The Federal Energy Regulatory Commission has approved the acquisition of UNS Energy Corporation by Fortis. UNS stockholders would receive $60.25 in cash for each of their shares. The offer is generous, at 19 times estimated 2014 earnings. Indeed, the proposed purchase price has been deemed consistent with the interest of the public, which moves the acquisition one step closer to completion. In addition, the shareholders of UNS Energy have voted in favor of the transaction. The acquisition is expected to be completed by the Arizona Corporation Commission in 2015.

BUSINESS: UNS Energy Corporation, through its subsidiaries, operates as an electric utility in Arizona. Subsidiaries include Tucson Electric Power (TEP), UNS Gas, and UNS Electric. Thirteen retail customers: TEP, 413,000 (in southeastern Arizona); UNS Gas, Electric Power (TEP); UNS Gas, and UNS Electric. '13 retail customers: TEP, 413,000 (in southeastern Arizona); UNS Gas, Electric Power (TEP). The subsidiary was able to recover the necessary capital access to meet clean energy requirements. UNS will remain as a stand-alone company headquartered in Tucson, Arizona. The 138 KV is expected to reduce electrical outages and provide more capacity for TEP. The project is expected to cost $4.5 million and was approved by the Arizona Corporation Commission in March, 2011.

The 138 KV line is expected to be completed in 2014. The Timeliness risk for this issue is suspended due to the impending acquisition. There is minimal potential for capital gains at this juncture as the stock is trading just below the takeover price. We advise investors to sell their holdings at the current level in order to avoid downside risk in case the deal falls through.

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