December 6, 2013

Office of the Secretary
PCAOB
1666 K Street, NW
Washington, D.C. 20006-2803

To Whom It May Concern:

UNS Energy Corporation is a utility services holding company engaged, through its primary subsidiaries, in the electric generation and energy delivery business primarily in the state of Arizona. Our largest operating subsidiary, Tucson Electric Power Company, which is a regulated public utility, represents more than 80% of our consolidated assets and 70% of our net income. Both UNS Energy and Tucson Electric Power are filers with the Securities and Exchange Commission (“SEC”). UNS Energy is a Large Accelerated Filer pursuant to Rule 12b-2 of the Exchange Act.


Respectfully, this letter provides general feedback of the proposed standards. An attachment to this letter responds specifically to certain questions asked by the PCAOB in Appendices 5 and 6 of the PCAOB Release.

We have several concerns with the Proposed Auditor Reporting Standard (as detailed in PCAOB Release Appendix 5). The SEC, in conjunction with the FASB, has historically developed rules and regulations regarding the required communications to be included in the financial statements for financial statement users to make investment decisions. The SEC has provided regulations on ‘what’ information needs to be disclosed. Importantly, these rules have allowed management to determine ‘how’ to communicate this information to best reflect the company’s financial results and position. The auditor, with oversight by the Audit Committee, has ensured that the information complied with applicable disclosure rules and that the financial information was accurate. We believe the proposed standard would mark a significant shift in the regulatory framework by requiring an outside entity to communicate new information about a registrant’s specific accounts, transactions and risks to financial statement users.
We believe the current framework, where a registrant’s financial information is management’s responsibility, continues to be valid. Communication of such information to financial statement users is likewise the responsibility of management. We believe the SEC, with the support of the FASB, should continue to serve as the sole regulator of the information provided to investors and that management should be the sole party responsible for communicating such information.

We believe the Proposed Auditor Reporting Standard and especially the provisions requiring Critical Audit Matters (“CAM”) to be discussed within an auditor’s report would:

i. Undermine the usefulness of the audit report and the Audit Committee’s role of overseeing management and the auditor;

ii. Result in duplicative or irrelevant disclosure which would decrease the relevance of either the audit report or other disclosures within the financial statements;

iii. Decrease the comparability of audit reports between industries and among similar companies which may confuse users of the financial statements; and

iv. Significantly increase audit costs while providing little, if any, benefit to financial statement users.

The rationale for such beliefs is explained in our response to selected questions in the attachment.

We support clarifying the auditor’s procedures and responsibility for other information contained in SEC filings within the audit report (as detailed in PCAOB Release Appendix 6). We do not support expanding the auditor’s responsibility for testing or documenting the procedures over the other information as we don’t believe the perceived benefits outweigh the costs. As described in the attached responses, we believe that the cost of compliance for this standard is expected to be high without comparable benefit to the financial statement users; that unintended consequences may result in delayed filings or may lead to registrants omitting informational content in the MD&A; and that implementation may be problematic as materiality cannot be easily applied to non-financial information such as customer counts or pipeline miles.

We appreciate this opportunity to provide comments on proposed standards and thank you in advance for your consideration of our comments in developing any final standards. If you would like to further discuss our comments, feel free to contact me directly.

Sincerely,

[Signature]

Frank P. Marino
Additional Discussion Related to the Proposed Auditor Reporting Standard. (Appendix 5)

**Question No. 5 - The proposed auditor reporting standard would require the auditor to include in the auditor’s report a statement containing the year the auditor began serving consecutively as the company’s auditor.**

Company Response - We believe this is neither necessary nor useful to be included in the auditor report because it has no bearing on the audit of the financial statements and could undermine the usefulness of other information included in the auditor’s report. We believe that a registrant’s Audit Committee should make a decision whether such information would be useful to its shareholders and to disclose such tenure information at its discretion in the annual Audit Committee report.

