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**ARIZONA CORPORATION COMMISSION**

Commissioner

*Obmc*

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June 12, 2007

Mr. Thomas Mumaw  
Attorney for Arizona Public Service  
Pinnacle West Capital Corporation  
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VIA FACSIMILE (602) 250-3393

**Re: APS General Rate Case, Power Supply Adjustor; Docket Nos. E-01345A-05-0816,  
E-01345A-05-0826 and E-01345A-05-0827**

Dear Mr. Mumaw:

In advance of the hearing scheduled to begin tomorrow, I would like APS to prepare an example of how the Power Supply Adjustor ("PSA") will work under the Plan of Administration ("POA") contained in the Recommended Opinion and Order ("ROO"). Specifically, I would like APS to describe, diagrammatically or otherwise, how it believes the PSA will operate, focusing on the time period from February 1, 2008 through January 31, 2009.

Please use hypothetical numbers to calculate a Forward Component, Historical Component and Tracking Component, with none of the components equaling zero. For this exercise, I would like to see how each of the components is calculated to obtain the PSA rate.

I would request that APS be prepared to discuss its PSA example no later than Thursday morning. I will ask all Parties to offer their comments on the example to ensure that all Parties agree on how the PSA will be implemented and administered.

Thank you for your prompt attention to my request.

Sincerely,

Kris Mayes  
Commissioner

Arizona Corporation Commission  
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Page 2

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Parties to the Docket