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BEFORE THE ARIZONA CORPORATION

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Arizona Corporation Commission

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MARC SPITZER, Chairman  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
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AZ CORP COMMISSION  
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IN THE MATTER OF THE APPLICATION OF  
ARIZONA PUBLIC SERVICE COMPANY FOR A  
HEARING TO DETERMINE THE FAIR VALUE  
OF THE UTILITY PROPERTY OF THE  
COMPANY FOR RATEMAKING PURPOSES, TO  
FIX A JUST AND REASONABLE RATE OF  
RETURN TEHREON, TO APROVE RATE  
SCHEDULES DESIGNED TO DEVELOP SUCH  
RETURN, AND FOR APPROVAL OF  
PURCHASED POWER CONTRACT.

Docket No. E-01345A-03-0437

IN THE MATTER OF THE APPLICATION OF  
ARIZONA PUBLIC SERVICE COMPANY FOR  
AN ORDER OR ORDERS AUTHORIZING IT TO  
ISSUE, INCUR, OR ASSUME EVIDENCES OF  
LONG-TERM INDEBTEDNESS; TO ACQUIRE A  
FINANCIAL INTEREST OR INTERESTS IN AN  
AFFILIATE OR AFFILIATES; TO LEND MONEY  
TO AN AFFILIATE OR AFFILIATES; AND TO  
GUARNATEE THE OBLIGATIONS OF AN  
AFFILIATE OR AFFILIATES

Docket No. E-01345A-02-0707

MOTION TO CONSOLIDATE

Staff of the Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby requests that the Commission consolidate the preliminary inquiry created by Decision No. 65796 ("the APS Financing Case") with Docket No. E-01345A-03-0437, the pending APS rate case. These matters present overlapping issues and should therefore be consolidated.

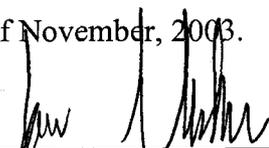
The purpose of the preliminary inquiry is to determine whether Arizona Public Service Company ("APS") or its affiliates have taken any actions that are inconsistent with the electric competition rules or with Decision No. 61973, the APS settlement agreement. See Decision No. 65796 at 34. In the APS Financing Case, the evidence demonstrated that, in the Spring of 2001, Pinnacle West Energy Corporation ("PWEC"), an APS affiliate, made presentations to rating

1 agencies claiming that PWEC was under contract to sell its output to APS under a four-year purchase  
2 power agreement. See id. at 34 n. 18. However, the electric competition rules and the APS  
3 settlement agreement, taken together, required APS to acquire all of its power for standard offer  
4 customers from the competitive market after January 1, 2003. The Commission concluded that the  
5 “dedication” of the PWEC assets to APS’ customers raised the issue of possible noncompliance with  
6 the electric competition rules. See id. at 35 n.18. Accordingly, the development of the PWEC assets  
7 and the meaning of their “dedication” to APS customers are primary issues in the preliminary  
8 inquiry.

9 In the rate case, APS seeks to include the PWEC assets in its rate base. The issue of rate  
10 basing the PWEC assets, brought up during the course of the APS financing case, is one of the central  
11 issues in the APS rate case. APS argued then and argues now that the PWEC assets are “dedicated”  
12 to APS’ customers and that the PWEC assets should become part of APS’ rate base. Accordingly, in  
13 the rate case, the development of the PWEC assets and the meaning of their “dedication” to APS’  
14 customers are primary issues.

15 Staff believes that much of the same information to be sought for the preliminary inquiry will  
16 be relevant to the issue of whether the PWEC assets should be included in APS’ rate base. A.A.C.  
17 R14-3-109(H) provides for consolidation “when it appears that issues are substantially the same and  
18 that the parties will not be prejudiced by such procedure.” As explained above, Staff believes that the  
19 issues raised in the preliminary inquiry are completely interwoven into the rate case issues. Staff  
20 further believes that consolidation will provide an efficient and expeditious means to explore these  
21 issues and will eliminate potential duplication between two separate proceedings. Therefore, Staff  
22 requests consolidation of the preliminary inquiry with the APS rate case.

23 RESPECTFULLY SUBMITTED this 5<sup>th</sup> day of November, 2003.

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1 Original and 15 copies of the foregoing  
2 filed this 5<sup>th</sup> day of November, 2003,  
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