent contractor or consultant, or pursuant to an employee leasing agreement, or UES has classified you as a leased employee or as contract labor; or
- you are a collective bargaining employee, and your agreement does not specifically provide for your participation in the Plan; or
- you are a non-resident alien; or
- you are employed as a student intern.

Defining Hours of Service. An Hour of Service is each hour that you actually work for UES or an Affiliated Company. You also receive an Hour of Service for each regularly scheduled work hour that you do not work, but are paid or entitled to be paid due to an approved leave of absence, vacation, illness, jury duty, holiday or disability. However, you will not receive more than 501 hours of service for any single continuous period during which you perform no duties, and you cannot receive double credit for the same Period of Service.

Hours of Service are also credited for each hour for which back pay has either been paid, awarded or agreed to by an Employer (to the extent not already counted above).

If you are a former Citizens employee who was actively participating in the Citizens Pension Plan on August 10, 2003, your Hours of Service will include any hours credited to you under the terms of the Citizens Pension Plan, taking into account for this purpose the provisions relating to disregarding service due to a Period of Severance.

Rehired Employees. If you previously worked for UES and have been rehired as an Employee, your eligibility to participate in the Plan and the date you will be considered to be a Participant will depend on several factors, including (1) your years of employment with UES when you left; and (2) the length of time you were gone.

If you are not an Eligible Employee when you are rehired, you will become a Participant in accordance with the eligibility rules that apply for new Employees (described in the prior section).

If you are an Eligible Employee when you are rehired, you will become a Participant as follows:

- If you are gone for less than 12 consecutive months, you will become a Participant as of your date of rehire.
- If you are gone for 12 or more consecutive months, you must complete a one-year Period of Service after your rehire before you will become a Participant. Upon completing a one-year Period of Service, you will become a Participant effective on your date of rehire.
- If you did not have a Vested interest when you left employment and you are gone for 60 or more consecutive months, you will be treated as a new Employee for purposes of reentering the Plan.

The rules regarding participation and credited service upon rehire are quite complex. If you think they may apply to you, please contact the Plan Administrator for more detail.

Service with an Affiliated Company. If you work for Tucson Electric Power Company or another Affiliated Company, you will continue to be credited with Hours of Service under the Plan. However, you will not be eligible to become a Participant unless you are employed by UES, and your service with the non-participating company will not count toward increasing your benefit.

Once You Are Eligible to Participate, How Do You Enroll?

Enrollment in the Plan is automatic. You do not have to complete an enrollment form in order to participate. UES’s benefits office will notify you when you become a Participant in the Plan.

Who Pays For the Plan?

You do not have to contribute toward the cost of your pension benefits. UES contributes the funds to provide for the payment of benefits under the Plan, which are actuarially determined, and those funds are held in trust.

Benefits Payable under the Plan

Plan Benefits At a Glance

The Plan Provides ...	When ...
Normal Retirement Benefit	At age 65.
Early Retirement Benefit	At age 55 if you have at least five years of Vesting Service.
Late Retirement Benefit	When you actually retire after age 65.

Benefits at Termination of Employment	After five years of Vesting Service.
Retirement Income to Your Spouse	If you die after Vesting but before benefits start.

Normal Retirement Benefit

You are eligible to retire with full benefits upon reaching your Normal Retirement Date. This is the first day of the month coinciding with or next following your 65th birthday. Your Retirement Benefit is calculated on the basis of the following:

- Your “Average Compensation,”
- Your “Average Covered Compensation,” and
- Your years of “Benefit Service” up to 35 years.

Each of these terms is discussed below. In addition, if you were an active participant in the Citizens Pension Plan on August 10, 2003, and began participation in this Plan on August 11, 2003, your Retirement Benefit is reduced by the benefit payable to you from the Citizens Pension Plan. Here is the basic benefit formula that is used for calculating your Normal Retirement Benefit when you retire on or after age 65:

Basic Benefit Formula at Normal Retirement Date
1.3% of your Average Compensation
PLUS
0.7% of the excess of your Average Compensation over your Average Covered Compensation
MULTIPLIED BY
Your years of Benefit Service at retirement, up to 35 years
MINUS (for certain former Citizens employees)
The amount of benefit payable to you from the Citizens Pension Plan

For former Citizens employees who began participation in this Plan on August 11, 2003, note that your Average Compensation and Benefit Service with Citizens is counted in calculating your benefits. Your compensation and service with Citizens is determined according to the provisions of the Citizens Pension Plan (as in effect on August 10, 2003, or your earlier termination), and is counted even if your benefit was frozen as of February 1, 2003.

Here are the important terms you need to know to calculate your Retirement Benefit from the Plan:

Average Compensation. Your Average Compensation is your average Monthly Basic Earnings for the 60 consecutive months of highest pay during the last 120 months of your Benefit Service. If you have less than 60 months of Benefit Service, Average Compensation will be based on the entire period of your service. For the purpose of determining whether months are consecutive, any month during which you have no Benefit Service will be ignored.

Monthly Basic Earnings. Your monthly rate of base salary or wages paid to you, determined as of the first day of the month. If you are not compensated at a monthly rate, your monthly rate will be determined as 1/12th of your annual rate. Items of compensation other than base salary or wages, such as overtime pay, special remuneration and employer contributions to any employee benefit plan, are excluded from Monthly Basic Earnings.

The following rules apply to the compensation used to determine Average Compensation:

- Compensation considered in any year cannot exceed \$265,000. This amount changes based on IRS rules in effect from time to time.
- Compensation includes amounts you elect to have UES contribute on a pre-tax basis to a 401(k) plan, health plan or flexible spending account. However, non-qualified deferred compensation is not included.

Average Covered Compensation. This is the average of the annual Social Security wage bases on which you and your employer pay Social Security taxes during a 35-year period; it changes from year to year based on cost-of-living adjustments to the Social Security taxable wage base. This 35-year period ends on the last day of the calendar year in which you reach your Social Security retirement age. Average Covered Compensation is based on the Social Security law in effect on January 1, 1977.

Benefit Service. Your Benefit Service is all time (including any approved leaves of absence) beginning on the date you began working for UES and ending on your “Severance from Service” date. You have a “Severance from Service” when your employment terminates for any reason, including quit, involuntary termination, retirement or death. In addition, you have a Severance from Service on the first anniversary of a leave of absence, other than a leave due to (a) pregnancy, birth of a child, placement of a child with you in connection with adoption of the child or caring for a child immediately following birth or adoption or (b) any other protected leave under the Family and Medical Leave Act of 1993. You will have a Severance from Service no later than the second anniversary of the beginning of such a Medical or Family Leave (unless you earlier terminate due to quitting, involuntary termination, etc.).

