APS

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State Regulation

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Mail Station 9708
PO Box 53999
Phoenix, Arizona 85072-3999

December 28, 2010

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

RE: APS/Pinnacle West Communications With Credit Rating Agencies
Docket No. E-01345A-08-0172

Attached please find copies of Arizona Public Service Company ("APS") and Pinnacle West's past communications with credit rating agencies pursuant to Decision No. 70667:

> Arizona Public Service Company shall file all currently existing communications within 10 days of the effective date of this Decision and shall file future communications on a monthly basis. The first such monthly report shall be due on February 1, 2009, and the monthly filings shall continue until the conclusion of Arizona Public Service Company's general rate case. Thereafter, Arizona Public Service Company shall make such filings on a six month basis, with the first filing due by January 1, 2010.[1]

This filing covers the communications with rating agencies from June 16, 2010, through December 31, 2010. The last communication for the year is dated December 17, 2010. Typically, no communications with rating agencies occur in the final two weeks of the year. If you have any questions regarding this information, please contact me at (602)250-2709.

Sincerely,

Susan Casady

Susan Casady

Arizona Corporation Commission
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AZ CORP COMMISSION
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SC/sl
Attachment

cc: Steve Olea (unredacted)
Brian Bozzo (unredacted)
Barbara Keene (unredacted)
Terri Ford (unredacted)
Elijah Abinah (unredacted)

[1] APS had made monthly filings covering the six months prior to January 1, 2010, so as a practical matter the first filing covering an entire six month period is due July 1, 2010.

Rating Agency Communication Log

	Date	Person	APS/PNW Personnel	Subject	Comment
1	6/21/2010	Laura Schumacher	Jim McGill	Attended Moody's Issuers Conference	
2	6/21/2010	Tony Bettinelli, S&P	Jim McGill	E-mail from S&P re: cap ex forecast	
3	6/21/2010	Tony Bettinelli, S&P	Jim McGill	E-mail to S&P re: cap ex forecast	
4	6/22/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Coconino 1994 bonds	Confidential attachment
5	6/22/2010	Laura Schumacher, Moodys	Investor Relations	E-mail regarding PNW dividend declaration	
6	6/22/2010	Phil Smyth, Fitch	Investor Relations	E-mail regarding PNW dividend declaration	
7	6/22/2010	Tony Bettinelli, S&P	Investor Relations	E-mail regarding PNW dividend declaration	
8	6/22/2010	Phil Smyth, Fitch	Karen Dolyniuk	Voice msg to Fitch re: Coconino 1994 bonds	
9	6/22/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail to Fitch re: Coconino 1994	Confidential attachment
10	6/22/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail to Fitch re: Coconino 1994	Confidential attachment
11	6/22/2010	Richard Cortright, S&P	PNW Board Meeting	Presentaton by S&P to board	
12	6/23/2010	Tony Bettinelli, S&P	Jim McGill	E-mail from S&P re: liquidity survey	
13	6/23/2010	Tony Bettinelli, S&P	Jim McGill	E-mail to S&P re: liquidity survey	
14	6/24/2010	Richard Cortright, S&P	Lee Nickloy	E-mail from S&P re: board meeting	
15	6/24/2010	Richard Cortright, S&P	Lee Nickloy	E-mail to S&P re: board meeting	
16	6/24/2010	Richard Cortright, S&P	Lee Nickloy	E-mail to S&P re: board meeting	
17	6/25/2010	Tony Bettinelli, S&P	Jim McGill	E-mail to S&P re: liquidity survey	Confidential attachment
18	6/25/2010	Tony Bettinelli, S&P	Jim McGill	E-mail from S&P re: liquidity survey	
	6/28/2010	Tony Bettinelli, S&P	Lee Nickloy	Phone call re: outlook change	
19	6/28/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: APS ratings	
20	6/29/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: APS ratings	
21	6/29/2010	Laura Schumacher, Moodys	Karen Dolyniuk	Phone call with Moody's re: APS ratings	
22	7/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Coconino 1994 bonds	Confidential attachment
23	7/7/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail to Fitch re: Coconino 1994 bonds	same attachment as 22
24	7/12/2010	Carla Siefer, S&P	Karen Dolyniuk	E-mail to S&P re: Coconino 1994 bonds	Confidential attachment
25	7/12/2010	Carla Siefer, S&P	Karen Dolyniuk	E-mail to S&P re: Coconino 1994 bonds	Confidential attachment
26	7/13/2010	Chetara Mangaroo, Moody's	Karen Dolyniuk	E-mail to Moody's re: Coconino 1994 bonds	same attachment as 24
27	7/13/2010	Chetara Mangaroo, Moody's	Karen Dolyniuk	E-mail to Moody's re: Coconino 1994 bonds	same attachment as 25
28	7/12/2010	Carla Siefer, S&P	Karen Dolyniuk	E-mail from S&P re: Coconino 1994 bonds	

29	7/12/2010	Carla Siefer, S&P	Karen Dolyniuk	E-mail to S&P re: Coconino 1994 bonds	
30	7/12/2010	Carla Siefer, S&P	Karen Dolyniuk	E-mail from S&P re: Coconino 1994 bonds	
31	7/12/2010	Rob Hornick, Fitch	Karen Dolyniuk	E-mail to Fitch re: Coconino 1994 bonds	
32	7/12/2010	Rob Hornick, Fitch	Karen Dolyniuk	E-mail from Fitch re: Coconino 1994 bonds	
33	7/12/2010	Rob Hornick, Fitch	Karen Dolyniuk	E-mail to Fitch re: Coconino 1994 bonds	
34	7/12/2010	Rob Hornick, Fitch	Karen Dolyniuk	E-mail from Fitch re: Coconino 1994 bonds	
35	7/13/2010	Tony Bettinelli, S&P	Lee Nickloy and Jim McGill	E-mail from S&P re: article on isser liquidity	
36	7/14/2010	Laura Schumacher, Moodys	Jim McGill	Voice mail from Moody's re: Four Corners/SCE	
37	7/14/2010	Laura Schumacher, Moodys	Lee Nickloy	Phone call re: Four Corners	
38	7/14/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail from Fitch re: Coconino bonds	same attachment as 24
39	7/14/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail from Fitch re: Coconino bonds	same attachment as 25
40	7/19/2010	Mindy Xu, S&P	Karen Dolyniuk	E-mail to S&P re: Coconino bonds	
41	7/19/2010	Jacek Stolarz, Moodys	Karen Dolyniuk	E-mail to Moody'sS&P re: Coconino bonds	
42	7/21/2010	Laura Schumacher, Moodys	Investor Relations	E-mail regarding PNW Q2 earnings release	
43	7/21/2010	Phil Smyth, Fitch	Investor Relations	E-mail regarding PNW Q2 earnings release	
44	7/21/2010	Tony Bettinelli, S&P	Investor Relations	E-mail regarding PNW Q2 earnings release	
45	7/22/2010	Mindy Xu, S&P	Karen Dolyniuk	E-mail from S&P re: Coconino bonds	
46	7/22/2010	Mindy Xu, S&P	Karen Dolyniuk	E-mail to S&P re: Coconino bonds	Confidential attachment
47	7/22/2010	Mindy Xu, S&P	Karen Dolyniuk	E-mail from S&P re: Coconino bonds	
48	7/22/2010	Mindy Xu, S&P	Karen Dolyniuk	E-mail to S&P re: Coconino bonds	
49	7/22/2010	Mindy Xu, S&P	Karen Dolyniuk	E-mail to S&P re: Coconino bonds	Confidential attachment
50	7/23/2010	Laura Schumacher, Moodys	Investor Relations	E-mail regarding new wind project	
51	7/23/2010	Phil Smyth, Fitch	Investor Relations	E-mail regarding new wind project	
52	7/23/2010	Tony Bettinelli, S&P	Investor Relations	E-mail regarding new wind project	
49	7/26/2010	Jacek Stolarz, Moodys	Karen Dolyniuk	E-mail to Moody'sS&P re: Coconino bonds	Confidential attachment

Rating Agency Communication Log

	Date	Person	APS/PNW Personnel	Subject	Comment
1	7/29/2010	Richard Park, Fitch	Karen Dolyniuk	E-mail to Fitch re: Coconino bonds	
2	7/29/2010	Jacek Stolarz, Moodys	Karen Dolyniuk	E-mail to Moody's re: Coconino bonds	
3	7/30/2010	Richard Park, Fitch	Karen Dolyniuk	E-mail from Fitch re: ratings letter	
4	7/30/2010	Richard Park, Fitch	Karen Dolyniuk	E-mail from Fitch re: ratings letter	
5	8/2/2010	Richard Park, Fitch	Karen Dolyniuk	E-mail to Fitch re: ratings letter	
6	8/2/2010	Richard Park, Fitch	Karen Dolyniuk	E-mail to Fitch re: ratings letter	
7	8/2/2010	Richard Park, Fitch	Karen Dolyniuk	E-mail from Fitch re: ratings letter	
8	8/2/2010	Richard Park, Fitch	Karen Dolyniuk	E-mail to Fitch re: ratings letter	
9	8/2/2010	Richard Park, Fitch	Karen Dolyniuk	E-mail to Fitch re: ratings letter	
10	8/3/2010	Laura Schumacher, Moodys	Investor Relations	E-mail regarding Q2 earnings	
11	8/3/2010	Phil Smyth, Fitch	Investor Relations	E-mail regarding Q2 earnings	
12	8/3/2010	Tony Bettinelli, S&P	Investor Relations	E-mail regarding Q2 earnings	
13	8/3/2010	Laura Schumacher, Moodys	Investor Relations	E-mail with 10Q	
14	8/3/2010	Phil Smyth, Fitch	Investor Relations	E-mail with 10Q	
15	8/3/2010	Tony Bettinelli, S&P	Investor Relations	E-mail with 10Q	
16	8/3/2010	Jacek Stolarz, Moodys	Karen Dolyniuk	E-mail to Moody's re: Coconino bonds	
17	8/3/2010	Jacek Stolarz, Moodys	Karen Dolyniuk	E-mail to Moody's re: Coconino bonds	
18	8/3/2010	Alex Epelbaum, Moody's	Karen Dolyniuk	E-mail from Moody's re: ratings application	
19	8/3/2010	Richard Park, Fitch	Karen Dolyniuk	E-mail to Fitch re: ratings letter	
20	8/3/2010	Richard Park, Fitch	Karen Dolyniuk	E-mail from Fitch re: ratings letter	Confidential attachment
21	8/4/2010	Jacek Stolarz, Moodys	Karen Dolyniuk	E-mail from Moody's re: Coconino bonds	
22	8/4/2010	Jacek Stolarz, Moodys	Karen Dolyniuk	E-mail to Moody's re: Coconino bonds	
23	8/9/2010	Linda Linchseter, S&P	Phill Nelson	Phone call re: pension update	
24	8/9/2010	Linda Linchseter, S&P	Phill Nelson	E-mail from S&P re: pension update	Confidential attachment
25	8/9/2010	Linda Linchseter, S&P	Phill Nelson	E-mail to S&P re: pension update	Confidential attachment
26	8/10/2010	Laura Schumacher, Moodys	Investor Relations	E-mail regarding new solar plant	
27	8/10/2010	Phil Smyth, Fitch	Investor Relations	E-mail regarding new solar plant	
28	8/10/2010	Tony Bettinelli, S&P	Investor Relations	E-mail regarding new solar plant	
29	8/10/2010	Jacek Stolarz, Moodys	Karen Dolyniuk	E-mail to Moody's re: Coconino bonds	
30	8/10/2010	Mindy Xu, S&P	Karen Dolyniuk	E-mail re: rating letter	
31	8/10/2010	Jacek Stolarz, Moodys	Karen Dolyniuk	E-mail to Moody's re: Coconino bonds	

Rating Agency Communication Log

	Date	Person	APS/PNW Personnel	Subject	Comment
1	9/9/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: Farmington bonds	
2	9/9/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	
3	9/9/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail to Fitch re: Farmington bonds	
4	9/9/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: Farmington bonds	
5	9/9/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	
6	9/9/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail to Fitch re: Farmington bonds	
7	9/10/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail from Fitch re: Farmington bonds	
8	9/10/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail to Fitch re: Farmington bonds	
9	9/10/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail to Fitch re: Farmington bonds	
10	9/10/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail from S&P re: Farmington bonds	
11	9/13/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: Farmington bonds	
12	9/13/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	
13	9/13/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: Farmington bonds	
14	9/13/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail from S&P re: Farmington bonds	
15	9/13/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	
16	9/13/2010	Laura Schumacher, Moodys	Shirley Baum	Fax to Moody's re: Farmington bonds	
17	9/17/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: Farmington bonds	
18	9/17/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: Farmington bonds	
19	9/17/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: Farmington bonds	
20	9/17/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: Farmington bonds	
21	9/22/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	attachments
22	9/22/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: Farmington bonds	same attachments as 21 above
23	9/22/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail to Fitch re: Farmington bonds	same attachments as 21 above
24	9/22/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: Farmington bonds	
25	9/22/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	
26	9/22/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail to Fitch re: Farmington bonds	
27	9/22/2010	Laura Schumacher, Moodys	Karen Dolyniuk	Phone call with Moody's re: Farmington bonds	

28	9/22/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: Farmington bonds	
29	9/22/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: Farmington bonds	
30	9/22/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: Farmington bonds	
31	9/22/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: Farmington bonds	
32	9/22/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail from S&P re: Farmington bonds	
33	9/22/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail from S&P re: Farmington bonds	
34	9/23/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	
35	9/23/2010	Phil Smyth, Fitch	Karen Dolyniuk	Phone call with Fitch re: Farmington bonds	
36	9/23/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail to Fitch re: Farmington bonds	
37	9/23/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail from Fitch re: Farmington bonds	attachment
38	9/23/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail to Fitch re: Farmington bonds	
39	9/23/2010	Tony Bettinelli, S&P	Lee Nickloy/Jim McGill	E-mail from S&P regarding pension contribution	

Rating Agency Communication Log

	Date	Person	APS/PNW Personnel	Subject	Comment
1	9/23/2010	Tony Bettinelli, S&P	Lee Nickloy	E-mail from S&P re: Pension contribution	
2	9/24/2010	Tony Bettinelli, S&P	Lee Nickloy	E-mail from S&P re: Pension contribution	
3	9/24/2010	Tony Bettinelli, S&P	Lee Nickloy	E-mail from S&P re: Pension contribution	
4	9/28/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: Farmington bonds	attachment
5	9/28/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: Farmington bonds	attachment
6	9/28/2010	Lee Nickloy, Rufad Omanovic	Karen Dolyniuk	E-mail to Lee and Rufad regarding Moody's press release re: Farmington bonds	attachment, same as #2
7	9/28/2010	Laura Schumacher, Moodys	Karen Dolyniuk	Phone call to Moody's re: press release re: Farmington bonds	
8	9/28/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: Farmington bonds	attachment
9	9/28/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: Farmington bonds	attachment - Confidential
10	9/28/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: Farmington bonds	
11	9/28/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: Farmington bonds	
12	9/28/2010	Laura Schumacher, Moodys	Karen Dolyniuk	Phone call from Moody's re: Farmington bonds	
13	9/29/2010	Laura Schumacher, Moodys	Investor Relations	E-mail regarding sustainability	
14	9/29/2010	Phil Smyth, Fitch	Investor Relations	E-mail regarding sustainability	
15	9/29/2010	Tony Bettinelli, S&P	Investor Relations	E-mail regarding sustainability	
16	9/29/2010	Laura Schumacher, Moodys	Investor Relations	E-mail regarding solar plant near Gila Bend	
17	9/29/2010	Phil Smyth, Fitch	Investor Relations	E-mail regarding solar plant near Gila Bend	
18	9/29/2010	Tony Bettinelli, S&P	Investor Relations	E-mail regarding solar plant near Gila Bend	
19	9/30/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: Farmington bonds	
20	9/30/2010	Laura Schumacher, Moodys	Karen Dolyniuk	Phone call from Moody's re: Farmington bonds	
21	10/1/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: Farmington bonds	attachment - Confidential
22	10/1/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: description of tax exempt bonds	attachment
23	10/1/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: description of tax exempt bonds	
24	10/1/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: description of tax exempt bonds	
25	10/5/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: Farmington bonds	attachment
26	10/5/2010	Phil Smyth, Fitch	Karen Dolyniuk	E-mail to Fitch re: Farmington bonds	same attachments as 17 above
27	10/5/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	same attachments as 17 above
28	10/6/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: description of tax exempt bonds	attachment
29	10/6/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: description of tax exempt bonds	
30	10/6/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: description of tax exempt bonds	
31	10/7/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: EPA and Four Corners	
32	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	
33	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail from S&P re: Farmington bonds	

34	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	
35	10/7/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: EPA and Four Corners	
36	10/7/2010	Laura Schumacher, Moodys	Lee Nickloy	Phone call to Moody's re: EPA and Four Corners	
37	10/7/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: EPA and Four Corners	
38	10/7/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: EPA and Four Corners	
39	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail from S&P re: Farmington bonds	
40	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	Phone call toS&P re: Farmington bonds	
41	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	
42	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	
43	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail from S&P re: Farmington bonds	
44	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	
45	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail from S&P re: Farmington bonds	
46	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	
47	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail from S&P re: Farmington bonds	
48	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	
49	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	attachments
50	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail from S&P re: Farmington bonds	attachments
51	10/7/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	
52	10/8/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail from S&P re: Farmington bonds	attachment
53	10/8/2010	Tony Bettinelli, S&P	Karen Dolyniuk	E-mail to S&P re: Farmington bonds	
54	10/11/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail to Moody's re: EEI Conference	
55	10/11/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail from Moody's re: EEI Conference	
56	10/12/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail to Moody's re: EEI Conference	
57	10/13/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: description of tax exempt bonds	attachment
58	10/13/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail from Moody's re: Farmington bonds	
59	10/13/2010	Laura Schumacher, Moodys	Karen Dolyniuk	E-mail to Moody's re: Farmington bonds	
60	10/18/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail to Moody's re: EEI Conference	
61	10/18/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail from Moody's re: EEI Conference	
62	10/18/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail to Moody's re: EEI Conference	
63	10/18/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail from Moody's re: EEI Conference	
64	10/18/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail to Moody's re: EEI Conference	
65	10/18/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail from Moody's re: EEI Conference	
66	10/18/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail to Moody's re: EEI Conference	
67	10/18/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail from Moody's re: EEI Conference	

68	10/20/2010	Laura Schumacher, Moodys	Investor Relations	E-mail regarding Q3 earnings release	
69	10/20/2010	Phil Smyth, Fitch	Investor Relations	E-mail regarding Q3 earnings release	
70	10/20/2010	Tony Bettinelli, S&P	Investor Relations	E-mail regarding Q3 earnings release	

Rating Agency Communication Log

	Date	Person	APS/PNW Personnel	Subject	Comment
1	10/28/2010	Tony Bettinelli, S&P	Investor Relations	E-mail regarding release of third-quarter form 10Q	
2	10/28/2010	Laura Schumacher, Moodys	Investor Relations	E-mail regarding release of third-quarter form 10Q	
3	10/28/2010	Phil Smyth, Fitch	Investor Relations	E-mail regarding release of third-quarter form 10Q	
4	10/28/2010	Tony Bettinelli, S&P	Investor Relations	E-mail regarding release of third quarter earnings	
5	10/28/2010	Laura Schumacher, Moodys	Investor Relations	E-mail regarding release of third quarter earnings	
6	10/28/2010	Phil Smyth, Fitch	Investor Relations	E-mail regarding release of third quarter earnings	
7	11/1/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail regarding meeting at EEI Conference	
8	11/4/2010	Tony Bettinelli, S&P	Lee Nickloy	Phone call to discuss the Four Corners transaction	
9	11/5/2010	Phil Smyth, Fitch	Jim Hatfield, Lee Nickloy, Pete Ewen	Phone call to discuss the Four Corners transaction	
10	11/5/2010	Phil Smyth, Fitch	Lee Nickloy	E-mail regarding Four Corners transaction	Attachment - Confidential
11	11/5/2010	Tony Bettinelli, S&P	Lee Nickloy	E-mail regarding Four Corners transaction	Attachment - Confidential
12	11/5/2010	Tony Bettinelli, S&P	Lee Nickloy	E-mail regarding Four Corners transaction	
13	11/5/2010	Tony Bettinelli, S&P	Lee Nickloy	E-mail regarding Four Corners transaction	
14	11/8/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail regarding setting up a time to discuss the Four Corners transaction	
15	11/8/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail regarding setting up a time to discuss the Four Corners transaction	
16	11/8/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail regarding setting up a time to discuss the Four Corners transaction	
17	11/8/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail regarding setting up a time to discuss the Four Corners transaction	
18	11/8/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail regarding Four Corners transaction	Attachment - Confidential
19	11/8/2010	Laura Schumacher, Moodys	Jim Hatfield, Lee Nickloy, Pete Ewen	Phone call to discuss the Four Corners transaction	
20	11/8/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail regarding the Four Corners transaction	
21	11/8/2010	Tony Bettinelli, S&P	Investor Relations	E-mail regarding Four Corners transaction	
22	11/8/2010	Laura Schumacher, Moodys	Investor Relations	E-mail regarding Four Corners transaction	
23	11/8/2010	Phil Smyth, Fitch	Investor Relations	E-mail regarding Four Corners transaction	
24	11/9/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail regarding the Four Corners transaction	Attachment
25	11/9/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail regarding the Four Corners transaction	
26	11/9/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail regarding the Four Corners transaction	
27	11/9/2010	Laura Schumacher, Moodys	Lee Nickloy	E-mail regarding the Four Corners transaction	Attachment

Rating Agency Communication Log

	Date	Person	APS/PNW Personnel	Subject	Comment
1	12/7/2010	Tony Bettinelli, S&P	Lee Nickloy	Email asking about renewal of APS credit facility	
2	12/7/2010	Tony Bettinelli, S&P	Lee Nickloy	Email asking about renewal of APS credit facility	
3	12/7/2010	Tony Bettinelli, S&P	Lee Nickloy	Email asking about renewal of APS credit facility	
4	12/9/2010	Tony Bettinelli, S&P	Investor Relations	Email announcing two new solar photovoltaic power plants	
5	12/9/2010	Laura Schumacher, Moodys	Investor Relations	Email announcing two new solar photovoltaic power plants	
6	12/9/2010	Phil Smyth, Fitch	Investor Relations	Email announcing two new solar photovoltaic power plants	
7	12/14/2010	Laura Schumacher, Moodys	Lee Nickloy	Email regarding having an update meeting	
8	12/14/2010	Phil Smyth, Fitch	Lee Nickloy	Email regarding having an update meeting	
9	12/14/2010	Tony Bettinelli, S&P	Lee Nickloy	Email regarding having an update meeting	
10	12/14/2010	Tony Bettinelli, S&P	Lee Nickloy	Email regarding having an update meeting	
11	12/15/2010	Phil Smyth, Fitch	Lee Nickloy	Email regarding having an update meeting	
12	12/15/2010	Tony Bettinelli, S&P	Lee Nickloy	Email regarding having an update meeting	
13	12/15/2010	Tony Bettinelli, S&P	Lee Nickloy	Email regarding having an update meeting	
14	12/16/2010	Laura Schumacher, Moodys	Lee Nickloy	Email regarding having an update meeting	
15	12/16/2010	Phil Smyth, Fitch	Lee Nickloy	Email regarding having an update meeting	
16	12/16/2010	Phil Smyth, Fitch	Lee Nickloy	Email regarding having an update meeting	
17	12/16/2010	Laura Schumacher, Moodys	Investor Relations	Email regarding the ACC's approval of a decoupling policy statement	
18	12/16/2010	Phil Smyth, Fitch	Investor Relations	Email regarding the ACC's approval of a decoupling policy statement	
19	12/16/2010	Tony Bettinelli, S&P	Investor Relations	Email regarding the ACC's approval of a decoupling policy statement	
20	12/16/2010	Laura Schumacher, Moodys	Lee Nickloy	Email regarding having an update meeting	
21	12/16/2010	Phil Smyth, Fitch	Lee Nickloy	Email regarding having an update meeting	
22	12/16/2010	Tony Bettinelli, S&P	Lee Nickloy	Email regarding having an update meeting	
23	12/16/2010	Phil Smyth, Fitch	Lee Nickloy	Email regarding having an update meeting	
24	12/16/2010	Tony Bettinelli, S&P	Lee Nickloy	Email regarding having an update meeting	
25	12/17/2010	Phil Smyth, Fitch	Lee Nickloy	Email regarding having an update meeting	
26	12/17/2010	Tony Bettinelli, S&P	Lee Nickloy	Email regarding having an update meeting	
27	12/17/2010	Laura Schumacher, Moodys	Investor Relations	Email announcing a 10MW solar purchase power agreement	
28	12/17/2010	Tony Bettinelli, S&P	Investor Relations	Email announcing a 10MW solar purchase power agreement	
29	12/17/2010	Phil Smyth, Fitch	Investor Relations	Email announcing a 10MW solar purchase power agreement	

McGill, James T(Z71171)

From: McGill, James T(Z71171)
Sent: Monday, June 21, 2010 2:56 PM
To: 'Antonio_Bettinelli@standardandpoors.com'
Subject: Re: forecast

Yes it is. I am out of the office until tomorrow. Will look to see if we broke out capex

---

From: Bettinelli, Antonio <Antonio_Bettinelli@standardandpoors.com>
To: McGill, James T(Z71171)
Sent: Mon Jun 21 14:49:58 2010
Subject: forecast

Jim,

Is cap-ex related to AZ Sun in your forecast? Did you provide a cap-ex breakdown somewhere?

Tony Bettinelli
Associate
U.S. Electric Utilities
Corporate & Government Ratings
Standard & Poor's
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Tuesday, June 22, 2010 11:22 AM
To: Bettinelli, Antonio
Cc: McGill, James T(Z71171)
Subject: Draft Reoffering Circular

Tony, attached is a draft of the Coconino 1994A reoffering circular for your initial review. I will forward copies as we revise. Thank you!

94A Reoffering Circular.doc

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

Attachment(s) Intentionally Omitted – Contains Confidential Information

McGill, James T(Z71171)

To: Dolyniuk, Karen E(J97440)
Subject: RE: APS Coconino Bonds

From: Dolyniuk, Karen E(J97440)
Sent: Tuesday, June 22, 2010 2:58 PM
To: 'Philip.Smyth@fitchratings.com'
Subject: APS Coconino Bonds

Hi Phil – again let me apologize for the late notice. Due to some internal time constraints we are in hurry up mode!

As a recap, the Coconino 1994A bonds are currently in daily mode with a KBC letter of credit. The letter of credit expires in August. Prior to that expiration we are planning on putting the 1994A bonds in a term rate mode. We would like to have your verbal confirmation of APS L/T rating by June 28th. We are planning on marketing the bonds in early July. At the appropriate time we would like to have your written confirmation.

I am including the original Reoffering Circular, the initial draft reoffering circular. I will separately send you the Loan Agreement and Indenture. If you need anything else, please let me know. Again, we just need a preliminary rating for APS by Monday, June 28th.

The Coconino 1998 bonds also are in daily mode with a KBC letter of credit, as mentioned above. We will be renewing the LC for these bonds. Chase will be providing a 3-yr letter of credit. I don't have any documents to send you at this point, but as soon as I do, I will forward them.

<< File: 03 Official Statement.pdf >> << File: 94A Reoffering Circular.doc >>

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

Attachment(s) Intentionally Omitted – Contains Confidential Information

150 STANDARD &POOR'S

EMPOWERING INVESTORS AND MARKETS FOR 150 YEARS

Standard & Poor's Perspectives On Utility Credit Quality

Pinnacle West Capital Corporation Board Of Directors Meeting

Richard W. Cortright, Jr.
Managing Director
June 22, 2010
Phoenix, Arizona

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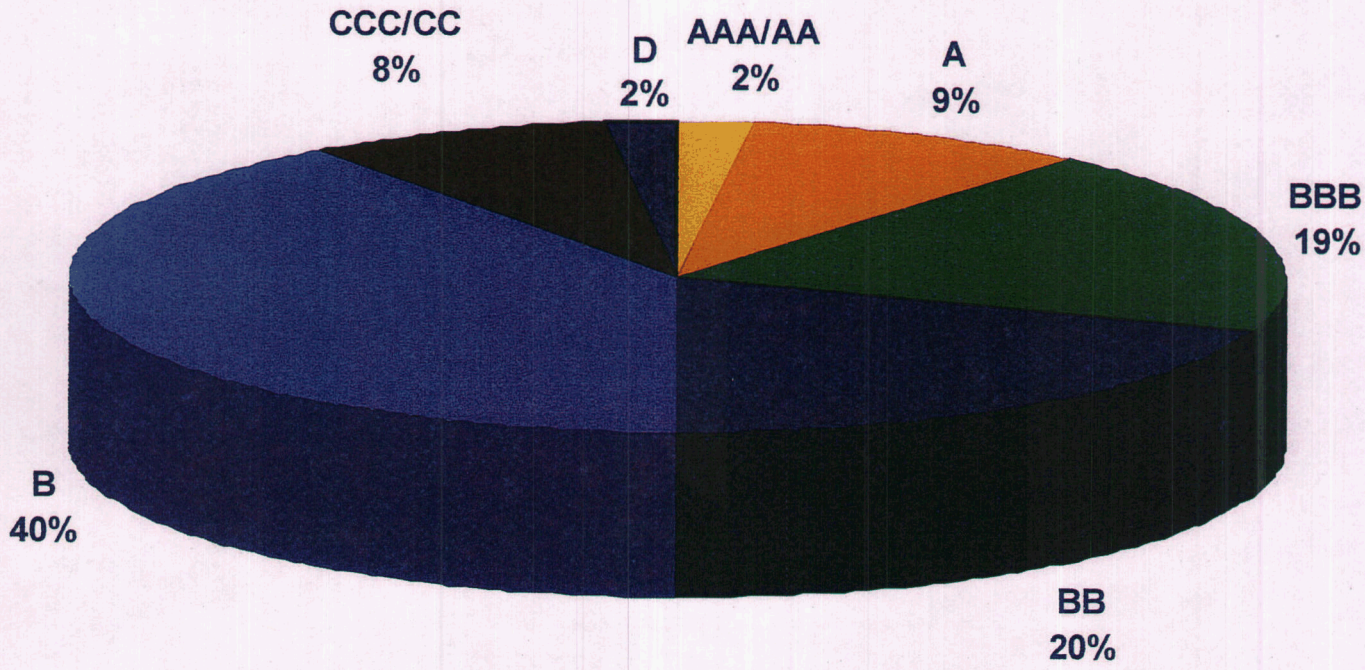
The McGraw-Hill Companies

U.S. Corporate Credit Quality – Bumping Along the Bottom

Ratings Distribution Of U.S. Corporate Ratings --

70% Are "BB" And Below



As of May 3, 2010

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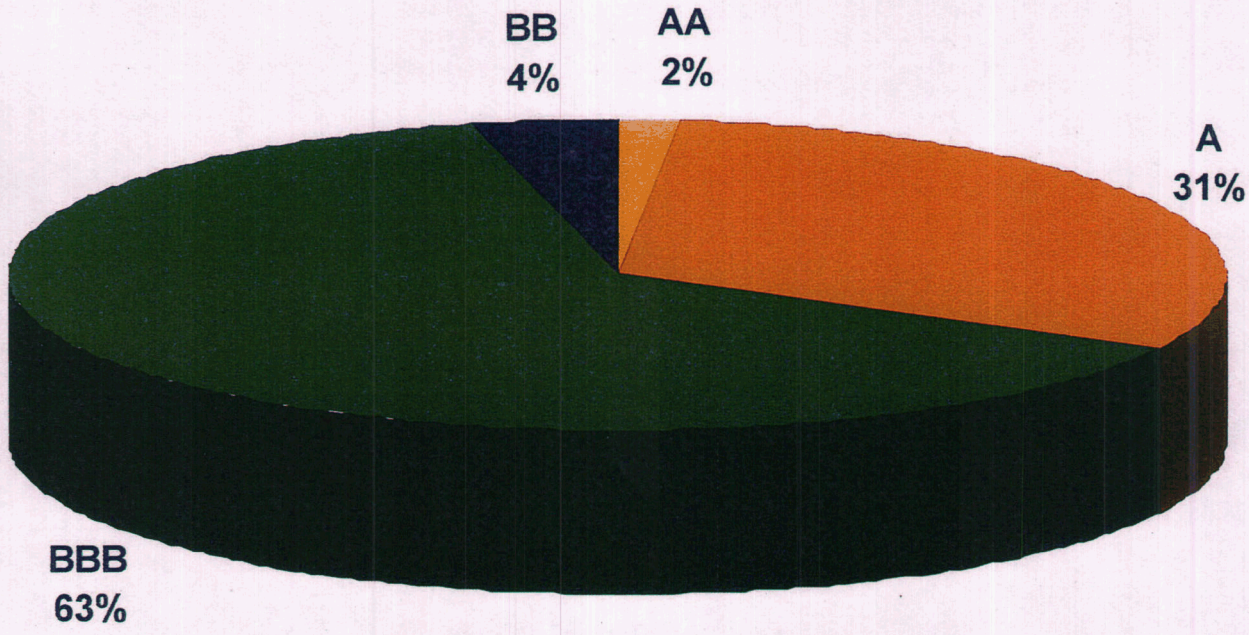
U.S. Corporate *Utility* Credit Quality – The Exception

Ratings Distribution Of U.S. Corporate Utility Ratings -- 4% Are "BB" And Below



As of June 4, 2010

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Key Industry Characteristics And Drivers Of Credit Risk

Key Industry Characteristics And Drivers Of Credit Risk

	Utilities regulated	Competitive power	Oil & gas downstream	Autos	Airlines
Industry dynamics and competitive environment					
Industry cyclicality	M	H	H	H	H
Ease of entry	L	M/H	H	M/H	M/H
Product cycle/obsolescence	L	L	L	H	L
Level of product quality	L	L	M	H	M
Disintermediation/substitution	L	L	L	L/M	L
Competition/commoditization	L/M	H	M	H	H
Pricing inflexibility	M	H	M	H	H
Business model stability	M	M/H	L	L/M	M
Demographic trends	L	L	M	H	L
Growth and profitability					
Growth outlook	L	M	L	M/H	L/M
Profit margin pressure/outlook	M	M/H	M	M/H	H
Earnings volatility	M	M/H	H	H	H
Operating considerations and costs					
Technological risk/change	L	L	L/M	L/M	L/M
Cost efficiency/pressures	M	H	M	H	H
Operating leverage	M/H	H	H	H	H
R&D costs	L	L	L	H	L
Energy cost sensitivity	H	H	H	H	H
Raw material cost sensitivity	H	H	H	H	L
Labor costs	M	M	M	H	H
Labor inflexibility/unrest	L	L	M	H	H
Pension costs/contingents	M	L	L/M	H	M/H
Environmental impact/costs	H	L	H	H	M/H
Marketing costs	L	L	M	H	L/M
Customer concentration	L	M	L	L	L
Supplier concentration	H	H	H	M	M
Risk management	M	H	M	M	M
Asset/plant quality and age/upkeep	M	H	H	M	M/H
Event risk sensitivity	M/H	H	H	M/H	H
Financial market volatility/sensitivity	M	M/H	L	M	M
Fashion/fad/design sensitivity	L	L	L	H	L/M
Capital and financing characteristics					
Capital intensity	H	H	H	H	H
Borrowing requirement	H	H	L/M	H	H
Interest rate sensitivity	L/M	L/M	L/M	H	L/M
Government, regulatory, and legal environments					
Regulation/deregulation	H	H	M	M/H	H
Government microeconomic and social policies	H	H	H	H	M/H
Litigiousness/legal risk	L	H	M	M	M

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Principal Credit Themes We See Affecting Utilities – Business Profile

- **The Need For Substantial Infrastructure Spending >> Aging Plant, Reliability Enhancements, Eventual Demand Growth**
- **A Balkanized Environmental Planning Structure/Intransigent Federal Indecisiveness**
  - A Myriad Of Impending Air Emission (CO2, CAIR, CAMR), Water, And Ash Disposal Regulations
- **Increasing Labor/Benefits and Volatile Material Costs**
- **Stagnation -- Even Decline -- In Customer Consumption, At Least In The Near To Medium Term (Industrial Sales Declined 12.6% In 2009, With Some Turnaround Noted To Date In 2010)**

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Principal Credit Themes We See Affecting Utilities – Financial Profile

- **Regulatory Reluctance To Raise Rates/Adjust Recovery Mechanisms During Stressful Economic Times (Are Elected Commissions More Susceptible To Such Pressure Than Appointed?)**
  - Rising Bad Debt Expense and Increasingly Underfunded Pension Plans
- **Diminished Capacity of the Banking Market → Uncertainty of Liquidity/Borrowing Availability --- Has This Affected Utilities Meaningfully?**
- **Weakened Utility Balance Sheets Compared with Status During Last Major Utility Construction Cycle:**
  - **Credit Ratings Of 'AA' and 'A' During the 1970s and Early 1980s Vs. '*BBB*' Today --- This Is Meaningful**

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Recent Regulatory Activity Of Note

