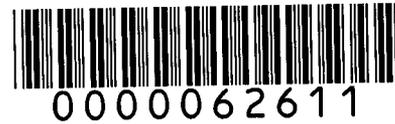


ORIGINAL



BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

57

COMMISSIONERS

- JEFF HATCH-MILLER, Chairman
- WILLIAM A. MUNDELL
- MIKE GLEASON
- KRISTIN K. MAYES
- BARRY WONG

2006 NOV -21 P 2:53
 AZ CORP COMMISSION
 DOCUMENT CONTROL

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 TO AMEND DECISION NO. 67744.

DOCKET NO. E-01345A-05-0816

NOTICE OF FILING

IN THE MATTER OF THE INQUIRY INTO THE FREQUENCY OF UNPLANNED OUTAGES DURING 2005 AT PALO VERDE NUCLEAR GENERATING STATION, THE CAUSES OF THE OUTAGES, THE PROCUREMENT OF REPLACEMENT POWER AND THE IMPACT OF THE OUTAGES ON ARIZONA PUBLIC SERVICE COMPANY'S CUSTOMERS.

DOCKET NO. E-01345A-05-0826

IN THE MATTER OF THE AUDIT OF THE FUEL AND PURCHASED POWER PRACTICES AND COSTS OF THE ARIZONA PUBLIC SERVICE COMPANY.

DOCKET NO. E-01345A-05-0827

Consistent with the eleventh ordering paragraph of the April 5, 2006 procedural order, Arizona Corporation Commission Staff ("Staff") hereby provides notice of filing updates to the schedules to the Direct Testimony of Staff witness David C. Parcell. The following schedules have been updated: Schedules 2, 8, 9, 10, page 1 of 11, and 13. Also included is his summary of this updated information.

RESPECTFULLY SUBMITTED this 2nd day of November, 2006.

Arizona Corporation Commission

DOCKETED

NOV - 2 2006

DOCKETED BY

Christopher C. Kempley, Chief Counsel
 Janet Wagner, Senior Staff Counsel
 Charles Hains, Attorney
 Arizona Corporation Commission
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 Phoenix, Arizona 85007

1 Original and 17 copies of the foregoing filed
this 2nd day of November, 2006, with:

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4 Arizona Corporation Commission
5 1200 West Washington
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ECONOMIC INDICATORS

YEAR	REAL GDP GROWTH	IND PROD GROWTH	UNEMP RATE	CPI	PPI
1975 - 1982 Cycle					
1975	-1.1%	-8.9%	8.5%	7.0%	6.6%
1976	5.4%	10.8%	7.7%	4.8%	3.7%
1977	5.5%	5.9%	7.0%	6.8%	6.9%
1978	5.0%	5.7%	6.0%	9.0%	9.2%
1979	2.8%	4.4%	5.8%	13.3%	12.8%
1980	-0.2%	-1.9%	7.0%	12.4%	11.8%
1981	1.8%	1.9%	7.5%	8.9%	7.1%
1982	-2.1%	-4.4%	9.5%	3.8%	3.6%
1983 - 1991 Cycle					
1983	4.0%	3.7%	9.5%	3.8%	0.6%
1984	6.8%	9.3%	7.5%	3.9%	1.7%
1985	3.7%	1.7%	7.2%	3.8%	1.8%
1986	3.1%	0.9%	7.0%	1.1%	-2.3%
1987	2.9%	4.9%	6.2%	4.4%	2.2%
1988	3.8%	4.5%	5.5%	4.4%	4.0%
1989	3.5%	1.8%	5.3%	4.6%	4.9%
1990	1.8%	-0.2%	5.6%	6.1%	5.7%
1991	-0.5%	-2.0%	6.8%	3.1%	-0.1%
1992 - 2001 Cycle					
1992	3.0%	3.1%	7.5%	2.9%	1.6%
1993	2.7%	3.3%	6.9%	2.7%	0.2%
1994	4.0%	5.4%	6.1%	2.7%	1.7%
1995	2.5%	4.8%	5.6%	2.5%	2.3%
1996	3.7%	4.2%	5.4%	3.3%	2.8%
1997	4.5%	7.3%	4.9%	1.7%	-1.2%
1998	4.2%	5.9%	4.5%	1.6%	0.0%
1999	4.5%	4.5%	4.2%	2.7%	2.9%
2000	3.7%	4.3%	4.0%	3.4%	3.6%
2001	0.8%	-3.5%	4.7%	1.6%	-1.6%
Current Cycle					
2002	1.6%	0.1%	5.8%	2.4%	1.2%
2003	2.7%	0.6%	6.0%	1.9%	4.0%
2004	4.2%	4.1%	5.5%	3.3%	4.2%
2005	3.5%	3.3%	5.1%	3.4%	5.4%
2004					
1st Qtr.	4.3%	2.8%	5.6%	5.2%	5.2%
2nd Qtr.	3.5%	4.9%	5.6%	4.4%	4.4%
3rd Qtr.	4.0%	4.6%	5.4%	0.8%	0.8%
4th Qtr.	3.3%	4.3%	5.4%	3.6%	7.2%
2005					
1st Qtr.	3.8%	3.8%	5.3%	4.4%	5.6%
2nd Qtr.	3.3%	3.0%	5.1%	1.2%	1.6%
3rd Qtr.	4.1%	2.7%	5.0%	9.6%	10.8%
4th Qtr.	1.7%	3.1%	4.9%	-2.0%	4.0%
2006					
1st Qtr.	5.6%	3.4%	4.7%	4.8%	-0.2%
2nd Qtr.	2.9%	4.6%	4.6%	4.8%	5.6%