The following periods of service, however, are not included in your Benefit Service:

- any period before you became a Participant in the Plan;
- any Period of Severance, even if it is less than one year. A Period of Severance means the time beginning on your last day of work and ending on the date you are re-employed; and

- any period in which you are ineligible to participate in the Plan (for example, because you are employed by a non-participating Affiliated Company).

If you are not Vested in your benefits when you leave employment or otherwise have a Severance from Service and are later rehired, you can lose credit for your prior Benefit Service. This will happen if:

- you have a Period of Severance of at least 60 consecutive months; or
- you have a Period of Severance of at least 12 consecutive months, and you do not earn at least 12 months of service after your reemployment with UES or an Affiliated Company.

If you were an active participant in the Citizens Pension Plan on August 10, 2003, your Benefit Service will include the Benefit Service credited to you under the terms of the Citizens Pension Plan for purposes of calculating your benefit under the Plan and became a Participant in this Plan on August 11, 2003, and the amount of offset of your benefit attributable to your Citizens Pension Plan benefit. Your Citizens' Benefit Service is also used in determining whether you have earned 35 years of Benefit Service. Note that Benefit Service that is disregarded under the Citizens Pension Plan because of a break in your service is similarly disregarded under this Plan.

An Example of the Normal Retirement Benefit Calculation – Assume you decide to retire in 2016 at age 65 with 30 years of Benefit Service. Also assume your Average Compensation is \$5,500 per month. Based on your retirement date, your Average Covered Compensation is \$44,508, or \$3,709 a month. Therefore, your Average Compensation over Average Covered Compensation is \$1,791, the difference between Average Compensation and Average Covered Compensation. Here's how your Normal Retirement Benefit under this Plan is determined:

An Example of the Normal Retirement Benefit Calculation at Age 65

Normal Retirement Date: January 1, 2016
 Average Compensation, Monthly as of January 1, 2016: \$5,500
 Average Covered Compensation, Monthly: \$3,709
 Benefit Service: 30 years
 Amount payable under Citizens Pension Plan, Monthly: \$1,100

Normal Retirement Benefit Calculation Under this Plan

1.3% of your Average Compensation = $.013 \times \$5,500$ (A)	\$71.50
Plus 0.7% of the excess of Average Compensation over Average Covered Compensation = $.007 \times \$1,791$ (B)	+ \$12.54
Total of the two calculations above (A + B = C)	\$84.04
Multiplied by the aggregate of your Benefit Service under the Citizens Pension Plan and this Plan (up to 35 years) (S)	x 30

Normal Straight Life Retirement Benefit (C x S) = (D)	\$2,521.11
Amount payable under Citizens Pension Plan, Monthly (E)	- \$1,100.00
Amount payable from this Plan (D – E) = (F)	\$1,421.11

If you are a former Citizens employee who was an active participant in the Citizens Pension Plan on August 10, 2003, any amount payable to you under the Citizens Pension Plan will be subtracted from the amount payable under this Plan. As a result, that amount will be deducted from the amount you will receive from this Plan. Accordingly, you will receive \$1,100 per month from the Citizens Pension Plan and \$1,421.11 per month from this Plan, for a total Retirement Benefit of \$2,521.11 per month. Keep in mind that your monthly payment will be adjusted if you elect to receive it in any other payment form – for example, in monthly payments over your lifetime and the lifetime of your Spouse.

Early Retirement Benefit

You may retire as early as the first day of the month coinciding with or next following your 55th birthday, as long as you have completed five years of Vesting Service. For the definition of Vesting Service, see the discussion entitled “How your Vesting Service is Determined,” later in the SPD.

Your “Early Retirement Benefit” is your accrued Normal Retirement Benefit as of the date your employment ends, multiplied by the early retirement fraction described below. Your accrued Normal Retirement Benefit is the benefit you have earned through the date you stop working (under the normal retirement formula above) but using the Benefit Service you would have had if you had continued working until your Normal Retirement Date (up to 35). This “projected” retirement benefit is then multiplied by the ratio of your actual Benefit Service to the Benefit Service you would have if you continued working to your Normal Retirement Date.

Formula for the Early Retirement Fraction
<p>Your actual Benefit Service as of the date your employment terminates (determined without regard to the 35 year limit)</p> <p style="text-align: center;">DIVIDED BY</p> <p>Your projected Benefit Service as if you had continued working until your Normal Retirement Date (determined without regard to the 35 year limit)</p>

As noted above, your benefit will be subject to a second reduction if you begin receiving payments before your Normal Retirement Date. Your benefit will be reduced by five-twelfths (5/12) of one percent (1%) for each full month for which you receive distribution of your benefits before you turn age 65. This reduction is made because you will be receiving payments over a

longer period of time. The reduction is calculated monthly; however, the schedule below gives you an idea of the reduction factors that would apply for selected ages:

Early Retirement Benefit Reduction Schedule

Age at Retirement	Reduction Factor (0.417% multiplied by pre-age 65 months)	Benefit as a % of Normal Retirement Benefit
65	0%	100%
64	5%	95%
63	10%	90%
62	15%	85%
61	20%	80%
60	25%	75%
59	30%	70%
58	35%	65%
57	40%	60%
56	45%	55%
55	50%	50%

If you retire in the middle of a year, the reduction is interpolated to the nearest month.

An Example of the Early Retirement Benefit Calculation – Assume as in the prior example that you decide to retire in 2016, but you are age 58 with 30 years of Benefit Service. Also assume your Average Compensation is the same, \$6,000 per month. Based on your 2016 retirement date, your Annual Covered Compensation is \$66,048, or \$5,504 per month, and your Average Compensation over Average Covered Compensation is \$496. Based on these assumptions, the Early Retirement Benefit would be calculated as follows:

Early Retirement Benefit Calculation Under this Plan

1.3% of your Average Compensation = $.013 \times \$6,000$ (A)	\$78.00
Plus 0.7% of the excess of Average Compensation over Average Covered Compensation = $.007 \times \$496$ (B)	+ \$3.47
Total of the two calculations above (A + B = C)	\$81.47

Multiplied by your Benefit Service projected to normal retirement date (up to 35 years) (S)	x 35
Normal straight life Retirement Benefit** (C x S) =	\$2,851.45
Reduced by the early retirement fraction of 30/37 (G)	x .8108
Monthly adjusted straight life benefit payable at age 65** (H)	\$2,311.96
Amount payable under Citizens Pension Plan, Monthly*** (E)	-\$1,100.00
Amount payable from this Plan**** (H – E) = (J)	\$1,211.96

** Note that this amount will be reduced by amounts payable to you under the Citizens Pension Plan.

*** Note that the amount payable under the Citizens Pension Plan will be reduced according to the early retirement fractions and the early retirement reduction schedule as applicable under the terms of the Citizens Plan.