- **High Visibility Rate Decisions**
  - Florida --- Florida Power & Light; Florida Progress
  - Connecticut --- Various Connecticut Gas Utilities; Connecticut Light & Power
  - Illinois --- Ameren; Commonwealth Edison
  - Arkansas --- Entergy Arkansas
- **Challenging Staff Recommendations**
  - Kansas ---Kansas City Power & Light
  - Texas --- Entergy Texas
- **Pending Rate Decisions**
  - Public Service New Mexico --- 21.2% Increase
  - Avista --- 13% Increase

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Essentials Of Credit-Supportive Regulation

- Consistency And Predictability Of Decisions → Consistency And Predictability Of Cash Flows
- Timeliness Of Rate Orders
- Use Of Forward-Looking Measures
- Use Of Adjustment Clauses/Trackers
  - Pass-Through Of Purchased Power, Gas, And Water Costs
  - Construction Work In Progress (CWIP)/Infrastructure Surcharges
  - Pre-Approval Of Significant Capital Outlays
  - Environmental
  - Conservation
  - Demand Response
  - Bad Debt
  - Pensions

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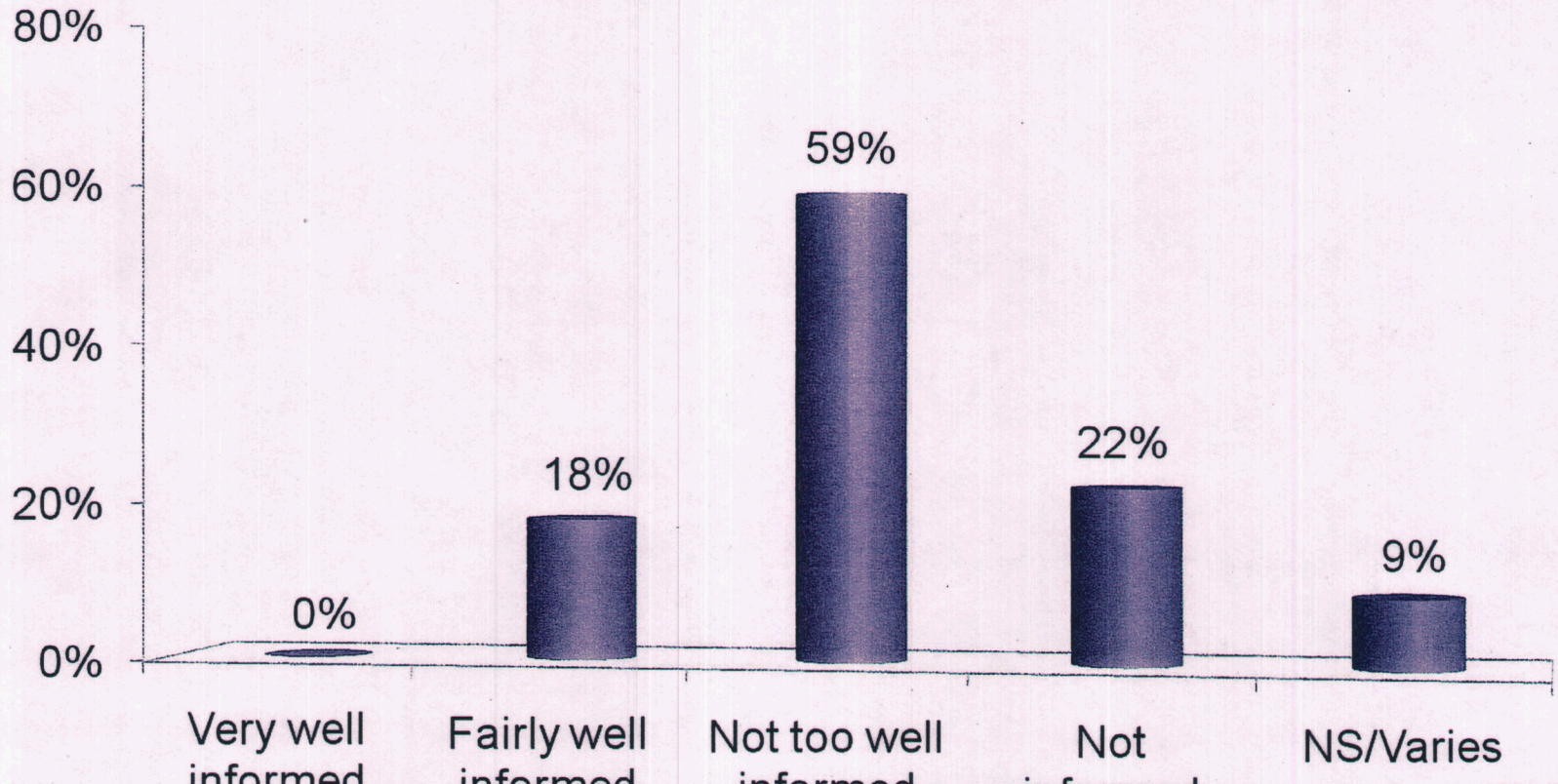
Are Ratepayers Well Informed About Costs of Climate Change/EE Initiatives

A 2009 Standard & Poor's/RKS Survey of State Regulators:



RKS RESEARCH & CONSULTING

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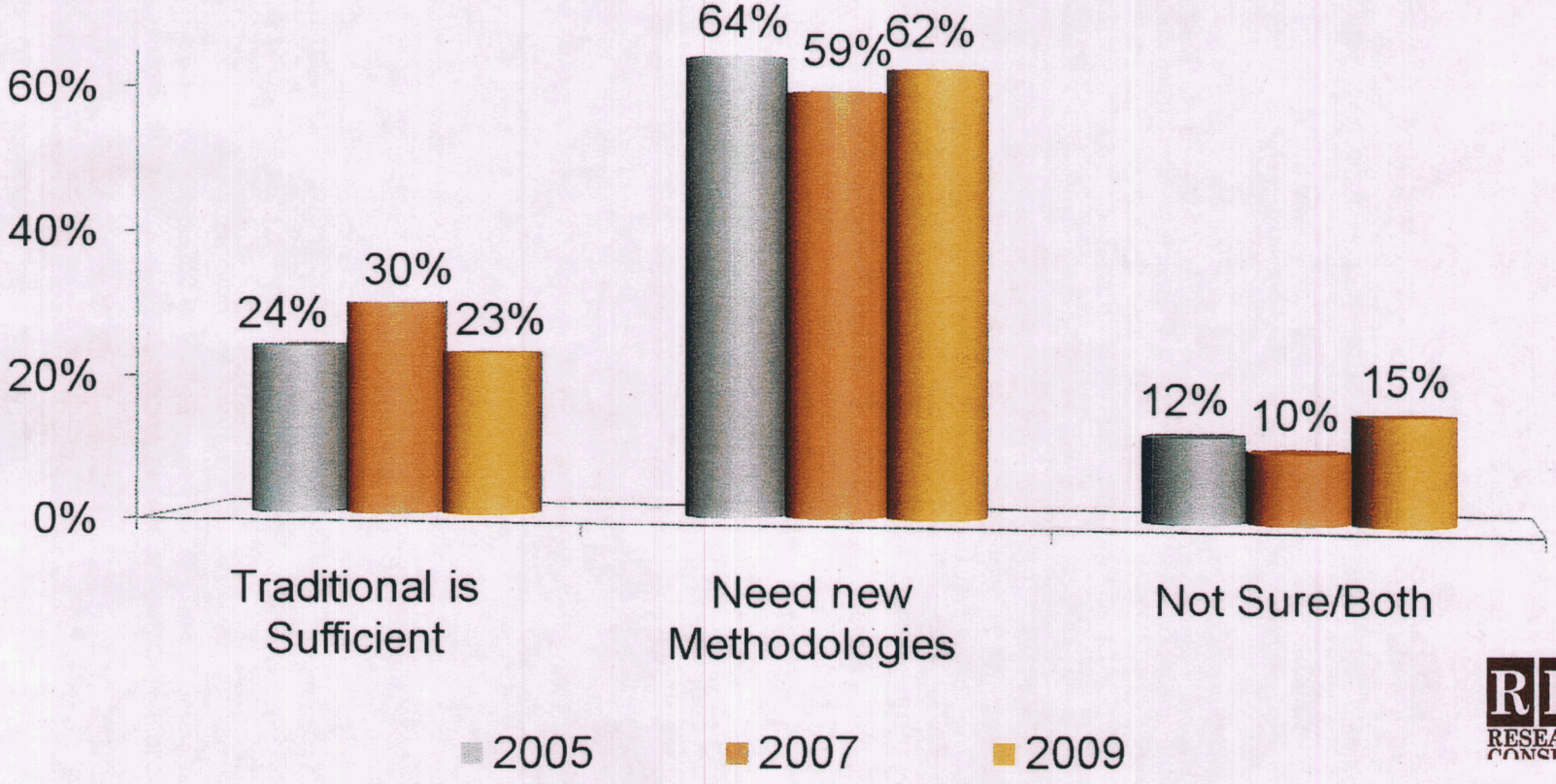
Ratemaking Methodologies

Maintain Traditional Methods or Establish New Ones?



Note: Base is 95 interviews in 2005, 96 interviews in 2007, 107 interviews in 2009.

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Other Observations

- **Mergers & Acquisitions: Is There Finally Some Momentum? Hard To Say, But Skepticism Is Probably Appropriate**
  - FirstEnergy/Allegheny Energy --- A True Consolidation
  - Calpine/Conectiv Energy --- An Acquisition Of Assets, Not A Merger
  - PPL/Kentucky --- An Exchange Of Parents (Germany Exits The US Market)
- **Cape Wind (Off The Coast Of Hyannis Port)**
  - Nine Years And Counting
- **Fracturing Of Regional Cooperation To Make Room For "Home-Grown Energy Solutions;" "In-State Energy Production;" "Branding X State As A Leader In Renewable Technology"**

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Free Energy --- "What's Not To Like?"

"With H.B. 1001 We Will Manufacture And Install Panels And Turbines All Over Colorado To Capture *Free Energy*. The Sun Will Always Shine For Free, The Winds Will Always Blow For Free, And Our Energy Production Will Be Cleaner. Renewable Energy, Green Jobs, And A Cleaner Future --- What's Not To Like?"

- Representative Max Tyler (CO), Co-Sponsor Of Bill Increasing Utility Renewables Requirement To 30% Of Retail Sales By 2020

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Summary Of Key Rating Drivers For PWCC/APS

- **A Perpetually Challenged Regulatory Paradigm Plus...**
- **A Still-Substantial Capital Investment Forecast Equals ...**
  - A Formula For A Slow Regeneration Of A Robust Financial Profile...
  - And A Challenge To Achieving An "Excellent" Business Profile Designation

- **A Financial Profile That Generates FFO/Total Debt In The High Teens and Total Debt/Total Capitalization Approaching 60%**
- **Sustained Strong And Predictable Nuclear Performance**
- **Management's Ability To Deliver Cost Savings**

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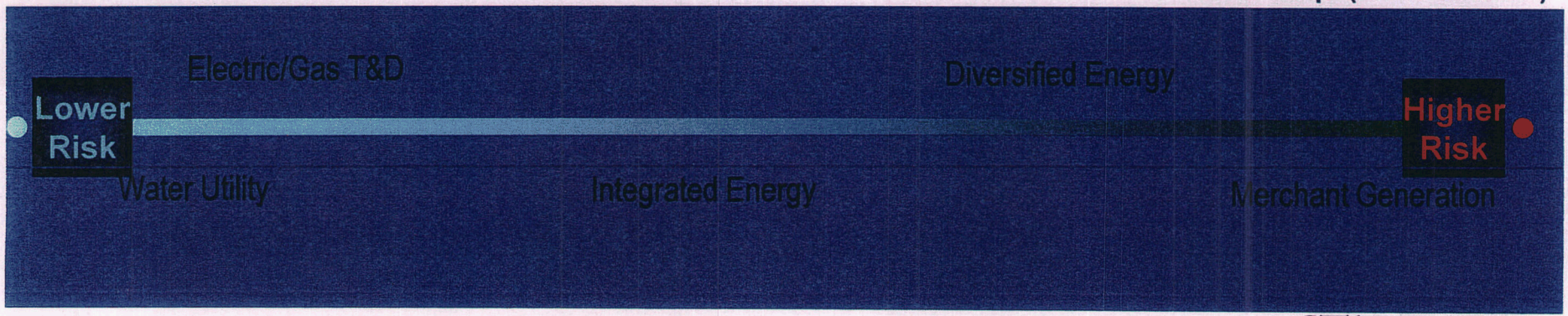
Utility/Power Industry Risk Spectrum

NSTAR Electric (A+/Stable/A-1)
Niagara Mohawk Power Co. (A-/Stable/A-2)
Southwest Gas Co. (BBB/Positive/-)
Connecticut Light & Power Co. (BBB/Stable/-)

Southern Co. (A/Stable/A-1)
Xcel Energy Inc. (BBB+/Positive/A-2)
Pinnacle West/Arizona Public Service (BBB-/Stable/A-3)
Tucson Electric Power (BB+/Stable/B-2)

PPL Energy Supply LLC (BBB/Stable/A-2)
Exelon Generation (BBB/Stable/A-2)
PSEG Power LLC (BBB/Stable/-)

NRG Energy (BB-/Stable/-)
AES Corp. (BB-/Positive/-)



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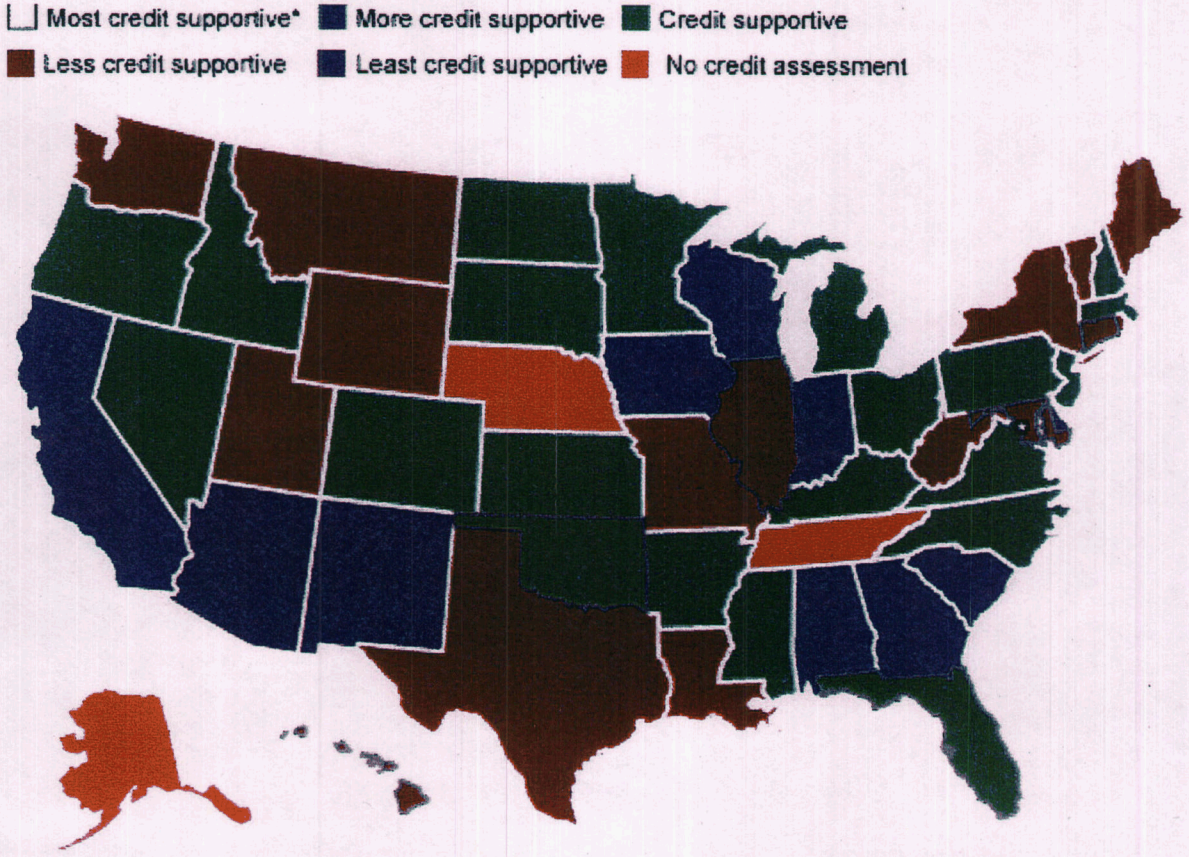
Assessments Of State Political/Regulatory Credit Posture



*The assessments are made against an absolute standard of the degree of credit support. At this time, we observe no U.S. jurisdictions that qualify in the top category. States outlined in gray have changed their regulatory condition since last surveyed.

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McGill, James T(Z71171)

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Wednesday, June 23, 2010 2:50 PM
To: McGill, James T(Z71171)
Subject: S&P Liquidity Survey

Jim,

Do you have a liquidity survey for Q1? If not, YE 2009 should do. The last I have is from September.

Tony Bettinelli
Associate
U.S. Electric Utilities
Corporate & Government Ratings
Standard & Poor's
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

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McGill, James T(Z71171)

From: McGill, James T(Z71171)
Sent: Wednesday, June 23, 2010 5:20 PM
To: Bettinelli, Antonio
Subject: RE: S&P Liquidity Survey

Will send you something soon.

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Wednesday, June 23, 2010 2:50 PM
To: McGill, James T(Z71171)
Subject: S&P Liquidity Survey

Jim,

Do you have a liquidity survey for Q1? If not, YE 2009 should do. The last I have is from September.

Tony Bettinelli
Associate
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McGill, James T(Z71171)

To: Nickloy, Lee R(Z08122)
Subject: RE: Board Meeting

From: Cortright, Richard [mailto:richard_cortright@standardandpoors.com]
Sent: Thursday, June 24, 2010 12:59 PM
To: Nickloy, Lee R(Z08122)
Subject: Board Meeting

Hi Lee,
Thanks for taking the time after the board meeting to talk a bit more about first mortgage bond capacity calculations, a subject of endless fascination.
A quick question: were notes/minutes taken during my presentation? If so, could you share them with me? I'd like to rely on something more than just my memory regarding the questions asked during those ninety minutes.
Thanks.
Richard

PS getting home was a trip (so to speak) --- finally arrived on my doorstep a 4am!

Sent from my BlackBerry Wireless Handheld

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McGill, James T(Z71171)

To: Nickloy, Lee R(Z08122)
Subject: RE: Board Meeting

From: Nickloy, Lee R(Z08122)
Sent: Thursday, June 24, 2010 3:14 PM
To: 'richard_cortright@standardandpoors.com'
Subject: Re: Board Meeting

Richard,

I will check on the minutes and let you know. Sorry about the hassle getting back. Summer air travel can be such a nightmare.

Lee

From: Cortright, Richard <richard_cortright@standardandpoors.com>
To: Nickloy, Lee R(Z08122)
Sent: Thu Jun 24 12:58:42 2010
Subject: Board Meeting

Hi Lee,
Thanks for taking the time after the board meeting to talk a bit more about first mortgage bond capacity calculations, a subject of endless fascination.
A quick question: were notes/minutes taken during my presentation? If so, could you share them with me? I'd like to rely on something more than just my memory regarding the questions asked during those ninety minutes.
Thanks.
Richard

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McGill, James T(Z71171)

From: McGill, James T(Z71171)
Sent: Wednesday, June 23, 2010 5:20 PM
To: Bettinelli, Antonio
Subject: RE: S&P Liquidity Survey

Will send you something soon.

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Wednesday, June 23, 2010 2:50 PM
To: McGill, James T(Z71171)
Subject: S&P Liquidity Survey

Jim,

Do you have a liquidity survey for Q1? If not, YE 2009 should do. The last I have is from September.

Tony Bettinelli
Associate
U.S. Electric Utilities
Corporate & Government Ratings
Standard & Poor's
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

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McGill, James T(Z71171)

To: Nickloy, Lee R(Z08122)
Subject: RE: Board Meeting

From: Cortright, Richard [mailto:richard_cortright@standardandpoors.com]
Sent: Thursday, June 24, 2010 12:59 PM
To: Nickloy, Lee R(Z08122)
Subject: Board Meeting

Hi Lee,
Thanks for taking the time after the board meeting to talk a bit more about first mortgage bond capacity calculations, a subject of endless fascination.
A quick question: were notes/minutes taken during my presentation? If so, could you share them with me? I'd like to rely on something more than just my memory regarding the questions asked during those ninety minutes.
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McGill, James T(Z71171)

From: McGill, James T(Z71171)
Sent: Friday, June 25, 2010 2:06 PM
To: Bettinelli, Antonio
Subject: RE: S&P Liquidity Survey
Attachments: 201003 S&P-Liquidity Survey.xlsx

Here is Q1.

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Wednesday, June 23, 2010 2:50 PM
To: McGill, James T(Z71171)
Subject: S&P Liquidity Survey

Jim,

Do you have a liquidity survey for Q1? If not, YE 2009 should do. The last I have is from September.

Tony Bettinelli
Associate
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tony_bettinelli@sandp.com

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McGill, James T(Z71171)

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, June 25, 2010 2:38 PM
To: McGill, James T(Z71171)
Subject: RE: S&P Liquidity Survey

Thanks.

From: James.MCgill@pinnaclewest.com [mailto:James.MCgill@pinnaclewest.com]
Sent: Friday, June 25, 2010 2:06 PM
To: Bettinelli, Antonio
Subject: RE: S&P Liquidity Survey

Here is Q1.

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Wednesday, June 23, 2010 2:50 PM
To: McGill, James T(Z71171)
Subject: S&P Liquidity Survey

Jim,

Do you have a liquidity survey for Q1? If not, YE 2009 should do. The last I have is from September.

Tony Bettinelli
Associate
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One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
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the contents which result from e-mail transmission.

McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Monday, June 28, 2010 1:14 PM
To: Schumacher, Laura
Cc: McGill, James T(Z71171)
Subject: Coconino Bonds

Hi Laura – just checking in to see if you will be able to give us a verbal (email) confirmation of APS' L/T ratings today?

Thanks.

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

McGill, James T(Z71171)

To: Dolyniuk, Karen E(J97440)
Subject: RE: Coconino Bonds

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Tuesday, June 29, 2010 6:05 AM
To: Dolyniuk, Karen E(J97440)
Subject: Re: Coconino Bonds

Karen, sorry, I had to leave early yesterday. Give me a call when you get in. Thanks, Laura

---

From: Karen.Dolyniuk@pinnaclewest.com <Karen.Dolyniuk@pinnaclewest.com>
To: Schumacher, Laura
Cc: James.MCgill@pinnaclewest.com <James.MCgill@pinnaclewest.com>
Sent: Mon Jun 28 16:13:42 2010
Subject: Coconino Bonds

Hi Laura – just checking in to see if you will be able to give us a verbal (email) confirmation of APS' L/T ratings today?

Thanks.

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Wednesday, July 07, 2010 1:44 PM
To: Bettinelli, Antonio
Cc: McGill, James T(Z71171)
Subject: Coconino 1994A Bonds

HI Tony! We priced the Coconino 1994A bonds today and will be closing the transaction on 7/13/10. I have attached the final Reoffering Circular. Would you be able to get us your final ratings confirmation letter by Monday, July 12th?

Thank you!

APS 94A Reoffering Circular.pd...

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Wednesday, July 07, 2010 1:46 PM
To: Philip.Smyth@fitchratings.com
Cc: McGill, James T(Z71171)
Subject: Coconino 1994A Bonds

HI Phil! We priced the Coconino 1994A bonds today and will be closing the transaction on 7/13/10. I have attached the final Reoffering Circular. Would you be able to get us your final ratings confirmation letter by Monday, July 12th?

Thank you!

APS 94A Reoffering Circular.pd...

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Monday, July 12, 2010 6:59 AM
To: Seifer, Carla
Cc: McGill, James T(Z71171)
Subject: RE: Arizona Public Service Company - Coconino Bonds
Attachments: APS - Letter of Credit (7_2010).doc; APS - Reimbursement Agreement (7_10).doc; 260948277(2)_Coconino Amended and Restated Tender Agreement-1998 Bonds.doc; APS_1996.pdf

Carla, we finally have documents for the Coconino 1998 LC Substitution. I will be sending two emails to with all the pertinent documents. If possible, we would like to hear from you with regard to ratings confirmation by the end of July. Please let me know if you need anything else.

All documents are still subject to final review and comment by the various parties. We are still preparing a supplement to the Official Statement which I will send as soon as it is available.

Thank you!

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

From: Seifer, Carla [mailto:Carla_Seifer@standardandpoors.com]
Sent: Tuesday, June 08, 2010 9:17 AM
To: Dolyniuk, Karen E(J97440)
Subject: Re: Arizona Public Service Company - Coconino Bonds

2 weeks would be sufficient.
Regards,

Carla

From: Karen.Dolyniuk@pinnaclewest.com <Karen.Dolyniuk@pinnaclewest.com>
To: Seifer, Carla
Sent: Tue Jun 08 12:12:24 2010
Subject: RE: Arizona Public Service Company - Coconino Bonds

Thanks Carla – I'm trying to determine an estimate of the time it will take for your review to be sure we have enough time built into our time table. Is 2 weeks enough time? We are only beginning the process, we do not have documents yet.

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

From: Seifer, Carla [mailto:Carla_Seifer@standardandpoors.com]
Sent: Tuesday, June 08, 2010 9:02 AM
To: Dolyniuk, Karen E(J97440)
Subject: Arizona Public Service Company - Coconino Bonds

Hi Karen,
I am reaching out to you regarding the email you sent to my colleague Justin. I understand you have an LOC substitution for an existing deal. Please submit the relevant documents and I will assign an analyst to review.
Please feel free to reach out if you have any questions.
Regards,
Carla

Carla Seifer
Director
Standard & Poor's
55 Water St., 41st Floor
New York, NY 10041
Phone: (212) 438-1735
Fax: (212) 438-2647
carla_seifer@sandp.com

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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Monday, July 12, 2010 7:00 AM
To: Seifer, Carla
Cc: McGill, James T(Z71171)
Subject: Remaining Documents - Coconino 1998 Bonds

01 Indenture.pdf

02 Series Indenture.pdf

1996 Supplemental Indenture.pd...

03 Loan Agreement.pdf

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Monday, July 12, 2010 7:04 AM
To: Mangaroo, Chetara
Cc: McGill, James T(Z71171)
Subject: RE: Arizona Public Service Company - Coconino Bonds
Attachments: 260948277(2)_Coconino Amended and Restated Tender Agreement-1998 Bonds.doc; APS - Letter of Credit (7_2010).doc; APS - Reimbursement Agreement (7_10).doc; APS_1996.pdf

Tara, we finally have documents for the LC substitution for the 1998 Coconino Bonds. We would like to have your confirmation of ratings by the end of this month. I am sending two emails with all pertinent documents. Please let me know if you need something else. All documents are still subject to final review and comments by all parties involved.

We are still preparing a supplement to the Official Statement which I will forward as soon as it is available.

Thank you!

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

From: Mangaroo, Chetara [mailto:Chetara.Mangaroo@moodys.com]
Sent: Tuesday, June 08, 2010 1:48 PM
To: Dolyniuk, Karen E(J97440)
Subject: RE: Arizona Public Service Company - Coconino Bonds

Hi Karen,
I understand you are requesting Moody's Rating for an upcoming transaction, in order to procceed with the rating proccess I will need the Term Sheet.

Thanks!

Tara Mangaroo
Senior Statistical Analyst
Moody's Investors Service
7 World Trade Center at 250 Greenwich Street
Public Finance Group - 23rd Floor
New York, NY 10007
Tel: (212)-553-4441
Fax: (212)-298-6416
chetara.mangaroo@moodys.com
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From: Bellinger, Lawrence
Sent: Tuesday, June 08, 2010 4:39 PM
To: Karen.Dolyniuk@pinnaclewest.com
Cc: Mangaroo, Chetara
Subject: RE: Arizona Public Service Company - Coconino Bonds

Karen,

Yes we will send a rating letter upon completion of our review. We request the documents 2-3 weeks prior to the date you need the rating letter.

Please send the documents and your request to Tara Mangaroo – who is cc'd on this email –thanks.

Larry Bellinger, CFA
Analyst
212.553.0215 tel
lawrence.bellinger@moodys.com

Moody's Public Finance-Municipal Structured Products Group
7 World Trade Center
250 Greenwich Street
New York, NY 10007

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From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Monday, June 07, 2010 6:45 PM
To: Bellinger, Lawrence
Subject: Arizona Public Service Company - Coconino Bonds

Hi Larry! We worked together late last year regarding an LOC we were putting in place for some Coconino bonds. We are again beginning work on an LC that comes due in August on the APS, Coconino 1998 bonds, which are currently in VRDN mode with a KBC LOC. KBC has indicated they will not be renewing the LC, so we have found another bank to work with. Can you tell me the typical amount of time you will need to review the Reimbursement Agreement and LC? I'm assuming you will send us a letter with the ratings affirmation as you have in the past, is that correct?

Thanks.

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Monday, July 12, 2010 7:08 AM
To: Mangaroo, Chetara
Cc: McGill, James T(Z71171)
Subject: 1998 Coconino Bonds

01 Indenture.pdf

02 Series Indenture.pdf

1996 Supplemental Indenture.pd...

03 Loan Agreement.pdf

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

McGill, James T(Z71171)

From: Seifer, Carla [Carla_Seifer@standardandpoors.com]
Sent: Monday, July 12, 2010 7:06 AM
To: Dolyniuk, Karen E(J97440)
Cc: McGill, James T(Z71171); Hansen, Justin
Subject: RE: Arizona Public Service Company - Coconino Bonds

Hi Karen,
Just to follow up, Justin Hansen (copied on this email) will review.
Regards,
Carla

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Monday, July 12, 2010 9:59 AM
To: Seifer, Carla
Cc: James.MCgill@pinnaclewest.com
Subject: RE: Arizona Public Service Company - Coconino Bonds

Carla, we finally have documents for the Coconino 1998 LC Substitution. I will be sending two emails to with all the pertinent documents. If possible, we would like to hear from you with regard to ratings confirmation by the end of July. Please let me know if you need anything else.

All documents are still subject to final review and comment by the various parties. We are still preparing a supplement to the Official Statement which I will send as soon as it is available.

Thank you!

Karen E. Dolyniuk, CTP
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Phone 602-250-5630

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To: Dolyniuk, Karen E(J97440)
Subject: Re: Arizona Public Service Company - Coconino Bonds

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To: Seifer, Carla
Sent: Tue Jun 08 12:12:24 2010
Subject: RE: Arizona Public Service Company - Coconino Bonds

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Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

From: Seifer, Carla [mailto:Carla_Seifer@standardandpoors.com]
Sent: Tuesday, June 08, 2010 9:02 AM
To: Dolyniuk, Karen E(J97440)
Subject: Arizona Public Service Company - Coconino Bonds

Hi Karen,
I am reaching out to you regarding the email you sent to my colleague Justin. I understand you have an LOC substitution for an existing deal. Please submit the relevant documents and I will assign an analyst to review.
Please feel free to reach out if you have any questions.
Regards,
Carla

Carla Seifer
Director
Standard & Poor's
55 Water St., 41st Floor
New York, NY 10041
Phone: (212) 438-1735
Fax: (212) 438-2647
carla_seifer@sandp.com

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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Monday, July 12, 2010 7:08 AM
To: Seifer, Carla
Cc: McGill, James T(Z71171); Hansen, Justin
Subject: RE: Arizona Public Service Company - Coconino Bonds

Thank you Carla! Do I need to forward the documents to Justin?

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

From: Seifer, Carla [mailto:Carla_Seifer@standardandpoors.com]
Sent: Monday, July 12, 2010 7:06 AM
To: Dolyniuk, Karen E(J97440)
Cc: McGill, James T(Z71171); Hansen, Justin
Subject: RE: Arizona Public Service Company - Coconino Bonds

Hi Karen,
Just to follow up, Justin Hansen (copied on this email) will review.
Regards,
Carla

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Monday, July 12, 2010 9:59 AM
To: Seifer, Carla
Cc: James.MCgill@pinnaclewest.com
Subject: RE: Arizona Public Service Company - Coconino Bonds

Carla, we finally have documents for the Coconino 1998 LC Substitution. I will be sending two emails to with all the pertinent documents. If possible, we would like to hear from you with regard to ratings confirmation by the end of July. Please let me know if you need anything else.

All documents are still subject to final review and comment by the various parties. We are still preparing a supplement to the Official Statement which I will send as soon as it is available.

Thank you!

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

From: Seifer, Carla [mailto:Carla_Seifer@standardandpoors.com]
Sent: Tuesday, June 08, 2010 9:17 AM
To: Dolyniuk, Karen E(J97440)
Subject: Re: Arizona Public Service Company - Coconino Bonds

2 weeks would be sufficient.
Regards,

Carla

From: Karen.Dolyniuk@pinnaclewest.com <Karen.Dolyniuk@pinnaclewest.com>
To: Seifer, Carla
Sent: Tue Jun 08 12:12:24 2010
Subject: RE: Arizona Public Service Company - Coconino Bonds

Thanks Carla – I'm trying to determine an estimate of the time it will take for your review to be sure we have enough time built into our time table. Is 2 weeks enough time? We are only beginning the process, we do not have documents yet.

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Pinnacle West Capital Corporation
Phone: 602-250-5630

From: Seifer, Carla [mailto:Carla_Seifer@standardandpoors.com]
Sent: Tuesday, June 08, 2010 9:02 AM
To: Dolyniuk, Karen E(J97440)
Subject: Arizona Public Service Company - Coconino Bonds

Hi Karen,
I am reaching out to you regarding the email you sent to my colleague Justin. I understand you have an LOC substitution for an existing deal. Please submit the relevant documents and I will assign an analyst to review.
Please feel free to reach out if you have any questions.
Regards,
Carla

Carla Seifer
Director
Standard & Poor's
55 Water St., 41st Floor
New York, NY 10041
Phone: (212) 438-1735
Fax: (212) 438-2647
carla_seifer@sandp.com

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McGill, James T(Z71171)

From: Seifer, Carla [Carla_Seifer@standardandpoors.com]
Sent: Monday, July 12, 2010 7:14 AM
To: Dolyniuk, Karen E(J97440)
Cc: McGill, James T(Z71171); Hansen, Justin; Xu, Mindy
Subject: RE: Arizona Public Service Company - Coconino Bonds

Hi Karen,
I apologize for the mix up, Mindy Xu (copied on this email) will review. No need to resend the docs, I will forward those.
Regards,
Carla

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Monday, July 12, 2010 9:59 AM
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Regards,
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55 Water St., 41st Floor
New York, NY 10041
Phone: (212) 438-1735
Fax: (212) 438-2647
carla_seifer@sandp.com

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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Monday, July 12, 2010 9:21 AM
To: robert.hornick@fitchratings.com
Cc: McGill, James T(Z71171)
Subject: FW: Coconino 1994A Bonds

Hi Bob. Here is the note I sent to Phil. We would really appreciate getting your final letter as soon as possible today.

Thank you!

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
Pinnacle West Capital Corporation
Phone: 602-250-5630

From: Dolyniuk, Karen E(J97440)
Sent: Wednesday, July 07, 2010 1:46 PM
To: Philip.Smyth@fitchratings.com
Cc: McGill, James T(Z71171)
Subject: Coconino 1994A Bonds

HI Phil! We priced the Coconino 1994A bonds today and will be closing the transaction on 7/13/10. I have attached the final Reoffering Circular. Would you be able to get us your final ratings confirmation letter by Monday, July 12th?

Thank you!

APS 94A Reoffering Circular.pd...

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Please address to:
Lee R. Nickloy
Vice President and Treasurer
Arizona Public Service Company
400 N. 5th Street
Phoenix, AZ 85004

Thanks!

Karen E. Dolyniuk, CTP
Manager, Treasury Operations
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Phone: 602-250-5630

-----Original Message-----
From: robert.hornick@fitchratings.com [mailto:robert.hornick@fitchratings.com]
Sent: Monday, July 12, 2010 9:42 AM
To: Dolyniuk, Karen E(J97440)
Subject: Re: FW: Coconino 1994A Bonds

Karen,

Who should the letter be addressed to? Please provide name and title.

Rob

Karen.Dolyniuk@pinnaclewest.com
07/12/2010 12:28 PM
To: robert.hornick@fitchratings.com
cc:
Subject: FW: Coconino 1994A Bonds

Sorry, Rob. Jim corrected me that you don't go by Bob. Sorry!

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(See attached file: APS 94A Reoffering Circular.pdf)

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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Monday, July 12, 2010 10:59 AM
To: McGill, James T(Z71171)
Subject: FW: FW: Coconino 1994A Bonds
Attachments: PNW_APS_PCRB 1994 Series A_Rating Letter_7.12.2010_P.pdf

-----Original Message-----
From: robert.hornick@fitchratings.com [mailto:robert.hornick@fitchratings.com]
Sent: Monday, July 12, 2010 10:38 AM
To: Dolyniuk, Karen E(J97440)
Cc: philip.smyth@fitchratings.com
Subject: RE: FW: Coconino 1994A Bonds

Karen,

Rating letter attached. Let me know if you need anything else.

