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March 1, 2006

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 December 31, 2005.

If you have any questions, please contact Angie Krainik at 602-250-2611.

Sincerely,

Justin Thompson
Manager
Regulation, Policy & Analysis

JT/DC

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ARIZONA PUBLIC SERVICE COMPANY
 CALCULATION OF GAINS ON UTILITY PROPERTY
 As of December 31, 2005

DATE OF TRANSFER	DESCRIPTION OF PROPERTY	SALES PRICE	OCLD	BOOK GAIN ON SALE	TAX BASIS OF PROPERTIES	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	\$71,666	\$84,646	\$125,029	\$62,515	\$4,044	\$68,558
03/05/2003	City of Florence	\$207,000	\$131,517	\$75,483	\$68,571	\$29,899	\$45,584	\$22,792	\$1,221	\$24,013
4/15/2005	City of Buckeye	\$373,000	\$88,572	\$284,428	\$56,239	\$111,979	\$172,449	\$86,224	\$1,714	\$87,938
	Current Balance for Transfer of Property						\$343,062	\$171,531	\$6,978	\$178,509
	Less: Customer Education Program									\$0
	Total Balance as of December, 2005									\$178,509

- (1) [(Sales Price less Tax Basis)*Tax Rate]-[(ADIT 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 December 31, 2005