As you can see from the calculation, if you leave UES before your Normal Retirement Age, your Early Retirement Benefit expressed as a straight life annuity benefit beginning at age 65 is \$1,211.96. If you elect to receive payments before your 65th birthday, your benefit will be reduced by five-twelfths (5/12) of one percent (1%) for each month that you receive distribution of your benefits before you turn 65.

**** In the example used above, if you elect to receive payments immediately after your 58th birthday, you will receive your benefits 84 months before your 65th birthday, so the reduction is 35%. Accordingly, you would receive 65% of \$1,211.96 payable from this Plan, or \$787.77 each month, commencing as of your 58th birthday. Also keep in mind that your monthly payment will be adjusted if you elect to receive it in any other payment form – for example, in monthly payments over your lifetime and the lifetime of your Spouse.

Important: If you plan to retire early and you want to receive your benefits beginning with the first day of the month after your Termination of Employment, you should contact the Plan Administrator at least 120 days in advance. Your retirement election must be made within the 180-day period ending on the date you want your Retirement Benefits to begin.

Late Retirement Benefit. You will continue to earn Retirement Benefits if you work beyond your Normal Retirement Date and you will receive a suspension of benefits notice. In that case, you will receive a Retirement Benefit beginning on the first day of the month after you retire. Your postponed benefit is determined using the Normal Retirement Benefit formula above, based on your Average Compensation and Benefit Service (not in excess of 35 years) as of the date you retire.

Disability Retirement Benefit. If you are a Participant with five or more years of Vesting Service and you become Permanently Disabled while you are employed by UES or if you incur a Military Service Disability, you will be entitled to a Disability Retirement Benefit.

Definition of Permanent Disability and Disability Retirement Date

For purposes of this Plan, you will be considered to have a “Permanent Disability” (or be “Permanently Disabled”) if you are determined to be disabled under a long-term disability plan sponsored by UES or an Affiliated Company and you have five or more years of Vesting Service. Your Disability Retirement Date is the date that the Committee determines your absence due to the Permanent Disability began.

While you are Permanently Disabled, you will continue to be credited with Benefit Service and Vesting Service until the earliest of:

- a) the later of your Normal Retirement Date or the fifth anniversary of your date of absence due to Permanent Disability or Military Service Disability;
- b) the date you refuse to submit to a medical examination as required to determine whether the Permanent Disability or Military Service Disability still exists;
- c) the date you cease to be Permanently Disabled or Disabled due to Military Service;
- d) the date of your death;
- e) the date your long-term disability benefits cease; or
- f) the date your Retirement Benefit begins.

You can elect to begin your Retirement Benefit whenever you are eligible for a Normal Retirement Benefit. Your Disability Retirement Benefit will be calculated using the applicable benefit formula (based on whether you will be receiving an early or normal Retirement Benefit), based on your Average Compensation as of your Disability Retirement Date and the Benefit Service credited to you above. Remember that continuing service credits end when you elect to retire.

Keep in mind that if you elect to receive a benefit before your Normal Retirement Age, the Plan’s early retirement factors will apply.

Vesting and Forfeiture of Benefits at Termination of Employment

Vesting refers to the extent to which you have a nonforfeitable right to your Retirement Benefit when you leave UES. If you are credited with five or more years of Vesting Service, your right to your Retirement Benefits are fully or 100% Vested, and you are entitled to all of the benefits you earned under the Plan when you retire or otherwise leave UES. In addition, regardless of your Vesting Service, your benefits are 100% Vested at your Normal Retirement Age if you are actively employed by UES.

How is Vesting Service Determined?

Vesting Service is equal to your aggregate Periods of Service and any periods that are required by law to be credited to you for periods of military service. A Period of Service begins on your Employment Commencement Date and ends on your Severance from Service Date, and includes Periods of Severance under 12 months. The following periods are not counted in determining Vesting Service:

- Any Periods of Severance of 12 months or more;
- Any Periods of Service before a Period of Severance that is 60 consecutive months or more, if benefits were not Vested;
- Any Periods of Service before a Period of Severance of at least 12 consecutive months unless you are credited with a one year Period of Service after that Period of Severance; and
- Any Periods of Service prior to your 18th birthday.

A Period of Severance commences on the date your employment terminates, and ends on any subsequent reemployment date. A Period of Severance will not include:

- Credited Leave, which is defined as any leave of absence (1) due to illness or injury (not otherwise required to be credited to you under the Family and Medical Leave Act); or (2) for further education; or Government service as determined by UES;
- Any leave of absence to enter the Armed Forces of the United States (1) through the operation of a compulsory military service law; (2) during a period of declared national emergency; or (3) pursuant to a leave of absence granted by UES, as long as you return to the service of UES within 90 days (or such longer period as may be required by law) after your discharge or release from active duty, or within the period for which leave of absence was granted by UES; or
- Any absence from work due to a leave under the Family and Medical Leave Act.

If you began participation in this Plan on August 11, 2003, your Vesting Service includes the Vesting Service credited to you under the terms of the Citizens Pension Plan, including its provisions disregarding service due to a Period of Severance.

Effect of Termination of Employment

If your employment terminates before your Early Retirement Age (age 55 with 5 or more years of Vesting Service), you will be entitled to receive benefits only if you have at least 5 years of Vesting Service when you leave. If you leave employment before you are fully vested in your benefits, you will forfeit your unvested pension benefits.

Your benefits can begin as of the first day of the month following early as the first of the month on or after your 55th birthday. If your benefits begin at age 65, they are determined in the

same way as your Normal Retirement Benefit (described above) using your Benefit and Vesting Service as of the date of Termination of Employment. If you choose to receive benefits prior to your Normal Retirement Date, your benefit is your accrued Normal Retirement Benefit, calculated in the same way as for Early Retirement Benefits. Remember, benefits will be actuarially reduced if you begin payment before your Normal Retirement Date at a rate of 5/12^{ths} of 1% per month.

Notwithstanding the prior paragraph, effective July 1, 2016, you may elect to receive a distribution of your Retirement Benefit at any time following severance from employment and prior to your Normal Retirement Date, or, if applicable, Early Retirement Date. You may elect to receive the Retirement Benefit in the form of (1) a cash lump sum, (2) the normal form of Retirement Benefit, or (3) another form in which you can receive those benefits (see the section below entitled "How Benefits are Paid"). Your payment shall commence or be made as of your Annuity Starting Date, and will be equal to the Actuarial Equivalent of your Vested interest, calculated as of your Annuity Starting Date. If you are a collective bargaining employee, this election right will be subject to and contingent on the consideration of any issues or objections raised by the respective union.

If the Actuarial Equivalent present value of your benefits as of your retirement date is \$5,000 or less, you will receive your benefits in a single lump sum (which you may elect to have rolled over to a new plan). If the Actuarial Equivalent present value of your benefits when you terminate employment is \$1,000 or less, you will automatically receive a distribution of your benefits as soon as administratively feasible following your Termination of Employment. In contrast, if your benefits exceed \$5,000, you will have a choice of the form in which you can receive those benefits (see the section below entitled "How Benefits are Paid").