Rob

(See attached file: PNW_APS_PCRB 1994 Series A_Rating Letter_7.12.2010_P.pdf)

<Karen.Dolyniuk@pinnaclewest.com>

07/12/2010 12:46 PM

To <robert.hornick@fitchratings.com>
cc <James.MCgill@pinnaclewest.com>
Subject RE: FW: Coconino 1994A Bonds

Please address to:
Lee R. Nickloy
Vice President and Treasurer
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400 N. 5th Street
Phoenix, AZ 85004

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New York, NY 10004

T 212 908 0500 / 800 75 FITCH
www.fitchratings.com

July 12, 2010

Mr. Lee R. Nickloy
Vice President and Treasurer
Arizona Public Service Company
400 N. 5th Street
Phoenix, AZ 85004

Dear Mr. Nickloy

Re: $32,650,000 Coconino County, Arizona Pollution Control Corporation, Pollution Control Revenue Bonds (Arizona Public Service Company Project), 1994 Series A

Fitch ("Fitch") (see definition below) assigns a 'BBB' rating to the above referenced transaction. The Rating Outlook is Stable.

Ratings assigned by Fitch are based on the information and documents provided to us by you and other parties and are subject to receipt of the final closing documents. Fitch relies on all these parties for the accuracy of such information and documents. Fitch did not audit or verify the truth or accuracy of such information.

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We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact me at (212) 908-0523.

Sincerely,

Robert Hornick

Fitch
Robert Hornick
Senior Director

McGill, James T(Z71171)

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Tuesday, July 13, 2010 4:52 PM
To: Nickloy, Lee R(Z08122)
Cc: McGill, James T(Z71171)
Subject: S&P's new liquidity guidance
Attachments: CriteriaCorporatesGeneralMethodologyAndAssumptionsStandardPoorsStandardizesLiquidityDescriptorsForGlobalCorporateIssuers.pdf

Lee and Jim,

S&P recently published revised criteria on issuers liquidity. The criteria is attached. This will supplement the liquidity analysis we are already doing.

The piece outlines that we will be calculating a sources/uses coverage number and publishing qualitative descriptors for each company based on the outcome. Perhaps the most onerous provision of this new criteria is that even for IG credits, we will exclude from our calculations the liquidity from any credit facilities due within a year. Over the next month I will be completing these calculations for each of the companies I follow and there may be follow-up as part of this, but wanted to get this to you now.

Thanks,
Tony

Tony Bettinelli
Associate
U.S. Electric Utilities
Corporate & Government Ratings
Standard & Poor's
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

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Criteria | Corporates | General:

Methodology And Assumptions: Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers

Primary Credit Analyst:
Emmanuel Dubois-Pelerin, Paris (33) 1-4420-6673; emmanuel_dubois-pelerin@standardandpoors.com

Criteria Officer:
Solomon B Samson, New York (1) 212-438-7653; sol_samson@standardandpoors.com

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Criteria | Corporates | General:

Methodology And Assumptions: Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers

(Editor's Note: This article partly amends "Corporate Ratings Criteria," published April 15, 2008.)

SCOPE OF THE CRITERIA

1. Standard & Poor's Ratings Services is refining its methodology for its liquidity analysis used when determining issuer credit ratings (ICRs) on global corporate issuers.

2. We are publishing this article to help market participants better understand our approach to reviewing corporate liquidity. This article is related to, and partly amends, our criteria article "Corporate Ratings Criteria," published April 15, 2008, on RatingsDirect.

SUMMARY OF CRITERIA UPDATE

3. Standard & Poor's is updating its criteria for corporate liquidity analysis to clarify several areas. The clarification focuses on:

   - The standardization of our descriptors into a five-point scale;
   - A characterization of the features associated with each of the descriptors; and
   - A description of the impact of the criteria on ICRs.

UPDATES TO EXISTING CRITERIA

4. This article partly amends "Corporate Ratings Criteria," published April 15, 2008, on RatingsDirect, notably by introducing standard descriptors for our assessment of a company's liquidity and two quantitative indicators of a company's liquidity cushion based on liquidity sources and liquidity uses.

IMPACT ON OUTSTANDING RATINGS

5. We do not expect any rating changes as a result of the publication of these criteria.

EFFECTIVE DATE AND TRANSITION

6. These criteria are effective immediately for all new and outstanding corporate ICRs.

METHODOLOGY

7. Liquidity is an important component of our financial risk assessment across the entire rating spectrum (see "Corporate Ratings Criteria", Liquidity, page 45). In our view, unlike most other rating factors that we blend together in assessing an issuer's risk profile, a lack of liquidity could precipitate the default of an otherwise healthy entity. Accordingly, we assess liquidity as an independent characteristic of the specific company; the assessment is not relative to peers or other companies in the same rating category.

8. We standardize our descriptors for corporate liquidity as:

   - "Exceptional"
   - "Strong"
   - "Adequate"
   - "Less than adequate"
   - "Weak"

9. In our analysis, "adequate" liquidity is rating-neutral at most rating levels. To avoid the risk of default, a company's liquidity must be sufficiently robust, so we typically expect companies with ICRs of 'B+' and above to possess "adequate" (or stronger) liquidity, or to have credible, very near-term plans to achieve this status; otherwise, liquidity could weigh on the ICR.

10. The benchmarks that must be met to achieve "strong" and "exceptional" liquidity are demanding, but we expect most investment-grade companies typically to post at least "adequate" liquidity.

11. "Strong" and "exceptional" liquidity, by definition, exceed the norm. Such 'excess' liquidity can help to bolster a long-term ICR and differentiate between issuers in a given rating category. However, the basis for the projected continuation of such liquidity is rooted in other credit strengths; accordingly, we do not view the liquidity assessment, by itself, as a reason to have a higher ICR.

12. By contrast, "less than adequate" and "weak" liquidity are very likely to weigh on the ICR. As noted above, whatever a company's underlying performance, a lack of liquidity could precipitate a default, and the ratings should reflect that risk. Nonetheless, reflecting the independent aspect of the liquidity assessment, "less than adequate" liquidity could, in some circumstances, pertain to a company with an investment-grade rating for a short period. If for example, other credit attributes are solid and recognized as such by the credit market, the company would likely be in a position, in our opinion, to be able to address its immediate liquidity issues. However, we would typically not expect to maintain existing ratings in such an anomalous liquidity situation for long.

13. (Our short-term ratings are highly correlated to our long-term ICRs--see "Corporate Ratings Criteria," Commercial Paper, page 105. However, to the extent that, for a given long-term rating, two short-term ratings are possible, liquidity is an important consideration. Accordingly, our assessment of a company's liquidity could translate directly into a higher or lower short-term rating.)

14. When assessing banking relationships, we take into account the history of the specific relationship (including periods when the company's credit quality was under stress); the variety of lending facilities in place; the degree of legal commitment involved in each facility; the tenor of existing facilities; the amounts involved, relative to bank lending limits; and the concentration/diversification of ties with various banks. (See "Corporate Ratings Criteria," pages

48-51 and 107-108 for additional discussion.)

15. In the case of companies whose credit standing is supported by other entities (such as government-related entities) liquidity is part of the stand-alone analysis. We separately assess the potential for support in dealing with potential liquidity shortfalls.

KEY QUANTITATIVE MEASURES

16. In our analysis, the key indicators of a company's liquidity cushion are:

- A/B: Liquidity sources (A) divided by uses (B); and
- A-B: Liquidity sources (A) minus uses (B).

17. Monetary flows within sources and uses, for this purpose, refer to amounts that we expect to be generated or used over the upcoming 12 months. The amounts used in the calculations conform to our anticipated base case, assuming no refinancing for the company in question, and include both internal and external components.

Sources

- Cash and liquid investments. (See "Corporate Ratings Criteria," Surplus cash, page 81, for additional discussion regarding surplus cash and netting cash against debt. This netting approach also pertains to liquidity ratio calculations. If a company holds cash to satisfy upcoming, short-term obligations, we net these to avoid the appearance of liquidity dilution. This may include hedged or presold commodity trading inventories.)
- Funds from operations, if positive. This measure will fluctuate with economic and business cycles. We do not 'smooth' this effect, since the cyclical low point is where most cyclical companies experience liquidity problems. We review the degree of management's anticipation of a cyclical shortage of liquidity and assess the effectiveness of its measures to counter this risk.
- Net working capital inflows. (If seasonal, we use the lowest level seen in the course of the year. However, we also include seasonal bank facilities that cover the temporary outflows, to the extent that they are committed in the long term.)
- Proceeds of asset sales (to the extent that we can confidently predict these).
- The undrawn, available portion of committed bank lines that matures beyond the next 12 months. If covenants are present, there must be what we view as a comfortable cushion or headroom.

Uses

- Funds from operations, if negative.
- Expected capital spending. This amount should include estimated maintenance spending, plus expansion project spending with a long lead time that will likely proceed even in a downturn.
- Working capital needs. If seasonal, we use the lowest level seen in the course of the year.
- All debt maturities (in the next 12 months).
- Any pension top-up needs.
- Any potential need to post derivative collateral or unwind hedges early. Our objective is to assess the size of this potential by considering various scenarios for the performance of the asset underlying the derivative and for the performance of the rated entity, if ratings triggers are present.
- Contracted acquisitions and expected shareholder distributions.

18. We also consider the reliability of the information at our disposal. To the extent that information is unavailable,

tardy, or, in our view, of dubious veracity, we would discount the data.

LIQUIDITY CATEGORIES

"Exceptional"

19. We consider "exceptional" liquidity to be that which we believe would protect a company's credit quality even in severely adverse market conditions.

20. Characteristics of a company whose liquidity we assess as "exceptional" include:

- A/B of 2x or more and our belief that it will remain so for the next two to three years.
- Positive A-B, even if EBITDA were to decline by 50%. However, we may apply a different test for industries that we view as exceptionally volatile or exceptionally stable (for example, copper mining companies may need to withstand a decline in EBITDA of more than 50% to meet this measure, while regulated utilities may only need to demonstrate that they can still meet this measure with a decline in EBITDA of less than 50%.) In such cases, the test that we apply will be specified in the related "Key Credit Factors" for that industry.
- Typically, a lack of covenants. If covenants are present, headroom under these is such that EBITDA could fall by 50% without the company breaching covenant test measures; debt at 30% below any limits on borrowing.
- The likely ability, in our view, to absorb, without refinancing, high-impact, low-probability events (such as market turbulence, sovereign risk, or the activation of material-adverse-change clauses).
- Well-established and solid relationships with banks, in our assessment.
- A generally high standing in credit markets. This can be assessed from equity, debt, and credit default swap (CDS) trading data relative to peers and market averages.
- Very prudent financial risk management, in our view. To meet this assessment, we would have to conclude that the company's management attempts to anticipate setbacks and proactively take necessary actions to ensure continued strong liquidity. (See "Corporate Ratings Criteria," pages 33-37, for additional information about how we assess the role of management.)

21. To have a level of liquidity that we consider "exceptional", an entity would have to meet the ratio test for A/B and at least four of the other supportive characteristics. We expect few companies to qualify for this category.

"Strong"

22. We consider "strong" liquidity to be that which we believe would protect a company's credit quality from significantly adverse market circumstances.

23. Characteristics of a company whose liquidity we assess as "strong" include:

- A/B for the upcoming 12 months of 1.5x or more. Even when measured over the next 18-24 months, the measure remains above 1.0x.
- Positive A-B even if EBITDA were to decline by 30%. However, we may apply a different test for industries that we view as exceptionally volatile or exceptionally stable (for example, copper mining companies may need to withstand a decline in EBITDA of more higher than 30% to meet this measure, while regulated utilities may only need to demonstrate that they can still meet this measure with a decline in EBITDA of less than 30%.) In such cases, the test that we will apply will be specified in the related "Key Credit Factors" for that industry.
- Sufficient covenant headroom for EBITDA to decline by 30% without the company breaching coverage tests; debt is 25% below covenant limits.

- The likely ability, in our view, to absorb, without refinancing, high-impact, low-probability events.
- Well-established and solid relationships with banks, in our assessment.
- A generally high standing in credit markets. This can be assessed from equity, debt, and CDS trading data relative to peers and market averages.
- Generally very prudent financial risk management, in our view. To meet this assessment, we would have to conclude that the company's management would be likely to anticipate setbacks and proactively ensure continued strong liquidity.

24. To have a level of liquidity that we consider "strong", an entity would have to meet the ratio test for A/B and demonstrate at least four of the other supportive characteristics.

"Adequate"

25. We consider "adequate" liquidity to be that which we believe would protect a company's credit quality from reasonably adverse market circumstances. We view "adequate" liquidity as ratings-neutral, rather than an enhancing characteristic.

26. Characteristics of a company whose liquidity we assess as "adequate" include:

- A/B of about 1.2x or more. No significant expected shortfall in liquidity, even in the second year out. In particular, any upcoming maturities should be manageable, in our assessment.
- Positive A-B, even if EBITDA were to decline by 15%-20%. However, we may apply a different test for industries that we view as exceptionally volatile or exceptionally stable (for example, copper mining companies may need to withstand a decline in EBITDA of more higher than 15%-20% to meet this measure, while regulated utilities may only need to demonstrate that they can still meet this measure with a decline in EBITDA of less than 15%-20%.) In such cases, the test that we will apply will be specified in the related "Key Credit Factors" for that industry.
- Sufficient covenant headroom for EBITDA to decline by 15%-20% without the company breaching coverage tests; debt is 15% below covenant limits. (or, if not, the related facilities are not sizeable)
- The likely ability, in our view, to absorb, with limited need for refinancing, high-impact, low-probability events. Liquidity is supplemented by the perceived flexibility to lower capital spending or sell assets, among other actions.
- Sound relationships with banks, in our assessment.
- A generally satisfactory standing in credit markets. This can be assessed from equity, debt, and CDS trading data relative to peers and market averages.
- Generally prudent risk management, in our view.

27. To have a level of liquidity that we consider "adequate", an entity would have to have nearly all of the supportive characteristics described above. Some minor deviation from one or two of these characteristics may still enable us to assess a company's liquidity as "adequate".

"Less than adequate"

28. We consider "less than adequate" liquidity to be that which we believe represents a risk that contributes to a low ICR or would likely lead to a downgrade if not remedied. The actual implications depend on whether there is a credible, near-term plan to improve liquidity. We could rate a company with liquidity that we assess as "less than adequate" in the 'BB' category, or even the 'BBB' category, provided that the company has in place a credible plan to address the lack of liquidity and that, in our view, the plan would be likely to result in adequate liquidity in the near term. If we were to assess a company's liquidity as "less than adequate" on a sustained basis, and if this level of liquidity is the norm for that company, this would generally be consistent with a lower rating.

29. Characteristics of a company whose liquidity we assess as "less than adequate" include:

- A/B of barely 1x. This level offers scant protection against unexpected adverse developments, in our view.
- A-B of about zero.
- The potential, in our assessment, for significant liquidity deficits beyond the following four quarters even when A/B currently exceeds 1x.
- Covenant headroom so tight that coverage tests could be breached if EBITDA were to decline by just 10%; borrowing within 5%-10% of limits. (A covenant breach on any related facilities would likely have a significant impact, such that the debt containing the covenants in question could not easily be repaid.)
- The likelihood of the company, in our view, not being able to absorb low-probability adversities, even factoring in capital-spending cuts, asset sales, and shareholder distributions.
- No particular core bank relationship, in our assessment.
- Indications of a poor standing in credit markets, such as wide CDS trades for several consecutive weeks and/or share price declines.

30. To have a level of liquidity that we consider "less than adequate", an entity would have two or more of the negative characteristics described above. In some cases, even one characteristic (for example, exposure to a serious covenant violation) might lead us to view the entity's liquidity as "less than adequate".

"Weak"

31. We consider "weak" liquidity to be that which we believe represents an overarching credit risk. In many, if not most, cases, such an assessment will translate into a very low ICR (at the 'B' rating level or lower), especially in periods when financial markets are less than robust.

32. If we were to view a company's liquidity management as imprudent, this would prompt us to review that company's overall business risk scores, in order to factor in the actions, or inaction, of management in this regard. On the other hand, if we remain satisfied that the company's business risk profile and financial risk profile remain sound in all other respects, a deficit that is not imminent would not automatically translate into a cap on the rating.

33. Characteristics of a company whose liquidity we assess as "weak" include:

- A/B or A-B that reflects a material deficit in the next three quarters.
- The likelihood that covenants will be breached unless there is a very credible plan to avert such a breach in a timely fashion (assuming that the related facilities are sizeable). Only low-probability, unforeseen positive events would allow the company to regain what we view as liquidity of better than "weak".
- Considerable debt maturities in the next four to six quarters, in our assessment.
- Indications of a poor standing in credit markets, such as very wide CDS trades and/or a serious share price decline.

34. To have a level of liquidity that we consider "weak", an entity could have any two of the four negative characteristics described above, or just one out of the first two.

RELATED CRITERIA AND RESEARCH

Corporate Ratings Criteria 2008, April 15, 2008

These criteria represent the specific application of fundamental principles that define credit risk and ratings

opinions. Their use is determined by issuer- or issue-specific attributes as well as Standard & Poor's Ratings Services' assessment of the credit and, if applicable, structural risks for a given issuer or issue rating. Methodology and assumptions may change from time to time as a result of market and economic conditions, issuer- or issue-specific factors, or new empirical evidence that would affect our credit judgment.

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The McGraw-Hill Companies

McGill, James T(Z71171)

To: Dolyniuk, Karen E(J97440)
Subject: RE: Arizona Public Service Company - Coconino 1998 Bonds

---

From: Dolyniuk, Karen E(J97440)
Sent: Wednesday, July 14, 2010 1:37 PM
To: philip.smyth@fitchratings.com
Cc: 'robert.hornick@fitchratings.com'
Subject: Arizona Public Service Company - Coconino 1998 Bonds

Phil, we are next moving on to the Coconino 1998 bonds. They are in daily mode with an LC backup. The LC will be expiring on August 12th. For these bonds we are substituting a new LC and keeping the bonds in daily mode. I am attaching the documents I believe you will need in order to do a ratings confirmation. The new LC bank will be JPMorgan Chase.

There are a few documents so I will be sending two emails. We are asking for your letter by July 26th, if possible.

Thank you.

<< File: 260948277(2)_Coconino Amended and Restated Tender Agreement-1998 Bonds.doc >> << File: APS - Letter of Credit (7_2010).doc >> << File: APS - Reimbursement Agreement (7_10).doc >> << File: APS_1996.pdf >>

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

McGill, James T(Z71171)

To: Dolyniuk, Karen E(J97440)
Subject: RE: Coconino 1998 Bonds

From: Dolyniuk, Karen E(J97440)
Sent: Wednesday, July 14, 2010 1:38 PM
To: philip.smyth@fitchratings.com
Cc: 'robert.hornick@fitchratings.com'
Subject: Coconino 1998 Bonds

<< File: 01 Indenture.pdf >> << File: 02 Series Indenture.pdf >> << File: 1996 Supplemental Indenture.pdf >> << File: 03 Loan Agreement.pdf >>

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Monday, July 19, 2010 10:14 AM
To: 'mindy_xu@standardandpoors.com'
Cc: McGill, James T(Z71171)
Subject: Coconino 1998 Bonds

Hello Mindy! Tomorrow, July 20th, we will need to send a notice in connection with LC substitution. I wanted to check and be sure you have everything you need to do your review.

Thanks.

McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Monday, July 19, 2010 10:15 AM
To: 'Stolarz, Jacek'
Cc: McGill, James T(Z71171)
Subject: RE: Arizona Public Service Company - Coconino Bonds

Jacek, we are required to send a notice tomorrow in connection with the Coconino 1998 bonds to notify various parties of the LC substitution. I wanted to check with you to be sure you have all the documents and information you need at this time. Please let me know if there is anything else you need.

Thanks.

From: Stolarz, Jacek [mailto:Jacek.Stolarz@moodys.com]
Sent: Thursday, July 15, 2010 9:59 AM
To: Dolyniuk, Karen E(J97440)
Subject: RE: Arizona Public Service Company - Coconino Bonds

Hi Karen,

Here is my contact info:

Thanks

Jacek (Jack) Stolarz
Moody's Investors Service
7 World Trade Center at 250 Greenwich Street
New York, NY 10007
P: 212.553.1923
F: 212.298.7493
E: jacek.stolarz@moodys.com

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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Monday, July 19, 2010 10:15 AM
To: 'richard.park@fitchratings.com'
Cc: McGill, James T(Z71171)
Subject: Coconino 1998 Bonds

Hi Richard! We are going to be sending out a notice tomorrow in connection with the Coconino bonds and the LC substitution. I wanted to check in to be sure you have everything you need with regard to the documents. Please let me know if you need anything else.

Thanks.

McGill, James T(Z71171)

From: Higuchi, Dene C(Z05435) on behalf of Hickman, Rebecca (Z46875)
Sent: Wednesday, July 21, 2010 1:58 PM
Subject: PNW: 2nd Quarter 2010 Earnings Release, Conference Call and Webcast Information

Today, we issued a press release announcing our second quarter earnings release date and the access information for our conference call and webcast. The text of the release is below in this message.

As always, if you have any questions about this release or need other information about our company, please contact me.

Sincerely,
Becky
Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

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PINNACLE WEST SETS DATE FOR SECOND-QUARTER RESULTS, WEBCAST AND CONFERENCE CALL

PHOENIX - Pinnacle West Capital Corp. (NYSE: PNW) announced today that it plans to release its second-quarter results before the U.S. financial markets open on Tuesday, August 3, 2010.

That same day at 12:00 noon (ET), the Company also will host a live webcast of management's conference call to discuss the Company's 2010 second-quarter results, as well as recent developments. The webcast can be accessed at www.pinnaclewest.com/presentations and will be available for replay on the website for 30 days. To access the live conference call by telephone, dial (877) 356-3961 and enter Conference ID **82449914**. A replay of the call will be available until 11:55 p.m. (ET), Tuesday, August 10, 2010, by calling (800) 642-1687 in the U.S. and Canada or (706) 645-9291 internationally and entering the same Conference ID number as above.

Pinnacle West is a Phoenix-based company with consolidated assets of about $12 billion. Through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States.

McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Thursday, July 22, 2010 9:50 AM
To: McGill, James T(Z71171)
Subject: FW: Coconino 1998 Bonds
Attachments: APS-Coconino Series 1998 Remarketing Agmt.doc.doc

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Dolyniuk, Karen E(J97440)
Sent: Thursday, July 22, 2010 9:49 AM
To: 'Xu, Mindy'
Subject: RE: Coconino 1998 Bonds

Mindy, here is the current draft. This is still subject to review by all parties involved.

Thanks!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Xu, Mindy [mailto:mindy_xu@standardandpoors.com]
Sent: Thursday, July 22, 2010 8:19 AM
To: Dolyniuk, Karen E(J97440)
Subject: Re: Coconino 1998 Bonds

Karen,

Can you please forward the new Remarketing Agreement?

Thanks
Mindy Xu
Associate Director
Structured Finance
Standard & Poor's
55 Water St., 41st Floor, New York, NY 10041
Tel: 212.438.2879 Fax: 212.438.7321
mindy_xu@standardandpoors.com

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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Thursday, July 22, 2010 10:52 AM
To: Xu, Mindy
Cc: McGill, James T(Z71171)
Subject: RE: Coconino 1998 Bonds

Daily.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Xu, Mindy [mailto:mindy_xu@standardandpoors.com]
Sent: Thursday, July 22, 2010 10:05 AM
To: Dolyniuk, Karen E(J97440)
Subject: RE: Coconino 1998 Bonds

Karen,

What's the current interest rate mode? Daily rate or Weekly?

Mindy

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Thursday, July 22, 2010 12:49 PM
To: Xu, Mindy
Subject: RE: Coconino 1998 Bonds

Mindy, here is the current draft. This is still subject to review by all parties involved.

Thanks!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Xu, Mindy [mailto:mindy_xu@standardandpoors.com]
Sent: Thursday, July 22, 2010 8:19 AM
To: Dolyniuk, Karen E(J97440)
Subject: Re: Coconino 1998 Bonds

Karen,

Can you please forward the new Remarketing Agreement?

Thanks
Mindy Xu
Associate Director
Structured Finance
Standard & Poor's
55 Water St., 41st Floor, New York, NY 10041
Tel: 212.438.2879 Fax: 212.438.7321
mindy_xu@standardandpoors.com

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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Thursday, July 22, 2010 1:24 PM
To: Xu, Mindy
Cc: McGill, James T(Z71171)
Subject: FW: APS Tender Agreement-Comparison and Clean Copy
Attachments: July 22 Redline APS Tender Agreement.pdf; 260948277(3)_Coconino Amended and Restated Tender Agreement-1998 Bonds.DOC

Mindy, as requested. Let me know if you need anything else.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Leak, Kathleen A. [mailto:kleak@orrick.com]
Sent: Thursday, July 22, 2010 12:59 PM
To: Dolyniuk, Karen E(J97440)
Subject: APS Tender Agreement-Comparison and Clean Copy

Karen,

Attached are comparison and clean copy of Amended and Restated Tender Agreement. Happy to forward directly if you would like.

KATHLEEN A. LEAK
ORRICK, HERRINGTON & SUTCLIFFE LLP
THE ORRICK BUILDING
405 HOWARD STREET
SAN FRANCISCO, CA 94105
tel 415 773-5408
fax 415 773-5759
kleak@orrick.com
www.orrick.com

"EMF <orrick.com>" made the following annotations.

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McGill, James T(Z71171)

From: Higuchi, Dene C(Z05435) on behalf of Hickman, Rebecca (Z46875)
Sent: Friday, July 23, 2010 1:04 PM
Subject: PNW/APS: Press Release Announcing Long-Term Wind Purchase Power Agreement

Today, we issued a press release announcing a long-term purchase power agreement for a wind project to be developed in northern Arizona. The text of the release is below in this message.

As always, if you have any questions about this announcement or need other information about our company, please contact me.

Sincerely,

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

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APS REACHES AGREEMENT FOR NEW ARIZONA-BASED WIND PROJECT

99-MW Wind Farm Will Provide Renewable Energy for 25,000 Customers

PHOENIX – Arizona Public Service Co. has entered into a long-term power purchase agreement with Perrin Ranch Wind LLC, a subsidiary of NextEra Energy Resources, for 100 percent of the energy output from a wind farm located 13 miles north of Williams in Coconino County, Ariz. When completed, the 99-megawatt Perrin Ranch Wind Energy Center will be the largest wind project in Arizona.

"Perrin Ranch is ideally suited for our first Arizona-based wind project. It is particularly important for northern Arizona and our company," said APS President and Chief Operating Officer Don Robinson. "We continue to seek renewable energy projects that provide the best value for our customers."

The project will contain 62 wind turbine generators situated on rural grazing land and will provide enough energy for 25,000 homes when running at full capacity.

The agreement is an important first step. However, several critical steps remain, including Arizona Corporation Commission approval of the power purchase agreement and successful siting, permitting and interconnection of the project to the state's electric grid. If all goes according to plan, construction would begin in the second half of 2011, with commercial operation expected in 2012.

The energy will help APS meet the ACC-mandated Renewable Energy Standard, as well as the Arizona-based wind provision included in the Company's 2009 regulatory settlement agreement.

"We are thrilled to add APS to our growing list of customers and appreciate their support of emission-free, renewable energy," said Mitch Davidson, president and CEO of NextEra Energy Resources. "The Perrin Ranch

Wind Energy Center will be our first wind project in Arizona. This project will not only create emission-free energy; it will also bring tremendous economic benefits to the region."

APS, Arizona's largest and longest-serving electricity utility, serves more than 1.1 million customers in 11 of the state's 15 counties. With headquarters in Phoenix, APS is the principal subsidiary of Pinnacle West Capital Corp. (NYSE: PNW).

McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Monday, July 26, 2010 8:44 AM
To: Stolarz, Jacek
Cc: McGill, James T(Z71171)
Subject: Remarketing Agreement

Jack, here is a draft of the remarketing agreement. This is still subject to review by all parties. Please let me know if you need anything else.

APS-Coconino
Series 1998 Remar..

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Attachment(s) Intentionally Omitted – Contains Confidential Information

McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Thursday, July 29, 2010 3:38 PM
To: Richard.Park@fitchratings.com
Cc: McGill, James T(Z71171)
Subject: Ratings Letter - Coconino Bonds

Hi Richard! We are looking forward to receiving your ratings letter tomorrow.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Thursday, July 29, 2010 3:39 PM
To: Stolarz, Jacek
Cc: McGill, James T(Z71171)
Subject: Ratings Letter - Coconino Bonds

Hi Jack! We are looking forward to receiving your ratings letter tomorrow.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Monday, August 02, 2010 7:14 AM
To: Richard.Park@fitchratings.com
Subject: RE: Ratings Letter - Coconino Bonds

Do you want both when they are in final form?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Richard.Park@fitchratings.com [mailto:Richard.Park@fitchratings.com]
Sent: Friday, July 30, 2010 3:06 PM
To: Dolyniuk, Karen E(J97440)
Subject: Re: Ratings Letter - Coconino Bonds

Hi Karen -

Also, could you provide for our file a copy of the tender agreement and remarketing agreement?

Thank you,
Rich

From: <Karen.Dolyniuk@pinnaclewest.com>
To: <Richard.Park@fitchratings.com>
Date: 07/30/2010 05:41 PM
Subject: Re: Ratings Letter - Coconino Bonds

Thank you.

From: Richard.Park@fitchratings.com <Richard.Park@fitchratings.com>
To: Dolyniuk, Karen E(J97440)
Sent: Fri Jul 30 14:34:52 2010
Subject: Re: Ratings Letter - Coconino Bonds

Hi Karen -

We are planning on having committee for the Coconino bonds on Monday and I anticipate providing for you a rating letter then. I apologize for the delay.

Regards,
Rich

	Karen.Dolyniuk@pinnaclewest.com Richard.Park@fitchratings.com James.MCgill@pinnaclewest.com
Date	07/29/2010 06:38 PM
Subject	Ratings Letter - Coconino Bonds

Hi Richard! We are looking forward to receiving your ratings letter tomorrow.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Monday, August 02, 2010 1:02 PM
To: Richard.Park@fitchratings.com
Subject: RE: Ratings Letter - Coconino Bonds

Richard, checking in – has the committee meeting occurred? Will you be sending the letter today?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Richard.Park@fitchratings.com [mailto:Richard.Park@fitchratings.com]
Sent: Friday, July 30, 2010 2:35 PM
To: Dolyniuk, Karen E(J97440)
Subject: Re: Ratings Letter - Coconino Bonds

Hi Karen -

We are planning on having committee for the Coconino bonds on Monday and I anticipate providing for you a rating letter then. I apologize for the delay.

Regards,
Rich

From:	Karen.Dolyniuk@pinnaclewest.com
To:	Richard.Park@fitchratings.com
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Subject:	Ratings Letter - Coconino Bonds

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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Monday, August 02, 2010 2:50 PM
To: Richard.Park@fitchratings.com
Subject: RE: Ratings Letter - Coconino Bonds

Thanks – we are planning to begin marketing the bonds on Wednesday, so I will look for your letter tomorrow.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Richard.Park@fitchratings.com [mailto:Richard.Park@fitchratings.com]
Sent: Monday, August 02, 2010 2:21 PM
To: Dolyniuk, Karen E(J97440)
Subject: RE: Ratings Letter - Coconino Bonds

Hi Karen -

Committee did not happen today because we are waiting on a change from bank counsel to their enforcability opinion. Once we receive that we will go forward and have our committee.

Thanks
Rich

From: <Karen.Dolyniuk@pinnaclewest.com>
To: <Richard.Park@fitchratings.com>
Date: 08/02/2010 04:02 PM
Subject: RE: Ratings Letter - Coconino Bonds

Richard, checking in – has the committee meeting occurred? Will you be sending the letter today?

Karen E. Dolyniuk, CTP

Manager Treasury Operations

Pinnacle West Capital Corporation

602-250-5630

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Sent: Monday, August 02, 2010 5:03 PM
To: 'Richard.Park@fitchratings.com'
Subject: Re: Ratings Letter - Coconino Bonds

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From: Richard.Park@fitchratings.com <Richard.Park@fitchratings.com>
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McGill, James T(Z71171)

From: Higuchi, Dene C(Z05435) on behalf of Hickman, Rebecca (Z46875)
Sent: Tuesday, August 03, 2010 5:22 AM
Subject: PNW/APS: Second-Quarter 2010 Earnings Release

This morning, we released our second-quarter 2010 earnings. The text of our earnings release is included below in this message.

For your convenience, we've attached PDF files of our Earnings Release Kit (which contains supplemental information) and the slides we will use during our conference call and web cast. This information is also available on our web site, www.pinnaclewest.com/investors.

Conference Call and Web Cast Access

Pinnacle West invites interested parties to listen to the live web cast of management's conference call to discuss the Company's 2010 second-quarter results, as well as recent developments at 12:00 noon (ET) today, August 3. The webcast can be accessed at www.pinnaclewest.com/presentations and will be available for replay on the website for 30 days. To access the live conference call by telephone, dial (877) 356-3961 and enter Conference ID **82449914**. A replay of the call will be available until 11:55 p.m. (ET), Tuesday, August 10, 2010, by calling (800) 642-1687 in the U.S. and Canada or (706) 645-9291 internationally and entering the same Conference ID number as above.

As always, please contact me if you have any questions or need information about our company.

Sincerely,
Becky
Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

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PINNACLE WEST REPORTS SECOND-QUARTER RESULTS

- *Focus on cost management helps offset effects of unusually mild weather*
- *Sale of non-core assets provides boost to net income*

PHOENIX – Pinnacle West Capital Corp. (NYSE: PNW) today reported consolidated net income attributable to common shareholders of $114.8 million, or $1.07 per diluted share of common stock, for the quarter ended June 30, 2010. This result compares with net income attributable to common shareholders of $68.3 million, or $0.68 per diluted share, for the same quarter in 2009.

Excluding results of discontinued operations related to the Company's real estate segment and its district cooling business, Pinnacle West's consolidated on-going earnings in the 2010 second quarter were $89.8 million, or $0.83 per share, compared with on-going earnings of $76.4 million or $0.75 per share, in the same period a year ago. A reconciliation of reported earnings to on-going earnings is provided at the end of this release.

"In spite of mild weather in the quarter, our emphases on controlling costs and focusing on a back-to-basics strategy helped us achieve strong operating and financial results," said Pinnacle West Chairman, President and Chief Executive Officer Don Brandt.

The second-quarter on-going results comparison was positively impacted by the following factors:

- *Higher revenues resulting from retail electricity rate increases* improved earnings by $0.26 per share. Of this amount, $0.21 was related to base rates and $0.02 was related to line extension revenues, both implemented in January as a result of the Company's regulatory settlement. The balance was attributable to a retail transmission rate increase implemented in the 2009 third quarter.
- *Lower operations and maintenance expenses* improved earnings by $0.04 per share. The variance excludes costs associated with renewable energy and demand-side management programs, which are offset by comparable amounts of operating revenues.

- *Higher retail electricity sales, excluding the effects of weather*, improved earnings by $0.02 per share. Weather-normalized sales increased 0.6 percent in the current-year second quarter compared with the corresponding 2009 period, the first quarterly increase since the 2008 third quarter.

These positive factors were offset in part by the following items:

- *Unusually mild weather*, especially in April and May (with the latter being the mildest May in more than 10 years), decreased the Company's earnings by $0.15 per share during the quarter. There were 381 residential cooling-degree days (a proxy for the effects of weather) in the 2010 second quarter – 17 percent less than the year-ago second quarter, which was near normal.
- *Lower mark-to-market valuations of fuel contracts* as a result of changes in commodity prices reduced earnings by $0.03 per share.
- *The net effect of other miscellaneous items,* including the effects of common shares issued in April 2010, decreased earnings $0.06 per share.

Consolidated on-going earnings exclude results from discontinued operations. Income from discontinued operations was $25.0 million, or $0.24 per share, for the second quarter of 2010, which compared favorably with a loss from discontinued operations of $8.0 million, or $0.07 per share, for the same quarter a year earlier. The changes were primarily attributable to disposal of non-core assets:

- *The gain on the sale of subsidiary APS Energy Services' district cooling business* and related operating results contributed $0.24 per share.
- *Lower net losses at the Company's real estate segment* improved quarter-over-quarter earnings by $0.07 per share.

Arizona Public Service Co. (APS), the Company's principal subsidiary, reported 2010 second quarter net income attributable to common shareholder of $90.2 million, versus earnings of $78.5 million for the comparable 2009 quarter.

2010 and 2011 Earnings Outlook

The Company continues to expect its 2010 consolidated on-going earnings to be in the range of $2.95 to $3.10 per diluted share. Key factors and assumptions underlying the outlook remain unchanged, except for the following:

- Actual weather for the first half of the year and normal weather patterns for the remainder of the year;
- Total electricity gross margin (operating revenues, net of fuel and purchased power expenses, excluding Renewable Energy Surcharge and similar rate adjustors) of about $2.00 billion to $2.05 billion, which was previously expected to be $2.04 billion to $2.09 billion; and
- Operating expenses (operations and maintenance, excluding costs for Renewable Energy Standard and similar regulatory programs; depreciation and amortization; and taxes other than income taxes) of about $1.26 billion to $1.29 billion, which were previously expected to be $1.30 billion to $1.33 billion.

The Company also continues to estimate its 2011 consolidated on-going earnings will be within the 2010 guidance range with some opportunity for modestly exceeding that range.

General Information

Pinnacle West is a Phoenix-based company with consolidated assets of about $12.2 billion. Through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States.

Dollar amounts in this news release are after income taxes. Earnings per share amounts are based on average diluted common shares outstanding. For more information on Pinnacle West's operating statistics and earnings, please visit www.pinnaclewest.com/investors.

