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Justin Thompson  
Manager  
Regulation, Policy & Analysis

Tel 602/250-2060  
Fax 602/250-3003  
e-mail:Justin.Thompson@aps.com  
<http://www.aps.com>

Mail Station 9708  
P.O. Box 53999  
Phoenix, AZ 85072-3999

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August 15, 2005

Mr. Ernest Johnson  
Director, Utilities Division  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, Arizona 85007

RE: DOCKET NO. E-01345A-97-0544, DECISION NO. 60481 and DECISION NO. 61708  
SEMI-ANNUAL REPORT ON TRANSFERS OF UTILITY PROPERTY

Dear Mr. Johnson:

In accordance with Decision No. 61708, Arizona Public Service Company ("APS") submits its semi-annual report summarizing sales, transfers or mortgages entered into under Decision 60481. This report reflects the balance of these transactions, including accrued interest through June 30, 2005.

If you have any questions, please give me a call at 602-250-2060.

Sincerely,

Justin Thompson  
Manager  
Regulation, Policy & Analysis

JT/vld

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ARIZONA PUBLIC SERVICE COMPANY  
 CALCULATION OF GAINS ON UTILITY PROPERTY  
 As of June 30, 2005

DATE OF TRANSFER	DESCRIPTION OF PROPERTY	SALES PRICE	OCLD	BOOK GAIN ON SALE	TAX BASIS OF PROPERTIES OF	TAXES (1,2)	NET GAIN (3)	AMOUNT ALLOCATED FOR RATEPAYERS (4)	INTEREST TO DATE (5)	BALANCE TO BE REFUNDED
08/19/2002	City of Eloy	\$347,000	\$137,325	\$209,675	\$71,866	\$84,646	\$125,029	\$62,515	\$3,133	\$65,648
03/05/2003	City of Florence	\$207,000	\$131,517	\$75,483	\$68,571	\$29,899	\$45,584	\$22,792	\$892	\$23,884
4/15/2005	City of Buckeye	\$373,000	\$88,572	\$284,428	\$56,239	\$111,979	\$172,449	\$86,224	\$501	\$86,725
Current Balance for Transfer of Property Less: Customer Education Program Total Balance as of June 30, 2005								\$171,531	\$4,526	\$176,057
										<u>\$0</u>
										<u>\$176,057</u>

- (1) [(Sales Price less Tax Basis)\*Tax Rate]-[(ADJT Net Book Basis-Tax Basis)\* Tax Rate]
- (2) APS Composite Income Tax Rate: 2002 = 0.4037; 2003 = 0.3961; 2005 = 39.37%
- (3) Jurisdictional allocation of Net Gain
- (4) Amount Allocated for Ratepayers based on 50% of jurisdictional split.
- (5) Interest from Date of Transfer through June 30, 2005