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October 5, 2009

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

Re: Compliance Filing of Arizona Public Service Company Regarding TCA 2009 Charge and Responses to Questions Posed During Open Meeting on July 29, 2009
Docket No. E-01345A-09-0255

In Decision No. 71244 (August 6, 2009), the Arizona Corporation Commission ("ACC" or "Commission") directed Arizona Public Service Company ("APS" or "Company") to file Transmission Cost Adjustment ("TCA") report within 60 days of the Order:

> "IT IS FURTHER ORDERED that Arizona Public Service Company shall prepare a report each year detailing the transmission plant or other costs underlying the TCA reset and docket the report with Arizona Public Service Company's Application for a TCA reset. The report shall be broken down by projects and Operation and Maintenance related to those projects, and any other information that would help the Commission and ratepayers determine how and where the TCA funds are spent. The report shall also include the projects and operation and maintenance expense that Arizona Public Service Company believes will be included in the following year's TCA reset. This report for the TCA reset that is the subject of this Order shall be submitted to Docket Control within 60 days of the effective date of the Order."

The report, which is attached, also addresses a number of Commissioner questions posed to APS during the Open Meeting on July 29, 2009.

Attached is the October 5, 2009 Compliance Filing Report.

If you have any questions regarding the attached, please call me at (602) 250-3730.

Sincerely,

Leland R. Snook

LS/jjb

CC: Chairman Kristin K. Mayes
Commissioner Gary Pierce
Commissioner Sandra Kennedy
Commissioner Paul Newman
Commissioner Bob Stump
Ernest Johnson
Steve Olea
Terri Ford
Barbara Keene
Brian Bozzo
Steve Irvine

ARIZONA PUBLIC SERVICE COMPANY

Transmission Cost Adjustment (TCA) Compliance Report and Response to Open Meeting Questions

APS

Transmission Cost Detail

Capital transmission costs found in this report for 2009 include actual project costs for 2008 and actual costs for January through May, 2009. Capital costs for 2010 are estimated project costs for June through December, 2009 and estimated project costs for January through May, 2010.

Table 1 lists transmission projects for 2008 whose investment are being recovered through the TCA. Transmission project lists for 2009 and 2010 are also included. This information is more than the summary information provided to the Commission at the July 29, 2009 Open Meeting, which was for a more select list of projects and only included partial plant balances for projects as of December 31, 2007 and December 31, 2008 for 2008 and 2009 projects, respectively. The complete 2008 plant balance of approximately $121 million shown in Table 1 was included in APS's 2009 Federal Energy Regulatory Commission ("FERC") formula transmission rate update. Major project costs for 2008 include acquisition of rights of way for TS9 to Pinnacle Peak (500kV), TS1 to Sun Valley (formerly known as TS5) (230kV) and Palo Verde to Sun Valley (500kV) and related siting work.

Information for 2009 in Table 2 is the total forecast cost for projects anticipated to be completed in 2009. APS's 2009 update included $77 million of the total projected cost of $193 million, based on plant balances as of December 31, 2008 and pro-rated for the anticipated in-service dates during the year. The remaining amount of $116 million will be reflected in APS's 2010 formula rate update. Major project costs in 2009 include the Dugas 500/69kV substation in the Verde Valley, the Milligan 230/69kV substation near Eloy and the Second Knoll 500kV project to interconnect APS's system to Salt River Project's ("SRP") Coronado to Cholla line, and related Sugerloaf and Zeniff system reinforcement projects in the Show Low area.

The 2010 information in Table 3 is the total forecast cost for projects anticipated to be completed in 2010. APS's 2010 update is projected to include $28 million of the total projected cost of $273 million, based on plant balances as of December 31, 2009 and pro-rated for the anticipated in-service dates during the year. The remaining amount of $245 million will be reflected in APS's 2011 formula rate update. Major project costs forecast to occur in 2010 include the TS9 to Raceway 500kV line, a new 500kV switchyard at Pinnacle Peak, a new 500/230kV substation at TS9 and necessary 230kV upgrades at Pinnacle Peak and Raceway.

Arizona Public Service Company
2008 and Prior Transmission Estimated Addition Dollars

WO#	Description	Plant Dollars	Purpose	Renewables Impact	Miles
W362501	500KV Right of Way from TS9 To Pinnacle Peak	72,670,000.00	The project is needed to increase the import capability to the Phx Metro area and the export/scheduling capability from the Palo Verde area to provide access to both solar and gas resources. The project also strengthens the transmission system on the east side of the Phx Metro valley.	Helps schedule renewables to Phx Valley by increasing the scheduling capability from PV Hub and Navajo system.	26
W250116	West Valley North: Sun Valley (TS5) - Trilby Wash (TS1) 230kV Right-of-Way	16,907,589.14	Project is required to serve the need for electric energy in the western Phx Metro area. Also, the project will provide more capability to import power into the Phx Metro area along with improved reliability and continuity of service for growing communities in the area; such as El Mirage, Surprise, Youngtown, Buckeye, and portions of unicorporated Maricopa county.	Helps deliver renewable resources to local load. This project connects the Sun Valley (TS5) substation to the Phx Metro load.	15
W250128	Palo Verde-TS5 500kV Right-of-Way	11,632,000.00	This project is needed to serve projected need for electric energy in the area immediately north and west of the Phx Metro area. It will increase the import capability to the Phx Metro area as well as increase the export/scheduling capability from the PV Hub area to provide access to both solar and gas resources. The project will also increase the system reliability by providing a new transmission source to help serve the growing areas in the western portions of the Phx Metro area.	The increased scheduling capability will provide opportunities to schedule renewable resources located around the PV Hub into the Phx Metro load.	45
W250101	T04NR04ES29/98.85: West Valley North Project TS5 500/230/69kV Substation Land Acquisition	6,500,000.00	This project is part of the West Valley North 230kV project which is required to serve the need for electric energy in the western Phx Metro area. Also, the project will provide more capability to import power into the Phx Metro area along with improved reliability and continuity of service for growing communities in the area; such as El Mirage, Surprise, Youngtown, Buckeye, and portions of unicorporated Maricopa county.	Helps deliver renewable resources to local load	N/A
W211404	Official transmission line siting work for the Palo Verde to TS-5 500kV Transmission Line Project.	3,500,000.00	This project is needed to serve projected need for electric energy in the area immediately north and west of the Phx Metro area. It will increase the import capability to the Phx Metro area as well as increase the export/scheduling capability from the PV Hub area to provide access to both solar and gas resources. The project will also increase the system reliability by providing a new transmission source to help serve the growing areas in the western portions of the Phx Metro area.	The increased scheduling capability will provide opportunities to schedule renewable resources located around the PV Hub into the Phx Metro load.	N/A
W205717	Yavapai-Paulden 69KV Overland Line Sitting	790,000.00	This project is needed to provide the electrical support to the sub-transmission system to serve the need for electric energy in the Prescott area. The project will improve the continuity of service for the growing communities in the	N/A	4.7
W419490	Sugarloaf Single Circuit to Snowflake	753,884.60	This project is needed to provide the electrical source and support to the sub-transmission system to serve the need for electric energy in Show Low and the surrounding communities. The project will improve reliability and continuity of service for the growing communities in the area for loss of Cholla - Zeniff 69kV line. The Sugarloaf substation will interconnect into SRP's Coronado-Cholla 500kV line, therefore SRP will construct, own, and operate the new Sugarloaf 500kV switchyard. APS will construct, own, and operate the 500/69kV transformer and 69kV substation.	Can be used to deliver Wind generated power from the Show Low region in the future.	2.5