PINNACLE WEST CAPITAL CORPORATION
NON-GAAP FINANCIAL MEASURE RECONCILIATION

NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS
(GAAP MEASURE) TO ON-GOING EARNINGS (NON-GAAP FINANCIAL MEASURE)

	Three Months Ended June 30, 2010		Three Months Ended June 30, 2009	
	Dollars in	Diluted	Dollars in	Diluted

	Millions	EPS	Millions	EPS
Net Income Attributable to Common Shareholders	$ 114.8	$ 1.07	$ 68.3	$ 0.68
Adjustments:				
Real estate segment	1.3	0.01	8.8	0.08
District cooling business	(26.3)	(0.25)	(0.7)	(0.01)
On-going Earnings	$ 89.8	$ 0.83	$ 76.4	$ 0.75

NON-GAAP FINANCIAL INFORMATION

In this press release, we refer to "on-going earnings." On-going earnings is a "non-GAAP financial measure," as defined in accordance with SEC rules. We believe on-going earnings provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis. Investors should note that these non-GAAP financial measures involve judgments by management, including whether an item is classified as an unusual item. We use on-going earnings, or similar concepts, to measure our performance internally in reports for management.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements regarding our 2010 and 2011 earnings outlook, and neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by applicable law. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume" and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to:

- regulatory and judicial decisions, developments and proceedings;
- our ability to achieve timely and adequate rate recovery of our costs;
- our ability to reduce capital expenditures and other costs while maintaining reliability and customer service levels;
- variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures;
- power plant performance and outages;
- volatile fuel and purchased power costs;
- fuel and water supply availability;
- new legislation or regulation relating to greenhouse gas emissions, renewable energy mandates and energy efficiency standards;
- our ability to meet renewable energy requirements and recover related costs, including returns on debt and equity capital;
- risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty;
- competition in retail and wholesale power markets;
- the duration and severity of the economic decline in Arizona and current credit, financial and real estate market conditions;
- the cost of debt and equity capital and the ability to access capital markets when required;
- restrictions on dividends or other burdensome provisions in our credit agreements and Arizona Corporation Commission orders;
- our ability, or the ability of our subsidiaries, to meet debt service obligations;
- changes to our credit ratings;
- the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements;
- the liquidity of wholesale power markets and the use of derivative contracts in our business;
- potential shortfalls in insurance coverage;
- new accounting requirements or new interpretations of existing requirements;
- transmission and distribution system conditions and operating costs;
- the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region;
- the ability of our counterparties and power plant participants to meet contractual or other obligations;
- technological developments in the electric industry; and
- economic and other conditions affecting SunCor Development Company's ability to dispose of its remaining assets and satisfy its debt obligations.

These and other factors are discussed in Risk Factors described in Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which readers should review carefully before placing any reliance on our financial statements, disclosures or our earnings outlook.

# # #

2Q2010_EarningsReleaseKit.pdf

2Q2010 PNW Earnings Slides.pdf..

McGill, James T(Z71171)

From: Higuchi, Dene C(Z05435) on behalf of Hickman, Rebecca (Z46875)
Sent: Tuesday, August 03, 2010 5:22 AM
Subject: PNW/APS: Second-Quarter 2010 Form 10-Q

The PDF file of the combined Pinnacle West and APS second-quarter 2010 Form 10-Q is attached for your use. If you would like to receive a printed copy of the report, please let me know and we will be happy to mail it to you.

As always, please contact me if you need information about our company.

Sincerely,

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

2Q2010 PNW Form 10-Q.pdf

McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Tuesday, August 03, 2010 7:54 AM
To: Richard.Park@fitchratings.com
Subject: RE: Ratings Letter - Coconino Bonds

Importance: High

I am available now or any time in the next hour.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

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Sent: Tuesday, August 03, 2010 6:29 AM
To: Dolyniuk, Karen E(J97440)
Subject: Re: Ratings Letter - Coconino Bonds

Hi Karen -

Not a problem - Please let me know when you are free to have a call and a phone number to contact you at I would like to have another member from our team here at Fitch join us for the call.

Thank you,
Rich

From:	<Karen.Dolyniuk@pinnaclewest.com>
To:	<Richard.Park@fitchratings.com>
Date:	08/02/2010 08:03 PM
Subject:	Re: Ratings Letter - Coconino Bonds

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Email Firewall made the following annotations ----------
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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Tuesday, August 03, 2010 9:30 AM
To: Stolarz, Jacek
Subject: Rating

Importance: High

Jack, I have received a question from bond counsel regarding the rating assigned. I am attaching a transaction from last year we did that is virtually the same as this transaction – tax exempt bonds that were put into LC mode with a JPMorgan LC. The rating the bonds received was the Aa1/VMIG 1 rating. Bond counsel is curious as to why this current transaction was rating differently given this was a mandatory tender of the bonds and a replacement of LC provider?

According to JPMorgan, the VMIG 1 rating is more appropriate for variable rate bonds, which these are and have been. What would it take to get the VMIG1 rating assigned?

Thanks!

Scanned Document.pdf

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Moody's Investors Service

7 World Trade Center at 250 Greenwich Street
New York, New York 10007

September 17, 2009

Chris Froggatt
VP and Treasurer
Arizona Public Service Company
400 North Fifth Street, 19th Floor
Phoenix, AZ 85004

Coconino County, Arizona Pollution Control Corporation Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Navajo Project), 2009 Series B

Dear Mr. Froggatt:

At your request, we have reviewed the documents submitted to us in connection with the above captioned issue. I am pleased to inform you that Moody's Investors Service has assigned a rating of **Aa1/VMIG 1** to the above captioned series.

The rating is based upon the credit quality of the letter of credit provider, JPMorgan Chase Bank, N.A. (the "Bank"), and will be changed whenever the Bank's rating is changed. The rating expires upon the earliest to occur of: (i) the stated expiration date of the letter of credit, September 22, 2011, unless extended; (ii) the mandatory tender in connection with such expiry; (iii) conversion of the bonds to a rate mode other than daily or weekly rate; or (iv) any earlier termination of the letter of credit.

In assigning our rating, we relied upon the draft documents provided to us. In order to maintain the rating, we must be provided with a set of executed documents within thirty days of closing. Additionally, in connection with the surveillance of our rating, please e-mail information concerning letter of credit substitutions, letter of credit extensions, redemptions, tenders or any amendments to the governing documents to MSPGSurveillance@moodys.com or fax to Moody's Municipal Structured Products Surveillance Group at (212) 553-1066.

If you have any questions regarding this transaction, please call me directly at (212) 553-0215.

Sincerely,

Larry Bellinger
Analyst

McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Tuesday, August 03, 2010 9:43 AM
To: Stolarz, Jacek
Subject: FW: Rating

Jack, thanks for inquiring about the VMIG rating. Would you also let me know what we would need to do to get the Aa1 portion of the rating and if that could be done in a day?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Dolyniuk, Karen E(J97440)
Sent: Tuesday, August 03, 2010 9:30 AM
To: 'Stolarz, Jacek'
Subject: Rating
Importance: High

Jack, I have received a question from bond counsel regarding the rating assigned. I am attaching a transaction from last year we did that is virtually the same as this transaction – tax exempt bonds that were put into LC mode with a JPMorgan LC. The rating the bonds received was the Aa1/VMIG 1 rating. Bond counsel is curious as to why this current transaction was rating differently given this was a mandatory tender of the bonds and a replacement of LC provider?

According to JPMorgan, the VMIG 1 rating is more appropriate for variable rate bonds, which these are and have been. What would it take to get the VMIG1 rating assigned?

Thanks!
<< File: Scanned Document.pdf >>

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

McGill, James T(Z71171)

Subject: FW: Arizona Public Service Corp
Attachments: 2010.07 IRB LOC PFG USD 2010 US MSPG.pdf

From: Epelboym, Alex [mailto:Alex.Epelboym@moodys.com]
Sent: Tuesday, August 03, 2010 1:14 PM
To: Dolyniuk, Karen E(J97440)
Subject: Arizona Public Service Corp

Hello,

As per our conversation please see attached rating application.

<<2010.07 IRB LOC PFG USD 2010 US MSPG.pdf>>

Regards

Alex Epelboym

Manager
Public Finance, Issuer Relations

212.553.4608 tel
212.298.6058 fax
Alex.Epelboym@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich Street
New York, NY 10007

Please note that Moody's analysts are not permitted to engage in, or be privy to, any fee discussions. Please do not include analysts in any fee related correspondence. If you have any questions or comments regarding the application or the fees contained within, please feel free to contact me.

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MOODY'S
INVESTORS SERVICE

Moody's Investors Service
7 WTC at 250 Greenwich Street
New York, NY 10007
Phone: 212-553-4055
Fax: 212-298-7152
MOODY'S MSPG Rating Applications@moodys.com

MOODY'S RATING APPLICATION FOR
INDUSTRIAL REVENUE BONDS
SUPPORTED BY LETTERS OF CREDIT

The undersigned hereby applies for a Moody's rating, as described in this Application.

_____
ISSUER NAME/BOND NAME

_____ _____
PROPOSED DATE OF SALE AMOUNT OF ISSUE

The undersigned agrees to furnish to Moody's and/or where the undersigned is not the Issuer, will procure that the Issuer furnishes Moody's with pertinent financial reports and other information and data required by Moody's, in its sole discretion, in order that Moody's may appraise the Issuer or the specific issue. The undersigned also agrees on an ongoing basis to provide or procure the provision of updated information, including periodic financial reports, and copies of compliance certificates, amendments or waivers, and any other pertinent information which may be necessary for the purposes of monitoring the rating. The undersigned agrees and acknowledges that Moody's will rely on such information in its analysis and will not verify, audit or validate independently any information provided by the undersigned to Moody's. The undersigned warrants that all information supplied is true, accurate and complete in all respects. The terms of this Application supersede any other terms and conditions relating to the information, including terms and conditions of any website or electronic data room in which any of the information is posted, which terms and conditions will not apply to Moody's.

The undersigned agrees to pay or where the undersigned is not the Issuer will ensure that the Issuer will pay and, if the Issuer does not pay, will itself pay fees in accordance with the attached Fee Schedule. Moody's reserves the right to revise this Application and Fee Schedule.

It is understood that Moody's rating, if assigned, will be subject to revision or withdrawal by Moody's at any time, without notice if information (or lack of information) warrants such action, in the sole opinion of Moody's.

Moody's is not providing and shall not provide any financial, legal, tax, advisory, consultative or business services to the undersigned or the Issuer, or advice on structuring transactions or drafting or negotiating transaction documentation. The Issuer and/or the undersigned should take their own legal, tax, financial and other advice when structuring, negotiating and documenting transactions. A rating opinion or discussions with Moody's analysts shall not be deemed as rendering advice on business operations. Any rating must be construed solely as a statement of opinion and not a statement of fact, an offer, invitation, inducement or recommendation to purchase, sell or hold any securities or otherwise act in relation to the Issuer or any other entity or otherwise in connection with any associated transaction or any other matter.

This Fee Schedule sets out Moody's fees for the period 1/1/2010 to 12/31/2010. Moody's reserves the right to revise this Fee Schedule from time to time. If Moody's does not revise this Fee Schedule, the current Fee Schedule will also apply in subsequent periods. Please request a current Fee Schedule at the time of your rating assignment.

MOODY'S RATING APPLICATION FOR
INDUSTRIAL REVENUE BONDS
SUPPORTED BY LETTERS OF CREDIT

Moody's does not guarantee the correctness of any information, rating or communication relating to the undersigned or the Issuer. Moody's shall not be liable in contract, tort or otherwise to the Issuer or the undersigned or any other third party for any loss, injury or cost caused to the Issuer or the undersigned or any other third party, in whole or in part, including by any negligence (but excluding fraud, dishonesty and/or willful misconduct or any other type of liability that by law cannot be excluded) on the part of, or any contingency beyond the control of, Moody's or any of its employees or agents, in the procuring, compilation, analysis, interpretation, communication, dissemination, or delivery of any information or rating relating to the undersigned or the Issuer. The undersigned will indemnify and hold harmless Moody's and all of its directors, officers, employees, agents and affiliates from any claims of whatever nature (whether foreseeable or not) arising from or in connection with this Application and Fee Schedule or the delivery to the undersigned or the Issuer of, or reliance by the undersigned or the Issuer or by any third party on, the rating or any breach of this Application and Fee Schedule by the undersigned or the Issuer, save that the terms of this paragraph shall not apply to the extent that any such claim arises by reason of any fraud or wilful misconduct on the part of Moody's other than to the extent such claim derives from the misuse of the rating or from any reliance otherwise acknowledged as inappropriate.

The undersigned agrees that any rating requested and assigned shall only be used for its intended purpose. For the avoidance of doubt and as an example, an issuer that requests and is assigned an Issuer rating shall not represent such rating as the rating which would be applicable to any of its securities.

It is understood that Moody's may use third party contractors or agents bound by confidentiality obligations to assist in the ratings process and its related business and research activities. In this Application, Moody's refers to the Moody's entity specified above and all its relevant group companies, unless otherwise specified. Moody's may assign this Application to any other Moody's group company and Moody's group companies are entitled to the benefit of the protective provisions in this Application.

The undersigned warrants that neither it nor the Issuer is owned or controlled, directly or indirectly, by any person or government from countries that are subject to economic, trade, or transactional sanctions imposed by the United States Government, including but not limited to Burma, Cuba, Iran, North Korea, Syria, or Sudan and that neither it nor the Issuer or any of their owners, directors, officers, employees, or group companies appears on any lists of known or suspected terrorists, terrorist organizations or other prohibited persons made publicly available or published by any agency of the government of the United States or any other jurisdiction in which the undersigned or the Issuer or any of their group companies are doing business, including but not limited to the List of Specially Designated Nationals and Blocked Persons ("SDNs") maintained by the Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury. The undersigned agrees that it will notify Moody's if these circumstances change.

To the extent Moody's publishes written research or press releases specifically regarding the Issuer, as a direct result of this Application, and Issuer desires to link to or post same on its website, the undersigned agrees to the terms and conditions contained in Appendix A.

For information on how we process and protect personal data, please see our Privacy Policy available at moodys.com.

This Fee Schedule sets out Moody's fees for the period 1/1/2010 to 12/31/2010. Moody's reserves the right to revise this Fee Schedule from time to time. If Moody's does not revise this Fee Schedule, the current Fee Schedule will also apply in subsequent periods. Please request a current Fee Schedule at the time of your rating assignment.

MOODY'S RATING APPLICATION FOR
INDUSTRIAL REVENUE BONDS
SUPPORTED BY LETTERS OF CREDIT

Notwithstanding any past communications or dealings of the parties or anything herein to the contrary, Moody's does not consent to the use of its rating in any registration statement or prospectus. For the avoidance of doubt, without, in each case, the prior written authorization of Moody's, which authorization may be withheld or withdrawn in the sole discretion of Moody's, neither the fact that the undersigned has applied to Moody's for a rating as described in this Application, that Moody's has reviewed information provided by the undersigned in connection with this Application, that Moody's has assigned a rating in connection with this Application nor the rating, if any, assigned by Moody's in connection with this Application may be quoted, summarized, incorporated by reference, linked to by hyperlink or otherwise disclosed or used in any registration statement or prospectus, or in any other way referenced, disclosed or disseminated in any other written communication (as defined in Rule 405 promulgated under the Securities Act of 1933, as amended) by the undersigned or by any other offering participant in a manner that would require Moody's consent to be filed with the SEC.

This Application shall be governed by and construed in accordance with the laws of the State of New York in the United States of America and subject to the exclusive jurisdiction of the courts of the State of New York in the United States of America.

(Please Print or Type)

APPLICANT:_____

BY:_____ TITLE:_____

MAILING ADDRESS:_____

CITY:_____ STATE:_____ ZIP CODE:_____

TELEPHONE NUMBER: (____)_____ FAX NUMBER: (____)_____

EMAIL ADDRESS:_____

AUTHORIZED BY:_____ DATE:_____
Signature

Payment of fees is due on receipt of an invoice.

Please do not return this Application or Fee Schedule to any member of the analytic team involved in the rating process (including managers). Please return this application to Moody's Issuer Relations team.

If you have any questions, please contact Moody's Issuer Relations at (212) 553-4055.

This Fee Schedule sets out Moody's fees for the period 1/1/2010 to 12/31/2010. Moody's reserves the right to revise this Fee Schedule from time to time. If Moody's does not revise this Fee Schedule, the current Fee Schedule will also apply in subsequent periods. Please request a current Fee Schedule at the time of your rating assignment.

INDUSTRIAL REVENUE BONDS
SUPPORTED BY LETTERS OF CREDIT
FEE SCHEDULE

Moody's Code of Professional Conduct states we "will not have Analysts who are directly involved in the rating process initiate, or participate in, discussions regarding fees or payments with any entity they rate." Therefore, please do not return this rating application or fee schedule to any member of the analytic team involved in the rating process (including managers), or include the analytic team (including managers) in any fee-related correspondence. Moody's maintains a separate, dedicated group not involved in the rating process for handling Applications, Fee Schedules and fee and payment discussions. If you have any questions regarding this Application or Fee Schedule, please contact Moody's Issuer Relations.

1. Initial/Annual Fee per Series of Bonds

When one issuer or borrower contemplates two or more issues, each having its own letter of credit from the same bank, there will be one initial and one **non-refundable** annual fee based on the aggregate principal amount of all the series.

STANDARD PRICING:

Fixed Rate Deals:
For issues with a principal amount less than $60 million the fee is $17,100. For issues with a principal amount equal to or greater than $60 million the fee will be calculated at 3.40/100ths of 1% of the principal amount of the new issue with a maximum fee of $93,700.

For deals:
$750 million to $999.999 million the fee is $104,700.
$1 billion to $1.999 billion the fee is $115,800.
$2 billion and above the fee is $132,300.

Variable Rate Deals:
Long and short-term ratings will be assigned to variable rate transactions.
For issues with a principal amount less than $60 million the fee for the long and short-term rating is $20,500. For issues with a principal amount equal to or greater than $60 million the fee will be calculated at 3.40/100ths of 1% of the principal amount of the new issue with a maximum fee of $93,700.

For deals:
$750 million to $999.999 million the fee is $104,700.
$1 billion to $1.999 billion the fee is $115,800.
$2 billion and above the fee is $132,300.

The **non-refundable** short-term annual fee is based on initial principal amounts:

*principal amount less than $5 million	$1,000
*principal amount equal to or greater than $5 million	fee is calculated at 2.10/100ths of 1% with a maximum fee of $4,000

2. Rapid Turnaround

A fee up to 25% of the initial fee may be charged at Moody's sole discretion if an issuer requests expedient delivery of a rating.

3. Complexity Financings

Moody's may charge an additional fee of up to $100,000 for certain types of complex financings. Please contact the Moody's Issuer Relations Team to discuss whether such complex deal fees apply to a planned financing.

This Fee Schedule sets out Moody's fees for the period 1/1/2010 to 12/31/2010. Moody's reserves the right to revise this Fee Schedule from time to time. If Moody's does not revise this Fee Schedule, the current Fee Schedule will also apply in subsequent periods. Please request a current Fee Schedule at the time of your rating assignment.

INDUSTRIAL REVENUE BONDS
SUPPORTED BY LETTERS OF CREDIT
FEE SCHEDULE

4. Termination of Rating Process
Applicable when substantial analytical research is provided, but the rating process is terminated. The fee is 70% of what the fee would have been if the rating process had not been terminated. This fee is payable at the time of the termination of the rating process. However, if the issue is reactivated and a rating is assigned within six months of the termination of the rating process, this fee will be credited against the applicable rating fee. Any excess over the actual charges for the definitive rating is non-refundable.

5. Provisional Ratings
The standard fees outlined above are applicable at the time the provisional rating is assigned. If the issuance amount is different at the time of the rating confirmation, the fee will be adjusted.

6. Amendments to Existing Transactions
A fee will be charged for certain changes or amendments to existing transactions. Examples of such changes or amendments and their related fees include, but are not limited to, the following:

$1,000	Applies to extension of credit or liquidity enhancement
$1,000 - $2,500	Applies to affirmation of rating.
$5,500	Applies to substitution of credit or liquidity enhancement. When there are multiple deals with identical documents, the fee for the first deal will be $5,500. The fee for each additional deal will be $2,750.
80% of new issuance fee	Applies to restructuring of security and complex substitutions, i.e., when the replacement credit or liquidity enhancement is a different type of enhancement vehicle.

7. Private Placements
The same rates apply as indicated above for private placement issues.

8. If an entity providing support (such as a bank) has no deposit or other debt rating from Moody's, then that entity must file an Application for a Moody's Rating and undergo a separate rating appraisal process, for a separate fee.

9. See Family Schedule (attached) for reduced fees on related issues.

This Fee Schedule sets out Moody's fees for the period 1/1/2010 to 12/31/2010. Moody's reserves the right to revise this Fee Schedule from time to time. If Moody's does not revise this Fee Schedule, the current Fee Schedule will also apply in subsequent periods. Please request a current Fee Schedule at the time of your rating assignment.

FAMILY SCHEDULE

ATTACHMENT TO
MOODY'S RATING APPLICATION FOR
INDUSTRIAL REVENUE BONDS
SUPPORTED BY LETTERS OF CREDIT

A reduced fee applies to multiple transactions when there is identical documentation and a common underlying borrower or issuer. When one issuer or borrower contemplates two or more issues, each having its own letter of credit from different banks, then, subject to the restrictions outlined below, the fee for additional transactions will be calculated at 70% of the new issue fee outlined on page 4 and applicable non-refundable annual fees.

TO QUALIFY FOR THE REDUCED FEE, AN ISSUER OR BORROWER MUST COMPLY WITH THE FOLLOWING RESTRICTIONS:

(1) Moody's must be informed at the time of application as to how many issues will comprise the financing.

(2) Each issue must be submitted to Moody's for rating within 180 days from date of application. Moody's standard rating fees apply for issues submitted for rating after the 180-day period.

(3) The underlying borrower/company of the financing must be the same company or general partner for each issue.

(4) Documents for each subsequent issue must be blacklined to those of the first issue submitted.

Appendix A

Web Posting / Linking Terms and Conditions

To the extent Moody's publishes written research or press releases specifically regarding the Issuer, as a direct result of this Application ("Issuer Research"), and Issuer desires to link to or post same on its website, the following terms will apply.

The undersigned is hereby granted a royalty-free, non-sublicensable (except as to the Issuer, if the undersigned is not the Issuer), revocable license to post Issuer Research on the Issuer's website (or to post a link to the page on Moody's website where such Issuer Research appears), subject in all cases to the following restrictions. Where the undersigned is not the Issuer, the undersigned agrees that it shall procure that the Issuer complies with all the conditions pertaining to posting or linking to Issuer Research as set forth herein. All Issuer Research and all trademarks and logos contained therein are the intellectual property of Moody's or its affiliates, and all rights not expressly granted herein are reserved.

In no event shall the Issuer Research include any pre-sale reports (prior to initial sale of the relevant security), non-public, or unmonitored ratings. Only the most recent Issuer Research may be posted, in the exact form and format provided by Moody's without any alterations or editing whatsoever (including all disclaimers, logos, and proprietary rights notices thereon). All outdated Issuer Research must be promptly deleted and updated Issuer Research posted promptly after it is published by Moody's. Any links to or posting of Issuer Research shall be indicated by Moody's corporate name only in plain text font, and may not display Moody's logo under any circumstances. Issuer Research or links to Issuer Research may only be displayed on the investor relations portion of the relevant website (or an analogous area where general corporate information is displayed) and not on any portion of the site (or in any hard copy form) for the purpose of marketing, promotion or advertising. Issuer Research may not be posted, linked to, displayed, or otherwise used in connection with a prospectus, "road show" deck, or any other document related to the offering of securities.

The undersigned, on behalf of itself and the Issuer, agrees and acknowledges that it is solely responsible for compliance with all laws, rules, and regulations including but not limited to applicable securities laws, in connection with the posting or linking to the Issuer Research. The undersigned (on behalf of itself and Issuer, if different entities) hereby agrees to indemnify and hold Moody's, its affiliates, and all of their respective employees, officers, directors, representatives, agents, successors, and assigns, harmless against any and all losses, claims, damages, costs or injury (including without limitation attorneys' fees), in whole or in part caused by, resulting from or relating to, posting or linking to the Issuer Research.

This license shall terminate as of the date that the undersigned and/or this Issuer are no longer active Moody's clients; or upon advance written notice from Moody's at any time. Upon termination, all posting and linking to Issuer Research permitted hereunder must cease immediately.

McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Tuesday, August 03, 2010 1:15 PM
To: Richard.Park@fitchratings.com
Subject: RE: APS / Coconino 1998 (JPMorgan Enforceability Opinion)

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Richard.Park@fitchratings.com [mailto:Richard.Park@fitchratings.com]
Sent: Tuesday, August 03, 2010 1:14 PM
To: Dolyniuk, Karen E(J97440)
Subject: RE: APS / Coconino 1998 (JPMorgan Enforceability Opinion)

Hi Karen -

Yes - we will release the letter. I am in the process of having our press release put onto the web. Once completed I will send the rating letter along

Regards,
Rich

Karen.Dolyniuk@pinnaclewest.com
Richard.Park@fitchratings.com
08/03/2010 04:10 PM
Subject: RE: APS / Coconino 1998 (JPMorgan Enforceability Opinion)

Rich, are you able to send the letter? Have you been through committee?

Karen E. Dolyniuk, CTP

Manager Treasury Operations

Pinnacle West Capital Corporation

602-250-5630

McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Tuesday, August 03, 2010 1:31 PM
To: Richard.Park@fitchratings.com
Subject: RE: Expected Rating

Rich, I have only quickly reviewed – but these are the Coconino 1998 bonds – you have them listed as the 1996A bonds.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Richard.Park@fitchratings.com [mailto:Richard.Park@fitchratings.com]
Sent: Tuesday, August 03, 2010 1:26 PM
To: Dolyniuk, Karen E(J97440)
Subject: Re: Expected Rating

Hi Karen -

The rating will be 'AA-/F1+'. I've attached the Fitch press release to this email. Please review for factual accuracy and return with any comments.

Thanks
Rich

From: Karen.Dolyniuk@pinnaclewest.com
To: Richard.Park@fitchratings.com
Date: 08/03/2010 01:29 PM
Subject: Expected Rating

Rich, would you be able to tell me what we can expect the ratings to be?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Email Firewall made the following annotations ----------
NOTICE ---
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any copy or printout. Unintended recipients are prohibited from making any other use of this e-mail. Although we have taken reasonable precautions to ensure no viruses are present in this e-mail, we accept no liability for any loss or damage arising from the use of this e-mail or attachments, or for any delay or errors or omissions in the contents which result from e-mail transmission.

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McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Tuesday, August 03, 2010 2:51 PM
To: Richard.Park@fitchratings.com
Subject: RE: Coconino 1998 Rating Letter
Attachments: Scanned Document.pdf

Rich, not sure if you wanted our comments to the press release – not sure how that ties into the letter, but here they are.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Richard.Park@fitchratings.com [mailto:Richard.Park@fitchratings.com]
Sent: Tuesday, August 03, 2010 2:45 PM
To: Dolyniuk, Karen E(J97440)
Cc: rlewis@sidley.com; kleak@orrick.com
Subject: Coconino 1998 Rating Letter

All -

Please find attached to this email the Fitch rating letter for the Coconino 1998 Pollution Control Revenue Bonds. Feel free to contact me with any questions or concerns.

Regards,
Rich

Richard Park | T: 212-908-0289 | E: richard.park@fitchratings.com
Fitch Ratings | One State Street Plaza | New York, New York 10004

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Attachment(s) Intentionally Omitted – Contains Confidential Information

McGill, James T(Z71171)

Subject: FW: Coconino -Arizona Public Service Company Series 1998 Bonds - LOC sub. -rating letter (updated)
Attachments: Coconino - 1998 SUB RL (updated).pdf

Importance: High

From: Stolarz, Jacek [mailto:Jacek.Stolarz@moodys.com]
Sent: Wednesday, August 04, 2010 6:24 AM
To: Dolyniuk, Karen E(J97440); ivan.l.naguit@jpmorgan.com
Subject: Coconino -Arizona Public Service Company Series 1998 Bonds - LOC sub. -rating letter (updated)
Importance: High

Attached is a copy of the updated rating letter for the above LOC substitution reflecting the assignment of the long-term and short-term ratings. Please disregard the rating letter that was sent on July 30th for the same transaction.

<<Coconino - 1998 SUB RL (updated).pdf>>

Best Regards

Jacek (Jack) Stolarz

Moody's Investors Service

7 World Trade Center at 250 Greenwich Street

New York, NY 10007

P: 212.553.1923

F: 212.298.7493

E: jacek.stolarz@moodys.com

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MOODY'S
INVESTORS SERVICE

7 World Trade Center
250 Greenwich Street
New York, NY 10007
www.moodys.com

August 4, 2010

Ms. Karen Dolyniuk
Manager of Treasury Operations
Arizona Public Service Company
400 North Fifth Street, 19th Floor
Phoenix, AZ 85004

Re: **Coconino County, Arizona Pollution Control Corporation, Pollution Control Revenue Bonds (Arizona Public Service Company Project), Series 1998 (the "Bonds")**

Dear Ms. Dolyniuk:

Moody's has reviewed the documents submitted to us in connection with the substitution of the letter of credit provided by KBC Bank N.V. with a letter of credit to be provided by JPMorgan Chase Bank, N.A. (the "Bank") for the above referenced bonds. I'm pleased to inform you that upon the effective date of the substitution, Moody's will assign **Aa1/VMIG 1** rating to the Bonds.

The rating will be based on the letter of credit provided by the Bank and will be changed whenever the Bank's ratings are changed. Additionally, the rating will expire upon the earliest to occur of: (i) August 10, 2013, the stated expiration date of the letter of credit, or the mandatory tender associated with such expiration date, (ii) conversion of the Bonds to an interest rate mode other than weekly, daily or monthly, or (iii) upon earlier termination of the letter of credit.

In reviewing the details of this substitution, we relied upon the draft documents provided to us. In order to maintain the rating, we must be provided with a set of executed documents within thirty days of closing. Additionally, in connection with the surveillance of our rating, please e-mail information concerning substitutions, extensions, redemptions, or any amendments to the governing documents to *MSPGSurveillance@moodys.com* or fax to Moody's Municipal Structured Products Surveillance Group at (212)553-1066.

If you should have any questions regarding the above, please do not hesitate to contact me directly at (212) 553-1923.

Sincerely,

Jacek Stolarz
Analyst

cc: Ivan Naguit
J.P. Morgan Securities Inc.

McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Wednesday, August 04, 2010 6:29 AM
To: Stolarz, Jacek
Subject: RE: Coconino -Arizona Public Service Company Series 1998 Bonds - LOC sub. -rating letter (updated)

Jack, thank you so much for getting this done so quickly! I really appreciate your extra work to get this done! Next time I will know what I'm asking for!

Thanks again!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Stolarz, Jacek [mailto:Jacek.Stolarz@moodys.com]
Sent: Wednesday, August 04, 2010 6:24 AM
To: Dolyniuk, Karen E(J97440); ivan.l.naguit@jpmorgan.com
Subject: Coconino -Arizona Public Service Company Series 1998 Bonds - LOC sub. -rating letter (updated)
Importance: High

Attached is a copy of the updated rating letter for the above LOC substitution reflecting the assignment of the long-term and short-term ratings. Please disregard the rating letter that was sent on July 30th for the same transaction.

<<Coconino - 1998 SUB RL (updated).pdf>>

Best Regards

Jacek (Jack) Stolarz

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7 World Trade Center at 250 Greenwich Street

New York, NY 10007

P: 212.553.1923

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E: jacek.stolarz@moodys.com

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McGill, James T(Z71171)

Subject: FW: S&P update request
Attachments: Pinnacle West Capital Corporation_300107.doc

From: Linchester, Linda [mailto:linda_linchester@standardandpoors.com]
Sent: Monday, August 09, 2010 2:10 PM
To: Nelson, Phillip R(Z04654)
Cc: Nickloy, Lee R(Z08122)
Subject: S&P update request

Dear Mr. Nelson:

Per my call this afternoon, I'm attaching a Word profile of the 12/08 plans for Pinnacle West and I'd appreciate an update to the most current (most folks have June 2010 by now). As I mentioned, if there is someone else who should be our contact now that Janice Emery is no longer with the company, please let me know or forward my request.

I'm happy to update via phone or email (I also use flash reports and spreadsheets), and if you'd need more than a few days, I'd be happy to schedule according to your needs.

Thanks very much and best wishes,

Linda

Linda M. Linchester
Editor
Standard & Poor's Money Market Directories
401 East Market Street, Suite 201
Charlottesville, VA 22902
(800) 446-2810 x 5748 OR
(434) 977-1450 x 5748
fax: (434) 984-0770
linda_linchester@sandp.com
Please note new address and phone extension effective 5-3-10

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McGill, James T(Z71171)

From: Higuchi, Dene C(Z05435) on behalf of Hickman, Rebecca (Z46875)
Sent: Tuesday, August 10, 2010 1:58 PM
Subject: PNW/APS: Press Release Announcing New Solar Photovoltaic Power Plant

Today, we issued a press release announcing a new solar photovoltaic power plant. This facility is the first expected to be built and owned by APS under its AZ Sun Program. The text of the release is included below in this message.

As always, if you have any questions about this announcement or need other information about our company, please contact me.

Sincerely ~

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

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APS TO DEVELOP LARGEST SOLAR POWER SYSTEM
ON U. S. GOVERNMENT PROPERTY
15-megawatt plant located at Luke Air Force Base

PHOENIX – Arizona Public Service Co. will own and operate a new 15-megawatt photovoltaic power plant to be built at Luke Air Force Base in Glendale, Ariz. APS has hired SunPower Corp. to design and construct the solar plant, which is expected to come online in summer 2011. It will be the largest solar installation on U.S. government property.

Several critical steps remain before construction can begin in January 2011. These steps include environmental assessments, permitting and site preparation work.

"We continue to blend renewable energy into our current generation portfolio in a manner that enables our customers to receive reliable and affordable electricity," said APS President and Chief Operating Officer Don Robinson. "This solar project is another example of the strong relationship between Luke Air Force Base and APS, and helps both organizations meet their renewable energy needs."

The plant, which will be located on a little more than 100 acres of underutilized land on the base, will use 52,000 high-efficiency SunPower solar panels. A single-axis tracking system will allow the panels to follow the sun across the sky, capturing 25 percent more energy than if the panels were stationary. The plant's 15-megawatt capacity is equivalent to the energy needs of 3,750 Arizona homes or 50 percent of the Base's energy needs.

"The project and our long-term agreement with APS will benefit the American tax-payer," said Air Force Lt. Col. John Thomas, 56th Civil Engineer Squadron commander at Luke. "The Base will receive stable energy costs and increased energy independence associated with using reliable, emission-free solar power."

This is the second solar project collaboration for APS and Luke Air Force Base. In 2006, APS provided $1.5 million in incentives to reduce the cost of integrating a 375-kilowatt solar system into the Base Exchange's new roof. As with that project, the new solar facility will be paid for by customers and approved by the Arizona Corporation Commission.

"As a result of our previous experience working with the U.S. Air Force at Nellis Air Force Base, SunPower has developed federal procurement capabilities that help agencies procure reliable, high performance solar systems utilizing a variety of mechanisms," said Karen Butterfield, SunPower's director of federal accounts. "Reliability and quality are the hallmarks of SunPower systems."

APS, Arizona's largest and longest-serving electricity utility, serves more than 1.1 million customers in 11 of the state's 15 counties. With headquarters in Phoenix, APS is the principal subsidiary of Pinnacle West Capital Corp. (NYSE: PNW).

- 30 -

McGill, James T(Z71171)

Subject: FW: Rating

From: Stolarz, Jacek [mailto:Jacek.Stolarz@moodys.com]
Sent: Tuesday, August 10, 2010 6:04 AM
To: Dolyniuk, Karen E(J97440)
Subject: RE: Rating

Karen,
Could you please confirm that the substitution is taking place today?
Thanks
Jack

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Tuesday, August 03, 2010 12:43 PM
To: Stolarz, Jacek
Subject: FW: Rating

Jack, thanks for inquiring about the VMIG rating. Would you also let me know what we would need to do to get the Aa1 portion of the rating and if that could be done in a day?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Dolyniuk, Karen E(J97440)
Sent: Tuesday, August 03, 2010 9:30 AM
To: 'Stolarz, Jacek'
Subject: Rating
Importance: High

Jack, I have received a question from bond counsel regarding the rating assigned. I am attaching a transaction from last year we did that is virtually the same as this transaction – tax exempt bonds that were put into LC mode with a JPMorgan LC. The rating the bonds received was the Aa1/VMIG 1 rating. Bond counsel is curious as to why this current transaction was rating differently given this was a mandatory tender of the bonds and a replacement of LC provider?

According to JPMorgan, the VMIG 1 rating is more appropriate for variable rate bonds, which these are and have been. What would it take to get the VMIG1 rating assigned?

Thanks!
<< File: Scanned Document.pdf >>

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Email Firewall made the following annotations

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McGill, James T(Z71171)

Subject: FW: Coconino
Attachments: letter.PDF

From: Xu, Mindy [mailto:mindy_xu@standardandpoors.com]
Sent: Tuesday, August 10, 2010 6:25 AM
To: Leak, Kathleen A.; Dolyniuk, Karen E(J97440)
Subject: Re: Coconino

Karen and Kathleen,

Attached please find the rating letter for the LOC substitution.

