

application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by June 2, 2003, to the Secretary, Securities and Exchange Commission, Washington, DC 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After June 2, 2003, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

UniSource Energy Corporation (70-10116)

UniSource Energy Corporation ("UniSource Energy"), One South Church Avenue, Suite 100, Tucson, Arizona 85701, an Arizona corporation and a public utility holding company claiming exemption from registration under section 3(a)(1) of the Act under rule 2 and from all other provisions of the Act except section 9(a)(2), has filed an application ("Application") for an order under sections 9(a)(2) and 10 of the Act authorizing the proposed acquisition of the operating electric and gas utility properties ("Assets") of Citizens Communications Company ("Citizens") that are located in Arizona (the "Transaction"). UniSource also requests an order under section 3(a)(1) of the Act declaring it exempt it from all provisions of the Act, except section 9(a)(2), following the consummation of the proposed Transaction.

UniSource proposes alternative structures for the acquisition of the Assets. UniSource may combine the Assets in one new utility company or keep the Assets separate in two different utility companies ("New Utility Companies"). The New Utility Companies will be incorporated under Arizona law. UniSource will either acquire and hold the common stock of the New Utility Companies directly, or alternatively, as direct subsidiaries of a newly formed Arizona corporation ("HoldCo") that will be a direct

subsidiary of UniSource (referred to as the "HoldCo Structure"). In the event that the HoldCo Structure is employed, it is requested that HoldCo be deemed to be an additional applicant in this proceeding and that the Commission's order granting UniSource an exemption under section 3(a)(1) of the Act also grant HoldCo an exemption.

UniSource Energy owns substantially all of the issued and outstanding common stock of Tucson Electric Power Company ("TEP"), an Arizona corporation, which provides electric utility service to over 355,000 customers in a 1,155 square-mile area of southeastern Arizona having a population of approximately 891,000, and two direct nonutility subsidiaries, Millennium Energy Holdings, Inc. ("Millennium") and UniSource Energy Development Company ("UED"). In 2002, TEP, UniSource's predominant subsidiary, accounted for approximately 94% of UniSource Energy's total consolidated assets and more than 99% of UniSource Energy's operating revenues. TEP's retail service area includes the City of Tucson and adjoining areas of Pima County. TEP also supplies the power requirements of a military base that is located in Cochise County, to the east of Tucson, and sells electricity at wholesale to other utilities and power marketing entities in the western U.S. UniSource Energy states that in the three-year period of 2000 through 2002, not more than 4% of TEP's total operating revenues were derived from wholesale sales outside of Arizona. As of December 31, 2002, TEP owned or leased 2,002 MW of net generating capability. UniSource Energy itself does not engage in any business activities or have any material assets, other than the stock of its subsidiaries.

TEP has five direct, wholly-owned, nonutility subsidiaries, as follows: Escavada Company, which is engaged in the business of maintaining miscellaneous assets and property; San Carlos Resources, Inc., which holds legal title to Unit No. 2 of the Springerville Generating Station, and is the lessee, jointly and severally with TEP, of an undivided one-half interest in certain facilities shared in common between Unit No. 1 and Unit No. 2 of the Springerville Generating Station; Sierrita Resources, Inc., which holds investments in financial assets; Tucson Resources, Inc., which also holds investments in financial assets; and Tucsonel Inc., which holds an undivided interest in the Springerville Generating Station coal-handling facility. TEP also holds minority interests in entities that provide demand side and energy management services

and engage in development activities relating to technologies that provide pricing and other related services to consumers for a wide variety of products, including utility services.

TEP is subject to regulation by the Arizona Corporation Commission ("ACC") with respect to retail electric rates, the issuance of securities, affiliate transactions, the maintenance of books and records, and other matters and by the Federal Energy Regulatory Commission ("FERC") with respect to wholesale electric rates and electric transmission service.

For the twelve months ended December 31, 2002, UniSource Energy reported consolidated operating revenues of \$856 million, more than 98% of which were derived from retail and wholesale sales of electricity and related transmission and distribution services. At December 31, 2002, UniSource Energy had \$2.7 billion in total assets, including total net utility plant of \$1.7 billion.

As of March 4, 2003, UniSource Energy had issued and outstanding 33,583,182 shares of common stock, no par value, which are listed and traded on the New York Stock Exchange and the Pacific Exchange. TEP has issued and outstanding 32,139,555 shares of common stock, no par value, of which 32,139,434 are held by UniSource Energy.

Citizens, a Delaware corporation, operates as an electric and gas utility in Arizona through two operating divisions. Through its Arizona Electric Division, Citizens provides electric service to approximately 77,500 customers in most of Mohave County in northwest Arizona and in all of Santa Cruz County in southeast Arizona between TEP's service area and the U.S.-Mexico border. Through its Arizona Gas Division, Citizens provides natural gas service to approximately 125,000 customers in most of northern Arizona, including portions of Mohave, Yavapai, Coconino, Navajo, Greenlee, and Apache Counties, as well as Santa Cruz County in southeast Arizona. Citizens owns generating units in Arizona having a total capacity of about 47 MW. Citizens' Arizona electric transmission and distribution system consists of approximately 56 circuit-miles of 115 kV transmission lines, 229 circuit-miles of 69 kV transmission lines, and 3,116 circuit-miles of underground and overhead distribution lines. Citizens also owns 38 substations having a total installed transformer capacity of 1,077,300 kVA. Citizens' Arizona gas transmission and distribution system consists of approximately 168 miles of steel transmission mains, 2,459 miles of