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AZ CORP COMMISSION
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October 31, 2007

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

Re: UniSource Energy Services 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,

David Couture
Director, Regulatory Services

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

Arizona Corporation Commission
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