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ARIZONA CORPORATION COMMISSION

Executive Director

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July 26, 2006

Chairman Hatch-Miller  
Commissioner Gleason  
Commissioner Mayes

Re: Possible Special Open Meeting to Address APS' Improved Financial Condition;  
Docket No. E-01345A-05-0816.

Dear Colleagues:

I am writing to concur with Commissioner Mayes' July 25, 2006, letter calling for a Special Open Meeting to discuss the current financial condition of APS and its parent company, Pinnacle West, as well as the potential impact of the dramatic increase in earnings on both companies' bond ratings.

While I am encouraged by the improvement in Pinnacle West's financial performance - given the recent threat of downgrade to the company's bond rating - the magnitude of the rise in profits certainly warrants closer scrutiny by this Commission, especially in light of recent and proposed rate increases. A financially robust utility is necessary to keep up with the growth our state is experiencing; however, it is the Commission's constitutional duty not only to provide a reasonable rate of return to public service corporations but also to protect ratepayers from overreaching by those companies.

Thank you for your consideration of this matter.

Sincerely,

William A. Mundell, Commissioner  
Arizona Corporation Commission

Arizona Corporation Commission  
**DOCKETED**

cc: Brian McNeil  
Lyn Farmer  
Ernest Johnson  
Chris Kempley  
Heather Murphy  
Parties of Record

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