

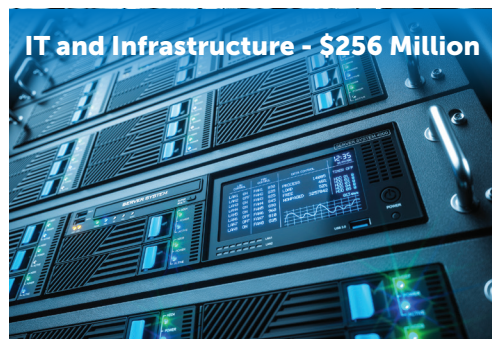
New Rates in Late 2023

To Support Reliable Service, Cleaner Energy

TEP is seeking updated rates beginning in September 2023 to support safe, reliable service and our community's transition to cleaner energy. Current rates are based on costs from 2018. Since then, TEP has invested nearly \$1.8 billion to expand and upgrade our energy systems to reliably serve our growing community's expanding energy needs.

Investments in our Energy Grid

The proposed rates cover the cost of new wind and solar energy resources, grid improvements, technology and security upgrades and other investments that have allowed TEP to provide strong reliability and cleaner energy, including:



Supporting Cleaner Energy

The new rates support our plan to provide 70 percent of our power from renewable resources by 2035 while reducing carbon emissions by 80 percent. They also support plans to ramp down and ultimately retire two units at our coal-fired Springerville Generating Station in 2027 and 2032. These objectives are outlined in TEP's 2020 Integrated Resource Plan.

Managing Higher Costs

Consumer prices have increased more than 15 percent since 2018, the year reflected in current rates; the cost of construction materials and energy have increased even more. Despite these increases, TEP's operating and maintenance expenditures increased just 2.4 percent annually, on average, from 2018 through 2021.

Serving Expanding Energy Needs

Peak energy demand on TEP's local energy grid has increased by 5.7 percent since 2019, driven by hotter weather and the addition of more than 14,000 new homes and businesses to our customer base over the past three years.

Customer Impact

The proposed rates would not take effect until September 2023 at the earliest. An average residential customer with typical usage would see an increase of 11.7 percent, or \$14.22 a month if the rates are approved as proposed. That impact will vary with usage. Customers can mitigate the impact through energy efficiency, possibly in combination with time-of-use pricing plans that offer lower rates during off-peak periods.

TEP's monthly Lifeline discount would increase from \$18 to \$20 for qualifying residential customers whose household income does not exceed 200 percent of the federal poverty level. TEP also is proposing to eliminate its transaction fees for many credit card payments made by residential and small business customers as well as for cash payments made at third-party payment processors.

TEP's request will be reviewed by the Arizona Corporation Commission (ACC) in a process that will include opportunities for public input. For more details, visit tep.com/rate-proposal