<<letter.PDF>>

Mindy Xu
Associate Director
Structured Finance
Standard & Poor's
55 Water St., 41st Floor, New York, NY 10041
Tel: 212.438.2879 Fax: 212.438.7321
mindy_xu@standardandpoors.com

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Structured Finance
Ratings Services

55 Water Street
New York, NY 10041-0003
212 438 2000 Tel

August 10, 2010

Ms. Karen Dolyniuk
Arizona Public Service Company
400 North Fifth Street, 19th Fl.
Phoenix, AZ 85004

Re: **Obligations**: $16,870,000 Coconino County, Arizona Pollution Control Corporation, Pollution Control Revenue Bonds (Arizona Public Service Company Project), Series 1998 Due: November 1, 2033
Credit Support Provided by: JPMorgan Chase Bank N.A. and Arizona Public Service Company

Dear Ms. Dolyniuk:

Pursuant to your request for a Standard & Poor's rating on the above-referenced bonds, we have reviewed the revised information submitted to us and, subject to the enclosed *Terms and Conditions,* have assigned both a long-term and a short-term rating of "AA+/A-1+". The long-term rating reflects our assessment of the likelihood of repayment of principal and interest to maturity. The short-term rating reflects the likelihood of repayment for optional and mandatory tenders. The rating is our assessment of the likelihood of repayment of principal, interest and purchase price based upon the joint and several obligations of JPMorgan Chase Bank, N.A. and Arizona Public Service Company. The rating which is applicable to the Daily, Weekly and Monthly Modes will expire on August 10, 2013.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer, obligor, underwriter, bond counsel, bank counsel, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us

are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

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Analytical Contact: Christine T. Scaperdas (212) 438-7330
Commercial Contact: Aaron Jones (212) 438-1113.

Enclosure: Terms and Conditions Applicable to U.S. Structured Finance Ratings

cc: Kathleen A. Leak
Orrick, Herrington & Sutcliffe LLP

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Termination of Agreement. This Agreement may be terminated by either party at any time upon written notice to the other party. Except where expressly limited to the term of this Agreement, these Terms and Conditions shall survive the termination of this Agreement.

No Third–Party Beneficiaries. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary of this Agreement or of the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Amendments. This Agreement may not be amended except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties irrevocably agree that the state and federal courts of New York located in the County of New York shall be the exclusive forums for any dispute arising out of or relating to this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

McGill, James T(Z71171)

From: Dolyniuk, Karen E(J97440)
Sent: Tuesday, August 10, 2010 6:43 AM
To: Stolarz, Jacek
Subject: RE: Rating

It is taking place today.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Stolarz, Jacek [mailto:Jacek.Stolarz@moodys.com]
Sent: Tuesday, August 10, 2010 6:04 AM
To: Dolyniuk, Karen E(J97440)
Subject: RE: Rating

Karen,
Could you please confirm that the substitution is taking place today?
Thanks
Jack

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Tuesday, August 03, 2010 12:43 PM
To: Stolarz, Jacek
Subject: FW: Rating

Jack, thanks for inquiring about the VMIG rating. Would you also let me know what we would need to do to get the Aa1 portion of the rating and if that could be done in a day?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Dolyniuk, Karen E(J97440)
Sent: Tuesday, August 03, 2010 9:30 AM
To: 'Stolarz, Jacek'
Subject: Rating
Importance: High

Jack, I have received a question from bond counsel regarding the rating assigned. I am attaching a transaction from last year we did that is virtually the same as this transaction – tax exempt bonds that were put into LC mode with a JPMorgan LC. The rating the bonds received was the Aa1/VMIG 1 rating. Bond counsel is curious as to why this current transaction was rating differently given this was a mandatory tender of the bonds and a replacement of LC provider?

According to JPMorgan, the VMIG 1 rating is more appropriate for variable rate bonds, which these are and have been. What would it take to get the VMIG1 rating assigned?

Thanks!
<< File: Scanned Document.pdf >>

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Email Firewall made the following annotations

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Dolyniuk, Karen E

From: Dolyniuk, Karen E(J97440)
Sent: Thursday, September 09, 2010 10:43 AM
To: Schumacher, Laura
Cc: McGill, James T(Z71171)
Subject: Farmington Bonds Series A.B & C

Hi Laura! We have an LC expiring on October 25th for the Farmington series of bonds. The total is about $150M. We are going to be terming the bonds out and doing away with the LC. So, we will need a confirmation of the APS credit rating. Per our tentative timeline, we will need an oral confirmation by 9/28 and the rating letter by 10/6.

What do you need from us to begin your review? We may not have everything you need at this point since we are early in the process, but if I can send what I have.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Dolyniuk, Karen E(J97440)
Sent: Thursday, September 09, 2010 10:47 AM
To: antonio_bettinelli@standardandpoors.com
Cc: McGill, James T(Z71171)
Subject: FW: Farmington Bonds Series A.B & C

Hi Tony! We have an LC expiring on October 25th for the Farmington series of bonds. The total is about $150M. We are going to be terming the bonds out and doing away with the LC. So, we will need a confirmation of the APS credit rating. Per our tentative timeline, we will need an oral confirmation by 9/28 and the rating letter by 10/6.

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Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Dolyniuk, Karen E(J97440)
Sent: Thursday, September 09, 2010 10:49 AM
To: Philip.Smyth@fitchratings.com
Cc: McGill, James T(Z71171)
Subject: Farmington Bonds Series A.B & C

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From: Dolyniuk, Karen E(J97440)
Sent: Thursday, September 09, 2010 4:03 PM
To: Schumacher, Laura
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Laura, when would you like to see a preliminary re-offering circular in order to complete your review and be able to give us a verbal rating by 9/28?

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602-250-5630

Dolyniuk, Karen E

From: Dolyniuk, Karen E(J97440)
Sent: Thursday, September 09, 2010 4:04 PM
To: Philip.Smyth@fitchratings.com
Cc: McGill, James T(Z71171)
Subject: FW: Farmington Bonds Series A.B & C

Phil, when would you need to see documents and specifically a preliminary reoffering circular in order to give us a verbal rating by 9/28?

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Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Philip.Smyth@fitchratings.com
Sent: Friday, September 10, 2010 5:47 AM
To: Dolyniuk, Karen E(J97440)
Subject: Re: FW: Farmington Bonds Series A.B & C

Karen,

Receiving the documents by the preceding Thursday, 9/23, should provide ample time to get the rating to you by 9/28.

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
office: 212 908 0531
cell: 973 699 3852

From: Karen.Dolyniuk@pinnaclewest.com

To: Philip.Smyth@fitchratings.com

Cc: James.MCgill@pinnaclewest.com

Date: 09/09/2010 07:04 PM

Subject: FW: Farmington Bonds Series A.B & C

Phil, when would you need to see documents and specifically a preliminary reoffering circular in order to give us a verbal rating by 9/28?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

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Dolyniuk, Karen E

From: Dolyniuk, Karen E(J97440)
Sent: Friday, September 10, 2010 6:45 AM
To: 'Philip.Smyth@fitchratings.com'
Subject: RE: FW: Farmington Bonds Series A.B & C

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Friday, September 10, 2010 5:47 AM
To: Dolyniuk, Karen E(J97440)
Subject: Re: FW: Farmington Bonds Series A.B & C

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Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
office: 212 908 0531
cell: 973 699 3852

From: Karen.Dolyniuk@pinnaclewest.com

To: Philip.Smyth@fitchratings.com

Cc: James.MCgill@pinnaclewest.com

Date: 09/09/2010 07:04 PM

Subject: FW: Farmington Bonds Series A.B & C

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Manager Treasury Operations
Pinnacle West Capital Corporation

602-250-5630

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Dolyniuk, Karen E

From: Dolyniuk, Karen E(J97440)
Sent: Friday, September 10, 2010 8:46 AM
To: 'Philip.Smyth@fitchratings.com'
Subject: CUSIP

Phil, here are the current CUSIP numbers for the Farmington bonds:

Farmington 1994A bonds – 311450CV
Farmington 1994B bonds – 311450CW
Farmington 1994C bonds – 311450CX

Thanks.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, September 10, 2010 4:21 PM
To: Dolyniuk, Karen E(J97440)
Cc: McGill, James T(Z71171)
Subject: RE: Farmington Bonds Series A.B & C

Will it be available on the 25th?

Tony

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Thursday, September 09, 2010 4:04 PM
To: Bettinelli, Antonio
Cc: James.MCgill@pinnaclewest.com
Subject: FW: Farmington Bonds Series A.B & C

Tony, when would you need to see a preliminary re-offering circular in order to give us a verbal rating by 9/28?

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Pinnacle West Capital Corporation
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Sent: Thursday, September 09, 2010 10:47 AM
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Cc: McGill, James T(Z71171)
Subject: FW: Farmington Bonds Series A.B & C

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Dolyniuk, Karen E

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Monday, September 13, 2010 4:49 AM
To: Dolyniuk, Karen E(J97440)
Subject: RE: Farmington Bonds Series A.B & C

Karen, please send the preliminary documents as soon as they are available. Thanks, laura

---

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Thursday, September 09, 2010 7:03 PM
To: Schumacher, Laura
Cc: James.MCgill@pinnaclewest.com
Subject: FW: Farmington Bonds Series A.B & C

Laura, when would you like to see a preliminary re-offering circular in order to complete your review and be able to give us a verbal rating by 9/28?

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Manager Treasury Operations
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Dolyniuk, Karen E

From: Dolyniuk, Karen E(J97440)
Sent: Monday, September 13, 2010 6:55 AM
To: 'Bettinelli, Antonio'
Cc: McGill, James T(Z71171)
Subject: RE: Farmington Bonds Series A.B & C

We will have it available when you need it – so far we have a request to have it available on the 23rd – will that work?

Karen E. Dolyniuk, CTP
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Pinnacle West Capital Corporation
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Subject: FW: Farmington Bonds Series A.B & C

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What do you need from us to begin your review? We may not have everything you need at this point since we are early in the process, but if I can send what I have.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Email Firewall made the following annotations

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Dolyniuk, Karen E

From: Dolyniuk, Karen E(J97440)
Sent: Monday, September 13, 2010 7:03 AM
To: 'Schumacher, Laura'
Cc: McGill, James T(Z71171)
Subject: RE: Farmington Bonds Series A.B & C

Thank you – looks like we will be aiming for 9/23 – but if you need it prior, please let me know and we will wrap it up sooner.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Monday, September 13, 2010 4:49 AM
To: Dolyniuk, Karen E(J97440)
Subject: RE: Farmington Bonds Series A.B & C

Karen, please send the preliminary documents as soon as they are available. Thanks, laura

---

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Thursday, September 09, 2010 7:03 PM
To: Schumacher, Laura
Cc: James.MCgill@pinnaclewest.com
Subject: FW: Farmington Bonds Series A.B & C

Laura, when would you like to see a preliminary re-offering circular in order to complete your review and be able to give us a verbal rating by 9/28?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Dolyniuk, Karen E(J97440)
Sent: Thursday, September 09, 2010 10:43 AM
To: 'Schumacher, Laura'
Cc: McGill, James T(Z71171)
Subject: Farmington Bonds Series A.B & C

Hi Laura! We have an LC expiring on October 25th for the Farmington series of bonds. The total is about $150M. We are going to be terming the bonds out and doing away with the LC. So, we will need a confirmation of the APS credit rating. Per our tentative timeline, we will need an oral confirmation by 9/28 and the rating letter by 10/6.

What do you need from us to begin your review? We may not have everything you need at this point since we are early in the process, but if I can send what I have.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
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Dolyniuk, Karen E

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Monday, September 13, 2010 10:30 AM
To: Dolyniuk, Karen E(J97440)
Cc: McGill, James T(Z71171)
Subject: RE: Farmington Bonds Series A.B & C

Yes.

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Monday, September 13, 2010 6:55 AM
To: Bettinelli, Antonio
Cc: James.MCgill@pinnaclewest.com
Subject: RE: Farmington Bonds Series A.B & C

We will have it available when you need it – so far we have a request to have it available on the 23rd – will that work?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, September 10, 2010 4:21 PM
To: Dolyniuk, Karen E(J97440)
Cc: McGill, James T(Z71171)
Subject: RE: Farmington Bonds Series A.B & C

Will it be available on the 25th?

Tony

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Thursday, September 09, 2010 4:04 PM
To: Bettinelli, Antonio
Cc: James.MCgill@pinnaclewest.com
Subject: FW: Farmington Bonds Series A.B & C

Tony, when would you need to see a preliminary re-offering circular in order to give us a verbal rating by 9/28?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Dolyniuk, Karen E(J97440)
Sent: Thursday, September 09, 2010 10:47 AM
To: 'antonio_bettinelli@standardandpoors.com'
Cc: McGill, James T(Z71171)
Subject: FW: Farmington Bonds Series A.B & C

Hi Tony! We have an LC expiring on October 25th for the Farmington series of bonds. The total is about $150M. We are going to be terming the bonds out and doing away with the LC. So, we will need a confirmation of the APS credit rating. Per our tentative timeline, we will need an oral confirmation by 9/28 and the rating letter by 10/6.

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Pinnacle West Capital Corporation
602-250-5630

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Dolyniuk, Karen E

From: Dolyniuk, Karen E(J97440)
Sent: Monday, September 13, 2010 10:31 AM
To: 'Bettinelli, Antonio'
Cc: McGill, James T(Z71171)
Subject: RE: Farmington Bonds Series A.B & C

Thanks.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Monday, September 13, 2010 10:30 AM
To: Dolyniuk, Karen E(J97440)
Cc: McGill, James T(Z71171)
Subject: RE: Farmington Bonds Series A.B & C

Yes.

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Monday, September 13, 2010 6:55 AM
To: Bettinelli, Antonio
Cc: James.MCgill@pinnaclewest.com
Subject: RE: Farmington Bonds Series A.B & C

We will have it available when you need it – so far we have a request to have it available on the 23rd – will that work?

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Pinnacle West Capital Corporation
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Dolyniuk, Karen E

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Friday, September 17, 2010 9:27 AM
To: Dolyniuk, Karen E(J97440)
Subject: RE: Farmington Bonds Series A.B & C
Attachments: Fax-Sep-13-2010-16-12-15-13231.pdf

Karen,

I received the attached fax. Are these the bonds you are remarketing? I think the Series A Notice is missing?

Thanks,
Laura

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Thursday, September 09, 2010 1:43 PM
To: Schumacher, Laura
Cc: James.MCgill@pinnaclewest.com
Subject: Farmington Bonds Series A.B & C

Hi Laura! We have an LC expiring on October 25th for the Farmington series of bonds. The total is about $150M. We are going to be terming the bonds out and doing away with the LC. So, we will need a confirmation of the APS credit rating. Per our tentative timeline, we will need an oral confirmation by 9/28 and the rating letter by 10/6.

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Name:	Laura Schumacher	**Fax Number:**	1-212-298-6316
Company:	Moody's Investors Service	**Phone Number:**	
Date:	9/13/10		
From:	Shirley Baum	**Phone Number:**	602 250 3706
RE:		**Fax Number:**	602 250 3393

NUMBER OF PAGES (INCLUDING COVER SHEET): 9

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IF THERE ARE ANY PROBLEMS THAT OCCUR WITH THIS TRANSMISSION, PLEASE CALL Shirley Baum at (602) 250-3706.

APS • APS Energy Services • SunCor • El Dorado

Pinnacle West Capital Corporation Law Department, 400 North Fifth Street, Station 8695
Post Office Box 53999 Phoenix, AZ 85072-3999
Phone: (602) 250-3630, Fax: (602) 250-3393

NOTICE OF CHANGE OF REMARKETING AGENT

THIS NOTICE is being provided pursuant to Section 9 of the Remarketing Agreement, dated as of April 21, 1998, between Arizona Public Service Company (the "Company") and Citicorp Securities, Inc. ("Citicorp"), as the Remarketing Agent for $31,500,000 in aggregate principal amount of the City of Farmington, New Mexico Pollution Control Revenue Bonds (Arizona Public Service Company Four Corners Project) 1994 Series C (the "Bonds"). The Bonds were issued pursuant to Ordinance No. 94-1016 adopted by the City Council of the City of Farmington, New Mexico (the "Issuer") on August 9, 1994, as supplemented by Resolution No. 94-793, adopted by the City Council of the Issuer on August 23, 1994 (collectively, the "Ordinance"). Capitalized terms used herein and not otherwise defined will have the meanings given in the Ordinance.

The Company anticipates that it may convert the Bonds into a Term Rate Period effective on or about October 12, 2010, and hereby gives notice of (i) the appointment of each of Goldman, Sachs & Co. ("Goldman"), Morgan Stanley & Co. Incorporated ("Morgan Stanley") and SunTrust Robinson Humphrey, Inc. ("SunTrust") as new Remarketing Agents for the Bonds effective September 28, 2010 or thereafter, such appointment to take effect at such time as marketing for any such Term Rate Period for the Bonds shall begin and solely for the purposes of such remarketing, and (ii) the removal of Citicorp as the Remarketing Agent for the Bonds at such time solely as to such purpose.

The Company's appointment of Goldman, Morgan Stanley and SunTrust as Remarketing Agents for the Bonds is made pursuant to Section 6.19(c) of the Installment Sale Agreement, dated as of September 1, 1994, between the Company and the Issuer. The Company expects that a Remarketing Agreement will be executed with Goldman, Morgan Stanley and SunTrust and delivered on or about September 28, 2010.

The Company may also appoint one or more additional Remarketing Agents for the Bonds for purposes of remarketing the Bonds into the Term Rate Period described above.

The Bonds are currently in the Daily Rate Period. Until the effective date of the Term Rate Period referred to above, if any, Citicorp will continue to act as Remarketing Agent for all purposes of the Daily Rate Period for the Bonds.

11969701.3

Dated: September 13, 2010.

ARIZONA PUBLIC SERVICE COMPANY

By:_____
Lee R. Nickloy
Vice President and Treasurer

Distribution To:

The Bank of New York Mellon, formerly The Bank of New York,
as Trustee and Tender Agent
385 Rifle Camp Road, 3rd Floor
Woodland Park, New Jersey 07424
Attention: Corporate Trust Administration
Fax: (973) 357-7840

City of Farmington, New Mexico
800 Municipal Drive
Farmington, New Mexico 87401
Attention: City Treasurer and Mayor
Fax: (505) 599-1113

Citicorp Securities, Inc., as Remarketing Agent
399 Park Avenue, 7th Floor
New York, New York 10043
Attention: Municipal Finance Short-Term Desk / Carol Brand
Fax: (212) 508-2603

Barclays Bank PLC, New York Branch, as Credit Provider
200 Park Avenue
New York, New York 10166
Attention: Sydney G. Dennis, Power and Utilities Group
Fax: (212) 412-6709

with a copy to:

Barclays Bank PLC, New York Branch, as Credit Provider
200 Park Avenue
New York, New York 10166
Attention: May Huang, Customer Service Unit
Fax: (212) 412-5306

Moody's Investors Service
7 World Trade Center at 250 Greenwich Street
New York, New York 10007
Attention: Municipal Structured Products Group
Fax: (212) 298-6416

with a copy to:

Moody's Investors Service
Attention: Laura Schumacher
7 World Trade Center at 250 Greenwich Street
New York, New York 10007
Fax: (212) 298-6316

Standard & Poor's Ratings Services
55 Water Street
41st Floor
New York, New York 10041
Attention: Mindy Xu
Fax: (212) 438-7321

with a copy to:

Standard and Poor's Corporate Ratings
Attention: Tony Bettinelli
One Market Plaza, Steuart Tower, 15th Floor
San Francisco, California 94105-1000
Fax: (415) 371-5090

Fitch Ratings
One State Street Plaza
New York, New York 10004
Attention: Philip Smyth, Senior Director
Fax: (212) 635-0469

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004
Attention: R. Thornton Lurie
Fax: (212) 428-3721

Morgan Stanley & Co. Incorporated
1221 Avenue of the Americas
New York, New York 10020
Attention: Jay Sweeney -- Managing Director
Fax: (212) 507-2375

SunTrust Robinson Humphrey, Inc.
3333 Peachtree Street, 11th Floor
Mail Code 3945
Atlanta, Georgia 30326
Attention: James Torrell
Fax: (404) 926-5017

NOTICE OF CHANGE OF REMARKETING AGENT

THIS NOTICE is being provided pursuant to Section 9 of the Remarketing Agreement, dated as of September 12, 2008, between Arizona Public Service Company (the "Company") and Wachovia Bank, National Association ("Wachovia"), successor to Wells Fargo Brokerage Services, LLC, as Remarketing Agent for $65,750,000 in aggregate principal amount of the City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series B (the "Bonds"). The Bonds were issued pursuant to Ordinance No. 94-1010 adopted by the City Council of the City of Farmington, New Mexico (the "Issuer") on May 10, 1994, as supplemented by Resolution No. 94-793 adopted by the City Council of the Issuer on August 23, 1994 (collectively, the "Ordinance"). Capitalized terms used herein and not otherwise defined will have the meanings given in the Ordinance.

The Company intends to convert the Bonds into a Term Rate Period effective on or about October 12, 2010, and hereby gives notice of (i) the appointment of each of Goldman, Sachs & Co. ("Goldman"), KeyBanc Capital Markets Inc. ("KeyBanc") and Morgan Stanley & Co. Incorporated ("Morgan Stanley") as new Remarketing Agents for the Bonds effective September 28, 2010 or thereafter, such appointment to take effect at such time as marketing for any such Term Rate Period for the Bonds shall begin and solely for the purposes of such remarketing, and (ii) the removal of Wachovia as the Remarketing Agent for the Bonds at such time solely as to such purpose.

The Company's appointment of Goldman, KeyBanc and Morgan Stanley as Remarketing Agents for the Bonds is made pursuant to Section 6.19(c) of the Amended and Restated Installment Sale Agreement, dated as of September 1, 1994, between the Company and the Issuer. The Company expects that a Remarketing Agreement will be executed with Goldman, KeyBanc and Morgan Stanley and delivered on or about September 28, 2010.

The Company may also appoint one or more additional Remarketing Agents for the Bonds for purposes of remarketing the Bonds into the Term Rate Period described above.

The Bonds are currently in the Daily Rate Period. Until the effective date of the Term Rate Period referred to above, Wachovia will continue to act as Remarketing Agent for all purposes of the Daily Rate Period for the Bonds.

Dated: September 13, 2010.

ARIZONA PUBLIC SERVICE COMPANY

By:_____
Lee R. Nickloy
Vice President and Treasurer

Distribution To:

The Bank of New York Mellon, formerly The Bank of New York,
as Trustee and Tender Agent
385 Rifle Camp Road, 3rd Floor
Woodland Park, New Jersey 07424
Attention: Corporate Trust Administration
Fax: (973) 357-7840

City of Farmington, New Mexico
800 Municipal Drive
Farmington, New Mexico 87401
Attention: City Treasurer and Mayor
Fax: (505) 599-1113

Wachovia Bank, National Association, as Remarketing Agent
301 South College Street
7th Floor, NCO612
Charlotte, North Carolina 28202
Attention: Todd Bleakney
Fax: (704) 383-0065

Barclays Bank PLC, New York Branch, as Credit Provider
200 Park Avenue
New York, New York 10166
Attention: Sydney G. Dennis, Power and Utilities Group
Fax: (212) 412-6709

with a copy to:

Barclays Bank PLC, New York Branch, as Credit Provider
200 Park Avenue
New York, New York 10166
Attention: May Huang, Customer Service Unit
Fax: (212) 412-5306

Moody's Investors Service
7 World Trade Center at 250 Greenwich Street
New York, New York 10007
Attention: Municipal Structured Products Group
Fax: (212) 298-6416

with a copy to:

Moody's Investors Service
Attention: Laura Schumacher
7 World Trade Center at 250 Greenwich Street
New York, New York 10007
Fax: (212) 298-6316

Standard & Poor's Ratings Services
55 Water Street
41st Floor
New York, New York 10041
Attention: Mindy Xu
Fax: (212) 438-7321

with a copy to:

Standard and Poor's Corporate Ratings
Attention: Tony Bettinelli
One Market Plaza, Steuart Tower, 15th Floor
San Francisco, California 94105-1000
Fax: (415) 371-5090

Fitch Ratings
One State Street Plaza
New York, New York 10004
Attention: Philip Smyth, Senior Director
Fax: (212) 635-0469

Goldman, Sachs & Co.
85 Broad Street
New York, New York 10004
Attention: R. Thornton Lurie
Fax: (212) 428-3721

KeyBanc Capital Markets Inc.
227 West Monroe Street
Chicago, Illinois 60606
Attention: Jason Fenwick
Fax: (312) 730-2720

Morgan Stanley & Co. Incorporated
1221 Avenue of the Americas
New York, New York 10020
Attention: Jay Sweeney – Managing Director
Fax: (212) 507-2375

Dolyniuk, Karen E

From: Dolyniuk, Karen E(J97440)
Sent: Friday, September 17, 2010 9:36 AM
To: 'Schumacher, Laura'
Subject: RE: Farmington Bonds Series A.B & C

I have will have that sent over. Sorry about that!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
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Thanks,
Laura

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Thank you!

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Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

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Dolyniuk, Karen E

From: Dolyniuk, Karen E(J97440)
Sent: Friday, September 17, 2010 10:06 AM
To: 'Schumacher, Laura'
Cc: McGill, James T(Z71171)
Subject: FW: Farmington Bonds Series A.B & C

Laura, please see the note below. Does that help? You will see other notices regarding Series A soon.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Baum, Shirley A(Z05944)
Sent: Friday, September 17, 2010 9:59 AM
To: Dolyniuk, Karen E(J97440)
Cc: Stoick, Carolyn S(Z03432)
Subject: RE: Farmington Bonds Series A.B & C

Karen, a Series A notice was not required because the notice only needs to be sent if the current remarketing agent is being removed. Since KeyBanc was a remarketing agent originally, and they remain a remarketing agent, the documents do not require a notice to be sent since the RA was not removed.

Shirley

From: Dolyniuk, Karen E(J97440)
Sent: Friday, September 17, 2010 9:37 AM
To: Baum, Shirley A(Z05944)
Subject: RE: Farmington Bonds Series A.B & C

Shirley, is that because we are not terminating KeyBanc?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Stoick, Carolyn S(Z03432)
Sent: Friday, September 17, 2010 9:36 AM
To: Dolyniuk, Karen E(J97440)
Cc: Baum, Shirley A(Z05944)
Subject: RE: Farmington Bonds Series A.B & C

We didn't send the Series A notice, you will have to check with Shirley, for some reason that one did not go.

Carolyn Stoick
Legal Assistant to Shirley Baum, Jill Freret,
Suzanne McBride, Stefanie Layton and Herb Zinn
(602) 250-3011

From: Dolyniuk, Karen E(J97440)
Sent: Friday, September 17, 2010 9:35 AM
To: Stoick, Carolyn S(Z03432)
Cc: McGill, James T(Z71171)
Subject: FW: Farmington Bonds Series A.B & C

Carolyn, apparently Moody's did not get the Series A notice – would you resend?

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Friday, September 17, 2010 9:27 AM
To: Dolyniuk, Karen E(J97440)
Subject: RE: Farmington Bonds Series A.B & C

Karen,

I received the attached fax. Are these the bonds you are remarketing? I think the Series A Notice is missing?

Thanks,
Laura

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Thursday, September 09, 2010 1:43 PM
To: Schumacher, Laura
Cc: James.MCgill@pinnaclewest.com
Subject: Farmington Bonds Series A.B & C

Hi Laura! We have an LC expiring on October 25th for the Farmington series of bonds. The total is about $150M. We are going to be terming the bonds out and doing away with the LC. So, we will need a confirmation of the APS credit rating. Per our tentative timeline, we will need an oral confirmation by 9/28 and the rating letter by 10/6.

What do you need from us to begin your review? We may not have everything you need at this point since we are early in the process, but if I can send what I have.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Email Firewall made the following annotations

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Dolyniuk, Karen E

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Friday, September 17, 2010 10:09 AM
To: Dolyniuk, Karen E(J97440)
Subject: RE: Farmington Bonds Series A.B & C

Thanks Karen

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
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Legal Assistant to Shirley Baum, Jill Freret,
Suzanne McBride, Stefanie Layton and Herb Zinn
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Laura

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Sent: Thursday, September 09, 2010 1:43 PM
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Cc: James.MCgill@pinnaclewest.com
Subject: Farmington Bonds Series A.B & C

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What do you need from us to begin your review? We may not have everything you need at this point since we are early in the process, but if I can send what I have.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Email Firewall made the following annotations

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, September 22, 2010 9:22 AM
To: 'Bettinelli, Antonio'
Cc: McGill, James T
Subject: Farmington A,B,C Bonds

Hi Tony! Attached is a draft of the Reoffering Circular for the Farmington transaction we will be completing in early October (this is still subject to minor changes). We will begin the marketing effort on September 28th and would appreciate having your "verbal" confirmation of APS' ratings by Monday the 27th or early on the 28th. We will price the bonds around 10/6 and will need your final letter by then.

As a reminder – we will be taking the Farmington A & B bonds out to maturity with a 10 yr call. The Farmington C bonds will be placed in a 7 year put mode.

I am also attaching the original official statements for each series of bonds. Please let me know as soon as possible if you need any other documents.

Thank you!

APS Farmington Preliminary Reo...

04 Official Statement.pdf

04 Official Statement.pdf

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, September 22, 2010 9:23 AM
To: 'Schumacher, Laura'
Cc: McGill, James T
Subject: Farmington A,B,C Bonds

Hi Laura! Attached is a draft of the Reoffering Circular for the Farmington transaction we will be completing in early October (this is still subject to minor changes). We will begin the marketing effort on September 28th and would appreciate having your "verbal" confirmation of APS' ratings by Monday the 27th or early on the 28th. We will price the bonds around 10/6 and will need your final letter by then.

As a reminder – we will be taking the Farmington A & B bonds out to maturity with a 10 yr call. The Farmington C bonds will be placed in a 7 year put mode.

I am also attaching the original official statements for each series of bonds. Please let me know as soon as possible if you need any other documents.

Thank you!

APS Farmington Preliminary Reo...

04 Official Statement.pdf

04 Official Statement.pdf

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, September 22, 2010 9:23 AM
To: 'Philip.Smyth@fitchratings.com'
Cc: McGill, James T
Subject: Farmington A,B,C Bonds

Hi Philip! Attached is a draft of the Reoffering Circular for the Farmington transaction we will be completing in early October (this is still subject to minor changes). We will begin the marketing effort on September 28th and would appreciate having your "verbal" confirmation of APS' ratings by Monday the 27th or early on the 28th. We will price the bonds around 10/6 and will need your final letter by then.

As a reminder – we will be taking the Farmington A & B bonds out to maturity with a 10 yr call. The Farmington C bonds will be placed in a 7 year put mode.

I am also attaching the original official statements for each series of bonds. Please let me know as soon as possible if you need any other documents.

Thank you!

APS Farmington Preliminary Reo...

04 Official Statement.pdf

04 Official Statement.pdf

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

The information in this Preliminary Reoffering Circular is not complete and will be amended. This Preliminary Reoffering Circular is not an offer to sell these securities or a solicitation of your offer to buy these securities in any jurisdiction where that would not be permitted.

PRELIMINARY REOFFERING CIRCULAR DATED SEPTEMBER [__], 2010

NOT A NEW ISSUE

$49,400,000	**$65,750,000**	**$31,500,000**
City of Farmington, New Mexico	**City of Farmington, New Mexico**	**City of Farmington, New Mexico**
Pollution Control Revenue Refunding Bonds	**Pollution Control Revenue Refunding Bonds**	**Pollution Control Revenue Bonds**
(Arizona Public Service Company	**(Arizona Public Service Company**	**(Arizona Public Service Company**
Four Corners Project)	**Four Corners Project)**	**Four Corners Project)**
1994 Series A (the "Series A Bonds")	**1994 Series B (the "Series B Bonds")**	**1994 Series C (the "Series C Bonds")**

Series A Bonds Date of Original Issue: May 25, 1994 **Series A Bonds Due: May 1, 2024**
Series B Bonds Date of Original Issue: September 14, 1994 **Series B Bonds Due: September 1, 2024**
Series C Bonds Date of Original Issue: September 14, 1994 **Series C Bonds Due: September 1, 2024**
Term Rate Adjustment Date: October [12], 2010

The Series A Bonds were originally issued on May 25, 1994 by the City of Farmington, New Mexico (the "Issuer") for the benefit of Arizona Public Service Company (the "Company"). The Series B Bonds and the Series C Bonds were originally issued on September 14, 1994 by the Issuer for the benefit of the Company. The Series A Bonds were issued pursuant to an ordinance and a resolution, each adopted by the Issuer on May 10, 1994 (collectively, the "Series A Ordinance"). The Series B Bonds were issued pursuant to an ordinance adopted by the Issuer on May 10, 1994 and a resolution adopted by the Issuer on August 23, 1994 (collectively, the "Series B Ordinance"). The Series C Bonds were issued pursuant to an ordinance adopted by the Issuer on August 9, 1994 and a resolution adopted by the Issuer on August 23, 1994 (collectively, the "Series C Ordinance"). The Bank of New York Mellon, formerly The Bank of New York, is acting as trustee under each of the Series A Ordinance, the Series B Ordinance and the Series C Ordinance.

On the Term Rate Adjustment Date, the Rate Period for the Series A Bonds, the Series B Bonds and the Series C Bonds (each, a "Series of Bonds", and, collectively, the "Bonds") will be changed from a Daily Rate Period to a Term Rate Period as described below. The Series A Bonds will be subject to mandatory tender for purchase pursuant to the Series A Ordinance and will be reoffered in a Term Rate Period bearing interest at a Term Rate determined as provided in the Series A Ordinance, all as described under the caption "The Bonds" in the Official Statement, dated May 24, 1994 (the "Series A Official Statement"), attached hereto as Appendix C-1. The Series B Bonds will be subject to mandatory tender for purchase pursuant to the Series B Ordinance and will be reoffered in a Term Rate Period bearing interest at a Term Rate determined as provided in the Series B Ordinance, all as described under the caption "The Bonds" in the Official Statement, dated September 13, 1994 (the "Series B and Series C Official Statement" and, together with the Series A Official Statement, the "Official Statements"), attached hereto as Appendix C-2. The Series C Bonds will be subject to mandatory tender for purchase pursuant to the Series C Ordinance and will be reoffered in a Term Rate Period bearing interest at a Term Rate determined as provided in the Series C Ordinance, all as described under the caption "The Bonds" in the Series B and Series C Official Statement. See also "Introductory Statement" herein.

The Term Rate Period for each Series of Bonds will commence on October [12], 2010. The last day of the Term Rate Period for the Series A Bonds will be April 30, 2024 (which is the day preceding the date of final maturity of the Series A Bonds), the last day of the Term Rate Period for the Series B Bonds will be August 31, 2024 (which is the day preceding the date of final maturity of the Series B Bonds) and the last day of the Term Rate Period for the Series C Bonds will be October [12], 2017. During the Term Rate Period, the Series A Bonds will bear interest at a rate of % per annum, the Series B Bonds will bear interest at a rate of % per annum and the Series C Bonds will bear interest at a rate of % per annum, in each case payable semiannually on April 1 and October 1, commencing April 1, 2011. Interest will also be payable on the business day following the last day of the Term Rate Period. At the end of the Term Rate Period for the Series C Bonds, the Series C Bonds will be subject to mandatory or optional tender, each as described under the caption "The Bonds" in the Series B and Series C Official Statement. After the Term Rate Period for the Series C Bonds ends, the Rate Period for the Series C Bonds may be changed to a Daily Rate, a Weekly Rate, a Monthly Rate, a Flexible Rate, or a new Term Rate, all as provided in the Series C Ordinance.

The Series A Bonds and the Series B Bonds are subject to optional redemption at the option of the Company on or after November 1, 2020. The Series C Bonds are not subject to optional redemption at the option of the Company prior to the end of the Term Rate Period. See "Introductory Statement" herein.

As more fully provided in the Ordinances, the Bonds will not constitute an indebtedness or obligation to which the faith and credit of the State of New Mexico, the City of Farmington or any other political subdivision of the State of New Mexico will be pledged, but will be limited obligations of the Issuer, which will be obligated to pay the principal of, premium, if any, and interest on the Bonds only from the payments made pursuant to the applicable Agreement (as defined herein) and the other funds pledged therefor. The Bonds shall never constitute an indebtedness of the Issuer within the meaning of any New Mexico state constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers.

During the Term Rate Period, there will be no credit or liquidity facility supporting any Series of Bonds.

Ownership interests in the Bonds may be purchased in book-entry form only, in authorized denominations described in the Official Statement applicable to each Series of Bonds.

The Bonds do not constitute an indebtedness or obligation to which the full faith and credit of the Issuer or the State of New Mexico are pledged and shall never constitute nor give rise to a pecuniary liability of the Issuer or the State of New Mexico or a charge against the general credit or taxing powers of the Issuer or the State of New Mexico.

Price: 100%

Certain legal matters in connection with the original issuance of each Series of Bonds were subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer ("Bond Counsel"). In connection with the adjustment to the Term Rate Period, Bond Counsel has delivered its opinions to the effect that such action will not, in and of itself, adversely affect the tax-exempt status of interest on the Bonds. See "Introductory Statement" and Appendix B-2, Appendix B-4 and Appendix B-6.

The Bonds are being reoffered at the direction of the Company. The Issuer has not participated in the preparation of this Reoffering Circular, makes no representation with respect to any of the information contained herein and is not in any manner responsible for any of the information contained herein.