Any benefit that is not vested will be deemed cashed out on the date you incur a Period of Severance of 12 consecutive months. If you are rehired and earn a Year of Service before you have a five (5) year Period of Severance, your benefit will be restored.

Transfers to Another Employer. If you transfer to another Affiliated Company that has not adopted this Plan, you will cease to accrue additional benefits under this Plan.

Re-employment After Retirement

If you are rehired by UES after you have begun receiving Retirement Benefits from this Plan before Normal Retirement Date (your sixty-fifth (65) birthday), your benefits will be suspended until you subsequently retire. When you subsequently retire, your benefit will be based upon your Average Compensation and Benefit Service at your subsequent retirement date, reduced by the actuarial value of prior payments you received. If you received a lump sum payment of your Vested benefit when you previously left employment, your prior Benefit Service will be disregarded for all purposes of the Plan.

If, however, you are rehired (or continue to be employed by UES) after your sixty-fifth (65th) birthday, your benefits will be suspended for each month in which you are credited with forty (40) or more Hours of Service. You must notify UES in order to resume benefits after you stop being so employed. Your benefits will resume no later than the third month after you stop being so employed, assuming you have given the required notice to UES.

The details regarding the impact of rehire upon the payment, the amount and form of benefits under the Plan are extensive. If you are thinking about returning to work with UES after commencing your benefits under the Plan, please contact the Plan Administrator for the specific rules that will apply to your situation.

How Benefits are Paid

The Plan allows you to receive your Retirement Benefits in a variety of ways. You choose the method that best fits your personal financial needs.

Forms of Benefits

If the Actuarial Equivalent present value of your Vested benefit exceeds \$5,000, you may elect to receive your benefits under several different payment options:

- **Life Annuity:** This option provides monthly benefits to you for life. When you die, payments end. No income will be paid to anyone else.
- **Life Annuity with a five or ten-year certain feature:** The 5-year or 10-year life annuity pays reduced monthly benefits to you for life, with guaranteed payments for a period of 60 or 120 months, as you elect. If you die within the guaranteed period, your designated Beneficiary will receive your monthly benefit for the remainder of the period. If you receive monthly benefits for the full guaranteed period during your lifetime, no benefits will be paid after you die. The amount by which your benefit is reduced depends on the option you choose and your age. If your Beneficiary dies before you, you may designate a new Beneficiary.
- **33 $\frac{1}{3}$ %, 50%, 66 $\frac{2}{3}$ %, 75%, or 100% Joint and Survivor Annuity Options:** These options provide a reduced joint and survivor annuity. A joint and survivor annuity provides a monthly benefit to you for your lifetime. After your death, your Beneficiary will receive the percentage elected of your monthly benefit for the remainder of his or her lifetime. The monthly benefit you receive will be less than a single life annuity because it will be paid over two lifetimes – yours and your Beneficiary's. The amount of the reduction depends on your age and the age of your Beneficiary when benefit payments begin. If your Beneficiary dies before you, you cannot name another Beneficiary, and your payment level will not increase. Benefits end upon your death.
- **Voluntary lump-sum distribution:** This option provides for a lump-sum distribution of your Vested benefit. The amount of the lump sum is the Actuarial Equivalent present value of your Vested benefit payable on your Annuity Starting Date. The Pension Protection Act of 2006 places restrictions on your ability to take a lump sum distribution based on the funded status of the Plan. Currently, the Plan is not subject to any restrictions on lump sum benefits. In the event that the Plan becomes subject to restrictions on lump sum benefits, the Plan Administrator will notify you.

If the Actuarial Equivalent present value of your Vested benefit is \$5,000 or less, you will automatically receive your benefit in a single lump sum. This applies to both single and married Employees. Thereafter, you will not be entitled to any monthly benefit.

Special Rules for Married Participants. If you are married on your Annuity Starting Date, you must receive distribution of your Vested benefit in the form of a 50% (or greater) Joint and Survivor Annuity with your Spouse as your Beneficiary, unless you and your Spouse elect to waive this form of distribution. Your Spouse's election to waive the Joint and Survivor Annuity must be witnessed by a notary public or the Plan Administrator during the 180-day period ending on your Annuity Starting Date. Your election must state the optional form of benefit that you would like distributed and the time of the distribution, and must designate any non-Spouse Beneficiary, including contingent Beneficiaries, which cannot be changed without your Spouse's consent (if applicable). A Spouse's consent to the waiver of the Joint and Survivor Annuity, once given, may not be revoked by the Spouse. You may revoke the waiver of a Joint and Survivor Annuity without your Spouse's consent at any time prior to your Annuity Starting Date (and if so desired, waive it again before that date so long as the requirements for the waiver are satisfied).

Electing a Payment Method. You must elect the form of payment during the 180-day period preceding your Annuity Starting Date. This election may not be changed after your Annuity Starting Date. As you approach retirement age, you will receive more specific information about your benefit options and payment amounts.

If no election of method of distribution is made and you are single, you will be deemed to have elected a straight life annuity with no ancillary benefits. If you are married, you will be deemed to have selected a 50% Joint and Survivor Annuity with your Spouse as the Beneficiary.

Keep in mind that you may be asked to provide copies of your birth certificate, applicable Spouse birth certificate and marriage license, and may be asked to provide proof of a divorce or Spouse death certificate.

Survivor Benefits

If You Die Before Retirement Benefits Begin. If you die before Retirement Benefits begin, have a Vested benefit in the Plan, and are survived by a Spouse to whom you have been married for at least one (1) year at the time of your death, your Spouse will be eligible to receive a Qualified Preretirement Survivor Annuity. Your Spouse is eligible for this benefit even if you are no longer working when you die. This benefit will be paid to your Spouse in the form of an annuity for your Spouse's life. If the Actuarial Equivalent present value of the Qualified Preretirement Survivor Annuity does not exceed \$5,000, the benefit will be paid as a lump sum.

Amount of Benefit. The amount of the annuity your surviving Spouse can receive from the Plan is the survivor benefit the Spouse would have received if you had elected a 50% Qualified Joint and Survivor Annuity during your lifetime, began receiving payments, and then died. Note that the benefit is actuarially adjusted to the extent that payments began before you would have attained age of 65.

When Payments Begin. The distribution to your Spouse will begin on the earliest of:

- a) the first day of the month following your death, if your death occurs after your Normal Retirement Age;
- b) the first day of the month following your Normal Retirement Age if your death occurs prior to that time, unless your Spouse elects to receive the benefit before your Normal Retirement Age; and
- c) if you die before your Normal Retirement Age, and the Actuarial Equivalent present value of the Preretirement Death Benefit does not exceed \$5,000, the first day of the month following your death.

