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

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-01345A-06-0009
ARIZONA PUBLIC SERVICE COMPANY FOR)
AN EMERGENCY INTERIM RATE INCREASE) MERCHANT GENERATORS
AND FOR AN INTERIM AMENDMENT TO) RESPONSE IN SUPPORT OF
DECISION NO. 67744) ARIZONA PUBLIC SERVICE
) COMPANY'S MOTION TO
) AMEND DECISION NO. 68685

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I.

INTRODUCTION

Mesquite Power, L.L.C., Southwestern Power Group II, L.L.C. and Bowie Power Station, L.L.C. ("Mesquite/SWPG/Bowie"), hereby express their support for the Motion To Amend Decision No. 68685 filed by Arizona Public Service Company ("APS") on November 9, 2006 in the above-captioned proceeding and docket number.¹ Mesquite/SWPG/Bowie were Intervenors in Docket No. E-01345A-06-0009, and actively participated in each phase of the

¹ In that regard, it should be noted that the reference to Decision No. 67744 in the caption description is in error. The reference should be to Decision No. 68685, which was issued in Docket No. E-01345A-06-0009. That docket pertained to APS' 2005 emergency rate increase request, and Decision No. 68685 was issued in response to that request. Whereas, Decision No. 67744 was issued in Docket No. E-01345A-03-0437, which related to APS' 2003 permanent rate increase request.

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2 proceeding, including the Open Meeting at which the Commission approved Decision No.
3 68685.
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5 **II.**
6 **DISCUSSION**

7 Mesquite/SWPG/Bowie do not disagree with the reasons cited by APS as to why
8 approval of its Motion To Amend would be in the "public interest." However, APS overlooks an
9 additional reason why such approval is warranted in this instance.

10 That additional reason is the adverse effect that a downgrade of APS' bond ratings to
11 "junk" status could have upon APS' ability to remain a creditworthy and viable purchaser in the
12 competitive wholesale electric market in Arizona. The Commission has on numerous occasions
13 reiterated its policy view that the maintenance of a viable wholesale competitive electric market
14 in Arizona is in the "public interest." One recent such occasion was its issuance of Decision No.
15 68685.² APS is a major purchaser within that market. Thus, any financial developments which
16 could adversely affect its ability to participate in that market, in turn, could adversely affect the
17 "public interest." A downgrade of APS' bond rating to "junk" would be such an adverse
18 development.
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22 _____
23 ² Interestingly enough in this regard, the Arizona Utility Investors Association ("AUIA") indirectly acknowledges
24 this fact in its November 17, 2006 Response In Support of APS' Motion To Amend ("Response In Support"):

25 "The Commission authorized the interim adjuster six months ago [in Decision No. 68685],
26 because it, Staff, RUCO, AUIA and other parties recognized that a downgrade of APS' bond
27 ratings to "junk" status was quite likely and the consequences clearly were not in the public's
28 interest." [AUIA Response at page 2, lines 2-5] [Emphasis added]

The "it" in that instance was the Commission. The "other parties" included Mesquite/SWPG/Bowie. The "public interest" considerations motivating the Commission to act as it then did included the additional consideration raised by Merchant Generators in this Response In Support of APS' Motion To Amend Decision No. 68685.

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III.
CONCLUSION

For the additional "public interest" consideration discussed above, as well as those reasons discussed in APS' Motion To Amend and AUIA's Response In Support, Mesquite/SWPG/Bowie hereby support APS' request for a Commission opinion and order amending Decision No. 68685 so as to continue the interim 7 mill PSA adjuster in effect until a final opinion and order have been issued in APS' currently pending permanent rate case in Docket No. E-01345A-05-0816.

Dated this 22nd day of November 2006.

Respectfully submitted,

Lawrence V. Robertson, Jr.
Attorney for Southwestern Power Group, II,
L.L.C. and Bowie Power Station, L.L.C.

and

Lawrence V. Robertson, Jr. and
Theodore Roberts

By: Lawrence V. Robertson Jr
Attorneys for Mesquite Power, L.L.C.

Original and 13 copies of the foregoing
Merchant Generators Response
In Support mailed this 22nd day of
November, 2006 to:

Docket Control
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Phoenix, Arizona 85007

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A copy of the foregoing
emailed to this 22nd day of November, 2006 to

All Parties of Record

APS