**Question No. 10 - Would the auditor’s communication of critical audit matters be relevant and useful to investors and other financial statement users? If not, what other alternatives should the Board consider?**

Company Response – We believe the auditor should not provide critical audit matters (“CAMs”) in the audit report or elsewhere in the financial statements or annual report. We believe the role of the auditor is to attest that management’s communication is correct in all material respects. We do not believe that communication of CAMs would be relevant or useful due to the following:

A. **It would undermine the usefulness of the audit report and the Audit Committee’s role of overseeing management and the auditor.** Some users may interpret the auditor’s communication of CAMs as limitations on the audit report or as the provision of a separate level of assurance. The auditor exercises judgment in determining whether the financial statements are fairly presented as a whole. Disclosure and discussion of CAMs may be interpreted as the auditor providing a piecemeal opinion and would not address all of the other factors the auditor considered relevant when forming the overall audit conclusion. As a result, the proposed audit report may provide investors with an incomplete or unbalanced picture of the audit. Critical aspects of the audit may be under emphasized as they do not meet the criteria of being a CAM. Likewise, CAMs may be over emphasized by users in making investment decisions.

Currently the Audit Committee, as part of the shareholder-elected Board of Directors, has the authority to oversee the audit and ensure the financial statements contain appropriate disclosure on behalf of shareholders. In its oversight role, the Audit Committee is already made aware of those items that would be considered CAMs under the proposed rule. We believe the Audit Committee is the appropriate body to evaluate these and other items of audit importance because the Audit Committee has in-depth knowledge of the Registrant’s businesses, strategy
and financial statements. The Audit Committee has the ability to ask questions and engage in
dialogue with both management and the auditors regarding complex and judgmental audit
areas that may be misinterpreted or inappropriately over or under emphasized without the
appropriate context. **Bypassing the Audit Committee by disclosing CAMs directly to the
shareholders will undermine the governance role of the Audit Committee.**

B. It would result in duplicative or irrelevant disclosure which would decrease the relevance of
either the audit report or other disclosures within the financial statements. A description of
significant accounting matters relevant for investing decisions, including critical management
judgments, risks and uncertainties, accounting estimates and policies are already provided by
management as required by US GAAP and SEC rulemaking. The form of these disclosures,
including the level of detail and specificity is a matter of professional judgment. This judgment
is best exercised by personnel most familiar with the risks and uncertainties of the business –
management with oversight from the Audit Committee.

The auditor provides an attest service which includes the disclosures of management’s
estimates, judgments and accounting policies. We believe the disclosure of CAMs will provide
new information to the investor that is not already contained in the financial statements
including disclosure of additional forward looking information which may confuse users of the
financial statements.

Matters for which the auditor has the most difficulty in obtaining sufficient appropriate
evidence may not be relevant to users of the financial statements or may already be included in
US GAAP or SEC disclosures. The proposed rule lists the following factors to take into account
when determining whether an item would be considered a CAM:

a. **The degree of subjectivity involved in determining or applying audit procedures to
address the matter or in evaluating the results of those procedures** – As further noted
above, subjective and judgmental accounting areas are already provided elsewhere in
the financial statements. Subjective or judgmental audit areas (i.e. sample size
selection, methodology, audit coverage, etc) requires professional judgment and will
likely vary between firms and individual audit partners. Investment decisions are based
upon timely and accurate financial information; not the subjectivity of how that
information was audited.

b. **The nature and extent of audit effort required to address the matter** - Audit effort does
not always translate or signify relevance to users of the financial statements. For
example if an IT application is found to have ineffective IT controls, it may require
significant additional audit effort. However, risk to the financial statements can be
mitigated by other audit procedures and discussion of such audit matters would not be
relevant to users of the financial statements.

c. **The nature and amount of available relevant and reliable evidence regarding the matter
or the degree of difficulty in obtaining such evidence** - Often this is disclosed as part of
general GAAP requirements for estimates and uncertainties or in specific GAAP
pronouncements (e.g., ASC 820 disclosures on fair value measurements with
unobservable inputs). Investors expect auditors to conclude on their audit procedures
based on relevant audit evidence. They are less likely to be concerned with the degree
of difficulty in obtaining such information.