This cover page contains information for convenience of reference only. Investors must read this entire Reoffering Circular, including the Official Statement applicable to each Series of Bonds, to obtain information essential to the making of an informed investment decision.

Goldman, Sachs & Co.
(Remarketing Agent for the Series A Bonds, the Series B Bonds and the Series C Bonds)

KeyBanc Capital Markets
(Remarketing Agent for the Series A Bonds and the Series B Bonds)

Morgan Stanley
(Remarketing Agent for the Series B Bonds and the Series C Bonds)

SunTrust Robinson Humphrey
(Remarketing Agent for the Series A Bonds and the Series C Bonds)

, 2010

No dealer, broker, salesperson or other person or entity has been authorized by the Issuer, the Company or the remarketing agents to give any information or to make any representations other than those contained in this Reoffering Circular in connection with the reoffering described herein, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Reoffering Circular does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Bonds reoffered hereby, and there shall not be any offer or solicitation of such offer or sale of the Bonds within any jurisdiction in which such offer or solicitation is not authorized or in which the person or entity making such offer or solicitation is not qualified to do so or to any person or entity to whom it is unlawful to make such offer or solicitation.

THIS REOFFERING CIRCULAR AND THE INFORMATION CONTAINED HEREIN ARE NOT TO BE CONSTRUED AS REPRESENTATIONS BY THE ISSUER. THE ISSUER NEITHER HAS NOR ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS REOFFERING CIRCULAR.

Nothing contained in this Reoffering Circular is, or shall be relied upon as, a promise or representation by the Issuer or by the remarketing agents. This Reoffering Circular is submitted in connection with the sale of securities as referred to herein and may not be reproduced or used in whole or in part for any other purpose. The delivery of this Reoffering Circular at any time does not imply that the information herein is correct as of any time subsequent to its date.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein and have not been registered or qualified under the securities laws of any state.

IN CONNECTION WITH THIS OFFERING, THE REMARKETING AGENTS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS REOFFERED HEREBY AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Opinion of Bond Counsel, dated September 20, 2010 (Series A Bonds) ..... Appendix B-2
Opinion of Bond Counsel, dated September 14, 1994 (Series B Bonds) ..... Appendix B-3
Opinion of Bond Counsel, dated September 20, 2010 (Series B Bonds) ..... Appendix B-4
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REOFFERING CIRCULAR

$49,400,000	$65,750,000	$31,500,000
City of Farmington, New Mexico	City of Farmington, New Mexico	City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds	Pollution Control Revenue Refunding Bonds	Pollution Control Revenue Bonds
(Arizona Public Service Company Four Corners Project)	(Arizona Public Service Company Four Corners Project)	(Arizona Public Service Company Four Corners Project)
1994 Series A (the "Series A Bonds")	1994 Series B (the "Series B Bonds")	1994 Series C (the "Series C Bonds")

INTRODUCTORY STATEMENT

This Reoffering Circular, including the cover page and the Appendices hereto, sets forth information concerning the Series A Bonds, the Series B Bonds and the Series C Bonds (each a "Series of Bonds", and, collectively, the "Bonds"). The Series A Bonds were originally issued on May 25, 1994 by the City of Farmington, New Mexico (the "Issuer") for the benefit of Arizona Public Service Company (the "Company"). The Series B Bonds and the Series C Bonds were originally issued on September 14, 1994 by the Issuer for the benefit of the Company. The Series A Bonds were issued pursuant to an ordinance and a resolution, each adopted by the Issuer on May 10, 1994 (collectively, the "Series A Ordinance"). The Series B Bonds were issued pursuant to an ordinance adopted by the Issuer on May 10, 1994 and a resolution adopted by the Issuer on August 23, 1994 (collectively, the "Series B Ordinance"). The Series C Bonds were issued pursuant to an ordinance adopted by the Issuer on August 9, 1994 and a resolution adopted by the Issuer on August 23, 1994 (collectively, the "Series C Ordinance", and, together with the Series A Ordinance and the Series B Ordinance, the "Ordinances"). The Bank of New York Mellon, formerly The Bank of New York, is acting as trustee under each of the Ordinances. This Reoffering Circular shall be delivered with and is intended to supplement, in the case of the Series A Bonds, the Official Statement dated May 24, 1994 attached hereto as Appendix C-1 (the "Series A Official Statement"), and, in the case of the Series B Bonds and the Series C Bonds, the Official Statement dated September 13, 1994 (the "Series B and Series C Official Statement" and, together with the Series A Official Statement, the "Official Statements"). Each Official Statement contains important information about the Series of Bonds to which it relates.

Each capitalized term used and not otherwise defined herein shall have the meaning set forth in the Series A Official Statement and the Series B and Series C Official Statement, as applicable.

As more fully provided in the Ordinances, the Bonds will not constitute an indebtedness or obligation to which the faith and credit of the State of New Mexico, the City of Farmington or any other political subdivision of the State of New Mexico will be pledged, but will be limited obligations of the Issuer, which will be obligated to pay the principal of, premium, if any, and interest on the Bonds only from the payments made pursuant to, in the case of the Series A Bonds, the Amended and Restated Installment Sale Agreement, dated as of May 1, 1994, between the Issuer and the Company (the "Series A Agreement"), in the case of the Series B Bonds, the Amended and Restated Installment Sale Agreement, dated as of September 1, 1994, between the Issuer and the Company (the "Series B Agreement") and, in the case of the Series C Bonds, the Installment Sale Agreement, dated as of September 1, 1994, between the Issuer and the Company (the "Series C Agreement", and, together with the Series A Agreement and the Series B Agreement, the "Agreements"), and the other funds pledged therefor. The Bonds shall never constitute an indebtedness of the Issuer within the meaning of any New Mexico state constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers.

During each Term Rate Period described herein, each Series of Bonds will bear interest at the applicable Term Rate set forth on the cover page hereof. Interest on each Series of Bonds will be payable

semiannually on April 1 and October 1, commencing April 1, 2011. Interest will also be payable on the business day following the last day of the applicable Term Rate Period.

Pursuant to the election of the Company in accordance with the provisions of the Series A Ordinance and the Series B Ordinance, the Series A Bonds and the Series B Bonds will be subject to optional redemption on any date on and after November 1, 2020 at a redemption price equal to 100% of the principal amount of the Bonds called for redemption, plus accrued interest thereon to the redemption date. The Series C Bonds will not be subject to optional redemption during the Term Rate Period commencing October [12], 2010 and ending October [12], 2017. See "The Bonds—Redemption of Bonds—Optional Redemption—Term Rate Period" in each of the Official Statements. The Series A Bonds will continue to be subject to extraordinary optional redemption described in the Series A Official Statement and the Series B Bonds and the Series C Bonds will continue to be subject to extraordinary optional redemption described in the Series B and Series C Official Statement, in each instance, under the caption "The Bonds—Redemption of Bonds—Extraordinary Optional Redemption."

Holders of the Bonds will not have the right to cause the Company to purchase their Bonds during the Term Rate Period. Unless the Term Rate Period for the Series C Bonds is followed by another Term Rate Period of equal duration, the Series C Bonds will be subject to mandatory tender for purchase by the Company on the business day following the last day of the Term Rate Period. If the Term Rate Period for the Series C Bonds is followed by another Term Rate Period of equal duration, holders of the Series C Bonds will have the right to tender their Series C Bonds to the Company for purchase on the effective date of such new Term Rate Period by giving notice as provided in the Series C Ordinance and described in the Series B and Series C Official Statement under the caption "The Bonds—Optional Tender for Purchase—Term Rate Period." See also "The Bonds—Term Rate Period" and "—Mandatory Tender for Purchase" in the Series B and Series C Official Statement.

Certain legal matters in connection with the issuance of the Series A Bonds on May 25, 1994 and the Series B Bonds and the Series C Bonds on September 14, 1994 were subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer ("Bond Counsel"). A complete copy of the opinions delivered by Bond Counsel in connection with these original issuances of the Bonds are attached hereto as Appendix B-1, Appendix B-3 and Appendix B-5. Such opinions spoke only as of the date of original issuance of the Series of Bonds with respect to which they were rendered. In connection with the adjustment to the Term Rate Period for the Series A Bonds, Bond Counsel has delivered its opinion to the effect that the adjustments and the election that the Series A Bonds will be subject to optional redemption during the Term Rate Period described herein will not, in and of themselves, adversely affect the tax-exempt status of interest on the Series A Bonds. In connection with the adjustment to the Term Rate Period for the Series B Bonds, Bond Counsel has delivered its opinion to the effect that the adjustments and the election that the Series B Bonds will be subject to optional redemption during the Term Rate Period described herein will not, in and of themselves, adversely affect the tax-exempt status of interest on the Series B Bonds. In connection with the adjustment to the Term Rate Period for the Series C Bonds, Bond Counsel has delivered its opinion to the effect that the adjustment and the election that the Series C Bonds will not be subject to optional redemption during the Term Rate Period described herein will not, in and of themselves, adversely affect the tax-exempt status of interest on the Series C Bonds. Complete copies of the forms of opinion delivered by Bond Counsel in connection with the adjustment of each Series of Bonds to a Term Rate Period are attached hereto as Appendix B-2, Appendix B-4 and Appendix B-6. **No additional opinions have been or will be obtained as to the current status for tax purposes of interest on any Series of Bonds.**

For information concerning the Company, including information incorporated by reference, see Appendix A hereto.

REMARKETING

The Bonds reoffered hereby will be purchased pursuant to a mandatory tender from the holders thereof on October [12], 2010. Goldman, Sachs & Co. ("Goldman"), KeyBanc Capital Markets Inc. ("KeyBanc") and SunTrust Robinson Humphrey, Inc. ("SunTrust") will serve as remarketing agents in connection with the remarketing of the Series A Bonds in the Term Rate Period, Goldman, KeyBanc and Morgan Stanley & Co. Incorporated ("Morgan Stanley") will serve as remarketing agents in connection with the remarketing of the Series B Bonds in the Term Rate Period and Goldman, Morgan Stanley and SunTrust will serve as remarketing agents in connection with the remarketing of the Series C Bonds in the Term Rate Period, such Term Rate Period commencing, for each Series of Bonds, on October [12], 2010. The Company has agreed to pay the remarketing agents for the Series A Bonds a fee equal to [___]% of the principal amount of the Series A Bonds, the remarketing agents for the Series B Bonds a fee equal to [___]% of the principal amount of the Series B Bonds and the remarketing agents for the Series C Bonds a fee equal to [___]% of the principal amount of the Series C Bonds. In addition, the Company has agreed to indemnify the remarketing agents against certain liabilities, including liabilities under the federal securities laws. **[TO BE CONFIRMED]**

Each of the remarketing agents or their affiliates have provided various investment banking services, commercial banking services and/or advisory services to the Company and its affiliates, including Pinnacle West Capital Corporation, the Company's parent, from time to time, for which they have received customary compensation. The remarketing agents and their affiliates may, from time to time, engage in transactions with and perform services for the Company and its affiliates in the ordinary course of their businesses. **[TO BE CONFIRMED]**

RATINGS

The Company expects that Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and Fitch, Inc. will assign ratings of "[___]", "[___]" and "[___]", respectively, to each Series of Bonds. Such ratings reflect only the views of such ratings agencies and do not constitute a recommendation to buy, sell or hold securities. In general, ratings address credit risk. Each rating should be evaluated independently of any other rating. An explanation of the significance of such ratings may be obtained only from such rating agencies at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; Standard & Poor's, 55 Water Street, New York, New York 10041; and Fitch, Inc., One State Street Plaza, New York, New York 10004. The security rating may be subject to revision or withdrawal at any time by the assigning rating organization, and, accordingly, there can be no assurance that such ratings will remain in effect for any period of time or that they will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances warrant. None of the Company, the Issuer or the remarketing agents have undertaken any responsibility to oppose any proposed downward revision or withdrawal of a rating on the Bonds. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

The Company will covenant, for the benefit of the holders of each Series of Bonds, to provide certain financial information and operating data relating to the Company (each, an "Annual Report") by not later than four months following the end of its fiscal year (presently December 31), commencing with the Annual Report for the fiscal year ending December 31, 2010, and to provide notices of the occurrence of certain enumerated events. Each Annual Report and any such notice will be filed with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report with respect to the Bonds or the notices of enumerated events with respect to the Bonds is described in Appendix D attached hereto. These covenants have been made in order to assist the remarketing agents in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended

("Rule 15c2-12"). The failure of the Company to comply with these covenants shall not be considered an Event of Default under the Agreements or the Ordinances.

No financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Bonds. The Company has undertaken all responsibility for any continuing disclosure to the holders of the Bonds as described above, and the Issuer shall not have any liability to such holders or any other person or entity with respect to compliance with Rule 15c2-12.

APPENDIX A

ARIZONA PUBLIC SERVICE COMPANY

The information contained in this Appendix A has been obtained from the Company, and no representation is made by the Issuer or the remarketing agents as to its accuracy or completeness. Capitalized terms used but not defined in this Appendix A have the respective meanings ascribed thereto above in this Reoffering Circular.

The Company was incorporated in 1920 under the laws of the State of Arizona and is a wholly-owned subsidiary of Pinnacle West Capital Corporation ("Pinnacle West"). The Company is a vertically-integrated electric utility that provides retail and wholesale electric service to most of the State of Arizona, with the major exceptions of about one-half of the Phoenix metropolitan area, the Tucson metropolitan area and Mohave County in northwestern Arizona. As of December 31, 2009, the Company had approximately 1.1 million customers. The Company's principal executive offices are located at 400 North Fifth Street, P.O. Box 53999, Phoenix, Arizona 85072-3999, and the Company's telephone number is 602-250-1000.

AVAILABLE INFORMATION

The Company files annual, quarterly and current reports and other information with the Securities and Exchange Commission ("SEC"). The Company's SEC filings are available to the public over the Internet at the SEC's web site located at http://www.sec.gov. The Company's SEC filings are also available at the SEC's Public Reference Room, which is located at 100 F Street, N.E., Washington, D.C. 20549. Further information concerning the SEC's Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The Company's filings with the SEC are also available on the website of its parent, Pinnacle West, at http://www.pinnaclewest.com. The other information on Pinnacle West's website is not a part of this Appendix A or of this Reoffering Circular.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

For purposes of this Reoffering Circular, the Company is disclosing important information to you by referring you to the information that the Company files with the SEC. The information incorporated by reference is considered to be part of this Reoffering Circular, except for information superseded by information in this Reoffering Circular, and later information that the Company files with the SEC will automatically update and supersede this information. The Company incorporates by reference the documents listed below and any future filings it makes with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, excluding, in each case, information deemed furnished and not filed, until all of the Bonds are sold under this Reoffering Circular and for as long as this Reoffering Circular is used in the remarketing of the Bonds from time to time.

1. The Annual Report on Form 10-K for the year ended December 31, 2009.

2. The Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010 and June 30, 2010.

3. The Current Reports on Form 8-K filed on January 25, 2010, February 19, 2010, March 4, 2010, April 21, 2010, April 27, 2010 and June 2, 2010. **[INSERT ADDITIONAL FILINGS, IF ANY]**

You may request a copy of these filings and will receive a copy of these filings, at no cost, by writing or telephoning the Company at the following address:

Arizona Public Service Company
Office of the Secretary
Station 9068
P.O. Box 53999
Phoenix, Arizona 85072-3999
Tel: (602) 250-3252

RISK FACTORS

The Company includes a discussion of risk factors relating to its business and an investment in its securities in its Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q filed from time to time by the Company with the SEC. These reports are incorporated by reference in this Reoffering Circular. See "Incorporation of Certain Documents by Reference" above. Before purchasing the Company's securities, you should carefully consider the risk factors the Company describes in those reports. Although the Company tries to discuss key risks in the risk factor descriptions, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and the Company cannot predict those risks or estimate the extent to which they may affect its business, financial condition, cash flows or operating results.

If the ratings of the Bonds are lowered or withdrawn, the market value of the Bonds could decrease.

A rating is not a recommendation to purchase, hold or sell the Bonds, inasmuch as the rating does not comment as to market price or suitability for a particular investor. The ratings of the Bonds address the likelihood of the timely payment of interest and the ultimate repayment of principal of the Bonds pursuant to their respective terms. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if in its judgment circumstances in the future so warrant. In the event that any of the ratings initially assigned to the Bonds is subsequently lowered or withdrawn for any reason, you may not be able to resell your Bonds without a substantial discount.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The balance sheets as of December 31, 2009 and 2008 and the related statements of income, changes in common stock equity and cash flows for each of the three years in the period ended December 31, 2009, and related financial statement schedule incorporated in this Reoffering Circular by reference from Arizona Public Service Company's Annual Report on Form 10-K for the year ended December 31, 2009, and the effectiveness of internal control over financial reporting as of December 31, 2009, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference.

APPENDIX B-1

[1994 SERIES A OPINION OF BOND COUNSEL TO BE INSERTED PRIOR TO FINALIZATION OF PRELIMINARY REOFFERING CIRCULAR]

APPENDIX B-2

[2010 SERIES A OPINION OF BOND COUNSEL TO BE PROVIDED BY BOND COUNSEL]

[1994 SERIES B OPINION OF BOND COUNSEL TO BE INSERTED PRIOR TO FINALIZATION OF PRELIMINARY REOFFERING CIRCULAR]

APPENDIX B-4

[2010 SERIES B OPINION OF BOND COUNSEL TO BE PROVIDED BY BOND COUNSEL]

APPENDIX B-5

[1994 SERIES C OPINION OF BOND COUNSEL TO BE INSERTED PRIOR TO FINALIZATION OF PRELIMINARY REOFFERING CIRCULAR]

APPENDIX B-6

[2010 SERIES C OPINION OF BOND COUNSEL TO BE PROVIDED BY BOND COUNSEL]

[SERIES A OFFICIAL STATEMENT TO BE INSERTED PRIOR TO FINALIZATION OF PRELIMINARY REOFFERING CIRCULAR]

APPENDIX C-2

[SERIES B AND SERIES C OFFICIAL STATEMENT TO BE INSERTED PRIOR TO FINALIZATION OF PRELIMINARY REOFFERING CIRCULAR]

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated , 2010 (this "Disclosure Certificate"), is being executed and delivered by Arizona Public Service Company, a corporation organized under the laws of the State of Arizona (the "Company"), in connection with the reoffering on this date of $49,400,000 in aggregate principal amount of City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series A (the "Series A Bonds"), $65,750,000 in aggregate principal amount of City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series B (the "Series B Bonds") and $31,500,000 in aggregate principal amount of City of Farmington, New Mexico Pollution Control Revenue Bonds (Arizona Public Service Company Four Corners Project) 1994 Series C (the "Series C Bonds"). Each of the Series A Bonds, the Series B Bonds and the Series C Bonds constitute a "Series of Bonds", as such term is used herein, and are hereinafter collectively referred to as the "Bonds". The Series A Bonds were issued pursuant to an ordinance and a resolution, each adopted by the City of Farmington, New Mexico (the "Issuer") on May 10, 1994 (collectively, the "Series A Ordinance"). The Series B Bonds were issued pursuant to an ordinance adopted by the Issuer on May 10, 1994 and a resolution adopted by the Issuer on August 23, 1994 (collectively, the "Series B Ordinance"). The Series C Bonds were issued pursuant to an ordinance adopted by the Issuer on August 9, 1994 and a resolution adopted by the Issuer on August 23, 1994 (collectively, the "Series C Ordinance", and, together with the Series A Ordinance and the Series B Ordinance, the "Ordinances"). The Bank of New York Mellon, formerly The Bank of New York, is acting as trustee under each of the Ordinances (the "Trustee"). The Company covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Company for the benefit of the Bondholders (as hereinafter defined) in order to assist the Participating Underwriters (as hereinafter defined) in complying with the Rule (as hereinafter defined). The Company acknowledges that the Issuer and the Trustee have undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Certificate and have no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures.

SECTION 2. Definitions. In addition to the definitions set forth in the Ordinances, which apply to any capitalized term used and not otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Company pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Bondholder" shall mean any registered owner of the Bonds or any person which (i) has or shares the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including persons holding through any nominee, securities depository or other intermediary) or (ii) is treated as the holder of any of the Bonds for federal income tax purposes.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Listed Event" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"Participating Underwriters" shall mean any remarketing agent required to comply with the Rule in connection with reoffering of the Bonds.

"Repository" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Exchange Act, as the same may be amended from time to time.

"SEC" shall mean the Securities and Exchange Commission or any successor agency thereto.

SECTION 3. Content of Annual Reports. Each Annual Report shall consist of the Company's Annual Report on Form 10-K (or any successor form adopted by the SEC) filed with the SEC, containing audited financial statements of the Company prepared in accordance with accounting principles generally accepted in the United States of America (which audited financial statements may be contained in the Company's annual report to shareholders if such audited financial statements are incorporated by reference in such Form 10-K from such annual report).

SECTION 4. Provision of Annual Reports.

(a) The Company shall, not later than four (4) months after the end of the Company's fiscal year (presently such fiscal year ends on December 31), commencing with the fiscal year ending December 31, 2010, provide to the Repository an Annual Report. Delivery of the Annual Report shall be in electronic format and such Annual Report shall be accompanied by such identifying information as is prescribed by the Repository. Delivery of the Annual Report may be accomplished by delivery of an instrument incorporating by reference material on file with the SEC. In the event the Company no longer files such reports with the SEC under the Exchange Act, it will deliver to the Repository, within the time period set forth in this subsection (a), a copy of its audited financial statements, prepared in accordance with accounting principles generally accepted in the United States of America, meeting the requirements of Regulation S-X of the Exchange Act, and the information required by Items 301 and 303 of Regulation S-K of the Exchange Act, and such audited financial statements and information shall be in electronic format and shall be accompanied by such identifying information as is prescribed by the Repository.

(b) If the Annual Report, including the audited financial statements, are not delivered by the date required in subsection (a), the Company shall, as promptly as possible, send a written notice to the Repository, such notice to be in substantially the form attached as Exhibit A hereto, such notice to be in electronic format and to be accompanied by such identifying information as is prescribed by the Repository.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to this Section 5, the Company shall, as promptly as possible, give notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(vii) Modifications to rights of Bondholders;

(viii) Optional, contingent or unscheduled Bond calls;

(ix) Defeasances;

(x) Release, substitution or sale of property securing repayment of the Bonds; or

(xi) Rating changes.

(b) Whenever the Company obtains knowledge of the occurrence of a Listed Event, the Company shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Company determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Company shall promptly file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (a)(ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds pursuant to the Ordinances. Each notice of the occurrence of a Listed Event shall be submitted in electronic format and shall be accompanied by such identifying information as is prescribed by the Repository.

SECTION 6. Termination of Reporting Obligation. The Company's obligations under this Disclosure Certificate shall terminate with respect to a Series of Bonds upon the conversion of such Series of Bonds from a Term Rate Period to a Rate Period which shall not then require an undertaking pursuant to the Rule and, with respect to a Series of Bonds, upon the legal defeasance, prior redemption or payment in full of such Series of Bonds. If during the term of this Disclosure Certificate, the Company's obligations under the applicable Agreement with respect to a Series of Bonds are assumed in full by another obligated person, such other person shall be responsible for compliance with this Disclosure Certificate in the same manner as if it were the Company with respect to such Series of Bonds, and the Company shall have no further responsibility hereunder with respect to such Series of Bonds. In the event that the Company's obligations under this Disclosure Certificate are terminated with respect to a Series of Bonds as provided in this Section, the Company shall notify the Repository that the Company's obligations under this Disclosure Certificate have terminated with respect to such Series of Bonds, such notice to be in electronic format and to be accompanied by such identifying information as is prescribed by the Repository.

SECTION 7. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the Company may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, 4, 5(a) or 5(c), including the definitions of any defined terms referenced in Section 3, 4, 5(a) or 5(c), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) This Disclosure Certificate, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any applicable amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of the Bonds in the same manner as provided in the applicable Ordinance for amendments to such Ordinance with the consent of owners, or (ii) does not, in the opinion of the Trustee, materially impair the interests of the Bondholders, which

opinion of the Trustee may be based upon an Opinion of Counsel, such Opinion of Counsel to be provided at the expense of the Company, and in either case does not adversely affect the Trustee.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Company shall describe such amendment or waiver in the next Annual Report or in a notice filed with the Repository, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of financial information or operating data being presented by the Company, such Annual Report or notice to be in electronic format and to be accompanied by such identifying information as is prescribed by the Repository.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Company from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate (such information to be submitted in electronic format and accompanied by such identifying information as is prescribed by the Repository) or any other means of communication, including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Company chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Company shall have no obligation under this Disclosure Certificate to update such information or to include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the Company to comply with any provision of this Disclosure Certificate, any Bondholder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Company to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Ordinance relating to any Series of Bonds or under the Agreement relating to any Series of Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Company to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Company, the Participating Underwriters, the Bondholders and the Issuer, and shall create no rights in any other person or entity.

SECTION 11. Severability. In case any one or more of the provisions of this Disclosure Certificate shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Certificate, but this Disclosure Certificate shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

SECTION 12. Governing Law. This Disclosure Certificate shall be governed by the law of the State of Arizona.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

ARIZONA PUBLIC SERVICE COMPANY

By: _____
Name: Lee R. Nickloy
Title: Vice President and Treasurer

RECEIPT ACKNOWLEDGED BY:

THE BANK OF NEW YORK MELLON, as Trustee

By: _____
Name: Thomas Vlahakis
Title: Vice President

Exhibit A

Notice of Failure to File Annual Report

Name of Issuer:	City of Farmington, New Mexico
Name of Issues:	City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series A (originally issued May 25, 1994), City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series B (originally issued September 14, 1994) and City of Farmington, New Mexico Pollution Control Revenue Bonds (Arizona Public Service Company Four Corners Project) 1994 Series C (originally issued September 14, 1994)
Name of Obligor:	Arizona Public Service Company

NOTICE IS HEREBY GIVEN that Arizona Public Service Company has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate, dated , 2010, delivered by Arizona Public Service Company in connection with the reoffering of the City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series A, the City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series B and the City of Farmington, New Mexico Pollution Control Revenue Bonds (Arizona Public Service Company Four Corners Project) 1994 Series C. [Arizona Public Service Company anticipates that the Annual Report will be filed by _____.]

Dated: _____.

ARIZONA PUBLIC SERVICE COMPANY

By: _____

Name: _____

Title: _____

OFFICIAL STATEMENT

$253,980,000
Maricopa County, Arizona Pollution Control Corporation
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Palo Verde Project)
1994 Series A through F

$49,400,000
City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series A

Dated: Date of Issuance **Maricopa Bonds Due: May 1, 2029** **Farmington Bonds Due: May 1, 2024**

The Bonds are limited obligations of the respective Issuers, and will be payable solely from and secured solely by the revenues to be derived pursuant to separate Agreements with

Arizona Public Service Company

The Bonds will be further secured by irrevocable direct pay Letters of Credit issued by the following Credit Providers and will be subsequently remarketed by the following Remarketing Agents:

Issuer	Series	Amount	Letter of Credit Provider	Remarketing Agent
Maricopa	A	$45,000,000	Morgan Guaranty Trust Company of New York	CS First Boston
Maricopa	B	$45,000,000	Morgan Guaranty Trust Company of New York	Goldman, Sachs & Co.
Maricopa	C	$57,000,000	The Toronto-Dominion Bank	J.P. Morgan Securities Inc.
Maricopa	D	$35,000,000	Bank of America National Trust and Savings Association	CS First Boston
Maricopa	E	$35,000,000	Bank of America National Trust and Savings Association	Goldman, Sachs & Co.
Maricopa	F	$36,980,000	Bank of America National Trust and Savings Association	J.P. Morgan Securities Inc.
Farmington	A	$49,400,000	Union Bank of Switzerland, Los Angeles Branch	J.P. Morgan Securities Inc.

Under the Letters of Credit, the respective Trustees will be entitled to draw amounts sufficient to pay (a) up to sixty-two days interest on the related Bonds and (b) principal on the related Bonds as such principal becomes due, whether at maturity, on acceleration, at redemption or upon tender thereof.

The Bonds as initially issued will bear interest at Daily Rates, designated and determined from time to time as described herein. Thereafter, the interest rate on the Bonds may be changed to a Weekly Rate, Monthly Rate, Flexible Rate or Term Rate, as described herein. The Bonds are subject to purchase at the option of the holders of the Bonds and, under certain circumstances, are subject to mandatory purchase in the manner and at the times described herein.

The Bonds will be delivered in fully registered form in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, which will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in authorized denominations described herein. So long as the Bonds remain in book-entry form, purchasers of beneficial interests in the Bonds will not receive certificates representing such interests. The Bonds are subject to optional and mandatory redemption prior to maturity in the manner and at the times described herein. See "The Bonds".

The Bonds will not constitute an indebtedness or obligation to which the full faith and credit of the Maricopa Issuer, Maricopa County, the City of Farmington, the State of Arizona or the State of New Mexico is pledged and shall never constitute nor give rise to a pecuniary liability of the Maricopa Issuer, Maricopa County, the State of Arizona, the City of Farmington or the State of New Mexico or a charge against the general credit or taxing powers of Maricopa County, the State of Arizona, the City of Farmington or the State of New Mexico or the general credit of the Maricopa Issuer. The Maricopa Issuer has no taxing power.

Price: 100%

In the opinion of Orrick, Herrington & Sutcliffe, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes, except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of facilities financed or refinanced by the Bonds or by a "related person" within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of calculating the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Interest on the Maricopa Bonds is exempt from all taxation in the State of Arizona and interest on the Farmington Bonds is exempt from all taxation by the State of New Mexico or any subdivision thereof. Bond Counsel expresses no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Matters".

The Bonds are offered, subject to prior sale, when, as and if issued and received by the Underwriters and subject to certain conditions, including the approval of Orrick, Herrington & Sutcliffe, Bond Counsel. Certain legal matters will be passed upon for the Maricopa Issuer by Ryley, Carlock & Applewhite, P.A. and for the Company by Snell & Wilmer, counsel to the Company. The validity of the Agreements will be passed upon for the Underwriters by Sullivan & Cromwell. It is expected that the Bonds will be available for delivery in New York, New York on or about May 25, 1994.

CS First Boston

Goldman, Sachs & Co.

J.P. Morgan Securities Inc.

The date of this Official Statement is May 24, 1994

THESE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE OR THE ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. ANY REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN (OTHER THAN THE APPLICABLE INFORMATION CONTAINED UNDER "THE ISSUERS") ARE NOT TO BE CONSTRUED AS REPRESENTATIONS BY THE ISSUERS. THE ISSUERS NEITHER HAVE NOR ASSUME ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION IN THIS OFFICIAL STATEMENT (OTHER THAN THE APPLICABLE INFORMATION CONTAINED UNDER "THE ISSUERS").

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

$253,980,000
Maricopa County, Arizona Pollution Control Corporation
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Palo Verde Project)
1994 Series A through F

$49,400,000
City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series A

INTRODUCTORY STATEMENT

This Official Statement is provided to furnish certain information in connection with (a) the issuance by Maricopa County, Arizona Pollution Control Corporation (the "Maricopa Issuer") of its Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Palo Verde Project) 1994 Series A through F in the aggregate principal amount of $253,980,000 (the "Maricopa Bonds") and (b) the issuance by the City of Farmington, New Mexico (the "City of Farmington") of its Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series A in the aggregate principal amount of $49,400,000 (the "Farmington Bonds"). Of the Maricopa Bonds, Maricopa Bonds in the aggregate principal amount of $45,000,000 are designated as "1994 Series A"; Maricopa Bonds in the aggregate principal amount of $45,000,000 are designated as "1994 Series B"; Maricopa Bonds in the aggregate principal amount of $57,000,000 are designated as "1994 Series C"; Maricopa Bonds in the aggregate principal amount of $35,000,000 are designated as "1994 Series D"; Maricopa Bonds in the aggregate principal amount of $35,000,000 are designated as "1994 Series E"; and Maricopa Bonds in the aggregate principal amount of $36,980,000 are designated as "1994 Series F." The Maricopa Bonds and the Farmington Bonds are hereinafter collectively referred to as the "Bonds," and the Maricopa Issuer and the City of Farmington are each referred to as an "Issuer" and hereinafter collectively referred to as the "Issuers." The Maricopa Bonds will be issued pursuant to an Indenture of Trust dated as of May 1, 1994 (the "Indenture" or an "Instrument"), between the Maricopa Issuer and The Bank of New York, as trustee (the "Maricopa Trustee"). The Farmington Bonds will be issued pursuant to an ordinance adopted by the City of Farmington, as supplemented by a resolution with respect to the Farmington Bonds, both adopted by the City of Farmington on May 10, 1994 (collectively, the "Ordinance" or an "Instrument" and, together with the Indenture, the "Instruments"), under which The Bank of New York has been appointed trustee (the "Farmington Trustee" and, together with the Maricopa Trustee, the "Trustees"). The Bank of New York is also acting as Tender Agent, Registrar and Paying Agent (the "Tender Agent", "Registrar" and "Paying Agent") with respect to the Bonds and its "Principal Office," as used herein, is at 101 Barclay Street, New York, New York.

The Bonds are being issued by the Issuers at the request of Arizona Public Service Company (the "Company"), a corporation organized and existing under the laws of the State of Arizona, to provide moneys to refund $106,980,000 aggregate principal amount of the Maricopa Issuer's Adjustable-Rate Annual Tender Pollution Control Revenue Refunding Bonds, 1985 Series A (Arizona Public Service Company Palo Verde Project), $90,000,000 aggregate principal amount of the Maricopa Issuer's Pollution Control Revenue Par Value Demand Bonds, 1983 Series A (Arizona Public Service Company Palo Verde Project), $57,000,000 aggregate principal amount of the Maricopa Issuer's Pollution Control Revenue Par Value Demand Bonds, 1984 Series G (Arizona Public Service Company Palo Verde Project) and $49,400,000 aggregate principal amount of City of Farmington's Adjustable-Rate Annual Tender Pollution Control Revenue Refunding Bonds, 1985 Series A (Arizona Public Service Company Four Corners Project) (the "Farmington 1985 A Prior Bonds" and, collectively, the "Prior Bonds"). The Prior Bonds were issued to finance or refinance certain pollution control, sewage and solid waste disposal facilities and related facilities located in Maricopa County, Arizona (the "Maricopa Project") and San Juan County, New Mexico (the "Farmington Project"). See "The Projects."

Prior to the issuance of the Maricopa Bonds, the Company and the Maricopa Issuer will enter into a Loan Agreement dated as of May 1, 1994 (the "Loan Agreement") whereby such Issuer will loan the proceeds from the sale of such Bonds to the Company. In such Loan Agreement, the Company agrees to make payments so as to provide sufficient revenues to pay when due pursuant to the related Instrument the principal of (whether at maturity, on redemption, upon tender for purchase or by acceleration), the premium, if any, and the interest on the Maricopa Bonds, and certain other payments as provided in the Loan Agreement. Prior to the issuance of the Farmington Bonds, the Company and the City of Farmington will enter into an Amended and Restated Installment Sale Agreement dated as of May 1, 1994 (the "Sale Agreement" and, together with the Loan Agreement, the "Agreements"), whereby the Company's interests in the Farmington Project were sold by the Company to the City of Farmington and then sold by the City of Farmington to the Company in connection with the issuance of the Farmington 1985 A Prior Bonds. In addition to payments necessary to support the Farmington 1985 A Prior Bonds, the Sale Agreement requires payments to be made to the City of Farmington, in payment

of the purchase price of the Farmington Project, at such times and in such amounts as principal of (whether at maturity, on redemption, upon tender for purchase or by acceleration), premium, if any, and interest on the Farmington Bonds becomes due.

Concurrently with the issuance of the Bonds, the Company will cause to be delivered to the Maricopa Trustee (i) with respect to the Maricopa Series A and B Bonds, two irrevocable letters of credit (the "Maricopa Series A and B Letters of Credit") of Morgan Guaranty Trust Company of New York (the "Maricopa Series A and B Credit Provider"), (ii) with respect to the Maricopa Series C Bonds, an irrevocable letter of credit (the "Maricopa Series C Letter of Credit") of The Toronto-Dominion Bank (the "Maricopa Series C Credit Provider") and (iii) with respect to the Maricopa Series D, E and F Bonds, three irrevocable letters of credit (the "Maricopa Series D, E and F Letters of Credit") issued by Bank of America National Trust and Savings Association (the "Maricopa Series D, E and F Credit Provider") and to the Farmington Trustee an irrevocable letter of credit (the "Farmington Letter of Credit" and, together with the Maricopa Series A and B Letters of Credit, the Maricopa Series C Letter of Credit and the Maricopa Series D, E and F Letters of Credit, the "Letters of Credit") issued by Union Bank of Switzerland, Los Angeles Branch (the "Farmington Credit Provider" and, together with the Maricopa Series A and B Credit Provider, the Maricopa Series C Credit Provider and the Maricopa Series D, E and F Credit Provider, the "Credit Providers").

As more fully provided in the Instruments, the Bonds will not constitute an indebtedness or obligation to which the faith and credit of the State of Arizona, the State of New Mexico, Maricopa County, the City of Farmington, the Maricopa Issuer or any other political subdivision of either State will be pledged, but will be limited obligations of the respective Issuer, which will be obligated to pay the principal of, premium, if any, and interest on its Bonds only from the payments made pursuant to the applicable Agreement and the other funds pledged therefor. Maricopa County will not in any event be liable for the payment of the principal of, premium, if any, or interest on the Maricopa Bonds or for the performance of any pledge, mortgage, obligation or agreement undertaken by the Maricopa Issuer, nor will the Maricopa Issuer's agreements or obligations be construed to constitute an indebtedness of Maricopa County within the meaning of any constitutional or statutory provision of the State of Arizona whatsoever. As more fully provided in the Ordinance, the Farmington Bonds do not constitute an indebtedness or obligation to which the full faith and credit of the City of Farmington are pledged but are limited obligations of the City, and shall never constitute an indebtedness of the City within the meaning of any New Mexico state constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers.

