UNS ENERGY NYSE-UNS

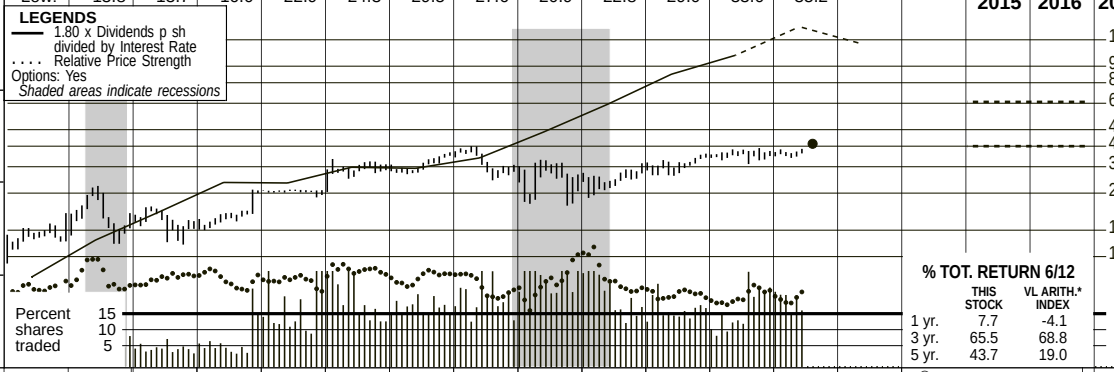
RECENT PRICE	41.08	P/E RATIO	18.7 (Trailing: 16.0 / Median: 17.0)	RELATIVE P/E RATIO	1.32	DIV'D YLD	4.2%	VALUE LINE

TIMELINESS 3 Lowered 11/11/11
SAFETY 3 New 12/31/04
TECHNICAL 3 Raised 7/20/12
BETA .75 (1.00 = Market)

High:	26.0	20.8	24.9	24.9	34.8	37.5	40.0	34.5	33.3	36.9	39.3	42.1
Low:	13.8	13.7	16.0	22.9	24.3	29.5	27.6	20.9	22.8	29.0	33.0	35.2

Target Price Range
2015 | 2016 | 2017

LEGENDS
— 1.80 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+60%)	15%
Low	40	(-5%)	4%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	1	0	0	0	0	0	0
Options	2	2	3	1	0	0	0	0	0
to Sell	2	2	3	1	0	0	0	0	0

Institutional Decisions

	3Q2011	4Q2011	1Q2012
to Buy	74	87	80
to Sell	76	73	93
Hld's(000)	33078	32564	33499

% TOT. RETURN 6/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	7.7	-4.1
3 yr.	65.5	68.8
5 yr.	43.7	19.0

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
22.28	22.71	23.83	24.85	31.12	43.12	25.50	28.71	34.13	35.26	37.42	39.12	39.41	38.89	39.78	40.89	*38.15*	*39.45*	Revenues per sh	*42.50*
6.82	5.29	3.48	3.96	4.23	5.41	4.80	5.20	5.29	5.21	5.68	5.64	4.56	7.82	7.33	7.44	*6.60*	*7.10*	"Cash Flow" per sh	*8.00*
3.76	2.60	.68	1.08	1.27	1.79	.97	1.30	1.31	1.30	1.85	1.55	.39	2.69	2.82	2.75	*2.20*	*2.75*	Earnings per sh A	*3.75*
- -	- -	- -	- -	.32	.40	.50	.60	.64	.76	.84	.90	.96	1.16	1.56	1.68	*1.72*	*1.76*	Div'd Decl'd per sh B ■ †	*2.25*
2.07	2.22	2.52	2.87	3.19	3.63	3.36	4.06	4.49	5.83	6.77	6.95	9.85	8.01	7.26	10.13	*8.80*	*10.50*	Cap'l Spending per sh	*11.70*
4.15	6.75	7.65	10.02	11.20	12.68	13.05	15.97	16.95	17.68	18.59	19.54	19.16	20.94	22.46	24.07	*23.90*	*24.90*	Book Value per sh	*27.45*
32.13	32.14	32.26	32.35	33.22	33.50	33.58	33.79	34.26	34.87	35.19	35.32	35.46	35.85	36.54	36.92	*38.00*	*38.00*	Common Shs Outst'g C	*40.00*
4.3	6.1	23.3	10.8	11.8	10.8	18.2	14.6	18.7	23.9	17.7	22.0	73.8	10.4	11.6	13.3	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
.27	.35	1.21	.62	.77	.55	.99	.83	.99	1.27	.96	1.17	4.44	.69	.74	.84	*Value Line*		Relative P/E Ratio	*.95*
- -	- -	- -	- -	2.1%	2.1%	2.8%	3.2%	2.6%	2.5%	2.6%	2.6%	3.3%	4.1%	4.8%	4.6%	*estimates*		Avg Ann'l Div'd Yield	*4.3%*

