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Executive Secretary

ARIZONA CORPORATION COMMISSION

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March 2, 2004

AZ CORP COMMISSION
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Commissioner William A. Mundell
Commissioner Jeff Hatch-Miller
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Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

MAR - 2 2004

DOCKETED BY

In Re: Natural Gas Price Issues in Unisource Energy Services' Territory

- Docket No. G-01032E-03-0515
- Docket No. G-01032A-02-0598
- Docket No. G-01032A-02-0914
- Docket No. E-01032C-00-0751
- Docket No. E-01933A-02-0914
- Docket No. E-01032C-02-0914

Dear Colleagues:

To promptly address the escalation of natural gas prices in the UES territory, to ensure due process, a fair proceeding and to invite full public participation, I propose the following four-step process:

March 10

1. Each Commissioner may submit a written proposal delineating the relevant details, including timelines, carrying costs, public notice and the impact of said plan of action on customers' bills and the company's PGA account. The Company, Staff, and any party or ratepayer may also submit a proposal for consideration.

March 12 Open Meeting

2. The proposals will be made available to the public on March 10th and the proposals, will be discussed at Open Meeting. Parties and individuals will have the opportunity to comment on the proposals and the Commissioners will discuss which, if any, proposal(s) warrants further investigation.

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3. The Commissioners will, by majority vote, determine which proposal(s), if any, will be further considered.

March 17 Open Meeting (if needed)

4. There will be no hearing. The case will be considered directly by the Commissioners. The Commissioners will vote on each proposal in turn. If a proposed Order to Show Cause is before the Commissioners, the vote will be on whether or not to issue an Order to Show Cause, which would result in an OSC proceeding that would be resolved under applicable Commission rules and procedures.

I appreciate the alacrity with which recommendations have already been shared via letter amongst the Commissioners and the parties. It is obvious that our attention has been focused on the impact of natural gas volatility on ratepayers. It is my belief that the above process will allow us to constructively evaluate the merits of various proposals while ensuring that the integrity of the Commission's process is respected and preserved.

Very Truly Yours,



Marc Spitzer
Chairman

Cc: All Parties in above Dockets