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**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

JEFF HATCH-MILLER, Chairman  
WILLIAM A. MUNDELL  
MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES

2006 APR 26 P 4: 55

AZ CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF THE  
APPLICATION OF ARIZONA PUBLIC  
SERVICE COMPANY FOR  
DETERMINATION OF PRUDENCE  
AND APPROVAL OF RATEMAKING  
TREATMENT RELATING TO  
NATURAL GAS INFRASTRUCTURE

DOCKET NO. E-01345A-05-0895

**ARIZONA PUBLIC SERVICE  
COMPANY'S RESPONSE TO EL  
PASO NATURAL GAS  
COMPANY'S APPLICATION FOR  
LIMITED REHEARING OF  
DECISION NO. 68597**

Arizona Public Service Company ("APS" or the "Company") hereby submits its response to El Paso Natural Gas Company's ("El Paso") Application for a Limited Rehearing of Decision No. 68597. El Paso has represented to APS that the purpose of its limited rehearing is not to challenge the pre-approval of the contract that the Company has entered into with Transwestern Pipeline Company, LLC ("Transwestern"), but to clarify what El Paso believes are inaccurate representations as they apply to El Paso or the El Paso system. In light of this limited purpose for El Paso's filing, APS does not intend to respond to all of El Paso's assertions that APS believes are inaccurate or misleading.<sup>1</sup> There is one aspect of El Paso's "Comments Regarding Staff Report On Arizona Public Service Company's Application For Determination Of Prudence And Approval Of Ratemaking Treating Relating To Natural Gas Infrastructure" ("Comments"), however,

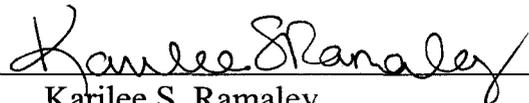
<sup>1</sup> APS's decision not to respond to all of El Paso's assertions in its Application is not intended to be, nor should it be construed to be, an agreement with those assertions. APS will address its responses in the pending proceeding before the Federal Energy Regulatory Commission.

1 that bears attention as it demonstrates the wisdom of the Arizona Corporation  
2 Commission's ("Commission") decision to allow a competing supplier to enter into the  
3 previously exclusive service area of El Paso.

4 El Paso's explanation of its discounting policy demonstrates precisely why Arizona  
5 shippers will be better off with the Transwestern pipeline. While it may be true that El  
6 Paso's discounting policy provides *some* contribution to the system cost of service from  
7 the shipper receiving the discount, El Paso fails to note that Arizona shippers are no better  
8 off under El Paso's policy than they would be if they had access to Transwestern. Indeed,  
9 shippers such as APS that do not have access to another pipeline are the ones that pay for  
10 the cost adjustment required by the discount given to those shippers that have access to  
11 multiple pipelines.

12  
13 RESPECTFULLY SUBMITTED this 26<sup>th</sup> day of April, 2006.

14 PINNACLE WEST CAPITAL CORPORATION  
15 LAW DEPARTMENT

16 By: 

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25  
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1 The original and 13 copies of the  
2 foregoing were filed this 26<sup>th</sup> day  
3 of April, 2006 with:

4 Docket Control  
5 Arizona Corporation Commission  
6 1200 West Washington  
7 Phoenix, AZ 85007.

8 Copies of the foregoing mailed, faxed or  
9 transmitted electronically this  
10 26<sup>th</sup> day of April, 2006 to:

11 All parties of record.

12 *Vicki Silala*

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