Source: Council of Economic Advisors, Economic Indicators, various issues.

INTEREST RATES

YEAR	PRIME RATE	US TREAS T BILLS 3 MONTH	US TREAS T BONDS 10 YEAR	UTILITY BONDS Aaa	UTILITY BONDS Aa	UTILITY BONDS A	UTILITY BONDS Baa
1975 - 1982 Cycle							
1975	7.86%	5.84%	7.99%	9.03%	9.44%	10.09%	10.96%
1976	6.84%	4.99%	7.61%	8.63%	8.92%	9.29%	9.82%
1977	6.83%	5.27%	7.42%	8.19%	8.43%	8.61%	9.06%
1978	9.06%	7.22%	8.41%	8.87%	9.10%	9.29%	9.62%
1979	12.67%	10.04%	9.44%	9.86%	10.22%	10.49%	10.96%
1980	15.27%	11.51%	11.46%	12.30%	13.00%	13.34%	13.95%
1981	18.89%	14.03%	13.93%	14.64%	15.30%	15.95%	16.60%
1982	14.86%	10.69%	13.00%	14.22%	14.79%	15.86%	16.45%
1983 - 1991 Cycle							
1983	10.79%	8.63%	11.10%	12.52%	12.83%	13.66%	14.20%
1984	12.04%	9.58%	12.44%	12.72%	13.66%	14.03%	14.53%
1985	9.93%	7.48%	10.62%	11.68%	12.06%	12.47%	12.96%
1986	8.33%	5.98%	7.68%	8.92%	9.30%	9.58%	10.00%
1987	8.21%	5.82%	8.39%	9.52%	9.77%	10.10%	10.53%
1988	9.32%	6.69%	8.85%	10.05%	10.26%	10.49%	11.00%
1989	10.87%	8.12%	8.49%	9.32%	9.56%	9.77%	9.97%
1990	10.01%	7.51%	8.55%	9.45%	9.65%	9.86%	10.06%
1991	8.46%	5.42%	7.86%	8.85%	9.09%	9.36%	9.55%
1992 - 2001 Cycle							
1992	6.25%	3.45%	7.01%	8.19%	8.55%	8.69%	8.86%
1993	6.00%	3.02%	5.87%	7.29%	7.44%	7.59%	7.91%
1994	7.15%	4.29%	7.09%	8.07%	8.21%	8.31%	8.63%
1995	8.83%	5.51%	6.57%	7.68%	7.77%	7.89%	8.29%
1996	8.27%	5.02%	6.44%	7.48%	7.57%	7.75%	8.16%
1997	8.44%	5.07%	6.35%	7.43%	7.54%	7.60%	7.95%
1998	8.35%	4.81%	5.26%	6.77%	6.91%	7.04%	7.26%
1999	8.00%	4.66%	5.65%	7.21%	7.51%	7.62%	7.88%
2000	9.23%	5.85%	6.03%	7.88%	8.06%	8.24%	8.36%
2001	6.91%	3.45%	5.02%	7.47%	7.59%	7.78%	8.02%
Current Cycle							
2002	4.67%	1.62%	4.61%		7.19%	7.37%	8.02%
2003	4.12%	1.02%	4.01%		6.40%	6.58%	6.84%
2004	4.34%	1.38%	4.27%		6.04%	6.16%	6.40%
2005	6.19%	3.16%	4.29%		5.44%	5.65%	5.93%
2004							
Jan	4.00%	0.89%	4.15%		6.06%	6.15%	6.47%
Feb	4.00%	0.92%	4.08%		6.10%	6.15%	6.28%
Mar	4.00%	0.94%	3.83%		5.93%	5.97%	6.12%
Apr	4.00%	0.94%	4.35%		6.33%	6.35%	6.46%
May	4.00%	1.04%	4.72%		6.66%	6.62%	6.75%
June	4.00%	1.27%	4.73%		6.30%	6.48%	6.84%
July	4.25%	1.35%	4.50%		6.09%	6.27%	6.67%
Aug	4.50%	1.48%	4.28%		5.95%	6.14%	6.45%
Sept	4.75%	1.65%	4.13%		5.79%	5.98%	6.27%
Oct	4.75%	1.75%	4.10%		5.74%	5.94%	6.17%
Nov	5.00%	2.06%	4.19%		5.79%	5.97%	6.16%
Dec	5.25%	2.20%	4.23%		5.78%	5.92%	6.10%
2005							
Jan	5.25%	2.32%	4.22%		5.68%	5.78%	5.95%
Feb	5.50%	2.53%	4.17%		5.55%	5.61%	5.76%
Mar	5.75%	2.75%	4.50%		5.76%	5.83%	6.01%
Apr	5.75%	2.79%	4.34%		5.56%	5.64%	5.95%
May	6.00%	2.86%	4.14%		5.39%	5.53%	5.88%
June	6.25%	2.99%	4.00%		5.05%	5.40%	5.70%
July	6.25%	3.22%	4.18%		5.18%	5.51%	5.81%
Aug	6.50%	3.45%	4.26%		5.23%	5.50%	5.80%
Sept	6.75%	3.47%	4.20%		5.27%	5.52%	5.83%
Oct	6.75%	3.70%	4.46%		5.50%	5.79%	6.08%
Nov	7.00%	3.90%	4.54%		5.59%	5.88%	6.19%
Dec	7.25%	3.89%	4.47%		5.55%	5.80%	6.14%
2006							
Jan	7.50%	4.20%	4.42%		5.50%	5.75%	6.06%
Feb	7.50%	4.41%	4.57%		5.55%	5.82%	6.11%
Mar	7.75%	4.51%	4.72%		5.71%	5.98%	6.26%
Apr	7.75%	4.59%	4.99%		6.02%	6.29%	6.54%
May	8.00%	4.72%	5.11%		6.16%	6.42%	6.59%
June	8.25%	4.79%	5.11%		6.16%	6.40%	6.61%
July	8.25%	4.96%	5.09%		6.13%	6.37%	6.61%
Aug	8.25%	4.98%	4.88%		5.97%	6.20%	6.43%
Sept	8.25%	4.82%	4.72%		5.81%	6.00%	6.26%

