



ORIGINAL



PINNACLE WEST
CAPITAL CORPORATION

LAW DEPARTMENT

06

Thomas L. Mumaw
Senior Attorney
(602) 250-2052
Direct Line

September 13, 2005

Commissioner Mike Gleason
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007-2996

AZ CORP COMMISSION
DOCUMENT CONTROL

2005 SEP 13 P 4:43

RECEIVED

Re: Plan of Administration for APS' Power Supply Adjustor
Docket No. E-01345A-03-0437

Dear Commissioner Gleason:

Arizona Public Service Company ("APS" or "Company") is happy to respond to your letter dated August 25, 2005 seeking additional information about the Company's request for a power supply adjustor ("PSA") surcharge, effective November 2005.

Response to August 25 Letter

As suggested in your letter, we have provided Commission Staff with the requested data under the provisions of a Confidentiality Agreement dated July 29, 2005. (As you also indicated in your letter, the data used in the attachment to the Joint Plan of Administration for the PSA was illustrative only.) This information is considered confidential because it contains significant financial data that has not yet been publicly released to the investment community. However, under the Confidentiality Agreement, this data can be made available by Staff to you and the other Commissioners and their policy advisors under the same terms of confidentiality.

This data, which runs through the end of 2006, is slightly different from that shared with Staff on July 13, 2005 in two respects. First, it uses actual July 2005 results in place of the July estimates earlier provided to Staff. Second, the surcharge is slightly lower on a per kWh basis. This resulted from the Company's decision to ask for a delay in the imposition of the surcharge until November, which added two additional summer months (and hence additional kWh usage) to the two year amortization period.

APS • APS Energy Services • Pinnacle West Energy • SunCor • El Dorado

Commissioner Mike Gleason
September 13, 2005
Page Two

As you can see from the data, the requested surcharge will reduce the PSA bank balance, but far from eliminate it. That balance was already approximately \$110 million by the end of last month and is growing daily, hence the need to address the Company's request in a timely manner.

I hope this has been responsive to your request.

Sincerely,



Thomas L. Mumaw
Attorney for Arizona Public Service Company

cc: Chairman Jeff Hatch-Miller
Commissioner William Mundell
Commissioner Marc Spitzer
Commissioner Kristin K. Mayes
Parties to the Docket