If you die before your Normal Retirement Age, and the present value of your Preretirement Death Benefit exceeds \$5,000, your Spouse may elect to have distribution of the benefit begin on the first day of any month following the election, but not earlier than your Early Retirement Date or after your Normal Retirement Age.

Special Circumstances

- If you are married, and (a) you give the Committee written notice of your election to commence your Retirement Benefits on a specific date, or your Retirement Benefit is to commence on or after your Normal Retirement Date or after you reach age 70½ in the absence of such election, and (b) within 180 days prior to the benefit commencement date, you elect a joint and survivor annuity form of payment with your Spouse to receive more than 50% of the amount payable, then your surviving Spouse's annuity will be based on the larger amount payable under the joint and survivor annuity.
- If you are married, and (a) you die while employed or while on Permanent Disability after having elected to retire within 180 days of such election and to commence your Retirement Benefit in the form of a lump-sum payment, and (b) your death occurs prior to the benefit commencement date, a lump-sum payment in the same amount will be payable to your Spouse on the date the payment would have been made to you had you lived. In order to receive this lump-sum payment, your Spouse must, within 60 days after the date of your death, waive the Preretirement Death Benefit that would otherwise be payable.

If You Die After Retirement Benefits Begin. If you die after you have started to receive your Retirement Benefit, payments will continue only if you elected a payment form that provides for a survivor benefit to be paid to your designated Beneficiary. You need to understand that a single life annuity provides monthly benefits to you for life. If you elect to have your Retirement Benefit paid to you in that form, payments end when you die. No income will be paid to anyone else.

No benefit is paid under the Plan if you die before Retirement Benefits begin and you are not survived by a Spouse.

Taxes and Your Benefits

You are responsible for paying applicable taxes on your benefit when you receive it. Under current tax law, your Retirement Benefit is not taxable while it remains in the Plan. When you (or your Beneficiary) receive a distribution from the Plan, you are responsible for paying applicable income taxes. If a lump sum payment is made, you may also owe a 10% penalty tax if your Retirement Benefits are paid to you before age 59½ and you terminate employment before the beginning of the year in which you reach age 55.

In general, you can defer paying taxes if you elect to “roll over” your lump sum payout (that is, have it transferred directly) to a plan that will accept rollovers (“Eligible Retirement Plan”).

An “Eligible Retirement Plan” is an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code, a Roth individual retirement account or annuity described in Section 408A of the Code, an annuity plan or annuity contract described in Section 403(a) or 403(b) of the Code, a plan described in Section 457(b) of the Code (including a plan which is maintained by a state, political subdivision of a state, or agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan), an eligible or a qualified trust described in Section 401(a) of the Code, that accepts the distributee’s eligible rollover distribution. However, in the case of an eligible rollover distribution to the surviving Spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.

However, certain types of payments generally cannot be rolled over:

- **Payments Spread Over Long Periods:** Annuity payments cannot be rolled over because they are part of a series of equal (or almost equal) payments that are made at least once a year and will last for your lifetime or for more than ten (10) years.
- **Required Minimum Payments:** Beginning in the year you reach age 70½ or retire, whichever is later, a certain portion of your payment cannot be rolled over because it is a required minimum payment that must be paid to you.

If you do not elect a direct rollover of the entire lump sum distribution, the Plan is generally required to withhold 20% of the taxable portion of the amount distributed. You will receive additional information on the rollover or direct transfer option when you terminate employment and are ready to receive a distribution.

If you receive payment of your benefit in the form of an annuity (fixed payments for life), you may elect whether or not to have taxes withheld. If you do not make any election, federal income tax will be withheld automatically. Withholding is applied as if the payments were wages. If you elect not to have withholding apply, or even if you do elect withholding, you may still owe taxes on the payments. You are responsible for payment of any taxes associated with the payments.

Tax laws change from time to time, and the tax impact of receiving payments from the Plan will vary with your individual situation. Because UES cannot give tax advice or

counsel, you should consult a professional tax advisor or financial expert for specific advice about your circumstances.

Social Security Benefits

Throughout your working career, both you and UES contribute toward your Social Security benefits through payroll taxes. These benefits are in addition to your benefits under the Plan and provide you with an important source of retirement income. ***You will not receive Social Security benefits automatically. You must apply for them.***

If you were born on or before January 1, 1938, your full Social Security benefits can begin at age 65. If you were born later than that date, your full Social Security benefits can begin between the ages of 65 and 67, depending on your birth date. You can consult the chart at the Social Security Administration's website on the Internet at <http://www.ssa.gov/retirechartred.htm> for the age when you will be entitled to receive your full benefits. You may begin receiving reduced Social Security benefits at age 62.

If you are married, your Spouse also is entitled to receive Social Security benefits in an amount based on your pay or his or her pay – whichever produces the greater benefit.

Additional information about your Social Security benefits and how to apply for them is available through SSA's website at <http://www.ssa.gov>, or you can contact your local Social Security office. The national toll-free number for Social Security currently is 1-800-772-1213.

Plan Administration

The Plan is administered by a Committee appointed by the President of Tucson Electric Power Company. The Committee consists of at least three members, and its functions include resolving claims for benefits and interpreting and construing the terms of the Plan. The Committee has absolute and exclusive authority to interpret the provisions of the Plan in its discretion. The Committee is the Plan Administrator. The Committee may delegate certain responsibilities under the Plan to another person. A Trustee will be appointed to manage and control the trust fund and its assets.

How to Apply for Benefits – Claims Procedure

To receive benefits under the Plan, you must apply to the Committee. If you are dissatisfied with the determination of your benefits, eligibility, participation service or other right under the Plan, you may file a claim and an appeal as described in this section.

Filing a Claim. There are specific procedures for filing claims and settling disputes. The Benefit Claims Committee can explain these to you.

If Your Claim is Wholly or Partially Denied. If you file a claim for benefits under the Plan and your claim is denied in whole or in part, you will be notified in writing. The notification will include:

- The reason for the denial;
- The specific Plan provisions on which the denial was based;
- A description of any additional information needed to process your claim; and
- An explanation of the claim review procedure; and an explanation of the time limits applicable to the Plan's appeal procedures including a statement of your right to bring a civil action under Section 502 of ERISA.

Ordinarily you will receive this written notice within 90 days after your claim is filed.

If you disagree with the decision, you have a right to request a review of the denial of your claim. To do so, you, your Beneficiary, or your authorized representative must submit a written request to the Benefit Claims Committee within 60 days of receiving the notice of denial. If you do not appeal within 60 days, you will be deemed to have accepted the denial of the claim and the denial will be final and binding on you and anyone claiming benefits through you. You may review relevant documents or records and submit your comments in writing. You, your Beneficiary, or your authorized representative will have the right to review all pertinent Plan documents.

