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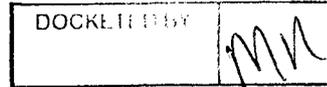
January 4, 2008

Arizona Corporation Commission  
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Mr. Don E. Brandt, President  
Arizona Public Service Company  
400 North 5<sup>th</sup> Street, Mail Station 9042  
Phoenix, Arizona 85004



Re: Billing Issues  
APS General Rate Case, Docket Nos. E-01345A-05-0816, E-01345A-05-0826,  
E-01345A-05-0827;  
APS Time of Use Rates, Docket No. [REDACTED]  
APS Application for Approval of Transmission Cost Adjustor Charges,  
Docket No. [REDACTED]

Dear Mr. Brandt:

I have received many questions from constituents regarding APS' Equalizer Plan and the net effect of the latest rate increase on customers. I was under the impression that the purpose of this plan was to ensure billing certainty and predictability for customers whose electricity usage remains generally consistent from year to year. However, it has come to my attention that APS has been adjusting the equalizer amounts for customers more often than it had in prior years.

Under the residential Equalizer Plan, APS conducts a review of a customer's account three times a year and then reconciles it in either December or June depending on the climate zone in which the customer resides. As a result, adjustments to a customer's equalizer payment could potentially occur each quarter. Under this practice, the idea of an equalized monthly payment over a rolling 12-month period is misleading, as it truly only "levels" payments for three months. This clearly flies in the face of prior statements by APS and the expressed intent of the program.

To that end, I pose the following questions:

- How many customers on the Equalizer Plan have been affected by APS' new practice to readjust bills — usually upward — on a quarterly basis?
- How will raising required payments on Equalizer Plan customers affect APS' financial condition in terms of cash flow and revenue collections?
- Do you plan to inform customers adequately that the Equalizer Plan has become only a three-month budget plan instead of an annual one?
- Can you demonstrate that APS is correctly calculating customers' Equalizer monthly payments?

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Since the implementation of APS' new rates, I have also received complaints from several customers about skyrocketing monthly bills. One customer, for example, asserts his APS monthly bill jumped 80%, while his electric consumption remained the same.

Given the rate increases that APS customers have had to endure over the last two years, it is now more important than ever to provide them with viable options to manage their electric power costs. The Time-Of-Use (TOU) amendment I introduced — and you vigorously opposed — in the last APS rate case would have provided customers with a powerful tool to lower their energy bills. Had it passed, APS customers could have participated in a practical TOU program that offered more off-peak hours at economical rates with peak and off-peak periods that more accurately reflect APS' actual summer peak, which occurs between 3:00 p.m. and 6:00 p.m. APS' existing TOU programs, though highly subscribed to by customers, fall short of providing the true cost savings options they seek. Because I felt that customers were not given an adequate opportunity to mitigate the rate increase, I was compelled to vote against your application.

In July 2007, a generic docket was opened "In the matter of the Inquiry into Time of Use Rates for Arizona Public Service Company." As yet there has been no activity in that docket. I request that APS file, as soon as possible, a TOU proposal in this docket that addresses my concerns and incorporates the spirit of my amendment by providing opportunities to their customers — particularly families and people on fixed incomes — to reduce their electricity costs. APS wasted no time in filing for an increase to its Power Supply Adjustor and an increase to its Transmission Cost Adjustor. I am sure the company can make the requisite TOU filing within 30 days.

I look forward to your response.

Sincerely,



William A. Mundell, Commissioner  
Arizona Corporation Commission

cc: Chairman Gleason  
Commissioner Hatch-Miller  
Commissioner Mayes  
Commissioner Pierce  
Dean Miller  
Rebecca Wilder  
Ernest Johnson  
Lyn Farmer  
Chris Kempley