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December 29, 2006

**HAND DELIVERED**

Arizona Corporation Commission  
**DOCKETED**

**DEC 29 2006**

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

DOCKETED BY	
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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 receive better terms. However, UES continues to evaluate other supply options for an advantageous contract restructuring opportunity.

Very truly yours,

LEWIS AND ROCA LLP

Michael T. Hallam

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

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