

ORIGINAL
APS



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August 29, 2008

AZ CORP COMMISSION
DOCKET CONTROL

Mr. Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, Arizona 85007

Arizona Corporation Commission
DOCKETED

AUG 29 2008

RE: Docket No. E-01345A-06-0770, Decision No. 69670
Quarterly Report on Transfers of Utility Property

DOCKETED BY	<i>MC</i>
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Dear Mr. Johnson:

In accordance with Decision No. 69670 (June 28, 2007),

“The Company shall file in Docket Control, quarterly reports summarizing each transfer, sale, mortgage, lease, or assignment entered into pursuant to their order and further shall state how each transaction complies with condition/limitation. This reporting requirement shall be met by continuing the reporting currently being submitted by APS in compliance with Decision No. 60481, as amended by Decision No. 61708, replacing and superseding that requirement, and increasing the frequency of the report to quarterly.”

Arizona Public Service Company (“APS”) submits its quarterly report summarizing transfers, sales, mortgages, leases or assignments entered into from March 31, 2008 through June 30, 2008.

If you or your staff have any questions, please contact Jeff Johnson at 602-250-2661.

Sincerely,

Susan Casady

SC/dst

Attachment

CC: Brian Bozzo
Terri Ford
Docket Control (Original plus 13 Copies)

ARIZONA PUBLIC SERVICE COMPANY
CALCULATION OF NET GAINS ON UTILITY PROPERTY
 As of June 30, 2008

SALES TRANSACTION DATE	PROPERTY DESCRIPTION	SALES PRICE	OCLD	BOOK GAIN ON SALE	TAX BASIS OF PROPERTIES	TAXES (1,2)	NET GAIN (3)	AMOUNT ALLOCATED TO CUSTOMERS (4)	INTEREST TO DATE (5)	CUSTOMER BALANCE
May-07	Goodyear Service Center Land (10)	\$87,676	\$1,910	\$85,765	\$43,838	\$17,255	\$68,510	\$34,255	\$1,847	\$36,102
LEASES										
05/16/2008	345/230 KV Transformer	\$209,365 (8)	\$0	\$0	\$209,365					\$273,916
Account Balance as of March 31, 2008										
Interest from March 31, 2008 to April 30, 2008										
Transfer Balance (9)										
Correction (10)										
Interest from May 1, 2007 to June 30, 2008 for above correction										
Interest from April 30, 2008 to June 30, 2008										
Total Account Balance as of June 30, 2008										

(1) [(Sales Price less Tax Basis)*Tax Rate]-[(ADIT Net Book Basis-Tax Basis)* Tax Rate]

(2) APS Composite Income Tax Rate: 2003 = 0.3961; 2005 = 39.37%; 2006 = 39.05%; 2007 = 39.36%; 2008 = 39.36%

(3) Jurisdictional allocation of Net Gain

(4) Amount Allocated for Customers based on 50% of jurisdictional split.

(5) Interest from Date of Transfer through June 30, 2008

(6) \$16,800 is the annual rent amount. Because the lease is periodic, there is no meaningful way to calculate a net present value.

(7) Revenue Credit - lease payments are credited to Rent from Utility Property where customers receive the full benefit

(8) Lease term is six months - August 31, 2008 through January 31, 2009. Value of the lease is the six month total.

(9) Per ACC Decision No. 70295 dated 4/24/08, APS applied \$271,768 to the Demand Side Management Adjustor Charge account on April 30, 2008.

(10) This transaction was inadvertently omitted and therefore a correction is included above.

SUMMARY OF TRANSACTIONS
Second Quarter, March 31, 2008 through June 30, 2008

345/230 kV Transformer Lease – On May 16, 2008, APS entered into a lease agreement with Siemens Power Transmission & Distribution for the use of a 345/230 kV transformer to be used by Xcel Energy/Public Service Company of Colorado. The transformer is needed by Xcel for a short period of time to allow for the delivery to Xcel of a new transformer. Because APS has an additional 345/230 kV spare transformer, it was determined that this transformer would not be needed and this lease will not impact reliability to APS customers.

The lease was signed on May 16, 2008 and will run for six months, from October 31, 2008 through January 31, 2009. Monthly lease payments totaling \$209,365 begin October 1, 2008 and will be credited to Rent from Utility Property where customers receive the full benefit. In this quarterly report, APS included the total lease term payments of \$209,365.

Goodyear Service Center Land – APS discovered a transaction that involved a transfer of plant under threat of condemnation that should have been reported in May 2007. The net gain was incorrectly recorded and is being corrected with this report to share 50% of the net gain with customers.

This transaction was the sale of a portion of land at the Goodyear Service Center for a road widening project by the City.