

UNISOURCE ENERGY CORPORATION
COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER

1. COMPOSITION

The Compensation Committee of the Board of Directors consists of not fewer than three Directors appointed annually by the Board. All members of the Committee shall be determined to be independent in accordance with the NYSE Listed Company Manual. The Board shall designate one of the Committee members as Chairman of the Committee.

2. MEMBER QUALIFICATIONS

A Director shall be qualified to serve on the Committee if he or she qualifies as independent under the NYSE Listed Company Manual.

3. MEMBER APPOINTMENT AND REMOVAL

All members of the Committee shall be appointed and/or removed by the Corporate Governance & Nominating Committee.

4. MEETINGS

The Committee will hold at least three regular meetings each year, and such additional meetings, as it may deem necessary. In addition to the Committee members and the Secretary, the Chairman of the Board, Chief Executive Officer and President and other members of management may attend as is appropriate.

5. RULES OF PROCEDURE

The Committee will determine its own rules of procedure with respect to how its meetings are to be called, as well as the place, time and frequency. In the absence of such rules, the Committee will meet at the call of its Chairman as is required to accomplish the purposes of the Committee.

6. COMPENSATION

Each member will be paid for each meeting attended the same fee paid for attendance at other Committee meetings of the Board, and will be reimbursed for travel expenses incurred by attendance at meetings.

7. COMMITTEE SECRETARY

The Secretary of the Committee will be the Asst. Corporate Secretary of the Company (or such other officer as the Committee may designate) and not be a member of the Committee. The Secretary will attend all meetings and maintain minutes, advise members of all meetings called, arrange with the Chairman or other convening authority for preparation and distribution of the agenda for each meeting, and carry out other functions as may be assigned from time to time by the Committee. At such meetings where attendance by a Company officer is not appropriate, the Chairman shall act as secretary of the meeting or appoint another member of the Committee to act as secretary of such meetings.

8. QUORUM

A majority of the total membership of the Committee will constitute a quorum.

9. RESPONSIBILITIES

The function of the Committee is to assure an internally consistent and externally competitive executive compensation program in order to attract, motivate and retain qualified executives. It is also the Committee's function to provide incentives for the attainment of the Company's strategic goals and objectives and to produce a report on executive compensation for inclusion in the Proxy Statement of the Company.

For purposes of the Committee's responsibilities, executives are defined as all officers of the Company.

10. SPECIFIC DUTIES OF THE COMMITTEE

1. Approve the compensation philosophy and guidelines for the executive group, including base salary structure, incentive compensation, and long range strategic incentive programs to attract, retain and motivate executives.
2. Review and approve corporate goals and objectives relating to CEO compensation.
3. Evaluate CEO performance in light of corporate goals and objectives and set CEO compensation level based upon evaluation of the performance of such goals and objectives.

4. Review and approve, based on reviews of compensation practices in related and other industries, the appropriate compensation levels including fringes and other benefits for the CEO.
5. Receive the CEO's recommendations, review and approve compensation for all of the Company's executives, including any equity compensation awarded, fringes and other benefits, and the ability to delegate action to Management in conjunction with the aforementioned compensation.
6. Review and approve any management incentive plans, including the participants, goals, payout ratios, etc., which involve executives of the Company.
7. Administer the Company's long range incentive plan, including selection of participants, setting of objectives, and determination of awards, as more fully defined in such plan. Recommend changes to the long range incentive program as deemed necessary considering the Company's performance, relative shareholder return, value of similar awards at similar companies and awards given to the Company's CEO in past years.
8. Review and approve any special employment contract or other special agreement, such as a supplementary pension agreement, for any of the Company's executives.
9. Produce an annual report, in accordance with applicable rules and regulations, on executive compensation for inclusion in the proxy statement.
10. Periodically, receive a briefing by management regarding the administration and appropriateness of the total rewards package including base, short-term and long-term compensation and health and welfare plans, for non-executive employees.
11. Review and approve Director compensation, including short- and long-term incentives.
12. Review and approve policy for reimbursement of Director expenses.

13. As necessary, carry out other duties assigned by the Board to the Committee that are related to compensation and management development.

14. Retain and terminate any consulting firms to be used to assist in the evaluation of director, CEO or executive compensation. This authority shall be exclusive to this Committee.

15. Annually review its performance as a Committee.

11. RESPONSIBILITIES OF THE CHAIRMAN

The Chairman of the Committee will periodically provide the Board, for its information, with a summary of the Committee's determinations and approvals.

12. RESPONSIBILITIES OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer of the Company will advise and make recommendations to the Committee and, in the normal course, attend all meetings of the Committee, with the exception of that portion of any meeting where compensation of the Chief Executive Officer is considered. It is also the responsibility of the Chief Executive Officer to coordinate the implementation and execution of Committee determinations.

13. OTHER AUTHORITY

The Committee may call upon any person including employees of the Company or its subsidiaries, knowledgeable in matters discussed by the Committee, for information and counsel.

14. ANNUAL SCHEDULE

The routine business of the Committee shall be considered in accordance with the Annual Schedule attached as Exhibit A.

COMPENSATION COMMITTEE ANNUAL SCHEDULE

February	Review prior year performance under short term incentive program and determine awards
	Review current year Performance Enhancement Plan
	Approve report of Committee for inclusion in Proxy
September	Meet with consultant re upcoming review of Director and Officer compensation
November	Review of compensation for Directors and Officers
December	Establish director retainer and meetings fees to be effective January 1 st of following year.
	Establish Officer compensation for following year.
	Review corporate goals and objectives for following year

(The dates on the above schedule are subject to change.)