

**APS ORIGINAL**



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April 13, 2007

Docket Control  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, Arizona 85007

RE: ANNUAL REPORTING REQUIREMENTS UNDER APS CODE OF CONDUCT DECISION NO. 68741  
DOCKET NO.s: E-00000A-02-0051 and E-00000A-01-0630

Dear Sir or Madame:

Pursuant to Decision No. 68741 (June 5, 2006), Part II, Section VIII of the APS Code of Conduct, attached is Arizona Public Service Company's ("APS") Annual Report for the time period of January 1, 2006 through December 31, 2006.

If you should have any questions regarding the information contained herein, please call me at 602-250-2366.

Sincerely,

Linda A. Thompson

LAT/srm

CC: Docket Control (Original, plus 14 copies)  
Brian Bozzo, Compliance and Enforcement

Arizona Corporation Commission  
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ARIZONA PUBLIC SERVICE COMPANY  
DECISION NO. 68741  
ANNUAL REPORT FOR THE PERIOD OF  
JANUARY 1, 2006 THROUGH DECEMBER 31, 2006

Reporting Requirements under Part II, Section VIII of Arizona Public Service Company's ("APS") Code of Conduct filed June 5, 2006.

APS shall submit the following information to the Commission on an annual basis each April 15<sup>th</sup>, which shall be available to the public:

- A. *A list of all Extraordinary Circumstances that explains the nature, cause, and duration of each incident.*

APS did not experience any Extraordinary Circumstances that required APS to act in a manner contrary to the Code of Conduct during the year 2006.

- B. *A report summarizing the charges associated with all non-tariffed transactions between APS and its Competitive Electric Affiliates, with the associated charges reported separately for each Competitive Electric Affiliate and for each category of service.*

Attached are the summaries for non-tariffed transactions between APS and APS Energy Services, Pinnacle West Capital Corporation and Pinnacle West Energy Corporation (Attachments 1-3)

- C. *A report detailing (i) how many non-Standard Offer Service customers were provided metering services or meter reading services and (ii) how many Electric Service Providers received consolidated billing services from APS.*

(i) APS did not provide any non-Standard Offer Service customers metering or meter reading services for the reporting period of January 1, 2006 through December 31, 2006.

(ii) APS did not provide any consolidated billing services to any electric service provider for the reporting period of January 1, 2006 through December 31, 2006.

- D. *A report identifying all transfers between APS and its Competitive Electric Affiliates of employees at the manager level or above. In addition, this report shall identify all transfers between APS and its Competitive Electric Affiliates of all trading desk employees.*

There were three transfers between APS and its Competitive Electric affiliates at Management level during 2006. (See Attachment 4)

There were three transfers of trading desk employees during 2006: (See Attachment 5)

- E. *An attestation, signed by the chief executive officer or an executive vice president of APS, that APS has complied with the Code of Conduct.*

A copy of the signed attestation by Steve Wheeler, Executive Vice President, Customer Service and Regulation is attached. (See Attachment 6)

**Arizona Public Service Company ("APS") and APS Energy Services ("APSES")  
Non-Tariffed Affiliate Charges - Year Ending 2006**

**Charges to APSES by APS**

Category of Service	FN	Amount
Wholesale Power Sales to APSES for California Load		4,528,670
Shared Services	(a), (b)	2,596,048
Energy Risk Management		493,844

There were no charges by APS Energy Services to APS

(a) Shared services include tax services, accounting and finance, corporate communications, real estate management, environmental services, human resources, transportation, and information technology.

(b) (21,986) of Shared Services are below the line dollars

**Arizona Public Service Company ("APS") and Pinnacle West Capital Corporation ("PWCC")  
Non-Tariffed Affiliate Charges - Year Ending 2006**

**Charges to PWCC by APS**

Category of Service	FN	Amount
Common stock dividends		\$170,000,000
APS share of withholding and payroll taxes		166,662,063
APS Share of estimated income taxes		131,140,000
APS share of employee benefits (excluding pension and other postretirement benefits)		90,193,835
APS share of pension and other post retirement benefits contributions		73,173,201
APS share of savings plan payroll deductions		43,266,232
Shared Services	(a), (b)	22,384,082
<b>Charges to PWCC by APS</b>		
Equity Infusion		\$210,000,000
Intercompany Purchases and Sales of Power		29,372,764
Income tax refunds		13,308,998
Transmission service		5,063,732
Shared Services	(c),(d)	1,374,338
Energy Risk Management		296,318
Power Marketing Services		1,850,699

(a) Shared services include audit services, general administration, law and business practices, PNW finance, public/federal affairs, and shareholder services.

(b) \$3,114,727 of Shared Services are below the line dollars

(c) Shared services include tax services, accounting and finance, corporate communications, real estate management, environmental services, human resources, and information technology.

(d) (\$9,402) of Shared Services are below the line dollars

**Arizona Public Service Company ("APS") and Pinnacle West Energy Corporation ("PWEC")  
Non-Tariffed Affiliate Charges - Year Ending 2006**

**Charges to PWEC by APS**

Category of Service	FN (a), (b)	Amount
Shared Services		30,476

There were no charges by PWEC to APS

(a) Shared services include tax services, accounting and finance, corporate communications, real estate management, environmental services, human resources, and information technology.

(b) Pinnacle West Energy merged into PWCC on 8/1/2006.

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Affiliate Transfers - Management Level & Above  
 Year - 2006

Employee Name	Transfer to		Transfer From:		Effective Date
	Company	Position	Company	Position	
Ann Bernal	APS	Admin Project Control Manager	PWEC	Admin Project Control Manager	1/11/2006
Warren Kotzman	APS	VP Res Acqstr/Rsk Mtg	PWEC	VP bus & Corp Services	1/11/2006
Ronald Flood	APS	Manager Gen Expansion	PWEC	Manager Gen Expansion	1/11/2006
				Department Name	
				Accounting Services Administration	Generation Projects
				Resource Acquisition & Risk Ad	Svsc
				Resource Acquisition & Risk Ad	Generation Projects

APS Code of Conduct

Transfers - Trading Desk Employees  
Year - 2006

<u>Employee Name</u>	<u>Transfer to Company</u>	<u>Position</u>	<u>Transfer From: Company</u>	<u>Effective Date</u>
Fred Contreras	APS	Trader	PNW	4/8/2006
Mark Wiesinger	APS	Real-Time Trader	PNW	4/8/2006
Joseph Sanchez	PNW	Real-Time Trader Sr.	APS	10/7/2006

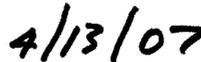
ARIZONA PUBLIC SERVICE COMPANY  
CODE OF CONDUCT  
ATTESTATION STATEMENT

Pursuant to Arizona Public Service Company's ("APS") Code of Conduct [Part Two – Basic Principles Section VIII – Reporting Requirement], the undersigned Executive Vice President of Arizona Public Service Company submits this attestation for the period of June 5, 2006 through December 31, 2006.

I, Steve Wheeler, Executive Vice President, Customer Service/Regulation, Arizona Public Service Company, based on due inquiry and the personal attestations of personnel responsible for code of conduct administration, attest that to the best of my knowledge, information, and belief, APS has complied with the Arizona Corporation Code of Conduct effective on June 5, 2006.



Steve Wheeler  
Executive Vice President,  
Customer Service/Regulation



Date