Sources: Council of Economic Advisors, Economic Indicators; Moody's Bond Record; Federal Reserve Bulletin; various issues.

STOCK PRICE INDICATORS

YEAR	S&P Composite	Nasdaq Composite	DJIA	S&P D/P	S&P E/P
1975 - 1982 Cycle					
1975			802.49	4.31%	9.15%
1976			974.92	3.77%	8.90%
1977			894.63	4.62%	10.79%
1978			820.23	5.28%	12.03%
1979			844.40	5.47%	13.46%
1980			891.41	5.26%	12.66%
1981			932.92	5.20%	11.96%
1982			884.36	5.81%	11.60%
1983 - 1991 Cycle					
1983			1,190.34	4.40%	8.03%
1984			1,178.48	4.64%	10.02%
1985			1,328.23	4.25%	8.12%
1986			1,792.76	3.49%	6.09%
1987			2,275.99	3.08%	5.48%
1988			2,060.82	3.64%	8.01%
1989	322.84		2,508.91	3.45%	7.41%
1990	334.59		2,678.94	3.61%	6.47%
1991	376.18	491.69	2,929.33	3.24%	4.79%
1992 - 2001 Cycle					
1992	415.74	599.26	3,284.29	2.99%	4.22%
1993	451.21	715.16	3,522.06	2.78%	4.46%
1994	460.42	751.65	3,793.77	2.82%	5.83%
1995	541.72	925.19	4,493.76	2.56%	6.09%
1996	670.50	1,164.96	5,742.89	2.19%	5.24%
1997	873.43	1,469.49	7,441.15	1.77%	4.57%
1998	1,085.50	1,794.91	8,625.52	1.49%	3.46%
1999	1,327.33	2,728.15	10,464.88	1.25%	3.17%
2000	1,427.22	3,783.67	10,734.90	1.15%	3.63%
2001	1,194.18	2,035.00	10,189.13	1.32%	2.95%
Current Cycle					
2002	993.94	1,539.73	9,226.43	1.61%	2.92%
2003	965.23	1,647.17	8,993.59	1.77%	3.84%
2004	1,130.65	1,986.53	10,317.39	1.72%	4.89%
2005	1,207.23	2,099.32	10,547.67	1.83%	5.40%
2002					
1st Qtr.	1,131.56	1,879.85	10,105.27	1.39%	2.15%
2nd Qtr.	1,068.45	1,641.53	9,912.70	1.49%	2.70%
3rd Qtr.	894.65	1,308.17	8,487.59	1.76%	3.68%
4th Qtr.	887.91	1,346.07	8,400.17	1.79%	3.14%
2003					
1st Qtr.	860.03	1,350.44	8,122.83	1.89%	3.57%
2nd Qtr.	938.00	1,521.92	8,684.52	1.75%	3.55%
3rd Qtr.	1,000.50	1,765.96	9,310.57	1.74%	3.87%
4th Qtr.	1,056.42	1,934.71	9,856.44	1.69%	4.38%
2004					
1st Qtr.	1,133.29	2,041.95	10,488.43	1.64%	4.62%
2nd Qtr.	1,122.87	1,984.13	10,289.04	1.71%	4.92%
3rd Qtr.	1,104.15	1,872.90	10,129.85	1.79%	5.18%
4th Qtr.	1,162.07	2,050.22	10,362.25	1.75%	4.83%
2005					
1st Qtr.	1,191.98	2,056.01	10,648.48	1.77%	5.11%
2nd Qtr.	1,181.65	2,012.24	10,382.35	1.85%	5.32%
3rd Qtr.	1,224.14	2,149.20	10,544.06	1.83%	5.42%
4th Qtr.	1,230.47	2,178.67	10,615.78	1.86%	5.60%
2006					
1st Qtr.	1,283.04	2,287.97	10,996.04	1.85%	5.61%
2nd Qtr.	1,281.77	2,240.46	11,188.84	1.90%	5.86%
3rd Qtr.	1,288.40	2,141.97	11,274.49	1.91%	