d. **The severity of control deficiencies identified relevant to the matter, if any** - Auditors
currently disclose material weaknesses in internal control. Additional discussions of
control failures, that may have been remediated, are not relevant to users and could serve to confuse users and over-emphasize their importance if disclosed.

e. The degree to which the results of audit procedures to address the matter resulted in changes in the auditor's risk assessments, including risks that were not identified previously, or required changes to planned audit procedures, if any – Any significant new financial statement risk or business risk should already be disclosed as part of SEC Rule Nos. 229.305 and 229.904. Whether these risks were identified by management, the Audit Committee or the auditor is not relevant to financial statement users.

f. The nature and significance, quantitatively or qualitatively, of corrected and accumulated uncorrected misstatements related to the matter, if any - Corrected errors are included in the financial statement balances presented to investors. The notes to the financial statements also explain to the user the nature of the corrections. For immaterial uncorrected errors there is not, by definition, “a substantial likelihood that the ...fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available” (Excerpt from PCAOB AS No. 14). More prominence of misstatements whether corrected or uncorrected could be misinterpreted by investors and given more importance by virtue of their mention in the auditor report. Such information may not be relevant to an investor’s understanding of the registrant, its business or its financial statements.

g. The extent of specialized skill or knowledge needed to apply audit procedures to address the matter or evaluate the results of those procedures, if any; and the nature of consultations outside the engagement team regarding the matter, if any - The nature of external resources employed in an audit are often a function of audit staffing and the judgment of the audit partner. Many audit areas commonly use outside experts, including lawyers, actuaries and valuation specialists for common and frequently occurring transactions that may be over-emphasized as a CAM under the proposed rules and provide little, if any, additional benefit to users of financial statements.

C. It would decrease the comparability of audit reports between industries and among similar companies which may confuse users of the financial statements. As noted above, the auditor’s determination of what is considered to be a CAM will involve a considerable amount of professional judgment. Therefore, the comparability between audit reports for similar companies or industries would likely vary greatly.

There is potential for audit firms to either:

a. Include more CAMs than was the PCAOB’s intention in order to avoid potential inspection findings. This could result in auditors producing voluminous audit reports, which would diminish their usefulness and make comparability of audit reports challenging.

b. Alternatively, to ensure uniformity in practice and quality control, CAMs could simply be reduced to boilerplate language, resulting in additional communication of irrelevant information to the users of financial statements.

c. Additionally, investor decisions should not be driven by subjective judgments made by an auditor.
Moreover, the inclusion of CAMs for only the current year, while the financial statements present three years, would require the user to review the two previous sets of financial statements in order to obtain a full understanding of the CAMs.

**Question No. 11 - What benefits or unintended consequences would be associated with the auditor’s communication of critical audit matters?**

**Company Response -** We believe that there could be several unintended consequences including:

A. **Undue emphasis** – Reported matters that may be necessary to ensure an audit addressed complex areas of accounting may not require emphasis to a reader because the existing accounting disclosures provide an adequate description of the accounting. Users of financial statements may believe that such emphasis was necessary because of lack of judgment by management, misapplication of policy or some other matter and give the reader an incorrect and perhaps negative impression of the company or its management.

B. **Misunderstanding** – There may be a misunderstanding on the part of users of the financial statements about the information reported by the audit firm and its relevance to a registrant’s ongoing operations or financial condition.

C. **Information Overload** - Each identified CAM has the opportunity to add several paragraphs to the auditor’s report while providing little, if any, additional value to the user of the financial statements. The reader would bear the risk of information overload and be distracted from reading the notes to the financial statements or other pertinent disclosures that the management of a company deems important.