WA#	Description	Plant Dollars	Purpose	Renewables Impact	Miles
W143362	West Valley North Siting Project	750,000.00	This project is required to serve the need for electric energy in the western Phx Metro area. Also, the project will provide more capability to import power into the Phx Metro area along with improved reliability and continuity of service for growing communities in the area; such as El Mirage, Surprise, Youngtown, Buckeye, and portions of unicorporated Maricopa county.	Helps deliver renewable resources to local load. This project connects the Sun Valley (TS5) substation to the Phx Metro load.	N/A
W315283	TS-9 to Pinnacle Peak 230kV/500kV Transmission Project Certificate of Environmental Compatibility (CEC)	750,000.00	The 500kV project is needed to increase the import capability to the Phx Metro area and the export/scheduling capability from the Palo Verde area to provide access to both solar and gas resources. The project also strengthens the transmission system on the east side of the Phx Metro valley. The 230kV portion of the project is needed to serve the need for electric energy in the area immediately north of the Phx Metro area and the northern portions of the Phx Metro area. Additionally, improved reliability and continuity of service will result for the growing communities in the area; such as Anthem, Desert Hills, New River, and north Phoenix.	Helps schedule renewables to Phx Valley by increasing the scheduling capability from PV Hub and Navajo system.	N/A
W228206	Tertiary / Neutral Bushing Mass Replacement Project Concept	601,462.00	Replace the tertiary and neutral bushings on the Cholla transformer banks.	N/A	N/A
W228957	West Valley North Certificate of Environmental Compatibility (CEC)	525,000.00	This project is required to serve the need for electric energy in the western Phx Metro area. Also, the project will provide more capability to import power into the Phx Metro area along with improved reliability and continuity of service for growing communities in the area; such as El Mirage, Surprise, Youngtown, Buckeye, and portions of unicorporated Maricopa county.	Helps deliver renewable resources to local load. This project connects the Sun Valley (TS5) substation to the Phx Metro load.	N/A
W419082	Four Corners: Breaker Replacements (Pinto Line) Accounting Use Only	523,536.50	This project is to replace two 345kV ATB breakers , which have been in service almost 40 years and are at the end of their useful life. The breakers and CTs have become unreliable and require overhaul. OEM parts are no longer available for this type of breaker and remanufactured replacement parts are not of the quality necessary to ensure reliable operation of the breaker. Continued maintenance is not an option due to the lack of suitable spare parts and the safety concerns associated with the condition of the breakers. These breakers feed/tie the Pinto line.	N/A	N/A
W270972	Dugas (VV01) 500/69kV substation	500,000.00	Project is needed to provide the electrical source and support to the sub-transmission system to serve the electrical needs in the Verde Valley and Prescott areas. Also, the project will result in increased reliability and continuity of service for the Verde Valley and Prescott areas for loss of Verde - Cottonwood 69kV line.	N/A	N/A
W200045	Northeast Scottsdale 69KV Line Siting	475,000.00	Siting and liscensing for the Northeast Valley 69kV line siting project.	N/A	N/A
W261483	Sugarloaf (Second Knoll) 500/69kV Siting Project	400,000.00	Project is needed to provide the electrical source and support to the sub-transmission system to serve the need for electric energy in Show Low and the surrounding communities. The project will improve reliability and continuity of service for the growing communities in the area for loss of Cholla - Zeniff 69kV line. The Sugarloaf substation will interconnect into SRP's Coronado-Cholla 500kV line, therefore SRP will construct, own, and operate the new Sugarloaf 500kV switchyard. APS will construct, own, and operate the 500/69kV transformer and 69kV substation.	Can be used to deliver Wind generated power from the Sholow region in the future.	N/A

WBS	Description	Plant Dollars	Purpose	Renewables Impact	Miles
W380377	Palo Verde: Upgrade security system, Reconfigure entery, add CCTV, replace preimeter sensors.	350,000.00	Upgrade needed to meet NERC requirements and replace out-dated equipment. Entry gate will be reconfigured to alleviate traffice and gate problems. CCTVs will be added to provide perimeter surveillance and out-dated infrared perimeter sensors will be replaced with a more reliable and effective cable detection system.	N/A	N/A
W266125	Accounts Payable Hand Posting for Arizona Nuclear Power Project (ANPP) invoice received from Salt River Project. Replace Two 34.5 KV Reactor Banks and One Spare at Kyrene	331,387.25	SRP experienced a shunt reactor failure at Silver King in 2004. Analysis of the failure indicated exposure has caused the fiberglass supports to deteriorate contributing to the severity of the failure. The Kyrene reactors were installed in the same early to mid 1980s timeframe as Silver King and are exhibiting the same type of degradation. Replacement before failure will reduce the risk of impacting the transformer banks. The circuit switchers are the same vintage as the reactors and are demonstrating high maintenance and reliability issues. SRP replaced the Silver King circuit switchers with 69kV breakers for reliability and parts availability and recommend replacement at Kyrene.	N/A	N/A
W210283	Doney Park Substation - Siting	325,000.00	Project is needed to provide the electrical source and support to the distribution system to serve the electrical needs in the Flagstaff area.	N/A	N/A
W235036	Palo Verde to Sun Valley (TS5) 500kV Transmission Line Project. Certificate of Environmental Compatibility (CEC) work	300,000.00	This project is needed to serve projected need for electric energy in the area immediately north and west of the Phx Metro area. It will increase the import capability to the Phx Metro area as well as increase the export/scheduling capability from the PV Hub area to provide access to both solar and gas resources. The project will also increase the system reliability by providing a new transmission source to help serve the growing areas in the western portions of the Phx Metro area.	The increased scheduling capability will provide opportunities to schedule renewable resources located around the PV Hub into the Phx Metro load.	N/A
W342404	Marley Park 69kv Relocates Waddell Rd.-Bullard to Litchfield	280,630.00	Relocation of 1 mile of 69kV line along Waddell Rd between Litchfield Rd and Bullard Rd for a new commercial/residential development.	N/A	1

Total of 20 projects $250k and greater	**118,865,489.49**
Total of 52 projects less then $250k	**2,075,006.01**
Total	**120,940,495.50**

Arizona Public Service Company
2009 Transmission Estimated Addition Dollars August 2009

WAR	Description	Plant Dollars	Purpose	Renewables Impact	Miles
W362303	Dugas (VV01): 500/69kV Substation: Build New Substation	21,260,000.00	This project is needed to provide the electrical source and support to the sub-transmission system to serve the electrical needs in the Verde Valley and Prescott areas. Also, the project will result in increased reliability and continuity of service for the Verde Valley and Prescott areas for loss of Verde - Cottonwood 69kV line.	N/A	N/A
W359054	Sugarloaf (Second Knoll): Build 500kV Yard (Salt River Project)	18,464,189.00	This project is needed to provide the electrical source and support to the sub-transmission system to serve the need for electric energy in Show Low and the surrounding communities. The project will improve reliability and continuity of service for the growing communities in the area for loss of Cholla - Zeniff 69kV line. The Sugarloaf substation will interconnect into SRP's Coronado-Cholla 500kV line, therefore SRP will construct, own, and operate the new Sugarloaf 500kV switchyard. APS will construct, own, and operate the 500/69kV transformer and 69kV substation.	Can be used to deliver Wind generated power from the Show Low region in the future.	N/A
W459345	Drake Sub Fiber Optic Cable	12,017,950.00	Fiber line is needed for communications to the control house at Drake substation improving reliability in the Prescott area.	N/A	1
W362354	TS9 - 500KV Substation	10,900,000.00	This is part of the TS9-Pinnacle Peak 500kV project. The overall project is needed to increase the import capability to the Phx Metro area and the export/scheduling capability from the Palo Verde area to provide access to both solar and gas resources. The project also strengthens the transmission system on the east side of the Phx Metro valley.	Helps schedule renewables to Phx Valley by increasing the scheduling capability from PV Hub and Navajo system.	N/A
W362301	Milligan: (South East 3) 230/69kV Substation: Build new Substation in Eloy	7,401,000.00	This project is needed to provide the electrical source and support to the sub-transmission system to serve the need for electric energy in southern Pinal County and in the Eloy area. The project will also increase the reliability and continuity of service for those areas for loss of the Casa Grande 230/69kV source.	N/A	N/A
W394743	Bagdad 115kV Relocate, Construct New 115-6 Line	7,334,000.00	Freeport McMoRan Inc. (FMI) has future plans to expand the mine in the location of the existing 115kV transmission line. They have requested that APS move the line in a southerly direction beyond the limits of the planned expansion.	N/A	5.5
W359053	Sugarloaf (Second Knoll): Site Development For Entire Site And Access	7,137,000.00	This project is needed to provide the electrical source and support to the sub-transmission system to serve the need for electric energy in Show Low and the surrounding communities. The project will improve reliability and continuity of service for the growing communities in the area for loss of Cholla - Zeniff 69kV line. The Sugarloaf substation will interconnect into SRP's Coronado-Cholla 500kV line, therefore SRP will construct, own, and operate the new Sugarloaf 500kV switchyard. APS will construct, own, and operate the 500/69kV transformer and 69kV substation.	Can be used to deliver Wind generated power from the Sholow region in the future.	N/A
W410639	Westwing: Replace Failed T10 Spare Transformer (T788) ANPP 09-01	6,707,600.00	Replace failed Westwing T10 spare transformer.	N/A	N/A
W308845	North Black Canyon Corridor/Underground 69KV	5,006,919.00	The Gateway substation is needed to serve the need for electric energy for the North Phoenix area. It is also needed to preserve continuity of service for the loss of the Deadman Wash - New River 69kV transmission line.	N/A	2.2

