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TUCSON ELECTRIC POWER CO

Form 8-K

January 28, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): January 28, 2004

| Commission File Number | Registrant; State of Incorporation; Address; and Telephone Number | IRS Employer Identification Number |
|---------------------------|---|--|
| 1-13739 | UNISOURCE ENERGY CORPORATION (An Arizona Corporation) One South Church Avenue, Suite 100 Tucson, AZ 85701 (520) 571-4000 | 86-0786732 |
| 1-5924 | TUCSON ELECTRIC POWER COMPANY (An Arizona Corporation) One South Church Avenue, Suite 100 Tucson, AZ 85701 (520) 571-4000 | 86-0062700 |

Item 9. Regulation FD Disclosure

In connection with a proposed refinancing of Tucson Electric Power Company's (TEP) credit facilities and a presentation to potential investors, TEP and UniSource Energy Corporation are disclosing the non-GAAP financial measures set forth below in respect to TEP. The most directly comparable financial measure calculated and presented in accordance with GAAP is also set forth directly below each such non-GAAP financial measure. Such refinancing, if successfully completed, is expected to reduce TEP's annual interest expense, including letter of credit fees, related to its credit facilities by up to \$8 million on a pre-tax basis, as well as extend the term of such facilities.

EBITDA AND NET INCOME

| (\$ in millions) | Year Ended December 31 | | | |
|------------------|------------------------|---------|---------|--------------|
| | 2000 | 2001 | 2002 | LTM 9/30/03* |
| EBITDA | \$361.5 | \$409.5 | \$362.9 | \$365.0 |

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| | | | | |
|------------|---------|--------|--------|---------|
| Net Income | \$ 51.2 | \$75.3 | \$53.7 | \$114.6 |
|------------|---------|--------|--------|---------|

* LTM = Last twelve months

EBITDA represents earnings before interest, taxes, depreciation, and amortization. EBITDA is presented here because it can be used as an indication of a company's ability to incur and service debt and is commonly used as an analytical indicator in our industry. EBITDA measures presented may not be comparable to similar titled measures used by other companies. EBITDA is not a measurement presented in accordance with United States generally accepted accounting principles, or GAAP, and we do not intend EBITDA to represent net income or cash flows from operations as defined by GAAP. You should not consider EBITDA to be an alternative to net income, cash flows from operations or any other items calculated in accordance with GAAP or an indicator of our operating performance.

The following are the components of TEP's EBITDA:

| (\$ in millions) | Year Ended December 31 | | | |
|---|------------------------|---------|---------|-----|
| | 2000 | 2001 | 2002 | LTM |
| Net Income | \$ 51.2 | \$75.3 | \$53.7 | |
| Adjustments: | | | | |
| Less: After Tax Items | - | (0.5) | - | |
| Plus: Income Taxes | 26.6 | 55.9 | 35.4 | |
| Plus: Interest Expense | 166.3 | 158.5 | 153.8 | |
| Less: Other Income/Deductions | (18.7) | (23.7) | (33.8) | |
| Plus: Allowance for Funds Used During Construction - Equity | 1.3 | 0.8 | 0.7 | |
| Plus: Depreciation and Amortization | 113.5 | 117.1 | 124.1 | |
| Plus: Amortization of Transition Recovery Asset | 17.0 | 21.6 | 24.6 | |
| Plus: Depreciation included in Fuel Expense | 4.3 | 4.5 | 4.4 | |
| EBITDA | \$361.5 | \$409.5 | \$362.9 | |

NET DEBT AND TOTAL DEBT AND CAPITAL LEASE OBLIGATIONS

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| (\$ in millions) | 12/31/98 | 12/31/99 | 12/31/00 | 12/31/01 | 12/31/02 | 9/ |
|--|-----------|-----------|-----------|-----------|-----------|------|
| Net Debt | \$2,069.5 | \$2,056.2 | \$1,943.2 | \$1,921.2 | \$1,782.6 | \$1, |
| Total Debt and Capital Lease Obligations | \$2,087.3 | \$2,100.8 | \$2,012.7 | \$2,005.7 | \$1,974.5 | \$1, |

Net Debt represents TEP's debt and capital lease obligations less investment in lease debt. We have subtracted investment in lease debt because it represents TEP's ownership of its own capital lease obligations. Net Debt measures presented may not be comparable to similarly titled measures used by other companies. Net Debt is not a measurement presented in accordance with GAAP and we do not intend Net Debt to represent debt as defined by GAAP. You should not consider Net Debt to be an alternative to debt or any other items calculated in accordance with GAAP.

RECONCILIATION OF TOTAL DEBT AND CAPITAL LEASE OBLIGATIONS TO NET DEBT

| (\$ in millions) | 12/31/98 | 12/31/99 | 12/31/00 | 12/31/01 | 12/31/02 | 9/ |
|---|-----------|-----------|-----------|-----------|-----------|-------|
| Long-Term Debt | \$1,184.4 | \$1,135.8 | \$1,132.4 | \$801.9 | \$1,128.4 | \$1, |
| Current Portion - Long-Term Debt | \$1.7 | \$48.6 | \$1.7 | \$330.3 | \$1.7 | |
| Short-Term Debt | \$- | \$- | \$- | \$- | \$- | |
| TOTAL DEBT | \$1,186.1 | \$1,184.4 | \$1,134.1 | \$1,132.2 | \$1,130.1 | \$1, |
| Capital Lease Obligations | \$889.6 | \$880.1 | \$857.5 | \$853.4 | \$801.5 | \$ |
| Current Portion - Capital Lease Obligations | \$11.6 | \$36.3 | \$21.0 | \$20.0 | \$42.9 | |
| TOTAL DEBT AND CAPITAL LEASE OBLIGATIONS | \$2,087.3 | \$2,100.8 | \$2,012.6 | \$2,005.6 | \$1,974.5 | \$1, |
| Investment in Lease Debt | (\$17.8) | (\$44.6) | (\$69.4) | (\$84.4) | (\$191.9) | (\$1, |
| NET DEBT | \$2,069.5 | \$2,056.2 | \$1,943.2 | \$1,921.2 | \$1,782.6 | \$1, |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each

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registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

UNISOURCE ENERGY CORPORATION
(Registrant)

Date: January 28, 2004

/s/Kevin P. Larson

Kevin P. Larson
Vice President and
Principal Financial Officer

TUCSON ELECTRIC POWER COMPANY
(Registrant)

Date: January 28, 2004

/s/Kevin P. Larson

Kevin P. Larson
Vice President and
Principal Financial Officer