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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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| MIKE GLEASON, Chairman | 2007 OCT 18 A 11: 14 |
| WILLIAM A. MUNDELL | |
| JEFF HATCH-MILLER | AZ CORP COMMISSION |
| KRISTIN K. MAYES | DOCKET CONTROL |
| GARY PIERCE | |

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR AN ORDER OR ORDERS AUTHORIZING IT TO ISSUE, INCUR, AND AMEND EVIDENCES OF LONG-TERM INDEBTEDNESS, AND SHORT - TERM INDEBTEDNESS, TO EXECUTE NEW SECURITY INSTRUMENTS, TO SECURE ANY SUCH INDEBTEDNESS, TO REPAY AMOUNTS PAID UNDER ANY PINNACLE WEST CAPITAL CORPORATION GUARANTEE OF ARIZONA PUBLIC SERVICE COMPANY INDEBTEDNESS AND FOR DECLARATORY ORDER.

DOCKET NO. E-01345A-06-0779

STAFF'S COMMENTS TO ARIZONA PUBLIC SERVICE COMPANY'S EXCEPTIONS

Arizona Corporation Commission
DOCKETED

OCT 18 2007

IN THE MATTER OF THE APPLICATION OF PINNACLE WEST CAPITAL CORPORATION FOR AN ORDER OR ORDERS AUTHORIZING IT TO GUARANTEE THE INDEBTEDNESS OF ARIZONA PUBLIC SERVICE COMPANY.

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The Utilities Division Staff ("Staff") of the Arizona Corporation Commission ("Commission") hereby files the following comments to the Exceptions of Arizona Public Service Company ("APS"), filed on October 12, 2007. Staff generally supports APS' proposed amendments and believes that the Commission's adoption of these amendments would provide useful clarifications to the proposed order.

Although Staff generally supports the amendments proposed by APS, Staff believes that certain language contained in APS' first proposed amendment is unnecessary. Specifically, APS suggests that the Commission add the following language to the proposed order at page 19, line 13:

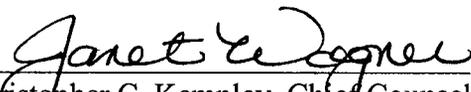
It is further ordered that, except as otherwise authorized herein, none of the purposes for which debt is to be issued pursuant to this authorization is reasonably chargeable to operating expense or income.

...

1 In light of APS' other proposed amendments, this statement is not necessary. In addition, Staff
2 believes that it may be confusing, perhaps creating the impression that the Commission intends to
3 somehow limit APS' use of debt proceeds in a way that may be inconsistent with the order as a
4 whole. Staff therefore suggests that the Commission reject this portion of APS' first proposed
5 amendment. Staff does not object to any of the remaining portions of that amendment.

6 With this change, Staff generally supports APS' exceptions.

7 RESPECTFULLY submitted this 18th day of October, 2007.

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14 Original and thirteen (13) copies
15 of the foregoing were filed this
18th day of October, 2007 with:

16 Docket Control
17 Arizona Corporation Commission
1200 West Washington Street
18 Phoenix, Arizona 85007

19 Copy of the foregoing mailed this
20 18th day of October, 2007 to:

21 Thomas L. Mumaw
22 Barbara M. Gomez
ARIZONA PUBLIC SERVICE CO.
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