CAPITAL STRUCTURE as of 3/31/12
Total Debt $1446.7 mill. **Due in 5 Yrs** $770.0 mill.
LT Debt $1913.0 mill. **LT Interest** $75.0 mill.
Incl. $352.7 mill. capitalized leases.
(LT interest earned: 3.4x)

Pension Assets-12/11 $245 mill. **Oblig.** $319 mill.
Pfd Stock None

Common Stock 40,260,270 shs.
as of 4/18/12
MARKET CAP: $1.7 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
856.2	969.9	1169.0	1229.5	1316.9	1381.4	1397.5	1394.4	1453.7	1509.5	*1450*	*1500*	Revenues ($mill)	*1700*
33.3	45.2	45.9	46.1	69.2	58.4	14.0	104.3	111.5	110.0	*90.0*	*105*	Net Profit ($mill)	*150*
33.7%	19.7%	42.5%	41.4%	38.8%	40.1%	54.8%	38.2%	41.2%	37.8%	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
- -	2.2%	- -	- -	2.9%	3.4%	- -	- -	- -	- -	*Nil*	*Nil*	AFUDC % to Net Profit	*Nil*
81.5%	79.2%	77.1%	75.3%	72.9%	68.8%	72.9%	70.5%	68.5%	67.8%	*69.0%*	*70.0%*	Long-Term Debt Ratio	*72.5%*
18.5%	20.8%	22.9%	24.7%	27.1%	31.2%	27.1%	29.5%	31.5%	32.2%	*31.0%*	*30.5%*	Common Equity Ratio	*28.0%*
2368.8	2589.0	2540.3	2494.9	2414.1	2214.9	2506.4	2547.0	2602.8	2758.6	*2930*	*3135*	Total Capital ($mill)	*3950*
1668.4	2069.2	2081.1	2171.5	2259.6	2407.3	2617.7	2785.7	2961.5	3182.3	*3405*	*3645*	Net Plant ($mill)	*4465*
2.8%	4.9%	5.1%	5.1%	5.9%	5.7%	3.0%	5.2%	5.5%	5.3%	*5.0%*	*5.0%*	Return on Total Cap'l	*5.5%*
7.6%	8.4%	7.9%	7.5%	10.6%	8.5%	2.1%	13.9%	13.6%	12.4%	*10.0%*	*11.0%*	Return on Shr. Equity	*14.0%*
7.6%	8.4%	7.9%	7.5%	10.6%	8.5%	2.1%	13.9%	13.6%	12.4%	*10.0%*	*11.0%*	Return on Com Equity D	*14.0%*
3.8%	4.6%	4.1%	3.2%	6.1%	3.9%	NMF	8.4%	6.7%	5.4%	*2.5%*	*4.0%*	Retained to Com Eq	*5.5%*
51%	45%	48%	57%	43%	54%	NMF	40%	51%	56%	*80%*	*64%*	All Div'ds to Net Prof	*60%*

ELECTRIC OPERATING STATISTICS

	2009	2010	2011
% Change Retail Sales (KWH)	-1.4	-.8	+.4
Avg. Indust. Use (MWH)	5096	5076	5064
Avg. Indust. Revs. per KWH (¢)	7.00	6.90	7.10
Capacity at Peak (Mw)	3010	3044	3271
Peak Load, Summer (Mw)	2354	2333	2334
Annual Load Factor (%)	N/A	N/A	N/A
% Change Customers (yr-end)	+.4	+.3	+.4
Fixed Charge Cov. (%)	232	268	251

