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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
CHAIRMAN

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JEFF HATCH-MILLER
COMMISSIONER

JIM IRVIN
COMMISSIONER

AZ CORP COMMISSION
DOCUMENT CONTROL

MIKE GLEASON
COMMISSIONER

MARC SPITZER
COMMISSIONER

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 AN AFFILIATE OR AFFILIATES; TO
LEND MONEY TO AN AFFILIATES OR
AFFILIATES; AND TO GUARANTEE THE
OBLIGATIONS OF AN AFFILIATE OR
AFFILIATES

Docket No. E-01345A-02-0707

Arizona Corporation Commission

DOCKETED

JAN 07 2003

DOCKETED BY

NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the
testimony summary of Marylee Diaz Cortez, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 7th day of January 2003.

Scott S. Wakefield
Chief Counsel

1 AN ORIGINAL AND THIRTEEN COPIES
of the foregoing filed this 7th day
2 of January, 2003 with:

3 Docket Control
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5 COPIES of the foregoing hand delivered
6 this 7th day of January, 2003 to:

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By 
Jennifer Rumph

ARIZONA PUBLIC SERVICE COMPANY
DOCKET NO. E-01345A-02-0707
SUMMARY OF THE DIRECT TESTIMONY OF MARYLEE DIAZ CORTEZ

The purpose of the testimony of Ms. Diaz Cortez is to address Arizona Public Service Company's (APS) request to incur long-term indebtedness to refinance a portion of the generation assets currently held by its subsidiary Pinnacle West Energy Corporation (PWEC).

The testimony of Ms. Diaz Cortez first discusses the historical background of Arizona's electric restructuring efforts and how those historical events led to the financing issue that is the subject of this docket. Her testimony also examines the current state of electric wholesale markets and how that has effected the economic value of the PWEC assets, and in turn how that has affected PWEC financing options.

Ms. Diaz Cortez's testimony concludes that as a result of a dysfunctional electric markets and Decision No. 65154's waiving of the divestiture requirement that it is now necessary to reconstruct a regulatory framework for the electric industry. The first step of the reconstruction is approval of the requested financing. The second step is to unite the PWEC generation assets with the APS debt that will support the assets. The final step in the regulatory reconstruction is a rate case where the transferred PWEC assets can be examined from a used and useful standpoint and new rates can be determined on a cost of service basis.