WAF	Description	Plant Dollars	Purpose	Renewables Impact	Miles
W353150	Dugas (Verde Valley 01): Change Out Series Capacitor Bank C10 to 40.5OHMS & 1750A CBI 08-05 (NSTS)	5,000,000.00	Replace obsolete series capacitor bank at Westwing due to condition and age. New bank will also have a higher rating to allow for the potential of a higher path rating and be located at the new Dugas substation.	The increased path rating allows the possibility of scheduling renewable resources (wind) in N.AZ to load.	N/A
W308852	North Black Canyon Corridor/Underground 69KV	4,278,252.00	The Gateway substation is needed to serve the need for electric energy for the North Phoenix area. It is also needed to preserve continuity of service for the loss of the Deadman Wash - New River 69kV transmission line.	N/A	1.8
W256684	Valley Farms: 115/69kV Substation	3,440,000.00	This project is needed to provide the electrical source and support to the sub-transmission system to serve the electrical needs in the Coolidge area.	N/A	N/A
W373449	Dugas (Verde Valley01): Install New 3 Phase Reactor NSTS CBI 08-14	3,400,000.00	The connection of the new Dugas substation moves the requirement for shunt reactors from Westwing to the new Dugas substation. Remove the existing shunt reactors at Westwing and install new shunt reactors at Dugas.	N/A	N/A
W308848	North Black Canyon Corridor/Underground 69KV	3,140,128.00	The Gateway substation is needed to serve the need for electric energy for the North Phoenix area. It is also needed to preserve continuity of service for the loss of the Deadman Wash - New River 69kV transmission line.	N/A	1.3
W254746	Transmission Line Siting for the PV Hub to N. Gila Substation Project	3,000,000.00	This project will increase the import capability for the Yuma area and export/scheduling capability from the PV Hub area to provide access to both solar and gas resources.	Allows more renewable projects to interconnect to the system between Palo Verde and Yuma. Also, increases the capability for APS to schedule renewable resources to Yuma.	N/A
W378504	Sugerloaf (Second Knoll) 69kV Line	2,917,811.00	This project is needed to provide the electrical source and support to the sub-transmission system to serve the need for electric energy in Show Low and the surrounding communities. The project will improve reliability and continuity of service for the growing communities in the area for loss of Cholla - Zeniff 69kV line. The Sugarloaf substation will interconnect into SRP's Coronado-Cholla 500kV line, therefore SRP will construct, own, and operate the new Sugarloaf 500kV switchyard. APS will construct, own, and operate the 500/69kV transformer and 69kV substation.	N/A	13
W403484	Pyramid Peak - Raceway (51st Ave Alignment) 7 miles +/-	2,500,000.00	The Pyramid Peak - Raceway 69kV transmission line is needed to preserve continuity of service for the loss of either of the Happy Valley - Westwing 69kV or Adobe - Deer Valley 69kV transmission lines.	N/A	7
W342862	Sun Valley(TS-5) to TS-9 substation in Peoria 500kV Power Line Siting Project	2,500,000.00	This project is needed to serve the need for electric energy in the Phx Metro area. It will increase the import capability to the Phx Metro area, as well as increase the export/scheduling capability from the Palo Verde area, which includes both solar and gas resources. The project will also increase the reliability of the EHV system by completing a 500kV loop that connects the Palo Verde Transmission system, the Southern Navajo Transmission system, and the Southern Four Corners system. In addition the project will also increase reliability by providing a second 500kV source for the Sun Valley substation and providing support for multiple WECC/NERC Category C and D transmission contingencies.	The increased scheduling capability will provide opportunities to schedule renewable resources located around the PV Hub into the Phx Metro load.	N/A
W426210	Coconino - Kachina 69kv	2,323,579.00	Project is needed to provide the electrical support to the sub transmission system to serve the need for electric energy in the Flagstaff area. The project will improve the continuity of service for the growing communities in the area for loss of Verde - Oak Creek 69kV line.	N/A	4.7

WBS	Description	Plant Dollars	Purpose	Renewables Impact	Miles
W353264	Dugas (Verde Valley01): 500kV Loop In & Out	2,239,533.00	This project is needed to provide the electrical source and support to the sub-transmission system to serve the electrical needs in the Verde Valley and Prescott areas. Also, the project will result in increased reliability and continuity of service for the Verde Valley and Prescott areas for loss of Verde - Cottonwood 69kV line.	N/A	N/A
W223220	Ocotillo 69KV Substation - Replace Two 69KV Breakers And Add One 69KV Breaker for Butte Number Three Line	2,188,463.00	The third Butte - Ocotillo 69kV transmission line is needed to serve the need for electric energy for the area around Arizona State University.	N/A	N/A
W390888	Moenkopi: Upgrade Series Cap Bank C6 From 1750 amps to 2250 amps	2,148,000.00	The series capacitor bank will be upgraded to increase the path rating.	The increased path rating allows the possibility of scheduling renewable resources (wind) in N.AZ to load.	N/A
W419492	Sugarloaf Single Circuit to Zeniff Phase B	2,057,229.00	Project is needed to provide the electrical source and support to the sub-transmission system to serve the need for electric energy in Show Low and the surrounding communities. The project will improve reliability and continuity of service for the growing communities in the area for loss of Cholla - Zeniff 69kV line. The Sugarloaf substation will interconnect into SRP's Coronado-Cholla 500kV line, therefore SRP will construct, own, and operate the new Sugarloaf 500kV switchyard. APS will construct, own, and operate the 500/69kV transformer and 69kV substation.	Can be used to deliver Wind generated power from the Sholow region in the future.	8.5
W388935	Milligan Substation -Saguaro Substation 230KV Fiber Optic cable Link	1,801,000.00	This project is needed to establish system comunications to the Milligan 230/69kV subsation required to provide the electrical source and support to the sub-transmission system to serve the need for electric energy in southern Pinal County, in the Eloy area. The project will also increase the reliability and continuity of service for those areas for loss of the Casa Grande 230/69kV source.	N/A	N/A
W419493	Sugarloaf Single Circuit to Zeniff C	1,492,207.00	This project is needed to provide the electrical source and support to the sub-transmission system to serve the need for electric energy in Show Low and the surrounding communities. The project will improve reliability and continuity of service for the growing communities in the area for loss of Cholla - Zeniff 69kV line. The Sugarloaf substation will interconnect into SRP's Coronado-Cholla 500kV line, therefore SRP will construct, own, and operate the new Sugarloaf 500kV switchyard. APS will construct, own, and operate the 500/69kV transformer and 69kV substation.	Can be used to deliver Wind generated power from the Sholow region in the future.	5
W359356	Winslow to Cholla Phase 2	1,348,064.00	This Project is needed to provide the electrical support to the sub-transmission system to serve the need for electric energy in the Winslow area. The project will improve the continuity of service for the growing communities in the area for loss of Cholla - Leupp 230kV line.	N/A	3.3
W308977	Utting Substation - Vicksburg Tap	1,324,291.00	This Project is needed to provide the electrical support to the sub-transmission system to serve the need for electric energy in the La Paz area. The project will improve the continuity of service for the growing communities in the area for loss of Eagle Eye - Salome 69V line.	N/A	6
W430314	Westwing-Navajo 500kV lattice tower installation for North Valley 500kV line drops at TS9 (APS/SRP)Participant	1,312,641.00	This is part of the TS9-Pinnacle Peak 500kV project. The overall project is needed to increase the import capability to the Phx Metro area and the export/scheduling capability from the Palo Verde area to provide access to both solar and gas resources. The project also strengthens the transmission system on the east side of the Phx Metro valley.	Helps schedule renewables to Phx Valley by increasing the scheduling capability from PV Hub and Navajo system.	N/A

