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MEDIA CONTACTS:

October 21, 2003

Tri-State G&T
Jim Van Someren, 303-452-6111

Tucson Electric Power
Joe Salkowski, 520-884-3625

**CONSTRUCTION SET TO COMMENCE ON
\$939 MILLION SPRINGERVILLE EXPANSION**

Tri-State Generation and Transmission Association and Tucson Electric Power Company (TEP) announced plans to proceed with the development of a 400-megawatt coal-based generating facility in eastern Arizona after financing was completed today. The new unit will be sited at TEP's existing two-unit Springerville Generating Station and is scheduled to be operational by December 2006. Groundbreaking will commence immediately, according to Bechtel Power Corporation, a leading global engineering and construction firm that has been contracted to design and construct the plant under a turnkey, lump sum contract.

J.M. Shafer, Tri-State Executive Vice President and General Manager, said, "The development of Springerville Unit 3 is one of the most significant projects in Tri-State's history. Our investment in this new resource helps strengthen our core business – assuring that our membership continues to receive affordable and reliable power for years to come."

James S. Pignatelli, TEP Chairman, President and CEO, was equally enthusiastic. "This is a great day for eastern Arizona, for the environment, for affordable power, for our companies and for everyone who has worked so hard to make this happen."

Once built, Tri-State will lease 100 percent of the new unit and will use 200 megawatts to serve existing load and projected growth in the southwestern Colorado and New Mexico portion of its service territory. Under a purchase power agreement with Tri-State, TEP will receive 100 megawatts for up to five years, while Salt River Project of Phoenix, Ariz., will receive the remaining 100 megawatts under a 30-year contract with Tri-State.

TEP, which currently owns and operates Springerville Units 1 and 2, also will have operating responsibilities for Unit 3. When construction is complete, TEP anticipates adding between 50 and 70 full-time employees to its current 178-person workforce at the power plant. Bechtel estimates that its project workforce will reach 900 workers during peak construction of the facility.

The financing, arranged by exclusive financial adviser Credit Suisse First Boston (CSFB), consists of \$179 million of lease equity funding and \$760 million in long-term bonds. Lease equity is provided to Tri-State through a 34-year leveraged lease agreement with GE Structured Finance for the facility. The bonds, underwritten by CSFB, were issued with interest rates of 6.04 and 7.14 percent respectively in two series with final maturities of 2018 and 2033. The total cost of the project – which encompasses environmental upgrades on Units 1 and 2 – is expected to be approximately \$939 million.

The pulverized coal-fired unit will use low sulfur fuel supplied by Peabody Coal Company from the Powder River Basin in Wyoming. The coal will be shipped to the plant on the Burlington Northern Santa Fe railroad system. The unit will use best available control technologies and equipment to limit emissions, including dry scrubbers for sulfur dioxide reduction, selective catalytic reduction and low NO_x burners to control oxides of nitrogen, and baghouses to capture particulates. Fly ash and bottom ash – byproducts from the coal combustion process – will be collected and stored on-site in sealed landfill facilities.

The cost of the project includes approximately \$90 million for upgrades to the emissions control equipment of Units 1 and 2 and other facilities at the power plant. Plans call for upgrading existing sulfur dioxide scrubber systems and installing improved low-nitrogen oxide burners on those 380-megawatt units. Upon completion of the

project, total emissions from the three Springerville units will be less than current emissions from the two units.

A well field on the project site provides water for the plant's operation. Water storage in on-site ponds and treatment for use in plant systems occur on-site. The plant is designed for zero discharge of wastewater.

Because there is adequate transmission infrastructure already present in the region, no additional major transmission facilities will need to be constructed in the immediate future. All three utilities will be able to tap into existing transmission lines in order to deliver power to their respective service territories.

Tri-State, based in the Denver suburb of Westminster, is a wholesale power cooperative that supplies electricity to 44 consumer-owned electric cooperatives and public power districts throughout Colorado, New Mexico, Wyoming and Nebraska. Its member systems serve about 1 million consumers over a 250,000 square-mile area.

Arizona's second largest investor-owned utility, Tucson Electric Power, the principal subsidiary of UniSource Energy Corporation (NYSE: UNS), serves more than 360,000 customers over a 1,155 square-mile service territory in the southern part of the state.

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