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November 30, 2009

Arizona Corporation Commission
DOCKETED

NOV 30 2009

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

DOCKETED BY	
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2009 NOV 30 P 4: 32
AZ CORP COMMISSION
DOCKET CONTROL

RE: Arizona Public Service Company's New Long-Term Debt Agreement
Decision No. 69947
Docket No. E-01345A-06-0779

Pursuant to Decision No. 69947, at page 18, line 21:

...on each occasion when Arizona Public Service Company enters into a long-term debt agreement, Arizona Public Service Company shall file with Docket Control as a compliance item in this docket, a description of the transaction and a demonstration that the rates and terms are consistent with those generally available to comparable entities at the time....

On September 22, 2009, Arizona Public Service (APS) priced \$26,710,000 of tax-exempt Coconino County Series 2009B bonds. The bonds were issued to refund a like principal amount of prior bonds issued for APS's benefit. These bonds trade in the tax exempt market and are considered Variable Rate Demand Bonds (VRDB). The interest rate on the bonds is reset daily.¹ The initial interest rate was set at .35%.

The interest rate on the bonds is based on several components including the Securities Industry and Financial Markets Association (SIFMA) index, the market, the strength of the supporting bank, the state the bonds are being traded in and whether the bonds include an Alternative Minimum Tax (AMT) component or not. The SIFMA index is a 7-day high-grade market index comprised of tax-exempt VRDB's. Exhibit A demonstrates the rates APS achieved were comparable to rates on other VRDB's priced on the same day as the Coconino bonds.

Also on September 22, 2009, APS entered into an agreement with JPMorgan Chase Bank to provide a letter of credit as support for the Coconino County bonds. The letter of credit serves as support for the bonds and allows the bonds to trade at more favorable rates. The bonds trade on the credit quality of the bank providing the letter of credit, in this case, JPMorgan Chase Bank.

¹ APS has the ability to convert the bonds into other interest rate modes, including weekly or monthly reset, term and fixed.

Docket Control
August 11 2009
Page 2

Exhibit B provides comparables for the letter of credit pricing APS received. Pricing is based on the size of the transaction, the tenor of the transaction and on market conditions. Pricing will also fluctuate based on APS's credit rating. Exhibit B shows the pricing APS received is comparable to other transactions in the market during a similar timeframe as APS' transaction.

If you have any questions or concerns, please call Mr. Charles Miessner at (602)250-3081.

Sincerely,

A handwritten signature in black ink that reads "Leland Snook" followed by a small flourish or mark.

Leland R. Snook

Attachments

LS/sl

cc: Brian Bozzo
Steve Olea

Exhibit A

Select AMT Daily VRDB Programs with JPMC Direct Pay LOC (J.P. Morgan Remarketed Programs)

Pay (mm)	Issuer	Offering	CUSIP	Reset Date	Reset Level
26.71	Cocconino County AZ Poll Control Series 2009B	Primary Offering	191855AY1	9/22/2009	0.35%
21.25	Indiana Fin Auth Series 2002	Existing Remarketing	454907CR5	9/22/2009	0.40%
10	Indiana Fin Auth Series 2001	Existing Remarketing	454912AZ9	9/22/2009	0.40%
18.025	Kentucky Econ Dev Fin Auth	Existing Remarketing	49126RAB2	9/22/2009	0.40%
15	Pitkin Crty Co 1994 B	Existing Remarketing	724390AC3	9/22/2009	0.40%

Arizona Public Service
 Republic Services
 Republic Services
 Republic Services
 Aspen Ski Company

Exhibit B

Borrower	Launch Date	Ratings	Total (MM)	Facilities (MM)	Type	Tenor	Drawn (bps)	Upfront Fees (bps)
Pepco Holdings, Inc.	Sep-09	Baa3/BBB-	\$400	\$400	RC	364-day	300.0	87.5
PPL Energy Supply	Aug-09	Baa2/BBB	\$400	\$400	RC	364-day	300.0	87.5
Allegheny Energy Supply	Aug-09	Baa3/BBB-	\$1,000	\$1,000	RC	3-year	350.0	150.0 - 200.0
PSEG	Jun-09	Baa1/BBB+	\$350	\$350	RC	2-year	300.0	150.0
Ameren Corp / UE/Genco	Jun-09	Baa3/BB+	\$1,880	\$1,080	RC	2-year	425.0	150.0 - 200.0
Ameren CIPS/CILCO/IP	Jun-09	Baa3/BBB+		\$800	RC	2-year	375.0	150.0 - 200.0
NorthWestern Corporation	Jun-09	BBB/Baa2/BBB	\$250	\$250	RC	3-year	300.0	150.0
Texas New Mexico Power	Apr-09	BBB-/Baa2	\$75	\$75	RC	2-year	350.0	200.0
Integrus	Apr-09	A3/BBB	\$425	\$425	RC	364-day	300.0	200.0
ITC Holdings Corp.	Apr-09	Baa3/BBB-	\$100	\$100	TL	2-year	350.0	150.0
Otter Tail	Apr-09	A3/BBB-	\$75	\$75	TL	2-year	350.0	125.0
DTE	Mar-09	Baa2/BBB-	\$1,000	\$538	RC	2-year	350.0	175.0 - 250.0
Detroit Edison	Mar-09	Baa1/BBB		\$212	RC	2-year	300.0	175.0 - 250.0
MichCon	Mar-09	A3/BBB+		\$250	RC	2-year	300.0	175.0 - 250.0
Arizona Public Service Company	Sep-09	Baa2/BBB-		\$26.7	LC	2-year	275.0	100.0