WA#	Description	Plant Dollars	Purpose	Renewables Impact	Miles
W354983	Wickenburg Double Circuit	1,299,928.00	Project is needed to provide the electrical support to the sub transmission system to serve the need for electric energy in the Wickenburg area. The project will improve the continuity of service for the growing communities in the area for loss of Flying E - Wickenburg 69V line.	N/A	1.5
W305637	San Luis to Baja (SW3), 3.5 miles of 69 / 12kV Rebuild	1,238,176.00	This project is needed to provide the electrical source and support to the distribution system to serve the electrical needs in the San Luis area.	N/A	3.5
W358543	Dugas Substation -Yavapai Substation 500kV Line: Install OPGW (Optical Ground Wire)	1,192,688.00	This project is needed to establish one of two paths for system communications to Dugas 500/69kV substation required to provide the electrical source and support to the sub-transmission system to serve the electrical needs in the Verde Valley and Prescott areas. Also, the project will result in increased reliability and continuity of service for the Verde Valley and Prescott areas for loss of Verde - Cottonwood 69kV line.	N/A	25
W308844	North Black Canyon Corridor/Underground 69KV	1,144,963.00	The Gateway substation is needed to serve the need for electric energy for the North Phoenix area. It is also needed to preserve continuity of service for the loss of the Deadman Wash - New River 69kV transmission line.	N/A	0.5
W327449	Palo Verde Switchyard ; Replace Seven SFA 500kv Breakers - Arizona Nuclear Power Project (ANPP)	1,127,373.61	Replace seven SFA 500kV breakers at Palo Verde.	N/A	N/A
W284027	Desert Ridge Superblock 1	1,096,356.00	Relocation of existing Pinnacle Peak - Boulevard/Desert Ridge double circuit 69kV transmission line for a new commercial development.	N/A	N/A
W427281	McVay Tap Phase: 2	1,031,153.00	This Project is needed to provide the electrical support to the sub-transmission system to serve the need for electric energy in the La Paz area. The project will improve the continuity of service for the growing communities in the area for loss of Eagle Eye - Salome 69V line.	N/A	5
W457409	Saguaro: Add (2) New 50 MVA Shunt Reactors	1,004,000.00	Install two new shunt reactors, which are required for voltage suppression.	N/A	N/A
W359500	Lincoln Street - Sherman Street Reconductor	1,003,708.00	The Lincoln Street - Sherman Street 69kV transmission line must be rebuilt to preserve continuity of service for the loss of the Durango - West Phoenix 69kV transmission line.	N/A	1.1
W451591	Dugas to Copper Canyon Phase 3	935,757.80	This project is needed to provide the electrical source and support to the sub-transmission system to serve the electrical needs in the Verde Valley and Prescott areas. Also, the project will result in increased reliability and continuity of service for the Verde Valley and Prescott areas for loss of Verde - Cottonwood 69kV line.	N/A	2
W342858	Sundance to Pinal Central 230kV Power Line Siting	900,000.00	This project will serve increasing loads in Pinal County, and throughout the APS system, and will improve the reliability and continuity of service for the growing communities in the area. Also, the project will increase the reliability of Sundance by providing a transmission line in a separate corridor than the existing lines that exit the plant. This project, in conjunction with the Desert Basin-Pinal Central 230kV project, will allow APS to reliably and economically deliver energy from Sundance over APS's transmission system.	Creates potential to schedule renewables if any develop in the area.	N/A
W342749	North Gila to TS-8 230kV Siting	900,000.00	This project is needed to serve the need for electric energy, improved reliability, and continuity of service for the greater Yuma area.	New line would allow renewables to be scheduled from North Gila to Yuma load	N/A

WA#	Description	Plant Dollars	Purpose	Renewables Impact	Miles
W320123	Bella Terra/69KV Overhead-Underground Conversion	897,570.80	Provide an approximate 1850 feet of over-head to underground conversion of the Oak Creek to Oak Creek Tap 69kV over-head line so that the developer, BySynergy LLC, is able to construct the Bella Terra on Oak Creek subdivision located at Highway 89A and south along Red Rock Loop Road in Sedona.	N/A	0.4
W305333	East Holbrook Phase 3	869,324.80	This project is needed to provide the electrical source and support to the distribution system to serve the electrical needs in the Holbrook area.	N/A	3.5
W433280	Cholla: Replace 500kV CH152 Breaker & Associated CT'S (Cholla 5)	867,000.00	This project is to improve the reliability of the generation breaker and reduce the risk of damage to the generator resulting in an extended unit outage and reduce SF6 gas leakage to the atmosphere. The 29 year old 500kV live tank circuit breaker CH152, and its associated CTs are no longer reliable and require a major overhaul. Original Equipment Manufacturer parts are no longer available for this type of equipment and after-market replacement parts are not of the quality necessary to ensure reliable operation.	N/A	N/A
W333674	Climbing Inspection 2007 Capital 230-8	832,595.13	Reliability	N/A	N/A
W441712	Cholla: Replace 345kV CH1032 Breaker & Associated Current Tranformers (CH3)	750,000.00	This breaker is scheduled to be replaced on the SFA Breaker Replacement Schedule.	N/A	N/A
W407576	Infrastructure Comm Support for Milligan Sub	676,018.00	This project is needed to provide the electrical source and support to the sub-transmission system to serve the need for electric energy in southern Pinal County, in the Eloy area. The project will also increase the reliability and continuity of service for those areas for loss of the Casa Grande 230/69kV source.	N/A	N/A
W419491	Sugarloaf Single Circuit to Zeniff A	631,932.70	This project is needed to provide the electrical source and support to the sub-transmission system to serve the need for electric energy in Show Low and the surrounding communities. The project will improve reliability and continuity of service for the growing communities in the area for loss of Cholla - Zeniff 69kV line. The Sugarloaf substation will interconnect into SRP's Coronado-Cholla 500kV line, therefore SRP will construct, own, and operate the new Sugarloaf 500kV switchyard. APS will construct, own, and operate the 500/69kV transformer and 69kV substation.	N/A	2.1
W430319	Westwing-Navajo 500kV lattice tower installation for North Valley 230kV line drops @ Raceway & TS9	621,620.00	Project is part of the North Valley 230kV project which is needed to serve the need for electric energy in the area immediately north of the Phx Metro area and the northern portions of the Phx Metro area. Additionally, improved reliability and continuity of service will result for the growing communities in the area; such as Anthem, Desert Hills, New River, and north Phoenix.	Helps deliver renewable resources to local load	N/A
W358218	North Black Canyon Underground Project	602,000.00	The Gateway substation is needed to serve the need for electric energy for the North Phoenix area. It is also needed to preserve continuity of service for the loss of the Deadman Wash - New River 69kV transmission line.	N/A	5.8
W241530	Yuma 69kV siting Project	600,000.00	Siting and Licencing for the Yuma to San Luis 69kV Project and the new 69kV line for the new Port of Entry in San Luis from Mexico to Arizona. The siting effort will include all public participation and communication efforts, and federal (NEPA) approval.	New scheduling capability would allow APS to bring in renewable resources.	N/A
W434582	Cave Creek Substation #11 - Replace Transformer with 41MVA unit transformer. Install T1627.	600,000.00	A distribution transformer at Cave Creek substation needs to be upgraded to serve the growing need for electric energy in the Northeast Valley.	N/A	N/A