Source: Council of Economic Advisors, Economic Indicators, various issues.

**COMPARISON COMPANIES
DIVIDEND YIELD**

COMPANY	DPS	Aug. - Oct. 2006			YIELD
		HIGH	LOW	AVERAGE	
Comparison Group					
Cleco Corp.	\$0.90	\$26.20	\$24.00	\$25.10	3.6%
DTE Energy	\$2.06	\$45.97	\$40.26	\$43.12	4.8%
Energy East	\$1.20	\$25.20	\$23.37	\$24.29	4.9%
Hawaiian Electric Industries	\$1.24	\$28.94	\$26.07	\$27.51	4.5%
Pinnacle West Capital	\$2.10	\$48.93	\$42.91	\$45.92	4.6%
PNM Resources	\$0.88	\$29.08	\$26.37	\$27.73	3.2%
Puget Energy	\$1.00	\$24.17	\$21.97	\$23.07	4.3%
Average					4.3%
Avera Proxy Group					
Black Hills Corp.	\$1.32	\$36.86	\$33.26	\$35.06	3.8%
Edison International	\$1.08	\$44.94	\$40.70	\$42.82	2.5%
Hawaiian Electric	\$1.24	\$28.94	\$26.07	\$27.51	4.5%
Idacorp	\$1.20	\$40.17	\$36.04	\$38.11	3.1%
MDU Resources Group	\$0.54	\$26.24	\$22.25	\$24.25	2.2%
PNM Resources Group	\$0.88	\$29.08	\$26.37	\$27.73	3.2%
Pinnacle West Capital	\$2.10	\$48.93	\$42.91	\$45.92	4.6%
Puget Energy, Inc.	\$1.00	\$24.17	\$21.97	\$23.07	4.3%
Sempra Energy	\$1.20	\$53.85	\$46.56	\$50.21	2.4%
Xcel Energy	\$0.89	\$22.15	\$19.90	\$21.03	4.2%
Average					3.5%

Source: Yahoo! Finance.

**COMPARISON COMPANIES
RETENTION GROWTH RATES**

COMPANY	2001	2002	2003	2004	2005	Average	2006	2007	2009-2011	Average
Comparison Group										
Cleco Corp.	6.5%	5.6%	3.5%	3.9%	4.1%	4.7%	2.5%	3.0%	4.0%	3.2%
DTE Energy	0.1%	6.4%	2.5%	1.6%	3.7%	2.9%	0.0%	1.0%	4.0%	1.7%
Energy East	7.1%	2.9%	3.1%	3.8%	3.7%	4.1%	2.5%	2.0%	2.5%	2.3%
Hawaiian Electric Industries	4.4%	4.3%	3.9%	1.1%	1.5%	3.0%	1.5%	2.0%	3.5%	2.3%
Pinnacle West Capital	7.3%	2.9%	2.6%	2.3%	1.0%	3.2%	2.5%	3.5%	3.0%	3.0%
PNM Resources	12.3%	3.1%	3.0%	4.5%	4.3%	5.4%	4.0%	4.0%	3.5%	3.8%
Puget Energy	0.0%	1.3%	2.1%	2.8%	2.9%	1.8%	2.0%	3.0%	3.5%	2.8%
Average	5.4%	3.8%	3.0%	2.9%	3.0%	3.6%	2.1%	2.6%	3.4%	2.7%
Avera Proxy Group										
Black Hills Corp.	11.6%	6.0%	2.8%	2.3%	3.8%	5.3%	3.5%	4.5%	5.0%	4.3%
Edison International	13.6%	11.9%	13.6%	0.0%	12.3%	10.3%	9.5%	9.0%	6.5%	8.3%
Hawaiian Electric	4.4%	4.3%	3.9%	1.1%	1.5%	3.0%	1.5%	2.0%	3.5%	2.3%
Idacorp	6.3%	0.0%	0.0%	2.7%	1.3%	2.1%	2.5%	2.5%	3.0%	2.7%
MDU Resources Group	7.9%	5.0%	7.6%	7.9%	10.0%	7.7%	10.0%	9.0%	7.5%	8.8%
PNM Resources Group	12.3%	3.1%	3.0%	4.5%	4.3%	5.4%	4.0%	4.0%	3.5%	3.8%
Pinnacle West Capital	7.3%	2.9%	2.6%	2.3%	1.0%	3.2%	2.5%	3.5%	3.0%	3.0%
Puget Energy, Inc.	0.0%	1.3%	2.1%	2.8%	2.9%	1.8%	2.0%	3.0%	3.5%	2.8%
Sempra Energy	11.9%	13.1%	11.3%	14.9%	10.1%	12.3%	8.0%	8.0%	8.5%	8.2%
Xcel Energy	4.3%	0.0%	3.9%	3.9%	2.9%	3.0%	4.0%	3.5%	3.5%	3.7%
Average	8.0%	4.8%	5.1%	4.2%	5.0%	5.4%	4.8%	4.9%	4.8%	4.8%

