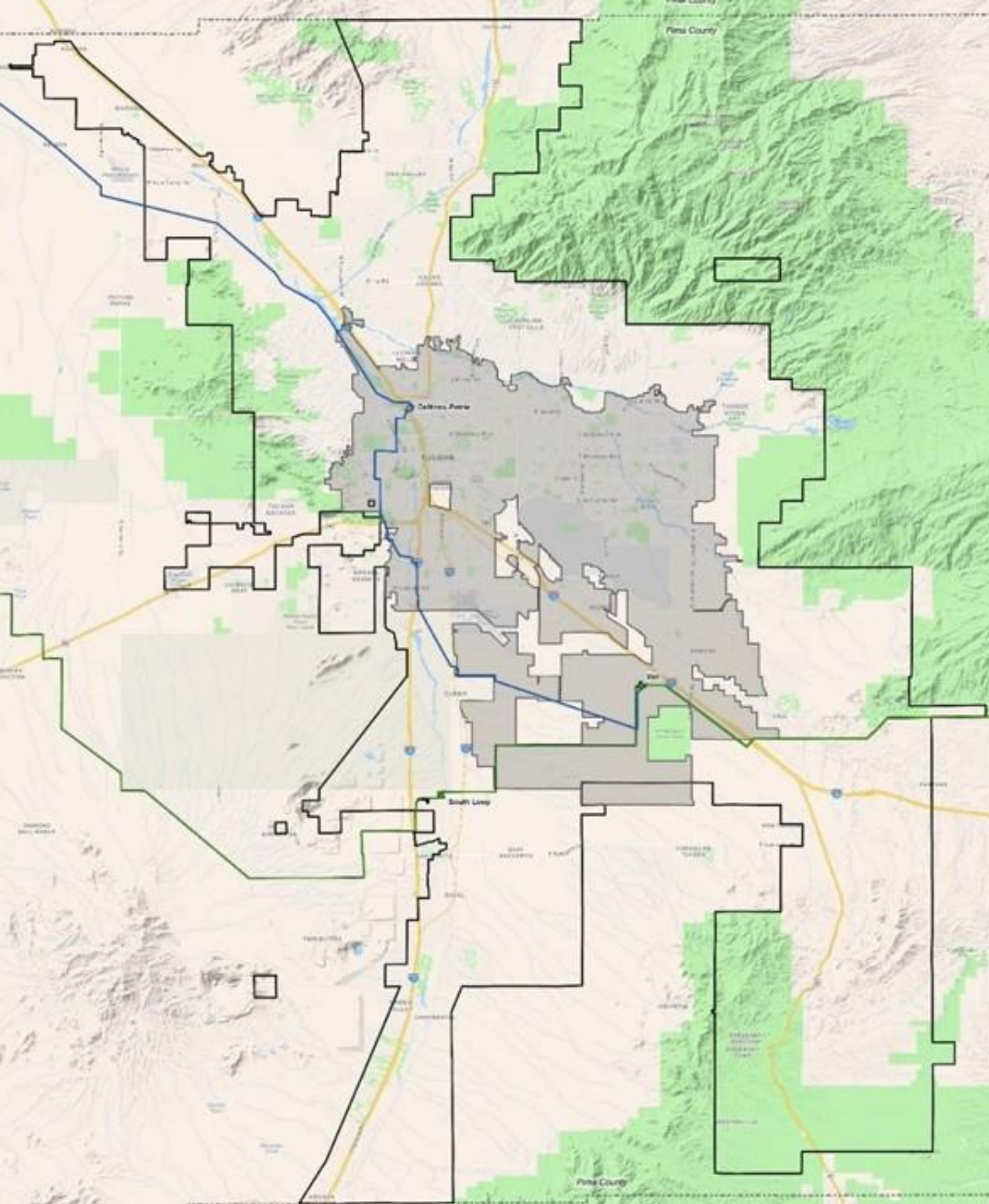




Proposition 421

Supporting Reliable, Affordable Energy in the City of Tucson



TEP and the City of Tucson

- TEP has served the City of Tucson for more than 130 years – since before Arizona was a state
- About 56% of TEP's customers are within the City of Tucson
 - Other municipalities served: Oro Valley, Marana, Sahuarita, South Tucson
 - Unincorporated areas: Catalina Foothills, Green Valley, Vail
- Systems serving Tucson residents are older, on average, because that area was developed earlier.
- TEP is reinforcing, upgrading those older systems to ensure continued reliability in central Tucson.

What's in a Name?

A “franchise agreement” is not what it seems

What it isn't:

- License to provide service in the city
- Exclusive to a single company/provider
- A limit on the City of Tucson's energy supply options
- A grant of control or authority to a utility

What it is:

- Sets rules for using public roads, alleys, and other “rights of way”
- Promotes coordination for utility work, public improvement projects
- Usually includes a fee that's passed along on customers' bills





City of Tucson Franchise Agreement

Promoting efficient operations for 25+ years

- Current agreement approved by voters in November 2000
- Facilitates cost-effective, timely outage response, repairs, and upgrades in city rights of way
- Expired in April 2026, but its terms remain in effect until April 2027
- Includes 2.25% franchise fee ($\approx$ \$15M/annually for the city)
- *Does not* impact customers' bills
 - Payments count toward the city's 5% utility tax (increased from 4.5% in 2026)
 - With a franchise in place, customers pay 5%: 2.25% franchise fee, 2.75% utility tax
 - With NO franchise, customers would pay 5% utility tax

Proposition 421

Renewed Agreement Supports Reliable, Affordable Service

- Ballot description: "granting a franchise for electric transmission and distribution services to Tucson Electric Power Company"
- Only appears on ballots of City of Tucson voters
- Voting yes approves a new franchise agreement with similar terms to the current agreement and the same fee
- Agreement extends up to 25 years
- Approval activates companion Energy Collaboration Agreement, supporting new investments in community infrastructure





Energy Collaboration Agreement

- Takes effect with Prop 421 approval
- Runs in parallel with franchise agreement, up to 25 years
- Promotes TEP and City collaboration on energy reliability, affordability, resilience, and long-term community priorities
 - Planting shade trees
 - Energy saving upgrades for low-income households
 - Heat resilient infrastructure
 - Clean energy projects
 - Energy efficiency for city infrastructure
- Funded by TEP donations beginning at \$2M, increasing 2%/ year
- Paid from corporate resources; won't increase customers' rates

What Your Vote Means



If voters reject Prop 421:

- TEP continues providing service in the city
- No change to total city-related charges on TEP bills
- Without a franchise, individual work permits could take longer to approve, slowing down work
- Routine repairs, upgrades would cost more
- Reliable service harder to maintain
- Outage response could be slowed
- Higher costs could lead to higher future rates
- Energy Collaboration Agreement not approved



If voters approve Prop 421:

- TEP continues providing service in the city
- No change to total city-related charges on TEP bills
- Franchise guidelines allow streamlined coordination with city officials
- Routine repairs, upgrades completed without difficulty
- Reliable service remains consistent
- Prompt outage response, without permit delays
- Efficient operations promote affordable service
- Energy Collaboration Agreement provides new public benefits in the city

Vote Yes on Proposition 421!

- Renews terms of our existing agreement
- Helps TEP continue to provide reliable service
- Enables \$2M+ annual donations for local infrastructure and sustainability projects
- Without this agreement, routine work and outage response would take longer and cost more
- Prop 421 allows prompt, efficient repairs and upgrades
- Approving Prop 421 won't increase rates
- Prop 421 supports reliable, affordable service for Tucson



TEP for Tucson is a TEP-funded political action committee campaigning for Prop 421



Questions?