D. **Auditor Judgment** – As discussed earlier, the auditor’s determination of what is considered to be a CAM will involve a considerable amount of professional judgment. Therefore, there is the potential for audit firms to either:
   
   a. Include more CAMs rather than less, in order to avoid having their judgment on what is considered a CAM second guessed. This could result in auditors producing voluminous audit reports, which could potentially confuse users regarding the opinion being given and make comparability of audit reports challenging.
   
   b. Or, to ensure uniformity in practice and quality control, CAMs could simply be reduced to boilerplate language, resulting in the additional communication of irrelevant information to the user.

E. **Release of Competitive Information** – Depending on the nature of the CAM, competitively confidential information may be discussed. When dealing with critical accounting estimates, pertinent details leading to corroboration of the audit evidence may reveal information that is not a significant driver of the registrant’s business but, if disclosed, may have pertinent “trade” implications that could be a detriment to the registrant.

**Question No. 12 - Is the definition of a critical audit matter sufficient for purposes of achieving the objectives of providing relevant and useful information to investors and other financial statement users in the auditor's report? Is the definition of a critical audit matter sufficiently clear for determining what would be a critical audit matter? Is the use of the word "most" understood as it relates to the definition of critical audit matters?**

**Company Response -** We believe the application of the definition to be highly subjective by an audit team and may not be consistently applied by another audit team or independent firm. As such, two companies in the same industry may have similar accounting issues in which one auditor highlights a
CAM which may not be highlighted within the industry competitor’s audit report leading to confusion when comparing such companies to make an investment decision.

**Question No. 13 - Could the additional time incurred regarding critical audit matters have an effect on the quality of the audit of the financial statements? What kind of an effect on quality of the audit can it have?**

Company Response - We believe that the additional time incurred regarding CAMs will have an effect on the quality of the audits. For those areas identified as a CAM, we believe an extensive amount of additional time would be incurred to assist the auditor with their understanding in order for specific disclosures to be written by the auditor. As such, the audit over these matters should improve the quality. We believe however that the additional time to focus on particular CAMs could detract from the amount of time and effort applied to other audit areas which would be a detriment to the quality of the audit, especially if SEC current reporting deadlines are not extended to compensate for the increased reporting responsibilities.

**Question No. 15 - Would including the audit procedures performed, including resolution of the critical audit matter, in the communication of critical audit matters in the auditor's report be informative and useful? Why or why not?**

Company Response – As described above, although the information may be informative, it is not clear how the information would be useful to the investor. The notes to the financial statements already include information describing a company’s critical accounting policies and its complexities. Management’s discussion and analysis likewise discusses critical accounting estimates, which we believe many of the CAMs will also address. The description of the CAM may specifically discuss audit procedures performed and how a matter was resolved to the auditor’s satisfaction but the only benefit this provides the investor is comfort that the auditor performed the necessary procedures to corroborate the matter. Investors already expect this diligence under already prescribed auditing standards and as such would not benefit “hearing from the auditor” that the auditor “did its job” with respect to the complex accounting matter.

**Question No. 21. What are the additional costs, including indirect costs, or other considerations related to the auditor’s determination, communication, and documentation of critical audit matters that the Board should take into account? Are these costs or other considerations the same for all types of audits?**

Company Response – See response to Question No. 22 below.

**Question No. 22 - What are the additional costs, including indirect costs, or other considerations for companies, including their audit committees, related to critical audit matters that the Board should take into account? Are these costs or other considerations the same for audits of both large and small companies?**

Company Response – The additional costs that will be incurred and other considerations consist of:

A. Increase Audit Fees – Incremental time will be incurred by the audit firm to comply with the Proposed Auditor Reporting Standard. This incremental time could be significant depending on
the identified CAMs. We would anticipate that partner and senior engagement personnel will be most used in this effort, causing incremental hours at the highest hourly rates.

B. Increased Audit Committee and Management Time – Incremental time will be incurred discussing CAMs with the auditor, evaluating the corroborative details gathered by the auditor and understanding the rationale for an auditor’s CAM conclusion. This time could be extensive depending on the type and number of CAMs identified by the auditor.