Brief descriptions of the Issuers and the Projects and summaries of certain provisions of the Bonds, the Agreements, the Indenture and the Ordinance, the Letters of Credit and the Reimbursement Agreements between the Company and the respective Credit Providers (the "Reimbursement Agreements") are included in this Official Statement. Such information and descriptions do not purport to be complete, comprehensive or definitive. Statements regarding specific documents, including the Agreements and the Instruments, make use of certain terms defined in such documents and are summaries of and subject to the detailed provisions of such documents and are qualified in their entirety by reference to each such document, and references to the Bonds are similarly subject to and qualified in their entirety by reference to the forms thereof included in the Instruments and the information with respect thereto included in the aforesaid documents. Copies of all aforesaid documents may be obtained at the principal office of CS First Boston Corporation, in New York, New York, during the period of the initial offering of the Bonds and thereafter are available for inspection at the offices of the Trustee or the Company.

For information concerning the Company, including selected financial and operating information and information incorporated by reference, see Appendix A hereto. For information concerning the Credit Providers, see Appendices B, C, D and E hereto. The proposed forms of opinions of Bond Counsel with respect to the Bonds are attached as Appendices F and G hereto.

THE ISSUERS

The Maricopa Issuer is a political subdivision under the laws of the State of Arizona, organized under the "Pollution Control Corporations for Municipalities and Counties Act", being Title 35, Chapter 6, Arizona Revised Statutes (the "Maricopa Act"). The Maricopa Bonds will be issued in full compliance with the Act, and the issuance of the Maricopa Bonds by the Maricopa Issuer will be approved by the Board of Supervisors of Maricopa County, Arizona. The Maricopa Issuer has no taxing power. As required by the provisions of Section 38-511, Arizona Revised Statutes, as amended, the Maricopa Issuer may cancel any contract, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the Maricopa Issuer is, at any time while the contract or any extension thereof is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter thereof. The Company and the Maricopa Trustee have covenanted not to employ as an employee, agent or, with respect to the subject matter of the Loan Agreement and the Indenture, respectively, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating such documents on behalf of the Maricopa Issuer within three years from the execution thereof, unless a waiver is provided by the Maricopa Issuer. The cancellation of any financing agreement which is material to the payment of the Maricopa Bonds, including the Indenture, could adversely affect the holders of the Maricopa Bonds.

The City of Farmington is an incorporated municipality, a body politic and corporate, existing under the Constitution and laws of the State of New Mexico. The City of Farmington is authorized under the provisions of such Constitution and laws, including particularly the Pollution Control Revenue Bond Act, Chapter 397, laws of 1973 of the State of New Mexico (the "Farmington Act" and, together with the Maricopa Act, the "Acts"), as amended, to issue the Farmington Bonds, to adopt the Ordinance, and to secure the Farmington Bonds by a pledge of the receipts and revenues of the City of Farmington pursuant to the Sale Agreement.

THE PROJECTS

The Maricopa Project is located in Maricopa County, Arizona and consists of certain facilities for the abatement, reduction or prevention of pollution, or for the disposal of sewage or solid waste, caused by the operation of the Palo Verde Nuclear Generating Station, a nuclear electric power generating plant (the "Maricopa Plant") located in Maricopa County, Arizona. The Company owns or leases a 29.1% undivided interest in the Maricopa Plant. The remaining undivided interests in the Maricopa Plant are owned or, in certain cases, leased by Salt River Project Agricultural Improvement and Power District (17.49%), Southern California Edison Company (15.8%), El Paso Electric Company (15.8%), Public Service Company of New Mexico (10.2%), Southern California Public Power Authority (5.91%), and Department of Water and Power of the City of Los Angeles (5.7%). In 1986, the Company sold and leased back approximately 42% of its 29.1% interest in Unit 2 of the Maricopa Plant and approximately 4% of its 29.1% interest in certain common facilities related thereto. The ownership and operation of the Maricopa Plant are, and the construction of the Maricopa Project at the Maricopa Plant have been and will be, governed by certain agreements (the "Maricopa Plant Agreements") among the Company and such other owners. Under the Maricopa Plant Agreements, the Company was in charge of the construction and is in charge of the operation and maintenance of, including any capital improvements to, the Maricopa Plant.

The Farmington Project is located in San Juan County, New Mexico and consists of certain facilities for the abatement, reduction or prevention of pollution and the disposal of solid waste or pollution caused by the operation of the Four Corners Generating Station, a coal-fired steam electric power generating plant (the "Farmington Plant") located in San Juan County, New Mexico. The Company owns a 15% undivided interest in Units 4 and 5 at the Farmington Plant. The remaining undivided interests in such Units are owned by Southern California Edison Company (48%), Public Service Company of New Mexico (13%), El Paso Electric Company (7%), Salt River Project Agricultural Improvement and Power District (10%) and Tucson Electric Power Company (7%). The ownership and operation of Units 4 and 5 are, and the construction of that portion of the Farmington Project at such Units have been and will be, governed by certain agreements (the "Farmington Plant Agreements") among the Company and such other owners. Under the Farmington Plant Agreements, the Company was in charge of the construction and is in charge of the operation and maintenance of, including any capital improvements to, such Units. Units 1, 2 and 3 at the Farmington Plant are owned in their entirety by the Company.

USE OF PROCEEDS

The proceeds of the Bonds will be deposited with the respective trustees for the Prior Bonds, and will be applied, together with additional funds to be provided by the Company, to reimburse the applicable bank after draws under letters of credit supporting the Prior Bonds have been utilized to redeem the Prior Bonds on or before August 1, 1994. The proceeds of the Bonds to be held by the respective trustees for the Prior Bonds prior to the redemption of the Prior Bonds will not be held as security for the Bonds. Costs of issuance of the Bonds, including all legal, underwriting and miscellaneous costs, will be paid by the Company.

THE BONDS

Each issue of Bonds will operate independently of the others. However, each issue of Bonds contains substantially the same terms (other than amount) and provisions, and the following is a summary of certain provisions of each issue of the Bonds. All references in this summary to the Bonds, the Agreement, the Instrument, the Plant, the Project and similar references shall be read as relating to each issue of Bonds and the Issuer, the Agreement, the Indenture or Ordinance, the Plant and the Project related thereto unless the context clearly indicates otherwise.

General

The Bonds will be issued as fully registered Bonds without coupons in the manner described below. The Bonds will be dated as of the date of delivery thereof (the "Issue Date"), the Maricopa Bonds will mature on May 1, 2029 and the Farmington Bonds will mature on May 1, 2024. The term of the Bonds shall be divided into consecutive Rate Periods, during each of which the Bonds may bear interest at Daily, Weekly, Monthly, Term or Flexible Rates designated and determined as described herein. At any time, the Rate Period applicable to any series of Bonds may be different from the Rate Period applicable to any other series of Bonds. The Initial Rate Period for the Bonds will be a Daily Rate Period. During such Daily Rate Period, the Bonds will bear interest at Daily Rates as described herein. The first Interest Payment Date will be June 1, 1994. The Bonds will continue to bear interest at Daily Rates determined as described herein unless and until the interest rate determination method for the Bonds is adjusted as described herein.

The Bonds are authorized in denominations of $100,000 or any integral multiple thereof, with respect to Bonds during any Daily Rate Period, any Weekly Rate Period or any Monthly Rate Period; $100,000 or any integral multiple of $5,000 in excess of $100,000, with respect to Bonds during any Flexible Rate Period; and $5,000 or any integral multiple thereof, with respect to Bonds during any Term Rate Period; provided, however, that one Maricopa Series F Bond may be issued in a denomination other than the foregoing (collectively, "Authorized Denominations").

The Bonds are subject to tender for purchase at the option of the holders of the Bonds, and under certain circumstances are subject to mandatory tender for purchase in the manner and at the times described herein. The Bonds are subject to optional and mandatory redemption prior to maturity in the manner and at the times described herein.

CS First Boston Corporation has been appointed by the Company as Remarketing Agent with respect to the Maricopa Series A and D Bonds. Goldman, Sachs & Co. has been appointed by the Company as Remarketing Agent with respect to the Maricopa Series B and E Bonds. J.P. Morgan Securities Inc. has been appointed by the Company as Remarketing Agent with respect to the Maricopa Series C and F Bonds and the Farmington Bonds. CS First Boston Corporation, Goldman, Sachs & Co. and J.P. Morgan Securities Inc. are referred to herein as "Remarketing Agents." The Remarketing Agents will be paid fees for their services and may be removed or resign under certain circumstances.

Concurrently with the issuance of the Bonds, the Company will cause to be delivered to the Maricopa Trustee and the Farmington Trustee the Letters of Credit issued by the Credit Providers.

Definitions

The terms "Daily Rate," "Daily Rate Period," "Weekly Rate," "Weekly Rate Period," "Monthly Rate," "Monthly Rate Period," "Flexible Rate," "Flexible Segment," "Term Rate" and "Term Rate Period" are defined by reference to the procedures for the determination thereof, as described below. In addition, the following terms are used in this summary:

"Business Day" means a day on which banks located in the cities in which the principal offices of the Trustee, the Registrar, the Paying Agent, the Tender Agent, the Remarketing Agent and any Credit Provider are located are not required or authorized to be closed and on which the New York Stock Exchange is not closed, and, in the case of any action to be taken by the Company, which is not a day on which banks in Phoenix, Arizona are required or authorized to be closed.

"Interest Payment Date" means (i) with respect to any Daily, Weekly or Monthly Rate Period, the First Business Day of each calendar month, (ii) with respect to any Term Rate Period, the first day of the sixth month following the commencement of the Term Rate Period and the first day of each sixth month thereafter, (iii) with respect to any Flexible Segment, the Business Day next succeeding the last day of such Flexible Segment, (iv) with respect to any Rate Period, the Business Day next succeeding the last day thereof and (v) with respect to any Credit Provider Bonds, the dates specified in the related Reimbursement Agreement for the payment of interest on any reimbursement obligations of the Company to the related Credit Provider relating to such Credit Provider Bonds, as such dates shall be specified by the Credit Provider to the Trustee.

"Rate Period" means any Daily Rate Period, Weekly Rate Period, Monthly Rate Period, Term Rate Period or Flexible Rate Period.

"Record Date" means with respect to any Interest Payment Date in respect of any Daily Rate Period, Weekly Rate Period, Monthly Rate Period or Flexible Segment, the Business Day next preceding such Interest Payment Date and, with respect to any Interest Payment Date in respect of any Term Rate Period, the fifteenth day of the month preceding such Interest Payment Date.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code or Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

Payment of Principal and Interest

Interest shall be payable (i) by check mailed by first class mail on the Interest Payment Date to the holders as of the Record Date or (ii) during any Rate Period other than a Term Rate Period, in immediately available funds (by wire transfer or by deposit to the account of the holder of such Bond if such account is maintained with the Paying Agent), but in respect of any holder of Bonds in a Daily, Weekly or Monthly Rate Period only to any holder owning Bonds in an aggregate principal amount of at least $1,000,000 on the Record Date and having provided wire transfer instructions to the Paying Agent prior to the close of business on such Record Date; provided, that, if and to the extent there shall have been a default in the payment of the interest due, such interest shall be paid to the persons in whose name any such Bonds are registered as of a special record date to be fixed by the Trustee, notice of which shall be given to such holders not less than 10 days prior thereto. Notwithstanding the foregoing, interest in respect of any Bond bearing a Flexible Rate shall be paid only upon presentation to the Tender Agent of the Bond on which such payment is due.

Interest shall be computed, in the case of any Rate Period other than a Term Rate Period, on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed and, in the case of a Term Rate Period, on the basis of a 360-day year consisting of twelve 30-day months.

Daily Rate Period

Daily Rate. During each Daily Rate Period, the affected Bonds shall bear interest at the Daily Rate, determined by the applicable Remarketing Agent either on each Business Day for such Business Day or on the next preceding Business Day for the Business Day next succeeding such date of determination and as may be determined by the applicable Remarketing Agent for any date that is not a Business Day on any such day during which there shall be active trading in Tax-Exempt obligations comparable to the affected Bonds for such day.

The Daily Rate will be the rate determined by the applicable Remarketing Agent to be the lowest rate which would enable the Remarketing Agent to sell the affected Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If a Remarketing Agent has not determined a Daily Rate, the Daily Rate will be the same as the Daily Rate for the immediately preceding day. In no event will the Daily Rate be greater than 12%.

Adjustment to a Daily Rate Period. The interest rate borne by the affected Bonds will be adjusted to a Daily Rate upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company. The notice must specify the effective date of the adjustment to a Daily Rate which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current rate period is a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the receipt by the Trustee of such direction (or such shorter period acceptable to the Trustee), (2) in the case of an adjustment from a Monthly Rate Period or a Term Rate Period, a day on which the affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Instrument as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" and "—Optional Redemption—Term Rate Period," as applicable, and (3) in the case of an adjustment from a Flexible Rate Period, either (i) the day immediately following the last day of the then current Flexible Rate Period, or (ii) for each affected Bond, the day immediately following the last day of the last Flexible Segment for such Bond in the then current Flexible Rate Period; provided, however, that if prior to the Company's making such election, any affected Bonds shall have been called for redemption and such redemption shall not have theretofore been effected, the effective date of such Daily Rate Period shall not precede such redemption date. In the case of an adjustment from a Term Rate Period, such notice must be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Act and the Instrument, and (2) will not adversely affect the Tax-Exempt status of the interest on the Bonds.

Notice of Adjustment to a Daily Rate Period. The Trustee must give notice of an adjustment to a Daily Rate Period to the holders of the Bonds not less than twelve days (fifteen days if the then current Rate Period shall be a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Daily Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to a Daily Rate (subject to the Company's ability to rescind its election, as provided in the Instrument), (2) the effective date of the Daily Rate Period, (3) that the Bonds are subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of such Bonds do not have a right to retain their Bonds on such effective date.

Weekly Rate Period

Weekly Rate. During each Weekly Rate Period, the affected Bonds will bear interest at the Weekly Rate determined by the applicable Remarketing Agent no later than the first day of such Weekly Rate Period and thereafter no later than Tuesday of each week during such Weekly Rate Period, unless any such Tuesday shall not be a Business Day, in which event the Weekly Rate shall be determined by the applicable Remarketing Agent no later than the Business Day next preceding such Tuesday.

The Weekly Rate will be the rate determined by the Remarketing Agent to be the lowest rate which would enable the Remarketing Agent to sell the affected Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If the applicable Remarketing Agent has not determined a Weekly Rate for any period, the Weekly Rate for such period will be the same as the Weekly Rate for the immediately preceding period. In no event will the Weekly Rate be greater than 12%.

The first Weekly Rate determined for each Weekly Rate Period will apply to the period commencing on the first day of such Weekly Rate Period and ending on the next succeeding Tuesday. Thereafter, each Weekly Rate will apply to the period commencing on each Wednesday and ending on the next succeeding Tuesday; provided, however, if such Weekly Rate Period will end on a day other than Tuesday, the last Weekly Rate for such Weekly Rate Period will apply to the period commencing on the Wednesday preceding the last day of such Weekly Rate Period and ending on such last day.

Adjustment to a Weekly Rate Period. The interest rate borne by the affected Bonds will be adjusted, at any time, to a Weekly Rate upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice must specify the effective date of such adjustment to a Weekly Rate Period which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current rate period shall be a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after receipt by the Trustee of such direction (or such shorter period acceptable to the Trustee), (2) in the case of an adjustment from a Monthly Rate Period or a Term Rate Period, a day on which affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Instrument as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" and "—Optional Redemption—Term Rate Period," as applicable, and (3) in the case of an adjustment from a Flexible Rate Period, either the day immediately following the last day of the then current Flexible Rate Period or for each affected Bond the day immediately following the last day of the then current Flexible Segment for such Bond; provided, however, that if prior to the Company's making such election, any affected Bonds have been called for redemption and such redemption has not yet been effected, the effective date of such Weekly Rate Period will not precede such redemption date. In the case of an adjustment from a Term Rate Period, such notice must be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Act and the Instrument, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

Notice of Adjustment to a Weekly Rate Period. The Trustee must give notice of an adjustment to a Weekly Rate Period to the holders of the Bonds not less than twelve days (fifteen days if the then current rate period is a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Weekly Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to a Weekly Rate (subject to the Company's ability to rescind its election, as provided in the Instrument), (2) the effective date of the Weekly Rate Period, (3) that the Bonds are subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that holders of such Bonds do not have the right to retain such Bonds on such effective date.

Monthly Rate Period

Monthly Rate. During each Monthly Rate Period, the affected Bonds will bear interest at the Monthly Rate, determined by the Remarketing Agent no later than the first day of such Monthly Rate Period and thereafter no later than the Business Day immediately preceding each Interest Payment Date with respect to the affected Bonds.

The Monthly Rate will be the rate determined by the applicable Remarketing Agent to be the lowest rate which would enable the applicable Remarketing Agent to sell the affected Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If the applicable Remarketing Agent has not determined a Monthly Rate for any period, the Monthly Rate shall be the same as the Monthly Rate in effect for the immediately preceding month. In no event shall any Monthly Rate be greater than 12%.

The first Monthly Rate determined for each Monthly Rate Period will apply to the period commencing on the first day of such Monthly Rate Period and ending on the day immediately preceding the next Interest Payment Date with respect to the affected Bonds. Thereafter, each Monthly Rate will apply to the period commencing on the Interest Payment Date next succeeding the date of determination of such Monthly Rate and ending on the day immediately preceding the Interest Payment Date next succeeding the effective date of such Monthly Rate.

Adjustment to a Monthly Rate Period. The interest rate borne by the affected Bonds will be adjusted, at any time, to a Monthly Rate upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice will specify the effective date of such adjustment to a Monthly Rate Period, which shall be (1) a Business Day not earlier than the twelfth day (the fifteenth day

if the then current Rate Period shall be a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the date of receipt by the Trustee of such notice (or such shorter period acceptable to the Trustee); (2) in the case of an adjustment from a Term Rate Period, a day on which affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Instrument as described herein under "—Redemption of Bonds—Optional Redemption—Term Rate Period"; and (3) in the case of an adjustment from a Flexible Rate Period either the day immediately following the last day of the then current Flexible Rate Period or for each affected Bond, the day immediately following the last day of the last Flexible Segment for such Bond in the then current Flexible Rate Period; provided, however, that if prior to the Company's making such election, any of the affected Bonds have been called for redemption and such redemption has not been effected, the effective date of such Monthly Rate Period will not precede such redemption date. In the case of an adjustment from a Term Rate Period, such written notice shall be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Indenture and the Act, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

Notice of Adjustment to a Monthly Rate Period. The Trustee must give notice of an adjustment to a Monthly Rate Period to the holders of the affected Bonds not less than twelve days (fifteen days if the then current Rate Period shall be a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Monthly Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to a Monthly Rate (subject to the Company's ability to rescind its election pursuant to the Instrument), (2) the effective date of the Monthly Rate Period, (3) that the affected Bonds are subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of such Bonds do not have the right to retain their Bonds on such effective date.

Flexible Rate Period

Flexible Segments and Flexible Rates. Flexible Rate Periods will consist of Flexible Segments of varying duration for each Bond. Different Flexible Segments may apply to different Bonds at any time and from time to time. During each Flexible Rate Period, each Bond will bear interest at the Flexible Rate applicable to the Flexible Segment in effect for such Bond. Each Flexible Segment will be a period of at least one day and not more than 365 days, ending on a day that immediately precedes a Business Day, determined by the applicable Remarketing Agent to be the period which, together with all other Flexible Segments for all affected Bonds then outstanding, will result in the lowest overall net interest expense on the affected Bonds. The Flexible Rate for each Flexible Segment for each Bond will be the rate determined by the applicable Remarketing Agent no later than the first day of such Flexible Segment to be the lowest interest rate which would enable the Remarketing Agent to sell the Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If a Flexible Rate for a Flexible Segment of one day is not determined or effective on such day, the Flexible Rate for such Flexible Segment of one day shall be eighty percent (80%) of the most recent One-Year Note Index theretofore published in The Bond Buyer. In no event shall the Flexible Rate for any Bond be greater than 12%.

Adjustment to a Flexible Rate Period. The interest rates borne by the affected Bonds will be adjusted, at any time, to Flexible Rates upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice will specify the effective date of the Flexible Rate Period during which the Bonds will bear interest at Flexible Rates which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current Rate period is a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the date of receipt by the Trustee of such direction, and (2) in the case of an adjustment from a Monthly Rate Period or a Term Rate Period, a day on which the affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Instrument as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" or "—Optional Redemption—Term Rate Period," as applicable; provided, however, that if prior to the Company's making such election, any of the affected Bonds have been called for redemption and such redemption has not been effected, the effective date of such Flexible Rate Period will not precede such redemption date. In the case of an adjustment from a Term Rate Period, such direction must be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Instrument and the applicable Act, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

Notice of Adjustment to a Flexible Rate Period. The Trustee must give notice of an adjustment to a Flexible Rate Period to the holders of the affected Bonds not less than twelve days (fifteen days if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Flexible Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to Flexible Rates (subject to the Company's ability to rescind its election pursuant to the Instrument), (2) the effective date of such Flexible Rate Period, (3) that the Bonds are subject to mandatory tender for purchase on the effective date of such Flexible Rate Period, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of the Bonds do not have the right to retain their Bonds on such effective date.

Adjustment from a Flexible Rate Period. At any time during a Flexible Rate Period, the Company may elect that a Series of Bonds shall no longer bear interest at Flexible Rates. The Company must notify the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of the election and specify the Rate Period to follow with respect to the affected Bonds upon cessation of the Flexible Rate Period. The applicable Remarketing Agent will (1) determine Flexible Segments of such duration that, as soon as possible, all Flexible Segments shall end on the same date, not earlier than the eleventh day following the fifth Business Day (or such shorter period acceptable to the Trustee), following the receipt by the Trustee of the notice described in the last sentence of this paragraph, which date shall be the last day of the then current Flexible Rate Period, and, upon the establishment of such Flexible Segments the day next succeeding the last day of all such Flexible Segments shall be the effective date of the Rate Period elected by the Company; or (2) determine Flexible Segments that will in the judgment of the applicable Remarketing Agent best promote an orderly transition to the next succeeding Rate Period to apply to such Bonds, beginning not earlier than the eleventh day following the fifth Business Day (or such shorter period acceptable to the Trustee) following the receipt by the Trustee of the notice described in the last sentence of this paragraph. If the alternative in clause (2) above is selected, the day next succeeding the last day of the Flexible Segment for each affected Bond shall be with respect to such Bond the effective date of the Rate Period elected by the Company. The Remarketing Agent, promptly upon the determination thereof, shall give written notice of such last day and such effective dates to the Company, the Trustee and the Paying Agent.

Term Rate Period

Term Rate. During each Term Rate Period, the Bonds will bear interest at the Term Rate which will be determined by the applicable Remarketing Agent on a Business Day selected by the Remarketing Agent, but not more than 40 days prior to and not later than the effective date of such Term Rate Period. The Term Rate will be the rate determined by the applicable Remarketing Agent on such date, and communicated on such date to the Trustee, the Paying Agent and the Company, by written notice or by telephone promptly confirmed by telecopy or other writing, as being the lowest rate which would enable the Remarketing Agent to sell the Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof; provided, however, that if, for any reason, a Term Rate for any Term Rate Period is not determined or effective or if an adjustment from a Term Rate Period to another Rate Period is not effective, the Rate Period for the Bonds will automatically convert to a Daily Rate Period. If a Daily Rate for the first day of such Daily Rate Period is not determined as described under "—Daily Rate Period—Daily Rate", the Daily Rate for the first day of such Daily Rate Period shall be 80% of the most recent One-Year Note Index theretofore published in The Bond Buyer. In no event will any Term Rate be greater than 12% per annum.

Adjustment to or Continuation of a Term Rate Period. The interest rate borne by the affected Bonds will be adjusted to or continued at a Term Rate, at any time, upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice will indicate the duration of the Term Rate Period during which the affected Bonds will bear interest at such rate. At the time the Company elects an adjustment to or continuation of a Term Rate Period, the Company may specify two or more consecutive Term Rate Periods and, if the Company so specifies, will specify the duration of each such successive Term Rate Period. Such notice must specify the effective date of each Term Rate Period, which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current Rate Period shall be a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the date of receipt by the Trustee of such notice; (2) in the case of an adjustment from a Monthly Rate Period or an adjustment from or continuation of a Term Rate Period, a day on which the affected Bonds would be permitted to be redeemed at the option of the Company pursuant to the provisions of the Instrument as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" or "—Optional

Redemption—Term Rate Period," as applicable; and (3) in the case of an adjustment from a Flexible Rate Period either (i) the day immediately following the last day of the then current Flexible Rate Period, or (ii) for each affected Bond, the day immediately following the last day of the last Flexible Segment for such Bond in the then current Flexible Rate Period; provided, however, that if prior to the Company's making such election, any affected Bonds shall have been called for redemption and such redemption has not been effected, the effective date of such Term Rate Period will not precede such redemption date. In addition, such notice must specify the last day of such Term Rate Period (which shall be either the day preceding the date of final maturity of the affected Bonds or a day which both immediately precedes a Business Day and is at least one hundred eighty (180) days after such effective date), and unless such Term Rate Period immediately succeeds a Term Rate Period of the same duration and is subject to the same optional redemption rights provided by the Instrument, shall be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Instrument and the Act, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

If, by the second Business Day preceding the fourteenth day prior to the last day of any Term Rate Period, the Trustee shall not have received notice of the Company's election that, during the next succeeding Rate Period, the affected Bonds will bear interest at a Daily Rate, a Weekly Rate, a Monthly Rate, a Term Rate or a Flexible Rate accompanied by appropriate opinions of bond counsel, if expressly required by the provisions of the Instrument, the next succeeding Rate Period shall be a Term Rate Period of the same duration as the immediately preceding Term Rate Period and the optional redemption prices and periods for such successive Term Rate Period shall be the same as for the immediately preceding Term Rate Period; provided, however, that if the last day of any such successive Term Rate Period is not a day immediately preceding a Business Day, then such successive Term Rate Period will end on the first day immediately preceding the Business Day next succeeding such day, or if such last day would be after the day prior to the final maturity date of the affected Bonds, such Term Rate Period shall end on the last day prior to such maturity date.

Notice of Adjustment to or Continuation of a Term Rate Period. The Trustee must give notice of an adjustment to or continuation of a Term Rate Period to the holders of the Bonds not less than twelve days (fifteen days if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Term Rate Period. In the event such adjustment or continuation is from a Term Rate Period to a Term Rate Period of equal duration, such notice shall state (1) that the interest rate on the affected Bonds will be adjusted to, or continue to be, a Term Rate (subject to the Company's ability to rescind its election as provided in the Instrument), (2) the effective date and the last date of the Term Rate Period, (3) that the Term Rate for such Term Rate Period will be determined not later than the effective date thereof, (4) how such Term Rate may be obtained from the Remarketing Agent, (5) the Interest Payment Dates after such effective date, (6) that, during such Term Rate Period, the holders of Bonds will not have the right to tender their Bonds for purchase, (7) the redemption provisions that will apply to affected Bonds during such Term Rate Period, (8) whether any Credit Facility will be in effect after such effective date and, if so, the name of the Credit Provider and the interest coverage and expiration date of any such Credit Facility, and (9) the rating or ratings, if any, which the Bonds are expected to receive from the Rating Agencies as of such effective date. In the event such adjustment or continuation is not from a Term Rate Period to a Term Rate Period of equal duration, such notice shall state (1) that the interest rate on such Bonds will be adjusted to, or continue to be, a Term Rate (subject to the Company's ability to rescind its election as provided in the Instrument), (2) the effective date of the Term Rate Period, (3) that such Bonds shall be subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of such Bonds do not have the right to retain their Bonds on such effective date.

Determinations Conclusive

The determination of any Daily Rate, Weekly Rate, Monthly Rate, Flexible Rate and Term Rate and each Flexible Segment by the applicable Remarketing Agent shall be conclusive and binding upon such Remarketing Agent, the Trustee, the Paying Agent, the Company, the Issuer and the holders of the Bonds.

Automatic Adjustment to Daily Rate Upon Rescission of Rate Period Adjustment

The Company may rescind any election by it to adjust to or continue a Rate Period prior to the effective date thereof, by giving written notice to the Issuer, the Trustee and the applicable Remarketing Agent prior to such effective date. If notice of the election to adjust to or continue the Rate Period has previously been given by the Trustee to the holders of the Bonds, then the Rate Period will automatically adjust to a Daily Rate Period. If a Daily Rate for the first day of any such Daily Rate Period is not determined as described under "—Daily Rate Period—Daily Rate", the Daily Rate for the first day of such Daily Rate Period will be 80% of the most recent One-Year Note Index theretofore published in The Bond Buyer.

Optional Tender for Purchase

Daily Rate Period. On any Business Day during any Daily Rate Period, any Bond (or portion thereof in an Authorized Denomination) will be purchased at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, to the date of purchase, upon (i) delivery by the holder of such Bond to the Tender Agent at its Principal Office by no later than 11:00 a.m., New York City time, on such Business Day, of an irrevocable notice by telephone or in writing, which states the principal amount, or portion thereof, of such Bond to be tendered for purchase and the date of purchase, and (ii) delivery of such Bond to the Tender Agent at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date (as defined in the Instrument).

Weekly Rate Period. On any Wednesday, or if such Wednesday is not a Business Day, then the next succeeding Business Day, during any Weekly Rate Period, any Bond (or portion thereof in an Authorized Denomination) will be purchased at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, to the date of purchase, upon (i) delivery by the holder of such Bond to the Tender Agent at its principal office of an irrevocable notice by telephone (promptly confirmed in writing) or in writing by 5:00 p.m. New York City time on any Business Day at least seven days prior to the date of purchase, which states the principal amount or portion thereof of such Bond to be tendered for purchase and the date of purchase, and (ii) delivery of such Bond to the Tender Agent at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date.

Monthly Rate Period. On any Interest Payment Date during a Monthly Rate Period, any Bond (or portion thereof in an authorized denomination) will be purchased at a purchase price equal to 100% of the principal amount thereof, upon (i) delivery by the holder of such Bond to the Tender Agent at its principal office of an irrevocable notice in writing, by 5:00 p.m., New York City time, on any Business Day at least seven days prior to such Purchase Date, which states the principal amount of such Bond to be tendered for purchase and the Purchase Date, and (ii) delivery of such Bond to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in a form satisfactory to the Tender Agent, executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date.

Term Rate Period. On the first day of any Term Rate Period which is preceded by a Term Rate Period of the same duration, any Bond (or portion thereof in an authorized denomination) will be purchased from its holder, at a purchase price equal to 100% of the principal amount thereof plus accrued interest upon (i) delivery by the holder of such Bond to the Tender Agent at its Principal Office, of an irrevocable notice in writing, by 5:00 p.m., New York City time, on any Business Day not less than fifteen days prior to the Purchase Date which states the principal amount, or portion thereof, of such Bond to be purchased, and (ii) delivery of such Bond to the Tender Agent at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date.

Bonds tendered for purchase under the provisions of the Instrument must be delivered to the Principal Office of the Tender Agent; provided that so long as any Bond is held in book-entry form, such Bond need not be delivered in connection with any tender pursuant to the provisions of the Instrument described in this Section.

Mandatory Tender for Purchase

The Bonds are subject to mandatory tender for purchase at a purchase price equal to the principal amount thereof, plus accrued interest to the purchase date therefor, on any of:

(a) as to any Bond, the effective date for any change in a Rate Period for such Bond other than the effective date for a Term Rate Period which was preceded by a Term Rate Period of the same duration;

(b) as to each Bond in a Flexible Rate Period, the day next succeeding the last day of any Flexible Segment with respect to such Bond;

(c) as to all Bonds of a Series, the second Business Day next preceding the termination of any Credit Facility with respect to such Series (whether upon the stated termination date thereof or upon the substitution of a different Credit Facility) unless the Trustee shall have received, on or before the twentieth day prior to such termination date, written confirmation from each Rating Agency then rating the Bonds that such termination shall not result in the lowering or withdrawal of the then current ratings on the Bonds of such Series;

(d) as to all Bonds of a Series, a day, as specified by the Trustee, not more than twenty days after receipt by the Trustee from the Credit Provider with respect to such Series, within seven days after a drawing on the Credit Facility with respect to such Series, of a notice to the effect that the Credit Provider has not been reimbursed for such drawing, and that the amount available to be drawn thereunder has not been reinstated and directing the Trustee to give notice of such mandatory tender and to purchase such Bonds on the applicable Purchase Date; or

(e) as to all Bonds of a Series, on a day, as specified by the Trustee, not more than twenty days after receipt by the Trustee from the Credit Provider with respect to such Bonds, of a written notice stating that an event of default has occurred under the applicable Reimbursement Agreement and directing the Trustee to give notice of such mandatory tender and to purchase such Bonds on the applicable Purchase Date.

The Bonds are also subject to mandatory tender for purchase on the day next succeeding any Term Rate Period which ends prior to the day originally established as the last day of such Term Rate Period at a purchase price equal to the principal amount thereof plus an amount equal to any premium which would have been payable on such day had the Company directed optional redemption of such Bonds on that day.

On the day next succeeding the last day of any Flexible Segment for any Bond, such Bond shall be purchased (as described in clause (b) above) unless the holder thereof elects to retain its investment in the Bond and not to have such Bond purchased by delivery to the Tender Agent at the Principal Office of the Tender Agent not later than 11:00 a.m., New York City time, on the first day of the applicable Flexible Segment, of an irrevocable telephonic notice which states that such Bond is not to be so purchased. Payment of interest on Bonds to be retained shall be made only upon exchange thereof for a Bond bearing a notation of the new Flexible Segment and new Flexible Rate.

The Trustee shall give notice by first-class mail to the holders of a series of Bonds of the termination of any Credit Facility with respect to such series and of the provision of any proposed substitute Credit Facility with respect to such Series, not later than the fifteenth day prior to such termination or provision. Such notice shall (i) include a general description of any Credit Facility in effect prior to such termination or substitution and any substitute Credit Facility to be in effect on such termination or provision, (ii) state the date of such termination or provision, (iii) state the ratings, if any, expected for the Bonds after such termination or provision, and (iv) if by the twentieth day prior to such termination or provision the Trustee shall not have received written confirmation from each nationally recognized rating agency then rating the Bonds that such termination or provision will not result in the lowering or withdrawal of the then current rating or ratings on the Bonds, state that the Bonds shall be subject to mandatory tender for purchase on the second Business Day next preceding such termination as described above in clause (c).

The Trustee shall give notice by first-class mail to the holders of the affected Bonds of any mandatory tender occurring by reason of clause (d) or (e) above no later than five days after receiving the notice from the Credit Provider as described in such clause (d) or (e), as applicable, and not less than fifteen days prior to the mandatory tender date described in such clause (d) or (e), as applicable.

Redemption of Bonds

Optional Redemption—Daily Rate Period or Weekly Rate Period. On any Business Day during a Daily Rate Period or a Weekly Rate Period for a Series of Bonds, the Bonds are subject to redemption, at the option of the Company, in whole or in part, at 100% of their principal amount, plus accrued interest, if any, to the redemption date.

Optional Redemption—Monthly Rate Period. On any Interest Payment Date during a Monthly Rate Period, the Bonds are subject to redemption at the option of the Company, in whole or in part, at 100% of their principal amount.

Optional Redemption—Flexible Rate Period. On the day next succeeding the last day of any Flexible Segment with respect to any Bond, such Bond is subject to redemption at the option of the Company, in whole or in part, at 100% of its principal amount.

Optional Redemption—Term Rate Period. On the next day succeeding the last scheduled day of any Term Rate Period with respect to a Series of Bonds, such Bonds shall be subject to redemption at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date. During any Term Rate Period the Bonds are subject to redemption, at the option of the Company, during the periods specified below, in whole at any time or in part from time to time, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued interest, if any, to the redemption date:

Length of Term Rate Period (in years)	Redemption Dates and Prices
Greater than 15	At any time on or after the first day of the calendar month following the tenth anniversary of the effective date at 102% declining 1% annually to 100%
Greater than 10 and less than or equal to 15	At any time on or after the first day of the calendar month following the fifth anniversary of the effective date at 102% declining 1% annually to 100%
Greater than 7 and less than or equal to 10	At any time on or after the first day of the calendar month following the third anniversary of the effective date at 102% declining 1% annually to 100%
Greater than 4 and less than or equal to 7	At any time on or after the first day of the calendar month following the second anniversary of the effective date at 101% declining 0.5% annually to 100%
Greater than 2 and less than or equal to 4	At any time on or after the first day of the calendar month following the second anniversary of the effective date at 101% declining 0.5% each six months thereafter to 100%
Greater than 1 and less than or equal to 2	At any time on or after the first day of the calendar month following the first anniversary of the effective date at 100.5%, declining 0.5% six months thereafter to 100%
Less than or equal to 1	Not redeemable

The Company shall have the option to cause the Rate Period for any Series of Bonds to change on any date on which such Bonds are subject to redemption as provided above, in which event such Bonds shall be subject to mandatory tender at the applicable price set forth above, as described in the second paragraph under "—Mandatory Tender for Purchase."