WAP	Description	Plant Dollars	Purpose	Renewables Impact	Miles
W384532	Phoenix Microwave Center DACS (Digital Access Cross-connect System) Replacement	552,318.00	This project will replace obsolete Digital Access Cross-connect System (DACS) equipment with new equipment which meet forecasted configuration, capacity, and functional requirements.	N/A	N/A
W373445	Westwing: Replace 500kV Breaker & CTs. (WW952-B1018) NSTS CBI 08-11	550,000.00	Replace 25+ year old breaker due to age. The breaker is obsolete, requires high maintenance, and is expensive to overhaul. The pneumatic mechanism, mechanical linkages and interupters are complex, difficult to understand, troublesome, and would now require a vendor presence to overhaul.	N/A	N/A
W388936	Milligan Substation: 230kV Line Drop	549,794.94	This project is needed to provide the electrical source and support to the sub-transmission system to serve the need for electric energy in southern Pinal County, in the Eloy area. The project will also increase the reliability and continuity of service for those areas for loss of the Casa Grande 230/69kV source.	N/A	N/A
W347722	Eastgate Double Circuit 69KV Line With UB 12KV	547,320.50	Project is needed to provide the electrical source and support to the sub-transmission system to serve the need for electric energy in southern Pinal County, in the Eloy area. The project will also increase the reliability and continuity of service for those areas for loss of the Casa Grande 230/69kV source.	N/A	1.5
W411636	Biscuit Flat to Adobe Relocate Overhead 69KV,Mile -1	523,708.20	Relocation of 1 mile of the Adobe - Biscuit Flat 69kV transmission line to move it out of the way of the future APS 500kV transmission line.	N/A	1
W460329	City of Yuma; 16 St Widening - Arizona Ave Instersection - Phs 2	516,757.70	This is the second phase of the 16th Street road widening project that the City of Yuma is constructing. APS is to relocate the 69/12kV line running east/west along the south side of 16th Street, and the 12kV running north along the west side of Arizona Ave.	N/A	N/A
W422505	Cholla-Pinnacle Peak 345kV Reconductor, Mogollon Rim	498,543.51	Reconductor a one mile portion of the Cholla-Pinnacle Peak 345kV line on the Mogollon Rim that was rebuilt years ago to single conductor rather than the original bundled design. The single conductor 1272 ACSR limits the current carrying capacity of the line.	Potential increased capacity can be used to bring in renewable resources (wind projects in N. AZ or NM).	1
W422493	Sanguinetti (SW8) To Ivalon	496,884.50	This project is needed to provide electrical support to the sub-transmission system to serve the need for electric energy in the Yuma area and increase continuity of service in the area for loss of N. Gila - Foothills 69kV line.	N/A	3.5
W358717	Sherman Street Substation to Lincoln Street Substation 69kV Line	491,000.00	The Lincoln Street - Sherman Street 69kV transmission line must be rebuilt to preserve continuity of service for the loss of the Durango - West Phoenix 69kV transmission line.	N/A	1.1
W133108	Mummy Mountain to Orangewood 69kV	489,476.30	The Mummy Mountain - Orangewood 69kV transmission line must be rebuilt to preserve continuity of service for the loss of the Camelback - Ocotillo 69kV transmission line.	N/A	7
W265349	Ocotillo to Butte - 69kV Line (EV2)	435,931.40	The third Butte - Ocotillo 69kV transmission line is needed to serve the need for electric energy for the area around Arizona State University.	N/A	0.7
W422491	Redondo to Foothills Tap	435,788.60	This project is needed to provide electrical support to the sub-transmission system to serve the need for electric energy in the Yuma area and increase continuity of service in the area for loss of N. Gila - Foothills 69kV line.	N/A	1.5
W356995	Prescott City Substation -to White Spar Sub 69kV Rebuild	401,155.90	Project is needed to provide electrical support to the sub-transmission system to serve the need for electric energy in the Prescott area and increase continuity of service in the area for loss of Prescott City - White Spar 69kV line.	N/A	1.2

WAP	Description	Plant Dollars	Purpose	Renewables Impact	Miles
W344303	Overhead 69kV Relocate - Dysart Rd & Grand Ave/Intersection Improvements	366,916.20	City of Surprise and ADOT roadway improvement at the intersection of Grand Ave. and Dysart Rd. APS will rebuild 5 spans of double circuit 69kV with double circuit 12kV under build on Dysart Rd. with 2 spans over Grand Ave. and BNSF railroad crossing.		
W361935	81 Ave & Beardsley	346,910.80	Relocation of two 69kV transmission line poles that are in conflict with the new City of Glendale/Peoria/ADOT road improvement project.	N/A	N/A
W420107	Blue Ridge to Winslow Reinsulate Phase 1	319,523.90	This 69kV line is located in a designated high lighting area, this project is needed to better protect the line and increase reliability in the Winslow area.	N/A	12
W375145	North Gila: Upgrade 69kV & 500kV Relaying	306,584.00	This project is to complete the relay upgrading project for North Gila substation.	N/A	N/A
W459346	El Sol Luke Field Network Upgrade	291,644.30	APS to install 11,700 feet of ADSS 48 count Fiber and 16,650 feet of AD non-self supporting 48 count fiber starting at El Sol substation to Meridian substation and then from Meridian substation to existing fiber out of Lukefield substation. This job provides communications and realys between all three substations.	N/A	5.5
W361361	69KV Duct Crossings/Cap Canal To Dove Valley	287,791.30	The Gateway substation is needed to serve the need for electric energy for the North Phoenix area. It is also needed to preserve continuity of service for the loss of the Deadman Wash - New River 69kV transmission line.	N/A	N/A
W394163	Climbing Inspection Capital 2008 230-1	282,038.31	The line was found to have insufficient ground clearance. On 2/24/09 the conductors were re-sagged and brought up to the correct Ruling Span tension.	N/A	N/A
W324648	Westwing 500kV security system; install interpit beams, add additional lighting, relocate security	271,124.86	Install interupt beams, add additional lighting, relocate security cameras and replace 500kV control house door hinges.	N/A	N/A
W400158	Environmental Siting & Permitting for 115kV line relocate for Bagdad Mine	263,093.00	Freeport McMoRan Inc. (FMI) has future plans to expand the mine in the location of the existing 115kV transmission line. They have requested that APS move the line in a southerly direction beyond the limits of the planned expansion.	N/A	N/A
W391507	Climbing Inspection & pole replacement capital 2008 M-105	261,767.80	This job will replace 20 poles on M105 line due to poor condition. The job will also remove two distribution poles to abandoned well bank.	N/A	N/A
W322898	Transmission Substations: Transformer Fire Containment Basins	254,376.00	This project is to construct fire containment basins around transformers that were installed in 2005 and 2006 (Cactus, Coconino, Deer Valley, and Surprise).	N/A	N/A
W376521	Install Auxilary Transformer Bay 2 (T514 in)	250,000.00	This project will install an auxilary transformer to improve load serving reliability.	N/A	N/A
Total of 76 projects $250k and greater		**175,452,470.86**			
Total of 309 projects less then $250k		**17,437,437.10**			
Total		**192,889,907.96**			

Arizona Public Service Company
2010 Transmission Estimated Addition Dollars August 2009

WAP	Description	Plant Dollars	Purpose	Renewables Impact	Miles
W360330	North Valley: 500kV TS9 - Raceway Build Line	98,265,522.00	The project is needed to increase the import capability to the Phx Metro area and the export/scheduling capability from the Palo Verde area to provide access to both solar and gas resources. The project also strengthens the transmission system on the east side of the Phx Metro valley.	Helps schedule renewables to Phx Valley by increasing the scheduling capability from PV Hub and Navajo system.	1
W360337	North Valley: Pinnacle Peak 500kV Build New Switchyard	65,416,000.00	This is part of the TS9-Pinnacle Peak 500kV project. The overall project is needed to increase the import capability to the Phx Metro area and the export/scheduling capability from the Palo Verde area to provide access to both solar and gas resources. The project also strengthens the transmission system on the east side of the Phx Metro valley.	Helps schedule renewables to Phx Valley by increasing the scheduling capability from PV Hub and Navajo system.	N/A
W360335	North Valley: TS9 500/230kV Build New Substation	64,742,000.00	This is part of the TS9-Pinnacle Peak 500kV project. The overall project is needed to increase the import capability to the Phx Metro area and the export/scheduling capability from the Palo Verde area to provide access to both solar and gas resources. The project also strengthens the transmission system on the east side of the Phx Metro valley.	Helps schedule renewables to Phx Valley by increasing the scheduling capability from PV Hub and Navajo system.	N/A
W249073	Avery - Pinnacle Peak 230KV Right of Way	11,670,000.00	Project is needed to serve the need for electric energy in the area immediately north of the Phx Metro area and the northern portions of the Phx Metro area. Additionally, improved reliability and continuity of service will result for the growing communities in the area; such as Anthem, Desert Hills, New River, and north Phoenix.	Helps deliver renewable resources to local load	16
W360340	North Valley: Pinnacle Peak Upgrade 230kV Breakers	4,535,000.00	This project is part of the North Valley 230kV project which is needed to serve the need for electric energy in the area immediately north of the Phx Metro area and the northern portions of the Phx Metro area. Additionally, improved reliability and continuity of service will result for the growing communities in the area; such as Anthem, Desert Hills, New River, and north Phoenix.	Helps deliver renewable resources to local load	N/A
W360339	North Valley: Raceway 230kV - Add New 230kV Bay	3,399,000.00	This project is part of the North Valley 230kV project which is needed to serve the need for electric energy in the area immediately north of the Phx Metro area and the northern portions of the Phx Metro area. Additionally, improved reliability and continuity of service will result for the growing communities in the area; such as Anthem, Desert Hills, New River, and north Phoenix.	Helps deliver renewable resources to local load	N/A
W461339	Moenkopi: Replace Shunt Reactor (SR 54) (Four Corners/Moenkopi Line)	3,219,000.00	Project is to replace the SCE reactors at Moenkopi per the SCE Reactor Replacement Schedule.	N/A	N/A
W249063	Westwing - Raceway 230KV Right of Way	2,802,000.00	This project will serve the need for electric energy in the far north and northwest parts of the Phx Metro area and provide contingency support for multiple Westwing 500/230kV transformer outages.	Helps deliver renewable resources to local load	7
W270030	North Gila - Kinder Morgan Reconductor	2,464,311.00	This project is needed to provide electrical support to the sub-transmission system to serve the need for electric energy in the Yuma area and increase continuity of service in the area for loss of N. Gila - Foothills 69kV line.	N/A	6.5
W436668	Four Corners 5: Replace (2) 500kV Single Phase Shunt Reactors (SR63 & SR65)	2,216,000.00	This project is to replace the SCE reactors at Four Corners per the SCE Reactor Replacement Schedule.	N/A	N/A

