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**ARIZONA CORPORATION COMMISSION**

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OLM

February 6, 2007

E-01345A-05-0816  
E-01345A-05-0826  
E-01345A-05-0827

Thomas L. Mumaw  
Pinnacle West Capital Corporation  
Post Office Box 53999, MS 8695  
Phoenix, Arizona 85072-3999

RE: APS Funds From Operations (Docket Nos. E-01345A-05-0816, et al.)

Dear Mr. Mumaw:

During these proceedings, APS has stressed the importance of credit metrics in the analysis of a company's financial health. In that context, APS identified the ratio of Funds From Operations to Debt (FFO/Debt) as being the most important<sup>1</sup> or "all important"<sup>2</sup> financial metric. Further, APS has criticized Commission Staff and other Parties for not calculating the impact of their proposals on APS' financial metrics<sup>3</sup>.

Although the record contains some discussion about the *general* methodology employed by APS to calculate FFO<sup>4</sup>, I am unable to locate a complete and specific description of the formula APS used to calculate the FFO values that are embodied in the Company's FFO/Debt for 2003, 2004 and 2005, as listed in Attachment DEB-2 to Mr. Brandt's Direct Testimony.

Given APS' view of the importance of FFO/Debt as a financial metric, please cite the location in the record of this case where APS described the exact formula, method and financial data that APS used to produce the FFO/Debt figures in Attachment DEB-2.

Thank you for your response to this request by February 16, 2007.

Sincerely,

Mike Gleason  
Commissioner

c: Chairman Jeff Hatch-Miller  
Commissioner William A. Mundell  
Commissioner Kristin K. Mayes  
Commissioner Gary Pierce

Arizona Corporation Commission  
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<sup>1</sup> Brandt Rejoinder Testimony at 13.

<sup>2</sup> APS Initial Post-Hearing Brief at 6.

<sup>3</sup> APS opening statement, Tr. at 25; Wheeler Rejoinder Testimony at 3 through 6.

<sup>4</sup> Dittmer, Tr. at 4249 and 4254; Brandt, Tr. at 4576.