

UPDATED RATES TO SUPPORT

CLEANER ENERGY, RELIABLE SERVICE



TEP's current rates are based on 2018 costs. Since then, we've invested nearly \$1.8 billion to build a cleaner, more reliable energy grid. The new rates we've proposed would take effect in September 2023, covering higher costs and helping our community achieve its long-term economic growth and sustainability goals.



BETTER SERVICE

Distribution \$432 million

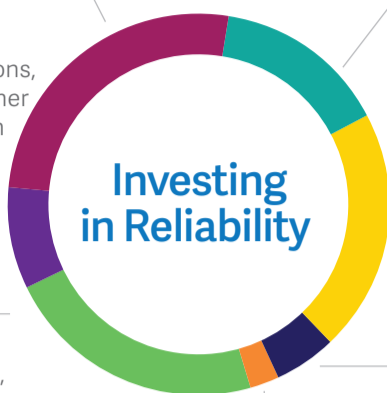
New and upgraded substations, higher-capacity lines and other improvements to strengthen our energy grid

Transmission \$148 million

Oso Grande Wind

\$461 million to build our largest clean energy resource, producing enough power to satisfy the annual needs of nearly 100,000 Tucson homes

Investing in Reliability



Raptor Ridge Solar

\$30 million for an innovative new solar array that will provide enough energy to serve the equivalent of 2,600 homes annually

Technology and Infrastructure Improvements

\$256 million in information technology upgrades to support a more responsive grid, participation in new energy markets and other improvements

Generation

\$362 million to improve and maintain resources that generate power for customers every day

Facility Upgrades

\$91 million for new and updated facilities that improve critical operations and support physical and cyber security

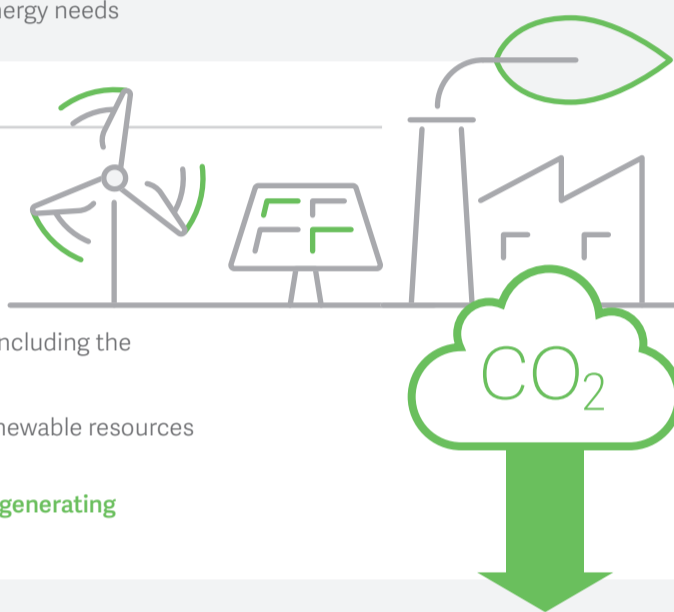
These improvements deliver real benefits for customers:

- Fewer power outages and faster service restorations
- Greater capacity to meet current and future energy needs

CLEANER ENERGY

Investments in renewable energy resources

- \$491 million for new wind and solar resources including the new 250 megawatt Oso Grande Wind project
- New, upgraded substations to connect new renewable resources to our energy grid
- Cost recovery for early retirement of coal-fired generating resources, supporting lower emissions



Supporting TEP's plan for a cleaner greener grid:

70%

OF OUR POWER WILL COME FROM WIND AND SOLAR RESOURCES BY 2035

80%

LOWER CARBON EMISSIONS BY 2035

GREATER DEMAND

Support for our growing community



14,000+ new customers, with more on the way

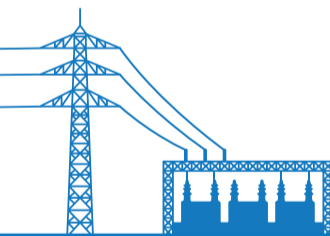
5.7% increase in peak energy demand



Helping customers reduce energy use through energy efficiency and distributed generation

Cushioning bill impacts for customers during the pandemic, delaying recovery of increasing energy costs

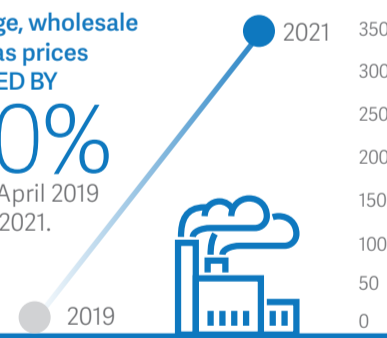
Higher energy expenses



Wholesale energy costs were 175% HIGHER IN APRIL 2022 than during that same month in 2019.

Energy costs remain high due to resource constraints, extreme weather, Ukraine conflict & other factors.

On average, wholesale natural gas prices INCREASED BY 350% between April 2019 and April 2021.

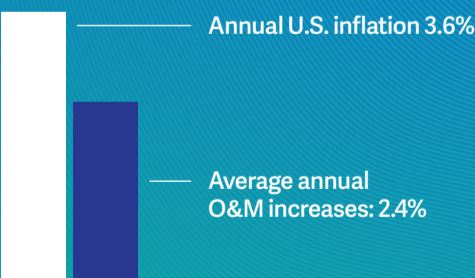


RISING COSTS

From 2018-21, TEP held the average annual increases to its operations and maintenance (O&M) costs below the average level of inflation.

Consumer prices have increased 18 percent since 2018, the year reflected in TEP's current rates.

The proposed rates would increase bills by 11.7 percent - and won't take effect until late 2023.



TEP's proposed rates would increase the average monthly bills of typical residential customers by an estimated \$14.22, or about 11.7 percent, over current levels. The impact will vary with usage.

Assistance is available:

- Higher monthly Lifeline discounts of \$18 are available for qualifying customers.
- Transaction fees for credit card and third party cash payments would be eliminated.
- Customers can mitigate the impact of the new rates with energy efficiency and Time-of-Use pricing plans that offer lower rates during off-peak periods.