You will receive a written decision on your request for review within 60 days of the date the Benefit Claims Committee receives your request unless special circumstances, such as the need to hold a hearing, require an extension of time, in which case the 60-day period shall be extended to 120 days and you will be notified of the extension. You will be notified in writing of the final decision, and this decision shall include:

- the specific reason(s) for denial of the claim;
- reference to the specific Plan provisions upon which the denial is based;
- a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits; and
- a statement of your right to bring a civil action under Section 502(a) of ERISA.

If you receive a final denial regarding your claim for benefits, you have certain rights under the law. For more information, see the section entitled "ERISA Rights" on page 21.

Special rules for Military Service Disability Claims

If your claim relates to the determination of your Military Service Disability under the Plan, special rules apply. If your claim is wholly or partially denied, the Committee shall furnish notice of the decision to you within 45 days after receipt of the claim. If, however, the Committee determines that special circumstances require an extension of time to process the claim, written notice (including an explanation of the special circumstances requiring an extension and the date by which the Committee expects to render the benefits determination) will be furnished to you

before the end of the original 45-day period. The extension will be for a period of 30 days from the end of the initial 45-day period. If the Committee determines that an additional extension is required, written notice (including an explanation of the special circumstances requiring an additional extension and the date by which the Committee expects to render the benefits determination) will be furnished to you before the end of the initial 30-day extension. In no event will such additional extension be for more than 30 days from the end of the 75-day period (the original 45-day period plus the extension of 30 days).

The notice of denial will be in writing, and will include the following:

- a) The specific reason or reasons for the denial;
- b) Reference to the specific Plan provisions upon which the denial is based;
- c) A description of any additional material or information necessary for you to perfect the claim and an explanation of why such material or information is necessary;
- d) A statement whether any internal rule, guideline, protocol or other similar criterion was relied on for the denial, and if so, a statement that such internal rule, guideline, protocol or similar criterion will be provided free of charge upon request;
- e) A statement that you are entitled to receive, upon request and free of charge, the names of any medical and/or vocational experts whose advice was sought with respect to the benefit determination without regard to whether the advice was relied upon in deciding the appeal;
- f) A statement that you are entitled to receive, upon request and free of charge, an explanation of any medical and/or vocational findings, if the adverse determination was based in whole or in part on such findings;
- g) An explanation of the Plan's appeal procedure, including the time limits applicable to the Plan's appeal procedures, and a statement of your right to bring a civil action under ERISA; and
- h) The following statement: "You and your Plan may have other voluntary alternative dispute resolution options such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency".

You have the right to appeal a denial of a Military Service Disability claim under the Plan to the Committee. Such appeal may be accomplished by sending a written notice of appeal to the Committee 180 days after you receive notification of the denial. After you have filed a notice of appeal with the Committee, you or your authorized representative may review pertinent documents and may submit documents, records, issues and comments in writing including reasons why your claim should be allowed.

You may request, free of charge, reasonable access to, and copies of, all documents, records, and other information "relevant" to your claim for benefits. Review of your claim shall

take into account all comments, documents, records and other information submitted by the claimant relating to the claim, without regard to whether such documents, records or other information were submitted or considered in the initial benefit determination. “Relevant” means that documents, records or other information were relied upon in making the benefit determination; were submitted, considered, or generated in the course of making the benefit determination, even if the Committee did not rely on them in making the benefit determination; or demonstrate compliance with the administrative processes and safeguards required for making of the benefit determination.

If the appeal is from a decision based in whole or in part on a medical judgment, a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment, other than the health care professional who was consulted in connection with the initial benefit determination or a subordinate of such health care professional, will be consulted. No deference will be given to the initial adverse benefits determination and the appeal will be decided by neither the individual who made the initial adverse benefits determination nor a subordinate of such individual.

A decision will be made within 45 days of the date that your written notice of appeal is filed with the Committee. If special circumstances require an extension of the 45-day period, you will be notified. At most, your claim will be decided within 90 days.

The Committee’s decision will be in writing and shall include specific reasons for the decision. If your appeal is denied, your denial notice will set forth:

- a) The specific reason or reasons for denial of the claim;
- b) Reference to the specific Plan provisions upon which the denial is based;
- c) A statement whether any internal rule, guideline, protocol or other similar criterion was relied on for the denial, and if so, a statement that such internal rule, guideline, protocol or similar criterion will be provided free of charge upon request;
- d) A statement that you are entitled to receive, upon request and free of charge, the name of any medical and/or vocational experts whose advice was sought with respect to the benefit determination;
- e) A statement that you are entitled to receive, upon request and free of charge, an explanation of any medical and/or vocational findings, if the adverse determination was based in whole or in part on such findings;
- f) A statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim for benefits;
- g) A statement of your right to bring a civil action under ERISA; and
- h) The following statement: “You and your Plan may have other voluntary alternative dispute resolution options such as mediation. One way to find out what may be

available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency”.

Additional Information About the Plan

The following is general information about the Plan, certain federal laws, and your rights under the Plan. Please read this section carefully, paying particular attention to how the Plan is governed by federal law.

Internal Revenue Service (IRS) Limits. Government regulations put a cap on the amount of income an employee may receive under a qualified pension plan. For example, Federal law limits the amount that can be considered as compensation for Plan purposes each year. In addition, the IRS sets certain limitations on the amount that employees can receive from plans like the Plan.

The IRS may adjust these limits from time to time to reflect changes in the cost of living. You will be notified if you are affected by these limits.

Non-assignment of Benefits and Qualified Domestic Relations Orders. You cannot assign the benefits payable to you to another person. One exception is that benefits will be paid according to a valid Qualified Domestic Relations Order (“QDRO”).

A QDRO is an order from a state court that meets certain legal specifications and directs the Plan to pay all or a portion of a Participant’s benefits to a Spouse, former Spouse, or dependent child.

You will be notified immediately if an attempt is made to assign your benefits through a court order. The Committee is responsible for determining whether or not the order is qualified, and has adopted procedures governing QDROs. You can obtain a copy of those procedures, without charge, by contacting the Plan Administrator.

Payment to Minors and Incompetents. If anyone entitled to income from the Plan is a minor or is judged to be physically or mentally incompetent, the Committee may pay the income to someone else for the benefit of the recipient (to a legal guardian, for example).

You may execute a form referred to as a “power of attorney” that authorizes another person or entity to act on your behalf if due to illness or incapacity, you are unable to do so yourself. You must specifically mention in the power of attorney that you are authorizing that person or entity to act on your behalf with regard to your benefits under this Plan. Please contact the Plan Administrator for additional information regarding this issue.