Source: Value Line Investment Survey.

**COMPARISON COMPANIES
PER SHARE GROWTH RATES**

COMPANY	5-Year Historic Growth Rates				Est'd '03-'05 to '09-'11 Growth Rates			
	EPS	DPS	BVPS	Average	EPS	DPS	BVPS	Average
Comparison Group								
Cleco Corp.	1.0%	2.0%	4.0%	2.3%	4.5%	2.0%	8.5%	5.0%
DTE Energy	-2.0%	0.0%	3.5%	0.5%	3.0%	0.5%	1.5%	1.7%
Energy East	-2.5%	5.0%	6.0%	2.8%	4.0%	4.5%	2.5%	3.7%
Hawaiian Electric Industries	1.0%	0.0%	3.0%	1.3%	3.0%	0.0%	2.5%	1.8%
Pinnacle West Capital	-4.5%	6.5%	4.0%	2.0%	6.0%	5.0%	3.5%	4.8%
PNM Resources	-1.0%	5.0%	4.5%	2.8%	5.5%	8.5%	4.0%	6.0%
Puget Energy	-7.5%	-11.5%	0.5%	-6.2%	5.0%	1.5%	4.0%	3.5%
Average				0.8%				3.8%
Avera Proxy Group								
Black Hills Corp.		3.5%	16.0%	9.8%	6.5%	3.0%	4.0%	4.5%
Edison International		-9.0%	8.5%	-0.3%	8.0%		9.0%	8.5%
Hawaiian Electric	1.0%	0.0%	3.0%	1.3%	3.0%	0.0%	2.5%	1.8%
Idacorp	-11.0%	-6.0%	3.0%	-4.7%	4.5%	-2.0%	3.0%	1.8%
MDU Resources Group	12.5%	5.0%	12.5%	10.0%	8.0%	7.0%	10.5%	8.5%
PNM Resources Group	-1.0%	5.0%	4.5%	2.8%	5.5%	8.5%	4.0%	6.0%
Pinnacle West Capital	-4.5%	6.5%	4.0%	2.0%	6.0%	5.0%	3.5%	4.8%
Puget Energy, Inc.	-7.5%	-11.5%	0.5%	-6.2%	5.0%	1.5%	4.0%	3.5%
Sempra Energy	16.0%	-5.0%	10.5%	7.2%	5.5%	4.5%	12.0%	7.3%
Xcel Energy	-5.5%	-11.0%	-4.5%	-7.0%	6.0%	5.5%	3.5%	5.0%
Average				1.5%				5.2%

Source: Value Line Investment Survey.