WA#	Description	Plant Dollars	Purpose	Renewables Impact	Miles
W300496	TS2 230/69kV Substation Land Purchase	2,178,000.00	The TS2 substation is needed to serve the growing need for electric energy for the Southwest Valley. It is also needed to preserve the continuity of service for the loss of a transformer at either the Westwing, El Sol or Palm Valley substations.	N/A	N/A
W406714	Navajo: Replace (2) 500kV Live Tank Breakers (NV1456/NV1352) Navajo Southern Transmission System Capital Budget Item 09-01	2,100,000.00	Replace two 25+ year old pressure live tank breakers which are obsolete, require high maintenance, and are expensive to overhaul. The pneumatic mechanisms, mechanical linkages and interrupters are complex, difficult to understand, troublesome and would now require a vendor presence to overhaul.	N/A	N/A
W341466	Siting for the 230kV Infrastructure for West of the White Tank Mountains	1,760,000.00	This project is needed to serve the need for electric energy in the largely undeveloped areas west of the White Tank Mountains. This project will provide the first portions of the transmission infrastructure in this largely undeveloped area and provides a transmission connection between the northern and southern transmisison sources that will serve the area. Improved reliability and continuity of service will result for this portion of Maricopa County.	Helps deliver renewable resources to local load	N/A
W467476	Sundance 230/69kV Over Head Extension; Procure and Construct for Electrical District 2	1,550,246.00	This portion of the Sundance-Pinal Central 230kV project is being done to provide the other project participant, ED2, with a 230/69kV connection they need to serve their load.	N/A	N/A
W361817	Raceway to Pyramid Peak	1,528,228.00	The Pyramid Peak - Raceway 69kV transmission line is needed to preserve continuity of service for the loss of either of the Happy Valley - Westwing 69kV or Adobe - Deer Valley 69kV transmission lines.	N/A	7
W421823	Dugas-Raceway 500kV Line: Install Optical Ground Wire (45 miles)	610,109.65	This project is needed to establish one of two paths for system communications to Dugas 500/69kV substation required to provide the electrical source and support to the sub-transmission system to serve the electrical needs in the Verde Valley and Prescott areas. Also, the project will result in increased reliability and continuity of service for the Verde Valley and Prescott areas for loss of Verde - Cottonwood 69kV line.	N/A	45
W359498	Granite Reef Substation Ug 69KV Feeder Lines - In & Out	578,551.60	The Granite Reef substation is needed to serve the growing need for electric energy for the Northeast Valley area.	N/A	0.5
W407451	Dugas Substation Communication Support -Microwave & Fiber	547,502.00	This project is needed to establish system communications to Dugas 500/69kV substation required to provide the electrical source and support to the sub-transmission system to serve the electrical needs in the Verde Valley and Prescott areas. Also, the project will result in increased reliability and continuity of service for the Verde Valley and Prescott areas for loss of Verde - Cottonwood 69kV line.	N/A	N/A
W397538	Segment 2 Of 69/12KV Line From Arica To Milligan	500,000.00	Purchase approximately 11 acres of Right of Way easements. 2 miles along La Palma Rd. between Shedd Rd. and Battaglia Dr. and 1 mile along Battaglia Dr. between La Palma Rd. and Sunshine Blvd.	N/A	3.3
W309001	Elianto - Pulte (SV4 - to SV13)	441,391.30	The SV4 - SV13 69kV transmission line is needed to serve the growing need for electric energy for a housing development in the Buckeye area.	N/A	1
W461668	Clarkdale Substation Purchase	400,000.00	This project is needed to provide the electrical source and support to the distribution system to serve the electrical needs in Clarkdale.	N/A	N/A
W458211	Cholla: Replace Series Capacitor Bank C15	287,915.34	Replace series capacitor bank C15 (located at the Cholla end of the Cholla-Saugaro 500kV line). The bank is obsolete and requires high cost, frequent maintenance, and is unreliable. Based on its condition, age, and reliability the capacitor bank requires replacement. The bank's rating will be upgraded to meet system needs.	N/A	N/A

WAP	Description	Plant Dollars	Purpose	Renewables Impact	Miles
Total of 22 projects $250k and greater		271,210,776.89			
Total of 44 projects less then $250k		1,887,288.36			
Total		273,098,065.25			

Transmission Operations & Maintenance Expense

Operation and maintenance ("O&M") expense is not tracked on a project-by-project basis. Table 4 is total transmission O&M expense for each year and is not included in previous tables. Although O&M does not vary directly with the level of plant investment, this provides a point of reference for each project for the level of O&M expenses likely to reflect in APS's FERC Formula rates.

Table 4

Arizona Public Service Company
Transmission O&M Expenses
As of end of August 2009

Year	Expense	Note	Percent Change YTY
2008	$45,009,185	Actual	
2009	$47,731,000	Actual YTD plus forecast	6.0%
2010	$49,322,000	Forecast	3.3%

Land Held of Future Use

Chairman Mayes requested a breakdown of land APS had purchased for future transmission projects that comprised approximately $47 million of rate base in the 2009 update. APS indicated at the Open Meeting that the majority of this land was related to two projects, Palm Valley and Sun Valley. These two projects account for approximately $35 million. Costs for Land Held for Future Use in not included in prior table listings for 2008, 2009 and 2010. The complete list of projects and amounts is in the following Table 5.