C. Investor Queries and Potential Lawsuits – Depending on the nature of the CAM, investors may seek additional information from the registrant. If questions arise on the application of audit procedures, registrant personnel may be unable to satisfy the investor’s question. The auditor also will not respond directly to investor inquiries about a particular audit engagement. In addition, unwarranted lawsuits could arise from the disclosure related to a CAM.

D. Delays in Reporting – Over the past several years Accelerated Filers and their auditors have been faced with new accounting pronouncements, XBRL reporting, and additional efforts associated with compliance of PCAOB standards resulting in extremely tight SEC reporting deadlines. The additional efforts required to comply with the Proposed Auditors Reporting Standard would create even further strain on both registrant and auditor resources potentially resulting in late filed documents, which could have a negative impact on the registrant.

Question No. 23 - How will audit fees be affected by the requirement to determine, communicate, and document critical audit matters under the proposed auditor reporting standard?

Company Response – We believe audit fees will increase significantly and a registrant’s ability to provide the auditor with assistance from the internal auditor will be reduced. We expect that documentation procedures will be expanded for all areas that the auditor believes a CAM may arise because the auditor will need to assess each potential CAM for disclosure in order to comply with the standard. Once a CAM is identified for disclosure, the auditor will continue to monitor in future years as long as such audit matters continue. In addition, we expect that the time required for concluding on CAMs and writing the disclosure will not come from junior level employees of the accounting firm but more experienced senior managers and partners at the highest level of the engagement team, at higher hourly rates.

Comment No. 41 - Is the Board’s effective date appropriate for the proposed auditor reporting standard? Why or why not?

Company Response - The proposed standard is scheduled to be effective beginning January 1, 2016, a time during which registrants and their auditors will be busy preparing for the impending adoption of the new lease and revenue recognition guidance. The compounding effect of all of these new requirements could increase the likelihood of misstatements in the financial statements. We would request that any change to the audit opinion be delayed so as to not coincide with the adoption of these standards.

Appendix 6 - Additional Discussion Related to the Proposed Other Information Standard
Question No. 2 - Is it appropriate to apply the proposed other information standard to information incorporated by reference? Why or why not? Are there additional costs or practical issues with including information incorporated by reference in the scope of the proposed other information standard? If so, what are they?

Company Response – We believe the proposed requirement to apply the other information standard to information incorporated by reference that will be filed with the SEC following the filing of the Form 10-K would be overly burdensome and costly for registrants. Amending a Form 10-K and the auditor’s opinion for information subsequently filed may require the auditor to update their report issuance procedures, subsequent event inquiries, independence and other aspects of their field work to address the new information incorporated by reference which would result in additional audit fees borne by the registrant. In addition, the length of time the auditor may require to complete such procedures may be extensive depending on the nature of the required procedures.

An amended Form 10-K could also cause undue investor concern and be negatively viewed by public markets and mistaken for a “restatement” if the investor does not properly consider the new information in the appropriate context.

Question No. 3. Is it appropriate to apply the proposed other information standard to amended annual reports? Why or why not? Are there additional costs or practical issues with including amended annual reports in the scope of the proposed other information standard? If so, what are they?

Company Response – If adopted, we believe it may be appropriate to apply the proposed other information standard to amended annual reports. If disclosure changes to an amended annual report would affect previous disclosures made by the auditor in their audit opinion, it may be appropriate for the auditor to reissue or update their opinion within the amended annual report. This decision should be made by the auditor and not required by the standard since auditor consent would be required in the amended Form 10-K.

In the event the auditor report were reissued or updated, we believe significant additional costs would be incurred by the registrant depending on the procedures that the auditor would be required to perform to reissue the report. The magnitude of such additional costs would be determined based on the nature of the changes to the annual report, the nature and extent of other information added, whether any new CAMs were identified or changes to previously reported information. Additional internal costs and time would also be incurred by the registrant and its audit committee to understand and facilitate the auditor’s procedures and updated disclosures.

Question No. 6 - Is it appropriate to require the auditor to evaluate the other information for both a material inconsistency and for a material misstatement of fact? If not, why not?

