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ARIZONA CORPORATION COMMISSION

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 important¹ or "all important"² financial metric. Further, APS has criticized Commission Staff and other Parties for not calculating the impact of their proposals on APS' financial metrics³.

Although the record contains some discussion about the *general* methodology employed by APS to calculate FFO⁴, 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

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¹ Brandt Rejoinder Testimony at 13.
² APS Initial Post-Hearing Brief at 6.
³ APS opening statement, Tr. at 25; Wheeler Rejoinder Testimony at 3 through 6.
⁴ Dittmer, Tr. at 4249 and 4254; Brandt, Tr. at 4576.