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THIS AMENDMENT:

Passed Passed as amended by

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Arizona Corporation Commission

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**AZ CORP COMMISSION
DOCKET CONTROL**

GLEASON PROPOSED AMENDMENT #6

DATE PREPARED: June 1, 2007

COMPANY: Arizona Public Service Company

DOCKET NOS: E-01345A-05-0816, E-01345A-05-0826 and E-01345A-05-0827

OPEN MEETING DATES: June 13, 2007

AGENDA ITEM: U-1

Page 37, between lines 23 and 24 INSERT:

"13. Accelerated Depreciation Allowance

APS proposed an adjustment to accelerate some of its depreciation expense. The Company requested an allowance of \$50,000,000 per year in accelerated depreciation which would generate approximately \$30,000,000 after income taxes, of additional positive cash flow. We find that this adjustment as set forth herein below is reasonable and appropriate and will adopt it."

Page 63, lines 3 through 6 STRIKE:

"We believe that APS' cash flow problems will be sufficiently addressed through our adoption of Staff's forward looking PSA and the higher base cost of fuel and purchased power that we are adopting in this Decision. (See discussion below)"

Page 63, lines 16 through 17

STRIKE: "Accordingly, we will not adopt APS' proposed adjustments to increase its cash flow."

INSERT: "However, we are concerned that, even with our adoption of Staff's forward looking PSA and the higher base cost of fuel and purchased power that we are adopting in this Decision, APS' cash flow problems may not be sufficiently addressed. We agree with APS that there are rate-making adjustments that can be used to alleviate APS' current cash flow problem, while at the same time protecting ratepayers. We find that APS should be allowed \$50,000,000 in accelerated depreciation expense. This will allow APS to improve its cash flow by approximately \$30 million after taxes, but will not create additional earnings for the Company. It will also reduce future revenue requirements from ratepayers. We find that this ratemaking adjustment to the historical test year is appropriate."

Page 68, line 4, after "imprudent," INSERT:

"the allowance of \$50,000,000 per year of accelerated depreciation expense,"

Make all conforming changes