Company Response – We do not support expanding the auditor’s responsibility for testing or documenting the procedures over the other information as we do not believe the perceived benefits would outweigh the costs, unintended consequences could arise and the proposed standard could be difficult to implement. There are several factors to consider:
A. Audit scope and resulting cost has expanded over the past 10 years due to SOX and incremental standard setting in US GAAP. The proposed audit standard will continue that expansion. It is not clear that the perceived benefits, if any, would outweigh the cost.
   a. Auditors already review information accompanying audited financial statements to ensure consistency with the statements. Expanded assurance would not provide additional useful information and may provide a distraction to procedures performed over information contained in the financial statements.
   b. In those circumstances in which additional assurance is desired (i.e. upon a new security or debt issuance) auditors provide comfort letters to underwriters to provide additional assurance over other information.

B. The cost of compliance is expected to be high.
   a. In order to timely test the other information contained in the financial statements, auditors may need to expand their testing of a company’s internal controls to include the other information. This will result in additional audit cost to the registrant.
   b. The requirement to evaluate qualitative statements in the other information (for example, having the “largest market share in the company’s industry” as discussed on p. 235 of the proposed standard) will lead to an increase in audit costs and time spent complying with audit requests as information required to evaluate qualitative statements may not be as readily available or as objective as financial information.

C. Unintended consequences
   a. Given the additional work that would be required for auditors to review the other information, and additional time preparers would need to prepare audit support, filing dates may be delayed and may be more susceptible to missing deadlines.
   b. More stringent requirements on the auditors around other information may deter preparers from disclosing non-required, but informational content in the MD&A so as to avoid the requirement to furnish supporting information that would be difficult / time-consuming to evaluate. This could diminish the value to the shareholder of the MD&A disclosures.

D. Implementation issues
   a. The proposed standard states that auditors “would not be required to perform procedures to obtain additional evidence regarding other information not directly related to the financial statements that was not required to be obtained during the audit.” Determining what information is “not directly related to the financial statements” may be subjective. If approved, more clarity is needed to remove subjectivity.
   b. Materiality cannot easily be applied to non-financial information such as customer counts or pipeline miles.

Question No. 7 - Would the evaluation of the other information increase the quality of information available to investors and other financial statement users and sufficiently contribute to greater confidence in the other information? If not, what additional procedures should the Board consider?
Company Response – We do not believe the quality of information available to investors and other financial statement users would increase as a result of additional auditor evaluation. By virtue of its inclusion, management has already determined that the information is relevant to investor understanding and the context such information is unlikely to change solely as a result of auditor evaluation. Investors expect management to be best qualified to explain such information and its relevance and importance to the business. As we discussed above, auditor “involvement” with this disclosure could actually reduce quality if it now has to be written from an “auditor’s perspective”.

There is greater risk that information would be omitted if a registrant believes it will be overly costly for an auditor to perform a more in-depth analysis of management’s assertion. It may also prove difficult for the auditor to develop the appropriate procedures to validate the information or determine materiality in the case of non-financial information.

We do not believe that such auditor evaluation would sufficiently contribute to greater confidence in the other information. Investors already expect registrants to provide accurate and insightful information in the MD&A. Investors understand that it is a current PCAOB requirement for the auditor to read the other information contained in the Form 10-K for material inconsistencies and material misstatements of fact when their audit report is included in the public filing. Accordingly investors would expect the Form 10-K to be free of material inconsistencies or misstatement since they have provided consent for the registrant to include their report in the Form 10-K.

**Question No. 29 - Is the Board’s effective date appropriate for the proposed other information standard? Why or why not?**

Company Response - If adopted, the proposed standard is scheduled to be effective beginning January 1, 2016, a time during which registrants and their auditors will be busy preparing for the impending adoption of the new lease and revenue recognition guidance. The compounding effect of all of these new requirements could increase the likelihood of misstatements in the financial statements. We would request that any change to the audit opinion be delayed so as to not coincide with the adoption of these standards.