ARIZONA PUBLIC SERVICE COMPANY

Land Held for Future Use - Transmission Related

ACCOUNT	DEPR GROUP	MAJOR LOCATION	ASSET LOCATION	LONG DESCRIPTION	COST
1050	Plant Held f00 35000 105 Land, Future Use	Santa Rosa To Gila Bend	0215 : 07-2400 : Out - Maricopa, AZ : Santa Rosa To Gila Bend	51041023a/T06sr02es18/A100838/1.52 : Facility - Santa Rosa To Gila B	198,836.57
1050	Plant Held f00 35000 105 Land, Future Use	Santa Rosa To Gila Bend	0215 : 07-8600 : Out - Maricopa, AZ : Santa Rosa To Gila Bend	51041023a/T06sr02es18/A100838/1.52 : Facility - Santa Rosa To Gila B	177,798.71
1050	Plant Held f00 35000 105 Land, Future Use	Santa Rosa To Gila Bend	0215 : 11-2400 : Hosp Dist#1 - Pinal, AZ : Santa Rosa To Gila Bend	51041023a/T06sr02es18/A100838/1.52 : Facility - Santa Rosa To Gila B	122,687.00
1050	Plant Held f00 35000 105 Land, Future Use	Santa Rosa To Gila Bend	0215 : 11-2402 : ED#3 & HD#1 , Mari Rd Imp , Mari - Pinal, AZ : Santa Rosa To Gila Bend	51041023a/T06sr02es18/A100838/1.52 : Facility - Santa Rosa To Gila B	93,739.00
		Santa Rosa To Gila Bend			**592,861.28**
1050	Plant Held f00 35000 105 Land, Future Use	ANPP System	0168 : 07-0000 : Out - Maricopa, AZ : Pv To Kyrene Lns (ANPP system)	Perpetual Land Rights : Facility - Pv To Kyrene 500 Kv	4,024,858.72
		Paradise Substation : 0528 : In Phoenix - Maricopa, AZ			**4,024,858.72**
1050	Plant Held f00 35000 105 Land, Future Use	Substations, AZ	Country Club Substation : 0209 : In Phoenix - Maricopa, AZ	Land, : Facility - Country Club Substat	23,464.14
1050	Plant Held f00 35000 105 Land, Future Use	Substations, AZ	Liberty Substation Site - Aps - Buckeye : 0295 : Buckeye FD - Maricopa, AZ	50246013 /T01nr02wst19/A025642/70 : Facility - Liberty Sub Site-Aps	85,032.00
1050	Plant Held f00 35000 105 Land, Future Use	Substations, AZ	Willow Lake Substation : 0333 : Central Yav FD, HD - Yavapai, AZ	10608004a/T14nr02ws10/A019256/88 : Facility - Willow Lake Substati	2,172.00
1050	Plant Held f00 35000 105 Land, Future Use	Substations, AZ	Willow Lake Substation : 0333 : Central Yav FD, HD - Yavapai, AZ	Fee Land : Facility - Willow Lake Substati	460.00
1050	Plant Held f00 35000 105 Land, Future Use	Substations, AZ	Willow Lake Substation : 0333 : Central Yav FD, HD - Yavapai, AZ	10608003 /T14nr02wst10/A019256/78est : Facility - Willow Lake Substati	6,531.00
		Misc			**117,659.14**
1050	Plant Held f00 35025 Lim Term Land, 25 yr	Sun Valley(TS5) to Trilby Wash(TS1)	3190 : 07-0940 : In Buckeye - Maricopa, AZ : Sun Valley(TS5) to Trilby Wash(TS1)	0020200 - Land Rights - Limited Term	1,589,355.67
1050	Plant Held f00 35000 105 Land, Future Use	Sun Valley(TS5) to Trilby Wash(TS1)	3190 : 07-0940 : In Buckeye - Maricopa, AZ : Sun Valley(TS5) to Trilby Wash(TS1)	0020100 - Land Rights - Perpetual	5,829,396.87
1050	Plant Held f00 35000 105 Land, Future Use	Sun Valley(TS5) to Trilby Wash(TS1)	3190 : 07-0960 : In Surprise, Wickenburg FD - Maricopa, AZ : Sun Valley(TS5) to Trilby Wash(TS1)	0010100 - Land	354,105.62
1050	Plant Held f00 35025 Lim Term Land, 25 yr	Sun Valley(TS5) to Trilby Wash(TS1)	3190 : 07-8900 : Out, Sun City West SLID - Maricopa, AZ : Sun Valley(TS5) to Trilby Wash(TS1)	0020200 - Land Rights - Limited Term	1,589,355.67
1050	Plant Held f00 35000 105 Land, Future Use	Sun Valley(TS5) to Trilby Wash(TS1)	3190 : 07-8900 : Out, Sun City West SLID - Maricopa, AZ : Sun Valley(TS5) to Trilby Wash(TS1)	0020100 - Land Rights - Perpetual	5,829,396.87
		Sun Valley(TS5) to Trilby Wash(TS1)			**15,191,610.70**
1050	Plant Held f00 35000 105 Land, Future Use	Palm Valley(TS3) - Trilby Wash(TS1)	3191 : 07-7903 : Out, Maricopa Co Mun WCD - Maricopa, AZ : Palm Valley(TS3) - Trilby Wash(TS1)	0020100 - Land Rights - Perpetual	1,821,237.19
1050	Plant Held f00 35000 105 Land, Future Use	Palm Valley(TS3) - Trilby Wash(TS1)	3191 : 07-7982 : In Goodyear Cent WCD - Maricopa, AZ : Palm Valley(TS3) - Trilby Wash(TS1)	0020100 - Land Rights - Perpetual	1,821,237.19
1050	Plant Held f00 35000 105 Land, Future Use	Palm Valley(TS3) - Trilby Wash(TS1)	3191 : 07-8900 : Out, Sun City West SLID - Maricopa, AZ : Palm Valley(TS3) - Trilby Wash(TS1)	0020100 - Land Rights - Perpetual	1,821,237.19
1050	Plant Held f00 35000 105 Land, Future Use	Palm Valley(TS3) - Trilby Wash(TS1)	3191 : 07-8903 : ED#7 & Mar Co WCD Sun City Wes - Maricopa, AZ : Palm Valley(TS3) - Trilby Wash(TS1)	0020100 - Land Rights - Perpetual	607,079.07
1050	Plant Held f00 35000 105 Land, Future Use	Palm Valley(TS3) - Trilby Wash(TS1)	3191 : 07-8960 : In Surprise - Maricopa, AZ : Palm Valley(TS3) - Trilby Wash(TS1)	0020100 - Land Rights - Perpetual	1,821,237.19
1050	Plant Held f00 35000 105 Land, Future Use	Palm Valley(TS3) - Trilby Wash(TS1)	3191 : 07-8962 : In Surprise & McMicken ID - Maricopa, AZ : Palm Valley(TS3) - Trilby Wash(TS1)	0020100 - Land Rights - Perpetual	607,079.07
1050	Plant Held f00 35000 105 Land, Future Use	Palm Valley(TS3) - Trilby Wash(TS1)	3191 : 07-8963 : In Surprise, Municipal WCD - Maricopa, AZ : Palm Valley(TS3) - Trilby Wash(TS1)	0020100 - Land Rights - Perpetual	3,035,395.37
1050	Plant Held f00 35000 105 Land, Future Use	Palm Valley(TS3) - Trilby Wash(TS1)	3191 : 07-8993 : In Glendale, Municipal WCD - Maricopa, AZ : Palm Valley(TS3) - Trilby Wash(TS1)	0020100 - Land Rights - Perpetual	607,079.14
		Palm Valley(TS3) - Trilby Wash(TS1)			**12,141,581.41**
1050	Plant Held f00 35000 105 Land, Future Use	Palo Verde to Sun Valley(TS5) 500kV	3192 : 07-4700 : Out - Maricopa, AZ : Palo Verde to Sun Valley(TS5) 500kV	0020100 - Land Rights - Perpetual	526,717.78
1050	Plant Held f00 35025 Lim Term Land, 25 yr	Palo Verde to Sun Valley(TS5) 500kV	3192 : 07-4700 : Out - Maricopa, AZ : Palo Verde to Sun Valley(TS5) 500kV	0020200 - Land Rights - Limited Term	509,670.68
1050	Plant Held f00 35025 Lim Term Land, 25 yr	Palo Verde to Sun Valley(TS5) 500kV	3192 : 07-4701 : Harquahala FD - Maricopa, AZ : Palo Verde to Sun Valley(TS5) 500kV	0020200 - Land Rights - Limited Term	2,053,001.77
		Palo Verde to Sun Valley(TS5) 500kV			**3,089,390.13**
1050	Plant Held f00 35000 105 Land, Future Use	Buckeye to Elianto (SV4)	3194 : 07-3360 : In Buckeye - Maricopa, AZ : Buckeye to Elianto (SV4)	0020100 - Land Rights - Perpetual	326,675.87
1050	Plant Held f00 35010 Lim Term Land, 10 yr	Buckeye to Elianto (SV4)	3194 : 07-4900 : Out - Maricopa, AZ : Buckeye to Elianto (SV4)	0020200 - Land Rights - Limited Term	8,946.99
1050	Plant Held f00 35000 105 Land, Future Use	Buckeye to Elianto (SV4)	3194 : 07-9050 : In Buckeye - Maricopa, AZ : Buckeye to Elianto (SV4)	0020100 - Land Rights - Perpetual	326,675.89
		Buckeye to Elianto (SV4)			**662,298.75**
1050	Plant Held f00 35025 Lim Term Land, 25 yr	Substations, AZ	Avery Substation : 1254 : In Phoenix - Maricopa, AZ	T2NR2ESec15/Avery Substation Limited Term ROW	1,931,467.18
1050	Plant Held f00 35010 Lim Term Land, 10 yr	Substations, AZ	Avery Substation : 1254 : In Phoenix - Maricopa, AZ	T2NR2ESec15/Avery Substation Limited Term ROW	28,240.24
		Avery Substation : 1254 : In Phoenix - Maricopa, AZ			**1,959,707.42**
1050	Plant Held f00 35000 105 Land, Future Use	Substations, AZ	Delany Substation : 1256 : Out - Maricopa, AZ	0020100 - Land Rights - Perpetual	152,239.92
1050	Plant Held f00 35000 105 Land, Future Use	Substations, AZ	Delany Substation : 1256 : Out - Maricopa, AZ	0010100 - Land	922,607.20
		Delany Substation : 1256 : Out - Maricopa, AZ			**1,074,847.12**
1050	Plant Held f00 35000 105 Land, Future Use	Substations, AZ	Sun Valley (aka TS5) Substation : 1230 : In Buckeye - Maricopa, AZ	T04NR04ES29/98 85/WEST VALLEY NORTH PROJECT TS5 500/230/69KV SUBSTATION LAND ACQUISITION	**5,324,821.24**
1050	Plant Held f00 35025 Lim Term Land, 25 yr	Substations, AZ	Trilby Wash (aka TS1) Substation : 1242 : Out, Sun City West SLID - Maricopa, AZ	TS1 SUB/T04NR02WSec20NW/16.24-15 for sub+1.24 for access road/Land Rights - Limited Term - 0020200	**1,258,266.67**
1050	Plant Held f00 35000 105 Land, Future Use	Substations, AZ	Via Dona (aka NE2) Substation : 1253 : In Scottsdale - Maricopa, AZ	216-74-011E/4.376/Via Dona (aka NE2) Substation Vacant Land	**1,929,112.73**
				TOTAL	**47,367,015.31**