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	2.0%	2.5%	*16.5%*
"Cash Flow"	5.0%	7.0%	*1.0%*
Earnings	7.0%	13.0%	*5.5%*
Dividends	20.0%	14.5%	*7.5%*
Book Value	7.0%	5.0%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	311.9	337.8	414.2	330.5	1394.4
2010	317.9	337.8	438.8	359.2	1453.7
2011	344.8	369.7	450.9	344.1	1509.5
2012	318.9	*355*	*435*	*341.1*	*1450*
2013	*340*	*345*	*450*	*365*	*1500*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.14	.80	1.45	.30	2.69
2010	.52	.65	1.36	.29	2.82
2011	.35	.71	1.46	.22	2.75
2012	.17	*.60*	*1.25*	*.18*	*2.20*
2013	*.35*	*.70*	*1.45*	*.25*	*2.75*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.24	.24	.24	.24	.96
2009	.29	.29	.29	.29	1.16
2010	.39	.39	.39	.39	1.56
2011	.42	.42	.42	.42	1.68
2012	.43	.43			

BUSINESS: UNS Energy Corporation, through its subsidiaries, operates as an electric utility in Arizona. Subsidiaries include Tuscon Electric Power (TEP), UNS Gas, and UNS Electric. TEP segment serves about 404,000 retail customers in southern Arizona and accounted for 77% of '11 net income. Revenue sources: residential, 42%; commercial, 21%; industrial, 34%; other, 3%. Copper mining is largest industry served. Fuels: coal, 92%; gas, 8%. '11 TEP reported depreciation rate: 3.2%. Has 2,004 employees: TEP, 1,391; UNS Gas, 187; UNS Electric, 154; Other, 272. Chrmn. & CEO: Paul J. Bonavia. Pres.: David G. Hutchens. Inc.: AZ. Address: 88 E. Broadway Blvd., Tucson, AZ. 85701. Telephone: 520-571-4000. Internet: www.unisourceenergy.com.

UNS Energy, formerly known as UniSource Energy, has filed for rate increases. The company's largest subsidiary, Tuscon Electric Power (TEP), has been in a four-year base-rate freeze, which is scheduled to end December 1, 2012, according to its 2008 settlement agreement. As anticipated, TEP filed for a rate hike on July 2nd, and expects the settlement to be completed within 13 months, with an August 1, 2013 start date. TEP is requesting $128 million in annual revenue increases, which is based on an original cost rate base of approximately $1.5 billion. All told, an increase would likely result in a 15% base-rate hike, which should help boost earnings in 2013. As a result, however, customers will see costs rise a little over 15%, as the average bill will increase by $13 a month.

The new rates are needed to provide TEP with an appropriate rate of return, which has been lacking due to significant cost changes since its last test year in 2006. Indeed, the requested rate hikes will likely cover rising service costs and the significant amount of capital investments the company incurred over the past five years. Too, the rate increases will help pay for renewable power and energy efficiency expenditures mandated by environmental regulations. Also, management hopes to see growth and demand improve, which have lagged since the recession.

In other news, the company reported underwhelming first-quarter results. In fact, both the top and bottom lines were below expectations. Revenues were $319 million, and earnings contracted over 50% from the year-ago figure. We now anticipate the full-year performance will be lackluster, as UNS is hindered by TEP's rate freeze. As a result, we have tempered our 2012 share-net estimate by a nickel, to $2.20.

These shares are best suited for income-oriented investors. Although this issue is ranked to mirror the broader market averages over the coming six to 12 months, UNS Energy's 4.2% dividend yield is impressive. Moreover, we expect management to further boost the dividend in the coming 3 to 5 years, to achieve its target payout ratio, which is 60%-70% of its net income.

Michelle Jensen *August 3, 2012*

(A) EPS diluted. Excl. nonrecur. gains (losses): '98, 19¢; '99, $1.35; '00, 48¢; '03, $2.00. Next earnings report due early Aug. Earnings may not sum due to rounding. (B) Div'ds historically paid in early Mar., June, Sept., and Dec. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) In millions. (D) Rate base: fair value. Rate allowed on com. eq. in '08: 10.25%; earned on avg. com. eq., '11: 12.4%. Regulatory Climate: Avg.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	85
Earnings Predictability	35

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