

**LEWIS
AND
ROCA**
LLP
LAWYERS

Phoenix Office
40 North Central Avenue
Phoenix, Arizona 85004-4429
Facsimile (602) 262-5747
Telephone (602) 262-5311

ORIGINAL

Tucson Office
One South Church Avenue
Suite 700
Tucson, Arizona 85701-1611
Facsimile (520) 622-3088
Telephone (520) 622-2090

Las Vegas
3993
Suite
Las Vegas
Facsimile
Telephone (702) 949-8200



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Thomas H. Campbell
Direct Dial: (602) 262-5723
Direct Fax: (602) 734-3841
Internet: TCampbell@lrlaw.com
Admitted in Arizona

March 15, 2004

HAND DELIVERED

Arizona Corporation Commission
Utilities Division – Docket Control
1200 W. Washington Street
Phoenix, Arizona 85007

Re: UniSource Energy Services Progress Report
Docket Nos. E-01032C-00-0751, G-01032A-02-0598, E-01933A-02-0914, E-01032C-02-0914, G-01032A-02-0914
A.C.C. Decision No. 66028

Pursuant to A.C.C. Decision No. 66028, UniSource Energy Services (“UES”) files this progress report on the negotiations to restructure the Pinnacle West Capital Corporation (“PWCC”) Power Supply Agreement (“PSA”).

As stated in the February status report, UES was in the process of finalizing an RFP to be released in mid-February. PWCC and UES had agreed that such an RFP could provide alternative solutions for restructuring the PSA. This RFP was released on February 16, 2004. The link below provides access to the website set up by UES that contains all of the RFP documents and information:

<http://uesaz.com/Commercial/Wholesale/index.html>

On March 11, 2004, UES received proposals from 9 bidders. UES is currently in the process of analyzing these proposals. This analysis will take approximately two weeks. UES plans on meeting again with PWCC in late March to discuss the RFP results and to determine the course of action to be taken in furthering the renegotiation of the PSA. UES will provide a confidential summary of the bid analysis, as well as a summary of the PWCC meeting, to ACC Staff on April 2, 2004.

Very truly yours,

LEWIS AND ROCA LLP

Thomas H. Campbell

Arizona Corporation Commission
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MAR 15 2004

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cc: Ernest Johnson, Utilities Division Director
A.C.C. Compliance Manager
All Parties of Record