**COMPARISON COMPANIES
DCF COST RATES**

COMPANY	ADJUSTED YIELD	HISTORIC RETENTION GROWTH	PROSPECTIVE RETENTION GROWTH	HISTORIC PER SHARE GROWTH	PROSPECTIVE PER SHARE GROWTH	FIRST CALL EPS GROWTH	AVERAGE GROWTH	DCF RATES
Comparison Group								
Cleco Corp.	3.7%	4.7%	3.2%	2.3%	5.0%	8.0%	4.6%	8.3%
DTE Energy	4.8%	2.9%	1.7%	0.5%	1.7%	4.5%	2.2%	7.1%
Energy East	5.0%	4.1%	2.3%	2.8%	3.7%	4.0%	3.4%	8.4%
Hawaiian Electric Industries	4.6%	3.0%	2.3%	1.3%	1.8%	3.0%	2.3%	6.9%
Pinnacle West Capital	4.7%	3.2%	3.0%	2.0%	4.8%	6.0%	3.8%	8.5%
PNM Resources	3.3%	5.4%	3.8%	2.8%	6.0%	12.0%	6.0%	9.3%
Puget Energy	4.4%	1.8%	2.8%		3.5%	4.0%	3.0%	7.4%
Average	4.3%	3.6%	2.7%	2.0%	3.8%	5.9%	3.6%	8.0%
Median								8.3%
Composite		7.9%	7.1%	6.3%	8.1%	10.3%	8.0%	
Avera Proxy Group								
Black Hills Corp.	3.9%	5.3%	4.3%	9.8%	4.5%	4.5%	5.7%	9.5%
Edison International	2.6%	10.3%	8.3%		8.5%	9.0%	9.0%	11.7%
Hawaiian Electric	4.6%	3.0%	2.3%	1.3%	1.8%	3.0%	2.3%	6.9%
Idacorp	3.2%	2.1%	2.7%		1.8%	5.0%	2.9%	6.1%
MDU Resources Group	2.3%	7.7%	8.8%	10.0%	8.5%	6.5%	8.3%	10.6%
PNM Resources Group	3.3%	5.4%	3.8%	2.8%	6.0%	12.0%	6.0%	9.3%
Pinnacle West Capital	4.7%	3.2%	3.0%	2.0%	4.8%	6.0%	3.8%	8.5%
Puget Energy, Inc.	4.4%	1.8%	2.8%		3.5%	4.0%	3.0%	7.4%
Sempra Energy	2.5%	12.3%	8.2%	7.2%	7.3%	4.6%	7.9%	10.4%
Xcel Energy	4.3%	3.0%	3.7%		5.0%	5.0%	4.2%	8.5%
Average	3.6%	5.4%	4.8%	5.5%	5.2%	6.0%	5.3%	8.9%
Median								8.9%
Composite		9.0%	8.4%	9.1%	8.8%	9.5%	8.9%	

Note: Negative average values not considered.

Sources: Prior pages of this schedule.

**STANDARD & POOR'S 500 COMPOSITE
20-YEAR U.S. TREASURY BOND YIELDS
RISK PREMIUMS**

Year	EPS	BVPS	ROE	20-YEAR T-BOND	RISK PREMIUM
1977		\$79.07			
1978	\$12.33	\$85.35	15.00%	7.90%	7.10%
1979	\$14.86	\$94.27	16.55%	8.86%	7.69%
1980	\$14.82	\$102.48	15.06%	9.97%	5.09%
1981	\$15.36	\$109.43	14.50%	11.55%	2.95%
1982	\$12.64	\$112.46	11.39%	13.50%	-2.11%
1983	\$14.03	\$116.93	12.23%	10.38%	1.85%
1984	\$16.64	\$122.47	13.90%	11.74%	2.16%
1985	\$14.61	\$125.20	11.80%	11.25%	0.55%
1986	\$14.48	\$126.82	11.49%	8.98%	2.51%
1987	\$17.50	\$134.04	13.42%	7.92%	5.50%
1988	\$23.75	\$141.32	17.25%	8.97%	8.28%
1989	\$22.87	\$147.26	15.85%	8.81%	7.04%
1990	\$21.73	\$153.01	14.47%	8.19%	6.28%
1991	\$16.29	\$158.85	10.45%	8.22%	2.23%
1992	\$19.09	\$149.74	12.37%	7.29%	5.08%
1993	\$21.89	\$180.88	13.24%	7.17%	6.07%
1994	\$30.60	\$193.06	16.37%	6.59%	9.78%
1995	\$33.96	\$215.51	16.62%	7.60%	9.02%
1996	\$38.73	\$237.08	17.11%	6.18%	10.93%
1997	\$39.72	\$249.52	16.33%	6.64%	9.69%
1998	\$37.71	\$266.40	14.62%	5.83%	8.79%
1999	\$48.17	\$290.68	17.29%	5.57%	11.72%
2000	\$50.00	\$325.80	16.22%	6.50%	9.72%
2001	\$24.69	\$338.37	7.43%	5.53%	1.90%
2002	\$27.59	\$321.72	8.36%	5.59%	2.77%
2003	\$48.73	\$367.17	14.15%	4.80%	9.35%
2004	\$58.55	\$414.75	14.98%	5.02%	9.96%
2005	\$69.93	\$453.06	16.12%	4.69%	11.43%
Average			14.02%	7.90%	6.19%

Sources: Standard & Poor's Analysts' Handbook and Ibbotson Associates 2006 Yearbook.

