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EXCEPTION

RECEIVED

William J. Post  
Chief Executive Officer

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1999 09 17 P 3:49  
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AZ CORP COMMISSION  
DOCUMENT CONTROL

September 17, 1999  
Arizona Corporation Commission

DOCKETED

SEP 17 1999

Via Hand Delivery

DOCKETED BY

Carl J. Kunasek  
Chairman  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Re: APS Settlement Proceeding (ACC Docket Nos. E-01345A-98-0473, et. al.)

Dear Commissioner Kunasek:

In response to your letter of September 9, 1999, Pinnacle West's stock has certainly performed poorly since the August 26, 1999 issuance of the Hearing Officer's Recommended Order in our settlement proceeding. Attached is a chart showing this decline as compared to the industry average. You will note that our stock price has dropped almost 10% since that date for a total loss in value of more than \$300 million. In contrast, the Everen Index of 80 electric utilities has declined only 2.9% during the same time. In fact, Pinnacle West's stock performance (price change) in the last month is the fourth worst out of the 83 integrated electric utilities reported by Bloomberg Financial Services. Such a trend, if continued, will adversely affect APS' cost of both debt and equity in the manner described in your letter. While the Company's bond rating has not currently been impacted, the substantive changes the hearing officer proposes to Section 2.8 of the settlement create additional uncertainty which may negatively impact the cost of future debt issuances. This is a significant concern because, as testified to in the settlement hearing, APS will be spending over \$1 billion of capital during the transition period to improve our transmission and distribution facilities.

As also noted in your letter of September 9, 1999, Pinnacle West's stock has been downgraded by two analysts since issuance of the Recommended Order. One of these analysts, (Morgan Stanley/Dean Witter), specifically cited the Recommended Order as the reason for the downgrade, while the other (Credit Suisse First Boston) indicated that the Recommended Order was not the cause. The Company is aware of two other analysts, Salomon Smith Barney and Dresdner Kleinwort Benson, have since commented on the Recommended Order although neither changed its overall rating of Pinnacle West.

Carl J. Kunassek  
September 17, 1999  
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All four of the security analysts referenced above, even the one that gave the Recommended Order an overall positive review, identified the substantive proposed changes to Section 2.8 of the Settlement as the most negative feature of the recommendation. Other changes to the Settlement noted with disfavor were the arbitrary disallowance of one-third of the Company's forced divestiture costs and the increase in revenue cycle service (metering, etc.) credits. APS has addressed each of these items in its September 7, 1999 filed Exceptions and has proposed specific amendments to the Recommended Order to rectify these and other shortcomings of the Recommended Order.

I hope this has been responsive to your inquiry.

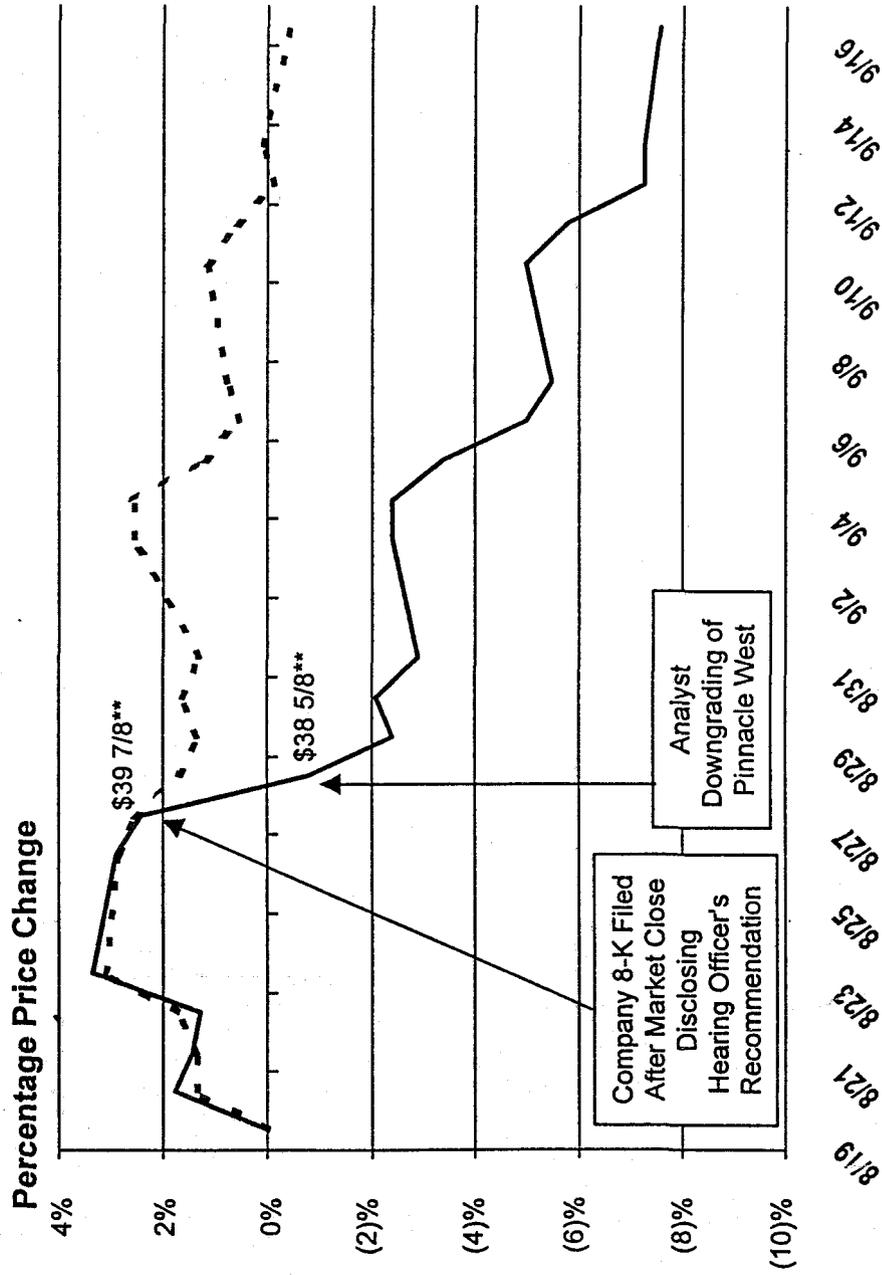
Sincerely,

A handwritten signature in cursive script that reads "Bill Post". The signature is written in black ink and is positioned below the word "Sincerely,".

William Post

cc: Jim Irvin  
William A. Mundell  
Jerry Rudibaugh  
Paul Bullis  
Deborah Scott  
All parties of record

# Pinnacle West Capital Corporation Stock Performance Relative to Electric Utility Industry\* August 19, 1999 - September 16, 1999



Total Percentage Change	
Since Hearing Officer's Recommendation	
Pinnacle West	(9.7)%
Electric Industry*	(2.9)%
Pinnacle West Under Industry	(6.8)%

— Pinnacle West    - - - Electric Industry\*

\* Based on Everen Index of 80 Electric Utilities

\*\* Pinnacle West Stock Price