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March 1, 2005

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

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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”). The currently sustained environment of high and volatile natural gas and power prices has not been conducive to renegotiating the PWCC PSA to better terms. However, UES is remaining vigilant for an advantageous contract restructuring opportunity and continues to evaluate other supply options.

Very truly yours,

LEWIS AND ROCA LLP

Michael T. Hallam  
Thomas H. Campbell

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

Arizona Corporation Commission  
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**MAR 01 2005**

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