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March 19, 2008

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

RE: Palo Verde Outage Report as Required by Decision No. 69663, Docket Nos.  
E-01345A-05-0816, E-01345A-05-0826, E-01345A-05-0827

Dear Sir or Madam,

Pursuant to Decision No. 69663, enclosed please find an Outage Report for planned or unplanned outages at the Palo Verde Nuclear Generating Station.

If you have any questions, please call Jeff Johnson at 602-250-2661.

Sincerely,

Barbara Klemstine

BK/scc

Attachment

CC: Brian Bozzo  
Ernest Johnson

Arizona Corporation Commission  
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**OUTAGE REPORT  
PALO VERDE NUCLEAR GENERATING STATION (PVNGS)  
PURSUANT TO DECISION NO. 69663**

The PVNGS Unit 3 planned refueling outage began on September 29, 2007. In addition to routine refueling, the scope of the outage included several major projects such as steam generator replacement, main turbine low pressure and main generator rotor replacement, upgrades on the refueling machine and transfer equipment, implementation of the containment sump modification, SI-651 valve replacement, diesel generator governor modification, full structural weld overlay on select pressurizer and reactor coolant nozzles, and overhauls and replacements of several key pumps and/or motors. Unit 3 was returned to full power on January 19, 2008.

Replacement net fuel and purchased power costs incurred as a result of this outage were \$18.8 million. Because this outage was planned, it did not result in any reduced off-system sales or lost opportunity sales margins.