Top-Heavy Rules. Under current tax law, if a plan provides more than 60% of its benefits to “key” employees, that plan is considered to be “top heavy.” Both “top-heavy” and “key” employees are terms defined under the Code.

At present, the Plan is not top-heavy. In the unlikely event that it becomes top-heavy, you will be notified, your benefits may be adjusted, and your vesting may be accelerated to keep the Plan qualified under IRS regulations.

Maintained Pursuant to Collective Bargaining Agreement(s). Certain benefits described in this Summary Plan Description are maintained pursuant to collective bargaining agreements for certain groups of Eligible Employees. A copy of a collective bargaining agreement applicable to you may be obtained by Participants and Beneficiaries upon written request to the Plan Administrator. The collective bargaining agreements are also available for review during normal business hours at the Compensation & Benefits offices of Tucson Electric Power Company and at the Union Hall.

Continuance of the Plan

Amendment or Termination of the Plan. UES reserves the right to amend the Plan at any time and for any reason by action of the President of Tucson Electric Power Company (“TEP”) or his designee. UES may also terminate the Plan at any time and for any reason by action of the Board of Directors of TEP. UES is not in any way obligated to continue the Plan.

If UES terminates the Plan for any reason, the assets in the Plan will be used for the exclusive benefit of Plan Participants and their Beneficiaries. Any funds that remain after all benefits are paid to Participants will revert to UES. If you are affected by the termination, you will become 100% Vested in your Retirement Benefit under the Plan, to the extent the benefit is funded.

Plan Insurance. The benefits under this Plan are insured by the Pension Benefit Guaranty Corporation (“PBGC”), a federal insurance agency. If the Plan terminates (ends) without enough money to pay all benefits, the PBGC will step in to administer the Plan and pay pension benefits. Most people will receive all of the pension benefits they would have received under the Plan, but some people may lose certain benefits.

The PBGC guarantee generally covers:

- Normal and early retirement benefits;
- Disability benefits if you become disabled before the Plan terminates; and
- Certain benefits for your survivors.

The PBGC guarantee does not cover:

- Benefits greater than the maximum guarantee amount set by law for the year in which the Plan terminates;
- Some or all of benefit increases and new benefits based on Plan provisions that have been in place for fewer than 5 years at the time the Plan terminates;
- Benefits that are not vested because you have not worked long enough for UES;
- Benefits for which you have not met all of the requirements at the time the Plan terminates;

- Certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) that result in an early retirement monthly benefit greater than your monthly benefit at the plan's Normal Retirement Age; and
- Non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay and severance pay.

Even if some of your benefits are not guaranteed, you may still receive some of those benefits from the PBGC depending on how much money the Plan has and on how much the PBGC collects from employers. For more information on the PBGC and the benefits it guarantees, ask your Plan Administrator or contact the PBGC's Technical Assistance Division, 1200 K Street, N.W., Suite 930, Washington, D.C. 20005-4026 or call 202-326-4000 (not a toll-free number). TTY/TDD users may call the federal relay service toll-free at 1-800-877-8339 and ask to be connected to 202-326-4000. Additional information about the PBGC's pension insurance program is available through the PBGC's website on the Internet at <http://www.pbgc.gov>.

ERISA Rights

As a Participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 ("ERISA"). ERISA provides that all Plan participants shall be entitled to:

Receive Information About Your Plan and Benefits

Examine, without charge, at the Plan administrator's office and at other specified locations, such as worksites and union halls, all documents governing the Plan, including insurance contracts and collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the Plan administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated Summary Plan Description. The administrator may make a reasonable charge for the copies.

Receive a summary of the Plan's annual financial report. The Plan administrator is required by law to furnish each Participant with a copy of this summary annual report.

Obtain a statement telling you whether you have a right to receive a pension at Normal Retirement Age (age 65) and if so, what your benefits would be at Normal Retirement Age if you stop working under the Plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once every twelve (12) months. The Plan must provide the statement free of charge.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called “fiduciaries” of the Plan, have a duty to do so prudently and in the interest of you and other Plan Participants and Beneficiaries. No one, including your Employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a pension benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the Plan’s decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court. If it should happen that Plan fiduciaries misuse the Plan money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about your Plan, you should contact the Plan administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

General Plan Information

Plan Name: Pension Plan for Employees of Unisource
Energy Services

Plan Sponsor and Address: Tucson Electric Power Company
88 E. Broadway Blvd.
Mail Stop HQE202
Tucson, Arizona 85701

Employer Identification Number: 86-0062700

Plan Number: 004

Plan Administrator: Pension Committee
c/o Tucson Electric Power Company
88 E. Broadway Blvd.
Mail Stop HQE202
Tucson, Arizona 85701
Telephone (520) 884-3702

The Plan Administrator is designated as an agent for all purposes of legal process. Service of legal process may be made upon the Plan Administrator or Trustee.

Type of Administration: Committee appointed by the President of Tucson
Electric Power Company

Funding Medium: Trust Fund

Trustee: Frank Russell Trust Company

Trustee's Address: 1301 Second Avenue
18th Floor
Seattle, WA 98101

Appendix A

Glossary of Terms

Actuarial Equivalent means a benefit or amount that replaces another and has the same value as the benefit or amount it replaces based on the applicable actuarial assumptions and interest rates.

Affiliated Company means UES or any entity that is in the same controlled group or under common control with UES in accordance with the rules defined in the Internal Revenue Code.

Annuity Starting Date generally means the first date as of which your vested retirement benefits or Preretirement Death Benefits are to begin, or the date on which your lump sum is paid to you.

Beneficiary means the person or persons who would become eligible to receive any benefits under the Plan in the event of your death.

Benefit Claims Committee means the committee designated to review your request for benefits.

Board means the Board of Directors of Tucson Electric Power Company or its authorized delegate.

Code means the Internal Revenue Code of 1986, as amended from time to time.

Committee means the committee appointed by the President of Tucson Electric Power Company to administer the Plan.

Credited Leave means any leave of absence due to illness, injury, further education or Government service as determined by the Committee. This term includes any leave of absence to join the Armed Forces of the United States in connection with a compulsory military service law, during a period of declared national emergency, or if UES grants other military-related leaves of absence, provided you return to work within 90 days (or such longer periods as may be provided by law) after your discharge or release from active duty in the Armed Forces, or within the period for which your leave of absence was granted by UES.

Eligible Retirement Plan means an individual retirement account, individual retirement annuity, annuity plan, or qualified trust, as defined in the Code, that accepts your eligible rollover distribution. In the case of an eligible rollover distribution to a surviving Spouse, an Eligible Retirement Plan is an individual retirement account or individual retirement annuity.

Employee means any person classified and treated by UES as a common-law employee.

Employer means UES and any Affiliated Company which has adopted the Plan.