Land for Palo Verde North Gila #2 Line

Chairman Mayes asked if APS was purchasing any land for the Palo Verde to North Gila #2 line. The land for this project primarily traverses Federal Bureau of Land Management ("BLM") land but also includes some private property as well as Arizona State Lands. APS will be acquiring rights-of-way from BLM, the State of Arizona and private parties. As indicated in Table 5, approximately $2 million of Land Held for Future Use is related to the North Gila project.

Third Party Wheeling Revenue

Commissioner Newman requested that APS provide a breakout of third party wheeling revenue, including SRP, that was included in the 2009 update. Please see Table 6 for a list of entities that purchased long-term wholesale transmission service from APS under FERC-approved rates during 2008. These wholesale revenues reduce the amount of the transmission revenue requirement that APS needs to recover from its retail customers. Total 2008 wheeling revenue collected from SRP reflected in this report is $14,069,308.

Arizona Public Service Company
Third Party Wheeling Revenue for 2008

Account 456.1 - Revenues from Transmission of Electricity of Others

CUSTOMER	Revenue
AJO IMPROVEMENT	(79,178)
Abitibi Consolidated	2,942
AkChin	(537,634)
APS Merchant (Network)	(6,984,022)
Arizona Electric Pwr. Coop.	61
Arizona Public Service	6,676,813
AZPS for-APS Merchant P-T-P (OS)	0
AZPS for-APS Merchant P-T-P (SF)	439,507
Barclays Capital	19,855
Barclays Capital	17,372
Bear Energy, L. P.	5,584
Bear Energy, L.P.	1,808
Calpine Power Services	9,377
Calpine Power Services	341
Cargill-Alliant, LLC	24,656
Cargill-Alliant, LLC	108,322
Central Arizona Project (began 4/03)	446,288
Citigroup Energy, Inc.	121,893
Citigroup Energy, Inc.	109,713
Conoco, Inc.	126,571
Conoco, Inc.	144,784
Constellation Power Source, Inc.	4,310
Constellation Power Source, Inc.	10,592
Coral Power (35mw)	0
Coral Power/ Shell Energy N.A.	65,581
Coral Power/Shell Energy N.A.	124,699
Dynegy (OS)	311,003
ED #1 APA	1,664
ED #2	0
ED #3	(1,403)
El Paso Electric Company	31,131
El Paso Electric Company	27,641
Florida Power & Light	83,858
Florida Power & Light	32,064
Gila River Power	2,167,892
Imperial Irrigation District	52,997
JP Morgan Ventures Energy Corp	2,698
JP Morgan Ventures Energy Corp	4,918
Los Angeles Wholesale Marketing	89
Los Angeles Wholesale Marketing	1,109
Louis Dreyfus Energy Service	121
LUKE AFB MAIN BASE (CRSP)	174,463
Macquarie Cook Power Inc	1,271
Macquarie Cook Power Inc	6,030
MARINE CORP.	77,652
Mirant Americas Energy	6,293
Morgan Stanley	182,194
Morgan Stanley	52,044

Nevada Power Company	13,806
NTUA	151,701
PacificCorp	76,892
PacifiCorp	27,212
PacifiCorp	547,200
PacifiCorp	200,226
PacifiCorp Power Marketing (Iberdrola)	11,143
PacifiCorp Power Marketing (Iberdrola)	644
Panda-Gila River	312,910
Panda-Gila River	390,528
Pinnacle West Capital Corp (Citizens)	3,649,864
Pinnacle West Capital Corp (COW)	155,533
Pinnacle West Capital Corp (Retail	158,548
Portland General Electric	60
Powerex	449,091
Powerex	1,020,941
Public Serv Of New Mexico	6,416
Public Serv Of New Mexico (LF-130mw)	1,415,030
Public Serv Of New Mexico (old Plains)	1,819,027
Public Service of New Mexico	1,120,949
Public Svc Co of New Mexico (SF)	715,752
Salt River Project (Desert Basin & Knox Tie)	12,774,707
Salt River Project Fringe	10,267
Salt River Project Merchant	332,726
Salt River Project Merchant	178,898
Salt River Project Schedule Q	772,910
SAN CARLOS INDIAN IRRIGATION PROJ.	2,160
Sempra Trading Corp	82,500
Sempra Trading Corp	94,940
Shell Energy North America LP	1,098,723
Snowflake White Mountain Power	201,788
Southern California Edison Co.	1,232
Southern California Edison Co.	52,622
Southwest Transmission Cooperative	47,362
TransAlta Energy Marketing	3,903
TransAlta Energy Marketing	3,507
Tri-State G&T (was Plains G&T)	135
Tucson Electric Power Company	168,255
Tucson Electric Power Company	1,824,000
Tucson Electric Power Company	2,732,506
UNIT B IRRIG & DRAIN	540
Western Area Power Admin (CRSP)	13
Western Aria Power Admin (CRSP)	1,760
YCA-non firm	45,660
Yuma Cogeneration - Firm	927,504
Yuma Irrigation Disctrict (CRFW & Filla Proj)	25,920
Yuma Irrigation Disctrict (YID)	0
YUMA-MESA	4,500
Other	(23,200)
Total	37,685,275

Embedded versus Incremental Cost Analysis for Transmission Interconnections

During the Third Party Wheeling discussion, it was further requested by Commissioner Newman whether APS employed the higher of embedded cost or incremental cost for network upgrades resulting from an interconnection.

Under FERC's Large Generator Interconnection Procedures (Order 2004-A), a transmission provider is permitted to charge in its transmission rates the higher of either the incremental cost of new network transmission facilities or the embedded system-average cost. Incremental costs reflect costs that exceed network upgrades already planned by the transmission provider. When incremental costs would have the effect of raising the overall rates for existing transmission customers, this process can insulate those existing customers from costs associated with network upgrades for an interconnecting generator. In some cases, wheeling revenue from the interconnected generator may be more advantageous for existing transmission customers, such that charging the generator embedded costs best protects existing customers. APS evaluates each situation that arises from these types of costs on a case by case basis to determine the higher of incremental or embedded costs.

With respect to the Sugarloaf project, the interconnection resulted in no incremental costs from SRP. This project had been in APS's transmission plans primarily to enhance the system reliability for APS's customers in the Show Low area through an interconnection by APS to SRP's transmission system. However, APS customers benefit from the interconnection because SRP pays wheeling charges for any transmission on APS's system that is used by SRP to deliver its Dry Lake wind resource. These wheeling charges result in a revenue credit that benefits APS customers.

Work Authorization W211404

Chairman Mayes requested additional detail on the project description for W211404. This work authorization is for line siting work for the Palo Verde to Sun Valley 500kV transmission line project.

Customer Inquiries in 2008 and 2009

Commissioner Kennedy requested information regarding the number of customer inquiries in response to APS's notice of the pending TCA filing in both 2008 and 2009. This year APS received five customer inquiries regarding its pending TCA filing. In 2008, APS received two customer inquiries. All seven inquires are related to concerns about bill impacts.