**COMPARISON COMPANIES
CAPM COST RATES
USING RISK PREMIUM**

COMPANY	RISK-FREE RATE	BETA	MARKET PREMIUM	CAPM RATES
Comparison Group				
Cieco Corp.	4.99%	1.25	5.90%	12.4%
DTE Energy	4.99%	0.75	5.90%	9.4%
Energy East	4.99%	0.90	5.90%	10.3%
Hawaiian Electric Industries	4.99%	0.70	5.90%	9.1%
Pinnacle West Capital	4.99%	1.00	5.90%	10.9%
PNM Resources	4.99%	1.00	5.90%	10.9%
Puget Energy	4.99%	0.80	5.90%	9.7%
Average	4.99%	0.91	5.90%	10.4%
Median				10.3%
Avera Proxy Group				
Black Hills Corp.	4.99%	1.10	5.90%	11.5%
Edison International	4.99%	1.10	5.90%	11.5%
Hawaiian Electric	4.99%	0.70	5.90%	9.1%
Idacorp	4.99%	1.00	5.90%	10.9%
MDU Resources Group	4.99%	1.00	5.90%	10.9%
PNM Resources Group	4.99%	1.00	5.90%	10.9%
Pinnacle West Capital	4.99%	1.00	5.90%	10.9%
Puget Energy, Inc.	4.99%	0.80	5.90%	9.7%
Sempra Energy	4.99%	1.05	5.90%	11.2%
Xcel Energy	4.99%	0.90	5.90%	10.3%
Average	4.99%	0.97	5.90%	10.7%
Median				10.9%

Sources: Value Line Investment Survey, Standard & Poor's Analysts' Handbook, Federal Reserve.

COMPARISON COMPANIES
RATES OF RETURN ON AVERAGE COMMON EQUITY

Company	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	1992-2001 Average	2001-2005 Average	2006	2007	2008-2011
Comparison Group																			
Cleco Corp.	14.0%	12.4%	12.9%	13.4%	13.8%	12.8%	12.6%	12.9%	15.0%	14.6%	13.5%	11.5%	12.6%	11.6%	13.4%	12.8%	8.5%	8.5%	9.5%
DTE Energy	18.7%	15.3%	11.8%	13.0%	11.8%	11.9%	12.2%	12.7%	11.9%	7.6%	13.7%	9.7%	8.1%	10.2%	12.7%	9.9%	6.5%	7.5%	10.0%
Energy East	10.7%	9.1%	10.3%	10.5%	10.1%	9.9%	11.2%	14.4%	15.1%	13.4%	9.3%	8.3%	9.1%	9.3%	11.5%	9.9%	8.5%	8.0%	9.0%
Hawaiian Electric Industries	10.9%	10.5%	11.1%	11.0%	10.5%	10.9%	11.5%	11.1%	9.8%	12.4%	11.9%	11.1%	9.3%	9.7%	11.0%	10.9%	10.0%	10.0%	11.0%
Pinnacle West Capital	10.7%	10.9%	10.2%	10.6%	11.2%	11.0%	11.5%	12.3%	12.4%	8.6%	8.3%	8.3%	8.2%	6.9%	11.5%	9.0%	8.5%	9.0%	9.0%
PNM Resources	4.6%	8.6%	11.7%	8.5%	9.0%	10.0%	11.3%	9.1%	10.2%	15.8%	6.3%	6.7%	7.9%	8.6%	10.0%	9.1%	8.5%	8.5%	8.5%
Puget Energy	12.4%	11.0%	8.8%	10.2%	10.2%	7.4%	11.5%	11.8%	13.2%	7.6%	7.8%	7.4%	8.0%	8.4%	10.4%	7.8%	7.5%	8.5%	8.5%
Average	11.7%	11.1%	11.0%	11.0%	11.1%	10.7%	11.7%	12.0%	12.5%	12.0%	10.2%	9.0%	9.0%	9.2%	11.5%	9.9%	8.3%	8.8%	9.4%
Composite															11.5%	9.9%			
Avera Proxy Group																			
Black Hills Corp.	16.2%	14.7%	13.9%	14.4%	16.1%	16.2%	16.8%	17.2%	21.5%	22.1%	12.1%	8.9%	7.9%	9.4%	16.9%	12.1%	9.5%	10.0%	10.5%
Edison International	13.4%	11.8%	11.5%	11.8%	11.2%	11.8%	12.7%	13.7%	-52.0%	14.9%	15.4%	15.8%	3.9%	17.4%	6.1%	13.5%	14.5%	13.5%	11.0%
Hawaiian Electric	10.9%	10.5%	11.1%	11.0%	10.5%	10.9%	11.5%	11.1%	9.8%	12.4%	11.9%	11.1%	9.3%	9.7%	11.0%	10.9%	10.0%	10.0%	11.0%
Idacorp	9.0%	11.2%	10.1%	11.6%	12.1%	12.4%	12.4%	12.3%	16.7%	14.9%	7.1%	4.2%	8.2%	7.3%	12.3%	8.3%	7.5%	7.0%	7.0%
MDU Resources Group	11.5%	12.2%	12.1%	12.4%	13.0%	14.3%	14.7%	13.7%	14.2%	15.0%	11.1%	13.4%	13.5%	15.4%	13.3%	13.7%	14.0%	13.0%	11.5%
PNM Resources Group	4.6%	8.6%	11.7%	8.5%	9.0%	10.0%	11.3%	9.1%	10.2%	15.8%	6.3%	6.7%	7.9%	8.6%	10.0%	9.1%	8.5%	8.5%	8.5%
Pinnacle West Capital	10.7%	10.9%	10.2%	10.6%	11.2%	11.0%	11.5%	12.3%	12.4%	8.6%	8.3%	8.3%	8.2%	6.9%	11.5%	9.0%	8.5%	9.0%	9.0%
Puget Energy, Inc.	12.4%	11.0%	8.8%	10.2%	10.2%	7.4%	11.5%	11.8%	13.2%	7.6%	7.8%	7.4%	8.0%	8.4%	10.4%	7.8%	7.5%	8.5%	8.5%
Sempra Energy	14.3%	14.1%	13.6%	15.1%	14.9%	16.1%	9.5%	13.3%	16.5%	20.0%	20.7%	19.4%	20.7%	15.7%	14.7%	19.3%	12.5%	12.0%	12.0%
Xcel Energy	9.1%	11.3%	12.4%	13.5%	12.6%	10.3%	11.4%	8.8%	9.8%	13.2%	2.8%	10.0%	9.8%	9.1%	11.2%	9.0%	10.0%	9.5%	10.5%
Average	11.2%	11.6%	11.5%	11.9%	12.2%	12.1%	12.3%	12.3%	7.2%	14.9%	10.4%	10.5%	9.7%	10.8%	11.7%	11.3%	10.3%	10.1%	10.0%
Composite															11.7%	11.3%			

