

**ORIGINAL**

**LEWIS  
AND  
ROCA**  
LLP  
LAWYERS

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

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

Las Vegas Off  
3993 Howard  
Suite 600  
Las Vegas, Ne  
Facsimile (702) 949-8200  
Telephone (702) 949-8200



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Michael T. Hallam  
Direct Dial: (602) 262-5340  
Direct Fax: (602) 734-3886  
Internet: MHallam@lrlaw.com  
Admitted in Arizona

Our File Number 43056-00001

June 6, 2007

**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”). 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

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

Arizona Corporation Commission  
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