Employment Commencement Date generally means the day you are first credited with an Hour of Service, or if you had a Period of Severance, the day you are first credited with an Hour of Service after the Period of Severance.

ERISA is the Employee Retirement Income Security Act of 1974, as amended from time to time.

50% Joint and Survivor Annuity means an annuity for your lifetime with a survivor annuity for the life of your surviving Spouse where the survivor annuity is 50% of the amount of the annuity payable during the joint lives of you and your Spouse. The joint and survivor annuity is at least the Actuarial Equivalent of the most valuable form of benefit under the Plan payable to you on your Annuity Starting Date. Note, however, if you were participating in the Citizens Pension Plan on December 31, 1975, and if you were to die before receiving a total of 120 monthly payments, then your survivor will receive the amount that would have been payable to you (as though you had not died), until a total of 120 monthly payments have been made. After the 120th month, the amount of the survivor pension will be 50% of the reduced pension. In addition, the survivor annuity will be payable until a total of 120 monthly payments have been made without regard to whether or not your Spouse is living. Any such survivor annuity payable after the death of your Spouse will be payable to a Beneficiary.

Medical or Family Leave means an Employee's leave of absence from employment with an Affiliated Company because of: (a) pregnancy, birth of the Employee's child, placement of a child with the Employee in connection with adoption of the child or caring for a child immediately following birth or adoption or (b) any other reason that would entitle the Employee to take a leave under the Family and Medical Leave Act of 1993. The Employer shall determine the first and last day of any Medical or Family Leave.

Military Service Disability or Disabled due to Military Service means the inability to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months, which was incurred while you were performing qualified military service defined in Section 414(u)(5) of the Code and for which the Department of Defense, Department of Veterans Affairs or a comparable state agency has made a verification or certification of your disability. In order to have a Military Service Disability, all three of these conditions must be satisfied.

Normal Retirement Age means the Participant's 65th birthday.

Normal Retirement Date means the first day of the month coinciding with or next following the Participant's Normal Retirement Age.

Participant means an Eligible Employee who is participating in this Plan.

Period of Service means a period (including any periods of Credited Leave) beginning when a Participant is credited with an Hour of Service (Employment Commencement Date) and ending on the Participant's Severance from Service Date. For vesting purposes, Period of Service includes any Period of Severance under 12 months.

If you became a Participant in this Plan because you were an active participant in the Citizens Pension Plan on August 10, 2003, a Period of Service for any period prior to August 11, 2003, will be determined according to the terms of the Citizens Pension Plan, including provisions relating to disregarding service due to a Period of Severance.

Period of Severance means the time beginning on your last day of work and ending on the date you are re-employed.

Permanent Disability means the Employee is eligible for and is receiving benefits under a long-term disability plan sponsored by UES or an Affiliated Company and the Employee has five years of Vesting Service.

Permitted Leave means an approved leave of absence from UES, including but not limited to military service, illness, disability, Medical or Family Leave, educational pursuits, service as a juror, temporary employment with a government agency, or any other leave of absence approved by Employer.

Plan means the Pension Plan for Employees of Unisource Energy Services.

Plan Year means the calendar year. The last day of the Plan Year is December 31.

Preretirement Death Benefit means the death benefit payable under the Plan to your surviving Spouse if you die before your Annuity Starting Date and the following additional criteria are met:

- you have a vested benefit in the Plan, and
- you have been married to your Spouse for at least one (1) year at the time of your death.

Qualified Preretirement Survivor Annuity means an immediate survivor annuity for the life of your Spouse, equal to:

- If you die after your Early Retirement Age, the survivor annuity your Spouse would have received if you had a Termination of Employment or Retirement on the day before your death and received distribution of benefits in the form of an immediate 50% Joint and Survivor Annuity, or
- If you die on or before your Early Retirement Age, the survivor annuity your Spouse would have received if you had a Termination of Employment on the day of your death, survived to your Early Retirement Date, received distribution of benefits in the form of a 50% Joint and Survivor Annuity on your Early Retirement Date, and died on the day after your Early Retirement Date.

Retirement Benefit means the monthly benefit that you accrue under the Plan. The normal form of this benefit is a single life annuity. If you were a participant in the Citizens Pension Plan prior to January 1, 1976, the normal form of benefit is a single life annuity with a 10-year term certain.

Severance from Service Date means the earliest of:

- The day of your Retirement, Termination of Employment, or death,
- The second anniversary of your absence for Medical or Family Leave, and
- The first anniversary of the first day of a period in which you remain absent from service for any reason other than quitting, discharge, retirement or death.

If you incur a Permanent Disability, your Severance from Service Date will be the earliest of the following:

- The day on which you recover from the disability;
- Your 65th birthday;
- The day you begin to receive distribution of your Retirement Benefits; or
- The day this Plan is terminated or the accrual of benefits under this Plan otherwise ceases.

Spouse means effective June 26, 2013, an individual who is married to you, of the opposite or same sex on the date on which a benefit under the Plan becomes payable to you or on your behalf if the marriage was validly entered into a state whose laws authorize the marriage of the two individuals even if the married couple is domiciled in a state that does not recognize the validity of the marriage. For purposes of this definition “state” means any domestic or foreign jurisdiction having the legal authority to sanction marriages. A former Spouse will be treated as a Spouse or surviving Spouse to the extent provided for in a qualified domestic relations order satisfying the requirements of Section 414(p) of the Code.

Termination of Employment means the termination of your employment with UES, whether voluntary or involuntary, for any reason, including but not limited to, quit or discharge.

Vesting or Vested means a right to receive a benefit that cannot be taken away from you. A Vested benefit means the nonforfeitable portion of your Retirement Benefit. You will become 100% vested after five (5) years of Vesting Service.

Vesting Service means your aggregate Periods of Service and any periods that are required by law to be credited to you for periods of military service. The following periods are not counted as Vesting Service:

- Any periods preceding a Period of Severance that is 60 consecutive months or more if you had no Vested Interest;
- Any periods preceding a Period of Severance of at least 12 consecutive months, unless you are credited with a Period of Service of one year after that Period of Severance;
- Any periods while your employer is not UES or an Affiliated Company; and
- Periods of Service prior to your 18th birthday.

If you became a Participant in this Plan on August 11, 2003, and you were an active participant in the Citizens Pension Plan on August 10, 2003, your Vesting Service includes periods prior to August 11, 2003 credited to you under the terms of the Citizens Pension Plan, including its provisions disregarding service due to a period of severance.

A Final Word

As explained at the outset, this booklet provides a summary description of the Pension Plan for Employees of Unisource Energy Services. It highlights the main provisions of the Plan but is subject to the terms and provisions of the Plan Document. If this booklet and the official plan document vary in the description of the Plan, the plan document is the final authority.

This description of your pension benefits is not an employment contract or any type of employment guarantee.