Source: Calculations made from data contained in Value Line Investment Survey.

RISK INDICATORS

GROUP	VALUE LINE SAFETY	VALUE LINE BETA	VALUE LINE FIN STR	S & P STK RANK
S & P's 500 Composite	2.7	1.05	B++	B+
Comparison Group	2.3	0.91	B++	B
Avera Proxy Group	2.2	0.97	B++	B+
Pinnacle West Capital	1.0	1.00	A	B

Sources: Value Line Investment Survey, Standard & Poor's Stock Guide.

Definitions:

Safety rankings are in a range of 1 to 5, with 1 representing the highest safety or lowest risk.

Beta reflects the variability of a particular stock, relative to the market as a whole. A stock with a beta of 1.0 moves in concert with the market, a stock with a beta below 1.0 is less variable than the market, and a stock with a beta above 1.0 is more variable than the market.

Financial strengths range from C to A++, with the latter representing the highest level.

Common stock rankings range from D to A+, with the latter representing the highest level.

**SUMMARY OF UPDATES OF COST OF CAPITAL ANALYSES
TESTIMONY OF DAVID C. PARCELL
ON BEHALF OF COMMISSION STAFF**

	Direct Testimony	Update	Change
Interest Rates -- Latest Month			
US Treasury Bills 3 Month	4.79%	4.82%	0.03%
US Treasury Bonds 10 Year	5.11%	4.72%	-0.39%
Utility Bonds Aa	6.16%	5.81%	-0.35%
Utility Bonds A	6.40%	6.00%	-0.40%
Utility Bonds Baa	6.61%	6.26%	-0.35%
DCF Analysis			
Comparison Group			
Dividend Yield	4.5%	4.3%	-0.2%
Projected Retention Rate	2.8%	2.7%	-0.1%
Projected Per Share Growth	3.9%	3.8%	-0.1%
First Call EPS Growth	5.4%	5.9%	0.5%
DCF Average	8.1%	8.0%	-0.1%
DCF Median	8.4%	8.3%	-0.1%
DCF High	10.0%	10.3%	0.3%
Avera Group			
Dividend Yield	3.6%	3.5%	-0.1%
Projected Retention Rate	4.8%	4.8%	0.0%
Projected Per Share Growth	5.0%	5.2%	0.2%
First Call EPS Growth	5.9%	6.0%	0.1%
DCF Average	8.9%	8.9%	0.0%
DCF Median	8.8%	8.9%	0.1%
DCF High	9.6%	9.5%	-0.1%
CAPM Analysis			
Risk Free Rate	5.30%	4.99%	-0.31%
Risk Premium	5.80%	5.90%	0.10%
Comparison Group			
Beta	0.89	0.91	0.02
CAPM Average	10.4%	10.4%	0.0%
CAPM Median	10.5%	10.3%	-0.2%
Avera Group			
Beta	0.93	0.97	0.04
CAPM Average	10.7%	10.7%	0.0%
CAPM Median	10.8%	10.9%	0.1%
Comparable Earnings Analysis			
Projected ROE			
Comparison Group			
2006	8.2%	8.3%	0.1%
2007	8.7%	8.6%	-0.1%
2009-2011	9.3%	9.4%	0.1%
Avera Group			
2006	10.4%	10.3%	-0.1%
2007	10.1%	10.1%	0.0%
2009-2011	9.9%	10.0%	0.1%