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BEFORE THE ARIZONA CORPORATION 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 THEREON, TO APPROVE 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 GUARANTEE THE OBLIGATIONS OF AN AFFILIATE OR AFFILIATES

Docket No. E-01345A-02-0707

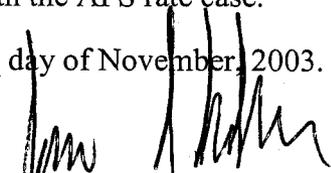
REPLY TO APS' AND RUCO'S
RESPONSES TO STAFF'S MOTION
TO CONSOLIDATE

Staff of the Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby replies to the responses from both the Arizona Public Service Company ("APS") and the Residential Utility Consumer Office ("RUCO").

With regard to the response from APS, Staff has no objection to simply moving the preliminary inquiry from the APS Financing Case (Docket No. 01345A-02-0707) to this rate case, rather than formally consolidating the APS Financing Case with this rate case. Staff believes APS' recommended proposal captures the essence of Staff's request and that either Staff's proposal or APS' counterproposal would achieve the same effect.

1 Staff respectfully disagrees with RUCO's assertion that the issues in the preliminary inquiry
2 and this rate case are not substantially the same. Both the preliminary inquiry and this rate case will
3 address APS' allegations that the PWEC assets were dedicated to APS customers. The exploration of
4 the intent of the PWEC assets, the timing of when those generation assets were to be built, and how
5 those assets were represented to outside entities are fundamental avenues of exploration that are vital
6 in both proceedings. RUCO does not argue that the same information sought in this rate case is
7 irrelevant to the preliminary inquiry. Rather, RUCO argues that the two matters are easily separated.
8 While Staff does agree with RUCO that the ratebasing of PWEC assets will be a complex portion of
9 the rate case, the delineation between this rate case and the preliminary inquiry is not as easily
10 separated as RUCO purports in its response. Should Staff find that APS' conduct was noncompliant
11 with the electric competition rules, that finding could tip the scales in favor of not ratebasing the
12 PWEC assets. Alternatively, Staff may find that ratebasing the PWEC assets should be done for
13 independent reasons despite the noncompliance, yet recommend other remedies in the rate case that
14 rectify the noncompliance. Hence, the issues presented by the preliminary inquiry and the rate case
15 are related and consolidation of these matters will avoid unnecessary duplication. Therefore, Staff
16 requests consolidation of the preliminary inquiry with the APS rate case.

17 RESPECTFULLY SUBMITTED this 17th day of November, 2003.

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