With respect to any Term Rate Period, the Company may, in the notice required by the Instrument with respect to an adjustment to or continuation of a Term Rate Period, specify redemption prices and periods other than those set forth above; provided, however, that such notice shall be accompanied by an opinion of bond counsel stating that such changes in redemption prices and periods (i) are authorized or permitted by the applicable Act and the Instrument, and (ii) will not adversely affect the Tax-Exempt status of the Bonds.

Extraordinary Optional Redemption. The Bonds will be redeemed in whole or in part at any time at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date upon receipt by the Trustee of a written notice from the Company stating that any of the following events has occurred and that the Company therefore intends to exercise its option to prepay the payments due under the Agreement and thereby effect the redemption of Bonds in whole or in part:

(a) the Plant or the Project or a portion thereof the original cost of which is equal to or greater than $500,000 shall have been damaged or destroyed to such extent that, in the opinion of the Company (i) it is not practicable or desirable to rebuild, repair or restore the Project or such portion thereof within a period of six consecutive months following such damage or destruction, (ii) the Company is or will be thereby prevented from carrying on its normal operations at the Project or such portion thereof for a period of six consecutive months, or (iii) the cost of restoration thereof would substantially exceed the net proceeds of insurance carried thereon;

(b) title to, or the temporary use of, the Plant or the Project or a portion thereof the original cost of which is equal to or greater than $500,000 shall have been taken under the exercise of the power of eminent domain, including such a taking as results (or is likely to result) in the Company being prevented from carrying on normal operations at the Project or such portion thereof for a period of six months or as renders the Project or such portion thereof unsuitable for use by the Company;

(c) unreasonable burdens or excessive liabilities, in the opinion of the Company, shall have been imposed on the Company, including, without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Agreement; or

(d) any court or administrative body or regulatory agency shall enter a judgment, order or decree requiring the Company to cease all or any substantial part of its operations at the Project or a portion thereof the original cost of which is equal to or greater than $500,000, to such an extent that, in the opinion of the Company it is or will be thereby prevented from carrying on its normal operations at the Project or such portion thereof for a period of six consecutive months.

Mandatory Redemption. Upon the occurrence of any of the following events, the Bonds of any affected Series shall be redeemed, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, from amounts required to be prepaid by the Company:

(A) in whole on any date upon a Determination of Taxability (as hereinafter defined); provided, however, that if, in the opinion of nationally recognized bond counsel delivered to the Issuer and to the Trustee, the redemption of a specified portion of such Bonds outstanding would have the result that interest payable on such Bonds remaining outstanding after such redemption would remain Tax-Exempt, then such Bonds shall be redeemed in part by lot (in Authorized Denominations) in such amount as such bond counsel in such opinion shall have determined is necessary to accomplish that result; or

(B) in whole upon the acceleration of payments due with respect to such Series under the Agreement following an Event of Default (as such term is defined in the Agreement) thereunder; provided, however, that such redemption shall not occur if, pursuant to the Agreement, the acceleration of such payments is annulled prior to the

redemption date and, in such event, the Trustee will promptly give written notice of such annulment to the Issuer and the Company, and will give notice thereof to the holders of the Bonds and each Credit Provider.

For purposes of the foregoing, "Determination of Taxability" means a determination that interest payable on any Bond is includable in the gross income for federal income tax purposes of the holder of such Bond (other than a holder who is a "substantial user" of the Project or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code). Such determination shall be deemed to have been made upon the date on which, due to the untruth or inaccuracy of any representation or warranty made by the Company in the Agreement, or in connection with the offer and sale of the Bonds, or the breach of any covenant or warranty of the Company contained in the Agreement, interest on the Bonds, or any of them, is determined to be includable in the gross income for federal income tax purposes of the owners thereof (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code) by a final administrative determination of the Internal Revenue Service or a final judicial decision of a court of competent jurisdiction in a proceeding of which the Company received notice and was afforded an opportunity to participate to the full extent permitted by law. A determination or decision will not be considered final for purposes of the preceding sentence unless (A) the holder or holders of the Bonds involved in the proceeding in which the issue is raised (i) shall have given the Company and the Trustee prompt notice of the commencement thereof, and (ii) shall have offered the Company the opportunity to control the proceeding; provided the Company agrees to pay all expenses in connection therewith and to indemnify such holder or holders against all liability for such expenses (except that any such holder may engage separate counsel, and the Company shall not be liable for the fees or expenses of such counsel); and (B) such proceeding shall not be subject to a further right of appeal or shall not have been timely appealed.

Notice and Manner of Redemption; Effect. Notice of redemption shall be given by the Trustee, not fewer than 15 nor more than 60 days prior to the redemption date, (i) by first-class mail to the registered holder of each Bond to be redeemed at such registered holder's address as it appears on the registration books and to the applicable Credit Provider and (ii) by telecopy, confirmed by first-class mail, to the Securities Depositories (as defined in the Instrument) and one or more Information Services (as defined in the Instrument). During the continuance of a book-entry system, the Trustee shall not be obligated to give notices to beneficial holders. See "—Book-Entry Only System" below. Each notice of redemption shall state, among other things, the redemption date, the place of redemption, the source of funds to be used for such redemption and the principal amount, and shall also state that the interest on the Bonds designated for redemption shall cease to accrue from and after such redemption date and that on such date there will become due and payable on each of the Bonds the principal amount thereof to be redeemed, interest accrued thereon, if any, to the redemption date and the premium, if any, thereon (such premium to be specified). No publication of notice is required. If less than all the Bonds are called for redemption, the Trustee shall select Bonds to be redeemed by lot.

With respect to any notice of optional redemption, unless upon the giving of such notice such Bonds shall be deemed to have been paid, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of Available Amounts (as defined in the Instruments) sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such Available Amounts shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such Available Amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such Available Amounts were not so received.

If moneys for payment of the redemption price are held by the Trustee, Bonds called for redemption shall become due and payable on the redemption date at the applicable redemption price, interest on the Bonds called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any lien, benefit or security under the Instrument, and the holders of the Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof (including interest, if any, accrued to the redemption date), without interest accrued on any funds held to pay such redemption price.

Failure to mail notice of redemption to any registered owner of the Bonds or any defect therein in respect of any Bond will not affect the validity of the redemption of any other Bonds and will not extend the period for making elections or in any way change the rights of the holders of the Bonds to elect to have their Bonds purchased as provided in the Instrument. Failure to give notice of redemption to any one or more of the Information Services or Securities Depositories or the insufficiency of any of any such notices will not affect the sufficiency of the proceedings for redemption.

If, thirty days after any redemption date, any Bonds called for redemption have not been presented to the Trustee for payment, the Trustee will no later than sixty days following such redemption date send notice by first-class mail to the holder of each Bond not so presented.

Transfer and Exchange

Bonds may be transferred or exchanged for other Bonds in Authorized Denominations at the Principal Office of the Registrar, initially the Trustee. Exchanges and transfers shall be made without charge to the holders, except for any applicable tax, fee or other governmental charge. The Registrar is not required to effect any transfer or exchange of any Bonds during the seven days preceding the mailing of any notice of redemption or of any Bonds called for redemption.

Book-Entry Only System

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants (the "Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuers or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants. Beneficial Owners of the Bonds will have no lien or security interest in any rebate or refund paid by DTC to the Paying Agent which arises from the payment by the Paying Agent of principal of or interest on the Bonds to DTC.

Notwithstanding anything to the contrary in the foregoing paragraphs, the Tender Agent shall accept any notice of tender from any Beneficial Owner of any Bond held in book-entry form, but shall make payment of the purchase price thereof only to the registered owner of such Bond.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuers or the Trustee. In such event or if the Company determines to discontinue the services of DTC, certificates for the Bonds will be delivered as described in the Instrument unless a successor securities depository is appointed by the Issuers (with the consent or at the direction of the Company).

THE ISSUERS, THE COMPANY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES, AND NONE OF THEM HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER, WITH RESPECT TO, AMONG OTHER THINGS, (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE BONDS; (III) THE DISTRIBUTION OF ANY REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO. (INCLUDING THE TIMELINESS OF SUCH DISTRIBUTION); OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Company believes to be reliable, but neither the Issuers nor the Company nor the Underwriters take any responsibility for the accuracy thereof.

The Letters of Credit

The following description applies to each of the Maricopa Series A and B Letters of Credit, the Maricopa Series C Letter of Credit, the Maricopa Series D, E and F Letters of Credit and the Farmington Letter of Credit. The Letters of Credit are irrevocable obligations of the applicable Credit Provider to pay to the Maricopa Trustee or the Farmington Trustee, as the case may be, upon request, (i) in order to pay interest on the respective Series of Bonds as such interest becomes due, an amount not exceeding the interest on such Series of Bonds for up to sixty-two days computed at the rate of 12% per annum, and (ii) in order to pay principal on the respective Series of Bonds as such principal becomes due, an amount not exceeding the principal amount of the respective Series of Bonds. Each Letter of Credit will terminate on the earliest of (i) the stated expiration date of the Letter of Credit (as described below), (ii) the substitution of an Alternate Credit Facility (as described below), (iii) the date notified to the applicable Credit Provider by the applicable Trustee as the date on which there is no longer any related Bond outstanding, (iv) the Credit Provider honoring a draft upon the maturity, acceleration, redemption, or purchase due to mandatory tender under the circumstances described in subparagraphs (c), (d) and (e) of the first paragraph under the heading "—Mandatory Tender for Purchase" above, of all of the related Series of

Bonds and, in any event, at the close of business on the effective date of any such mandatory tender; or (v) the Credit Provider honoring a draft upon purchase due to mandatory tender upon a change in Rate Period of the related Series of Bonds to a Term Rate Period or a Flexible Rate Period, and in any event, at the close of business on the effective date of a change in Rate Period of the related Series of Bonds to a Term Rate Period or a Flexible Rate Period. The stated expiration date of each of the Letters of Credit is as follows:

Maricopa Series A and B	November 15, 1996
Maricopa Series C	January 14, 1996
Maricopa Series D, E and F	May 15, 1997
Farmington Series A	February 15, 1995

The termination of a Letter of Credit may result in a mandatory tender of the related Series of Bonds unless certain conditions are satisfied. See "—Mandatory Tender for Purchase."

The obligation of the applicable Credit Provider under the related Letter of Credit will be reduced to the extent of any drawings thereunder. With respect to a drawing by the applicable Trustee to pay interest on the related Series of Bonds, unless the Trustee has received from the applicable Credit Provider within seven calendar days from the date of such drawing a notice that the Credit Provider has not been reimbursed, the Trustee's right to draw under the Letter of Credit will be automatically reinstated by the amount of such drawing. With respect to a drawing by the applicable Trustee to pay the purchase price of the related Series of Bonds tendered for purchase, except in the case of a mandatory tender of the related Series of Bonds under certain circumstances, the amount available under the related Letter of Credit for the payment of principal of and interest on such Bonds will be reinstated to the extent the Credit Provider is reimbursed for amounts so drawn.

Notice from a Credit Provider to the related Trustee of the failure by the Company to reimburse the Credit Provider pursuant to the terms of the related Reimbursement Agreement within seven days of a drawing or notice from a Credit Provider to the related Trustee of an event of default under the related Reimbursement Agreement will result in a mandatory tender of the related Series of Bonds. See "—Mandatory Tender for Purchase." Only the Trustee for a particular Series of Bonds is entitled to make a drawing under the related Letter of Credit supporting such Series.

Substitution of Credit Facility

As provided in the Instrument, the Company may at any time terminate any Credit Facility; provided, however, that the Company may not terminate any Credit Facility for a Bond during any Term Rate Period or Flexible Segment with respect to such Bond. See "—The Ordinance and the Indenture—Credit Facilities; Credit Provider Bonds." If there shall have been delivered to the Issuer and the Trustee (i) a substitute Credit Facility and (ii) an opinion of bond counsel to the effect that the delivery of such Credit Facility to the Trustee is permitted under the Act and the Agreement and complies with the terms of the Agreement and the Instrument and that the delivery of such Credit Facility will not adversely affect the Tax-Exempt status of interest on the Bonds, then the Trustee shall accept such Credit Facility. In the event that the Company elects to terminate a Credit Facility or to provide a substitute Credit Facility, the related Series of Bonds are subject to mandatory tender unless the Trustee shall have received written confirmation from each Rating Agency (as defined in the Instrument) then rating such Bonds at least twenty days prior to such termination or substitution that such Rating Agency's then current rating on such Bonds will not be lowered or withdrawn as a result of such termination or provision. Subject to the qualifications stated above, the Company is not required to maintain a Credit Facility in support of the Bonds.

THE AGREEMENTS

The Loan Agreement and the Sale Agreement will operate independently of each other. However, except as otherwise described, each Agreement contains substantially the same terms and provisions, and the following is a summary of certain provisions of each Agreement. All references in this summary to the Agreement, the Issuer, the Bonds, the Prior Bonds, the Instrument, the Project and similar references shall be read as relating to each of the two Agreements and the Issuer, the Bonds, the Prior Bonds, the Indenture or Ordinance and the Project related thereto unless the context clearly indicates otherwise.

General

The Maricopa Issuer will enter into the Loan Agreement with the Company, pursuant to which the Maricopa Issuer will lend to the Company the proceeds from the issuance and sale of the Bonds to repay the loan payments associated with the Prior Bonds and to facilitate the redemption of the Prior Bonds. The Loan Agreement will provide that all right, title and interest of the Issuer in and to the Loan Agreement (except for the right to receive payment of certain fees and expenses, certain notices and certain rights of indemnification and the right to give approvals or consents pursuant to the Agreement) will be assigned to the Trustee, as security for the benefit of the holders of Bonds.

The City of Farmington will enter into the Sale Agreement with the Company confirming the prior sale of the Company's interests in the Farmington Project by the Company to the City of Farmington and then by the City of Farmington to the Company. The purchase price of the Farmington Project to be paid by the Company includes an amount equal to the aggregate of the principal and premium, if any, and interest on the Farmington Bonds.

Amendment of Description of the Project

In the event that the Company desires to amend or supplement the Project, and the Issuer approves of such amendment or supplement, the Issuer will enter into, and will instruct the Trustee to consent to, such amendment or supplement upon receipt of:

(i) a certificate of the Company describing in detail the proposed changes and stating that they will not have the affect of disqualifying any component of the Project as a facility that may be financed pursuant to the Act;

(ii) a copy of the proposed form of amended or supplemented Project description; and

(iii) an opinion of nationally recognized bond counsel to the effect that such proposed changes will not adversely affect the Tax-Exempt status of interest on the Bonds.

Repayment Installments (Loan Agreement); Purchase Price Installments (Sale Agreement)

The Company has agreed under the Loan Agreement to make repayment installments ("Repayment Installments") in amounts sufficient to pay the principal of and premium, if any, and interest on the Maricopa Bonds when due; provided, however, that the Company's obligation to make such payments will be deemed satisfied and discharged to the extent of the corresponding payment made by any Credit Provider under a Credit Facility. The Company has agreed under the Sale Agreement to pay the Purchase Price of the Farmington Project ("Purchase Price Installment"), which is an amount equal to the aggregate principal amount of the Farmington 1985 A Prior Bonds and the Farmington Bonds, plus interest on such amount outstanding from time to time, in the amounts and at the times necessary to enable the Farmington Trustee, on behalf of the Farmington Issuer, to pay when due all amounts payable with respect to the Farmington 1985 A Prior Bonds and the Farmington Bonds, whether as principal, premium, interest or otherwise, and, whether at maturity, upon redemption or otherwise. The Company's obligations to pay the Purchase Price will be reduced from time to time by any amount drawn under the letter of credit supporting the Farmington 1985 A Prior Bonds and a Credit Facility supporting the

Farmington Bonds and applied to the corresponding payment of principal of and interest on the Farmington 1985 A Prior Bonds and the Farmington Bonds.

The Company has the option and in certain circumstances the obligation to prepay all or a portion of the Repayment Installments or the Purchase Price Installments upon the happening of certain events as described under "The Bonds—Redemption of Bonds" and "The Indenture and the Ordinance—Acceleration." To the extent mandatory redemption of the Bonds is required as described under "The Bonds—Redemption of Bonds—Mandatory Redemption," the Company must make the required prepayment (a) within 180 days of any Determination of Taxability giving rise to such prepayment, (b) immediately in the case of any acceleration of payments following an event of default under the Agreement and (c) immediately upon receipt from the Trustee of any acceleration of the maturity of any Bonds pursuant to the Instrument. In the event the Company elects or is required to make a prepayment under the Agreement, the Company must give written notice to the Issuer and the Trustee of such prepayment.

The Company's obligations to make payments required by the Agreement and to perform and observe the other agreements on its part contained in the Agreement are absolute and unconditional. Until such time as the principal of and premium, if any, and interest on all of the Bonds shall have been fully paid (or provision for the payment thereof shall have been made as required by the Instrument), the Company shall perform and observe all of its agreements contained in the Agreement and will not terminate the Agreement, except as otherwise provided therein.

Special Covenants of the Company

Special covenants of the Company under the Agreement include the following:

Maintenance of Corporate Existence. The Company agrees that during the term of the Agreement it will maintain its corporate existence in good standing and will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another person or permit one or more other persons to consolidate or merge into it; provided that the Company may consolidate with or merge into another person, or permit one or more other persons to consolidate with or merge into it, or sell or otherwise transfer to another person all or substantially all of its assets and thereafter dissolve, provided that (1) either (a) the Company is the surviving person or (b) the surviving, resulting or transferee person, as the case may be, (i) assumes and agrees in writing to pay and perform all of the obligations of the Company under the Agreement and (ii) qualifies to do business in the State of Arizona (with respect to the Loan Agreement) or New Mexico (with respect to the Sale Agreement); and (2) the Company shall deliver to the Trustee an opinion of nationally recognized bond counsel to the effect that such consolidation, merger or transfer and dissolution does not in and of itself adversely affect the Tax-Exempt status of interest on the Bonds.

Assignments. The rights and obligations of the Company under the Agreements may be assigned by the Company, with the written consent of the Issuer, in whole or in part, provided that, any assignment other than an assignment described above under "Maintenance of Corporate Existence," will be subject to the following conditions: (i) no such assignment shall relieve the Company from primary liability for any of its obligations under the Agreement, and the Company shall continue to remain primarily liable for the payments specified in the Agreement and for the performance of its other obligations thereunder, (ii) the Company shall retain such rights and interests as will permit it to perform its obligations under the Agreement, and any assignee from the Company shall assume the obligations of the Company to the extent of the interest assigned and (iii) the Issuer and the Trustee shall be furnished a true and complete copy of such assignment together with an instrument of assumption and an opinion of nationally recognized bond counsel that such assignment will not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds.

Maintenance and Repair. The Company agrees that, to the extent within its control, as long as it owns or operates the Project, it will maintain the Project, or cause the Project to be maintained, in as reasonably safe condition as its operations shall permit and in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof; provided, however, that the Company will have no obligation to maintain, preserve, keep, repair, replace or renew any item or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomic because of damage or destruction or obsolescence (including economic obsolescence) or change in governmental standards and regulations, or the termination of the operation of the generating facilities to which the portion of the Project is an adjunct, and (b) with respect

to which the Company has furnished to the Issuer and the Trustee a certificate executed by an authorized Company representative that the maintenance, preservation, keeping, repair, replacement or renewal of such portion of such Project is being discontinued for one of the foregoing reasons, which shall be stated therein.

The Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of the Agreement as part of the Project.

Tax Covenants

Under the Loan Agreement, the Maricopa Issuer certifies and represents that it has not taken, and the Maricopa Issuer covenants and agrees that it will not take, any action which results in interest paid on the Maricopa Bonds being included in gross income of the holders of the Maricopa Bonds for federal income tax purposes; and the Company certifies and represents that it has not taken or, to the extent within its control, permitted to be taken, and the Company covenants and agrees that it will not take or, to the extent within its control, permit to be taken, any action which will cause the interest on the Maricopa Bonds to become includable in gross income of the holders thereof for federal income tax purposes (except for any Maricopa Bond during any period while such Maricopa Bond is held by a "substantial user" of the Maricopa Plant or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code); provided that none of the covenants and agreements contained in the Loan Agreement shall require either the Company or the Maricopa Issuer to enter an appearance or intervene in any administrative, legislative or judicial proceeding in connection with any changes in applicable laws, rules or regulations or in connection with any decisions of any court or administrative agency or other governmental body affecting the taxation of interest on the Maricopa Bonds.

Under the Sale Agreement, the Farmington Issuer covenants and agrees that it will not take or omit to take any action reasonably within its control that will cause the Farmington Bonds to be "arbitrage bonds" within the meaning of Section 148 of the 1986 Code or otherwise subject to federal income taxation by reason of Sections 103 and 141 through 150 of the 1986 Code and any applicable regulations thereunder. The Company certifies and represents that it has not taken or, to the extent within its control, permitted to be taken, and the Company covenants and agrees that it will not take or, to the extent within its control, permit to be taken, any action which will cause the interest on the Farmington Bonds to become includable in gross income of the holders thereof for federal income tax purposes (except for any Farmington Bond during any period while such Farmington Bond is held by a "substantial user" of the Farmington Plant or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code). None of the covenants and agreements contained in the Sale Agreement will require either the Company or the Farmington Issuer to enter an appearance or intervene in any administrative, legislative or judicial proceeding in connection with any changes in applicable laws, rules or regulations or in connection with any decisions of any court or administrative agency or other governmental body affecting the taxation of interest on the Farmington Bonds.

Events of Default

Any one of the following events will constitute an event of default under the Agreement:

(a) failure by the Company to pay Repayment Installments (in the case of the Loan Agreement) or Purchase Price Installments (in the case of the Sale Agreement) when due with respect to a Series of Bonds;

(b) failure of the Company to observe and perform any covenant, condition or agreement on its part required to be observed or performed by the Agreement (other than a failure resulting in an Event of Default referred to in (a) above) which continues for a period of sixty days after written notice, which notice shall specify such failure and request that it be remedied, given to the Company by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Issuer and the

Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected; or

(c) certain specified events of bankruptcy or insolvency of the Company.

The Company shall not be deemed in default under clause (b) above if and so long as the Company is unable to carry out its agreement under the Agreement by reason of certain causes or events not reasonably within the control of the Company, as specified in the Agreement.

Remedies on Default

Whenever any Event of Default shall have occurred and shall continue,

(a) The Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of the Bonds outstanding, shall, by notice in writing delivered to the Company with copies of such notice being sent to the Issuer and each Credit Provider, declare the unpaid balance of the loan (in the case of the Loan Agreement) or the Purchase Price (in the case of the Sale Agreement) attributable to the affected Bonds and the interest accrued thereon to be immediately due and payable, and such interest and principal shall thereupon become immediately due and payable; provided, however, that the Trustee shall not accelerate the unpaid balance of the loan (in the case of the Loan Agreement) or the Purchase Price (in the case of the Sale Agreement) attributable to any series of Bonds secured by a Credit Facility without the prior written consent of the applicable Credit Provider. Upon any such acceleration the Bonds of the affected Series shall be subject to mandatory redemption as provided in the Instrument.

(b) The Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Company.

(c) The Issuer or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Company under the Agreement.

The provisions of clause (a) of the preceding paragraph are subject to the condition that if, at any time after any portion of the loan (in the case of the Loan Agreement) or the unpaid balance of the Purchase Price of the Farmington Project (in the case of the Sale Agreement) shall have been declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the affected Bonds matured prior to such declaration and all matured installments of interest (if any) upon all such Bonds, with interest on such overdue installments of principal as provided herein, and the reasonable expenses of the Trustee, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on such Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then the holders of at least a majority in principal amount of the affected Bonds then outstanding by written notice to the Issuer and to the Trustee accompanied by the written consent of the Credit Provider with respect to the affected Bonds, may, on behalf of the holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default. No such recision and annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Insurance; Condemnation (Sale Agreement)

So long as any of the Farmington Bonds are outstanding, the Company has agreed to maintain, through a program of self-insurance or otherwise, such fire, casualty and other insurance with respect to the Farmington Project as is customarily carried by electric utility companies with respect to similar facilities, and all proceeds of such insurance shall be for the account of the Company. In the event that title to or the temporary use of the Farmington Project or any part thereof shall be taken in condemnation or by the exercise of the power of eminent domain by any governmental body or by

any person, firm or corporation acting under governmental authority, the net proceeds of any award shall, to the extent of the Company's interest therein, shall be paid for the account of the Company, and the City of Farmington shall cooperate fully in the handling and conduct of any condemnation proceeding.

Fees, Expenses and Indemnification

The Company has agreed to pay certain expenses in connection with the issuance of the Bonds and the refinancing of the Project. The Company will indemnify the Issuer and the Trustee against certain costs and charges, including the reasonable fees of attorneys incurred in good faith or arising out of or in connection with any collection or enforcement action under the Agreement. The Company will also indemnify and hold harmless the Issuer and the Trustee against certain liabilities arising out of or connected with the Project, the issuance of the Bonds or the performance of the Instrument.

Assignment

Pursuant to the Instrument, the Issuer will assign to the Trustee its rights under and interests in, but not its obligations under, the Agreement, other than its rights to receive its fees and expenses and its rights to indemnification as described above, and certain rights to receive notices and to provide consents under the Agreement.

Amendments

Except under certain limited circumstances set forth in the Agreement and the Instrument, the Agreement may not be amended without the prior written consent of the Trustee and the Credit Provider for the related Series of Bonds. See "The Indenture and the Ordinance—Amendments."

THE INDENTURE AND THE ORDINANCE

The Indenture and the Ordinance will operate independently of each other. However, except as otherwise described herein each Instrument contains substantially the same terms and provisions, and the following is a summary of certain provisions of each Instrument. All references in this summary to the Instrument, the Issuer, the Agreement, the Bonds, the Project and similar references shall be read as relating to each of the two Instruments and the Issuer, the Agreement, the Bonds and the Project related thereto unless the context clearly indicates otherwise.

The Ordinance, in addition to providing for the issuance of the Farmington Bonds, also provides for the issuance of 1994 Series B Farmington Bonds in the maximum aggregate principal amount of $65,750,000, which will not be issued in connection with the issuance of the Bonds.

Bond Fund; Series Credit Facility Accounts

The Bond Fund, into which the Revenues derived under the Agreement and certain other amounts specified in the Instrument (including all amounts received by the Trustee pursuant to any Credit Facility except amounts to be used to pay the purchase price of tendered Bonds) will be deposited, will be maintained with the Trustee. While any Bonds are outstanding and except as otherwise provided in the Instrument, moneys in the Bond Fund will be used for the payment of the principal of and premium, if any, and interest on, the Bonds as the same shall become due, whether at maturity, upon redemption or acceleration or otherwise.

Within the Bond Fund, the Trustee shall establish and maintain a separate Series Credit Facility Account with respect to each Series of Bonds. Except to the extent such proceeds are used to pay the purchase price of Bonds tendered, proceeds of drawings under any Credit Facility provided with respect to a Series of Bonds shall be deposited in the applicable Series Credit Facility Account.

In making payments of principal of, premium, if any, and interest on a Series of Bonds, the Trustee shall (a) first used any Available Amounts held in the Bond Fund, other than amounts held in the Series Credit Facility Accounts, (b) then use amounts held in the applicable Series Credit Facility Account, and (c) then use any other Revenues (as defined in the Instruments) received by the Trustee (except amounts on deposit in the Series Credit Facility Accounts established with respect to other Series of Bonds).

Investment of Funds

Except as provided in the Agreement and the Instrument, any moneys held in any fund or account established pursuant to the Instrument, including the Bond Fund, shall be invested by the Trustee, upon written direction of the Company, in any securities or other evidences of indebtedness or demand deposits to the extent such investments are permitted under the laws of the State of Arizona (in the case of the Indenture) or New Mexico (in the case of the Ordinance).

Credit Facilities; Credit Provider Bonds

The Trustee will accept the Letters of Credit as the initial Credit Facilities with respect to the Bonds. See "The Bonds—The Letters of Credit." The Company has the right at any time to terminate any Credit Facility and to provide a substitute Credit Facility with respect to any Series of Bonds; provided, that no such termination or substitution may be made with respect to any Bond during any Term Rate Period or Flexible Segment with respect to such Bond.

In the case of a Credit Facility in the form of a letter of credit, the Trustee shall draw on such Credit Facility subject to and in accordance with its terms, in order to receive payment thereunder not later than the time payment is due on the Bonds on the following dates in the following amounts:

(i) On each Interest Payment Date, in an amount which will be sufficient to pay all interest due and payable on the outstanding Bonds of the related Series on such Interest Payment Date;

(ii) On any date fixed for payment, defeasance (if a defeasance drawing is allowed under the applicable Credit Facility) or redemption of the related Series of Bonds in part, in an amount which, together with amounts drawn pursuant to clause (i) above, will be sufficient to pay the amount due on such Bonds, including accrued interest;

(iii) On the date fixed for payment of the related Series of Bonds in connection with any declaration of the acceleration of the maturity of the Bonds of such Series following an Event of Default, in an amount which will be sufficient to pay all principal and interest due on such Bonds as a result of such declaration on the date fixed for such payment;

(iv) On each Purchase Date, in an amount sufficient to pay the purchase price of any Bonds of the related Series tendered or deemed tendered pursuant to the Instrument and for which such purchase price has not been received upon the remarketing of such Bonds; and

(v) On the final maturity, defeasance (if a defeasance drawing is allowed under the applicable Credit Facility) or redemption date of the Bonds of the related Series in an amount which, together with amounts drawn pursuant to clause (i) above, will be sufficient to pay the principal, premium, if any, and interest due on all outstanding Bonds of such Series on such final maturity, defeasance or redemption date.

Any Bonds purchased with a drawing under a Credit Facility pursuant to clause (iv) above either (i) shall be registered in the name of or as otherwise directed by the Credit Provider and delivered to or upon the order of such Credit

Provider or (ii) shall be held by the Tender Agent or such other person as may be designated by the applicable Credit Provider in the name and on behalf of the Company or as otherwise provided by such Credit Provider and pledged to such Credit Provider, in each case in accordance with the terms of the applicable Reimbursement Agreement; provided, that if such Bonds are then registered in the name of DTC or its Nominee, the Trustee shall immediately upon making any draw on a Credit Facility pursuant to clause (iv) above notify the Tender Agent. Upon receipt of such notice, the Tender Agent shall direct DTC to cause any Bonds purchased with the proceeds of such draw to be transferred to such account at DTC as may be directed by the Credit Provider, and such Bonds shall be held in the name of or for the account of the applicable Credit Provider or as may be directed by such Credit Provider (such Bonds, "Credit Provider Bonds").

Events of Default

The Instrument defines the occurrence of any of the following events to be an "Event of Default" with respect to the Bonds:

(a) failure to make payment of any installment of interest on any Bond when such installment shall have become due and payable;

(b) failure to make due and punctual payment of the principal of or premium, if any, on any Bond at the stated maturity thereof, or when such Bond has become due and payable upon proceedings for redemption thereof, or upon the maturity thereof by declaration of acceleration or failure to make any payment necessary to purchase Bonds tendered for purchase in accordance with the Instrument; or

(c) default by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Instrument or in any Bond and the continuance of such default for a period of 60 days after written notice thereof shall have been given to the Issuer, the Company and each Credit Provider by the Trustee, or to the Issuer, the Company, each Credit Provider and the Trustee by the holders of not less than 25% in aggregate principal amount of the Bonds at the time outstanding; provided that if the Issuer, the Company or a Credit Provider diligently pursues the correction of any such failure which cannot be corrected within 60 days, such failure will not constitute an Event of Default.

Acceleration

Upon the occurrence and continuation of an Event of Default, the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding shall, by notice in writing delivered to the Company and each Credit Provider, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable; provided, however, that with respect to any Series of Bonds secured by a Credit Facility, the Trustee shall not accelerate the maturity of such Series of Bonds without the prior consent of the applicable Credit Provider. The Instrument provides, however, that the Trustee is not required to take any action upon the occurrence and continuation of an Event of Default under (c) above until the Trustee has actual notice or knowledge of such Event of Default. After such declaration of acceleration, the Trustee shall immediately take such actions as are necessary to realize moneys under each Credit Facility and shall declare all Repayment Installments relating to the Maricopa Bonds or Purchase Price Installments relating to the Farmington Bonds, as the case may be, payable under the Agreement to be immediately due and payable in accordance with the terms thereof. Such provisions for acceleration are, however, subject to the condition that if, at any time after the principal of any Bonds of a Series shall have been declared due and payable, and before any judgment or decree for the payment of moneys due shall have been obtained or entered, there shall have been deposited with the Trustee a sum sufficient to pay all of the principal of such Bonds matured prior to such declaration and all matured installments of interest (if any) on such Bonds, with interest on such overdue installments of principal as provided in the Agreement and the reasonable expenses of the Trustee, and all other defaults known to the Trustee (other than in the payment of principal of and interest on such Bonds due and payable solely by reason of such declaration) under the Instrument are cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then the holders of a majority in aggregate principal amount of the Bonds of such Series then outstanding by written notice to the Issuer and

the Trustee accompanied by the written consent of the Credit Provider with respect to such Series may annul such declaration with respect to such Series and its consequences.

Other Remedies

In addition, upon the occurrence and continuation of an Event of Default the Trustee may, and upon the written request of the holders of a majority in aggregate principal amount of the Bonds then outstanding and receipt of indemnity to its satisfaction will, pursue any available remedy at law or in equity by suit, action or special proceeding to enforce its rights or the rights of the holders of the Bonds under the Act or the Instrument.

No holder of any Bond shall have the right to institute any suit, action or proceeding in equity or at law for the enforcement of any remedy unless such holder has given notice to the Trustee of the occurrence of an Event of Default, the holders of at least a majority in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee to so act, such holders shall have tendered to the Trustee reasonable indemnity against costs, expenses and liabilities, and the Trustee shall have failed to so act within thirty days after receipt of such written request and tender of indemnity. Nothing contained in the Instrument shall, however, without the consent of the holder of such Bond, affect or impair the right of the holder of any Bond to enforce the payment of the principal of and premium, if any, and interest on such Bond out of Revenues on and after the respective due dates expressed in such Bond.

Amendments

Without the consent of or notice to any of the holders of the Bonds, but with the consent of the Credit Provider for the affected Series of Bonds, the Maricopa Issuer and the Maricopa Trustee may enter into or adopt supplemental indentures, or the Farmington Issuer may adopt and the Farmington Trustee may accept supplemental ordinances, as the case may be, and the Trustee may, without the consent of any holders of the Bonds, consent to any waiver, amendment or modification ("Amendment") to the Agreement or any Credit Facility ("Document") in each case for any one or more of the following purposes: (a) to add to the covenants or agreements of the Issuer contained in the Instrument, or of the Company or any Credit Provider contained in any Document, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power reserved to or conferred upon the Issuer or the Company in such Document, provided that no such change shall materially adversely affect the interests of the holders of the Bonds, (b) to make such provision for the curing of any ambiguity, inconsistency, defect or omission in the Instrument or any Document or in regard to matters or questions arising thereunder as the Issuer may deem necessary or desirable and not inconsistent with the Instrument and which shall not materially adversely affect the interest of the holders of the Bonds, (c) to permit the qualification of the Instrument under the Trust Indenture Act of 1939 or any other similar federal statute and, if they so determine, to add to the Instrument or any indenture or ordinance, as the case may be, supplemental thereto any other terms, conditions and provisions as may be permitted by such Trust Indenture Act of 1939 or similar federal statute and which shall not adversely affect the interest of the holders of the Bonds, (d) to provide for any additional procedures, covenants or agreements necessary to maintain the Tax-Exempt status of interest on the Bonds, (e) to modify or eliminate the book-entry registration system for any of the Bonds, (f) to provide for the procedures required to permit any holder of a Bond to separate the right to receive interest on the Bonds from the right to receive principal thereof and to sell or dispose of such rights, as contemplated by Section 1286 of the Code, (g) to provide for the appointment of a co-trustee or the succession of a new Trustee, Registrar or Paying Agent, (h) to change the description of the Project in the Agreement in accordance with the provisions thereof and of the Tax Certificate; (i) to provide for a Credit Facility; (j) in connection with any other change which, in the judgment of the Trustee, will not adversely affect the security for the Bonds or the Tax-Exempt status of interest thereon or otherwise materially adversely affect the holders of the Bonds; or (k) to modify, alter, amend or supplement the Instrument or any Document in any other respect if the effective date of such supplemental indenture or ordinance or Amendment is a date on which all Bonds affected thereby are subject to mandatory tender for purchase or if notice of the proposed supplemental indenture or ordinance or Amendment is given to holders of the affected Bonds at least thirty days before the effective date thereof and, on or before such effective date, such holders of Bonds have the right to demand purchase of their Bonds pursuant to the Instrument.

Any other modification or amendment of the Instrument or the Agreement may be made only with the consent of the holders of a majority in aggregate principal amount of the Bonds (or, if such supplemental indenture or

ordinance or Amendment is only applicable to a Series of Bonds, such Series of Bonds) at the time outstanding and the Credit Providers for the affected Series of Bonds. No such modification or amendment shall be made which will have the effect of extending the time for payment or reducing any amount due and payable by the Company pursuant to the Agreement without the consent of all the holders of the Bonds, and no such supplemental indenture or ordinance shall (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each Bond so affected, or (2) reduce the aforesaid percentage of holders of Bonds whose consent is required for the execution of such supplemental indentures or ordinances, as the case may be, or permit the creation of any lien on the Revenues prior to or on a parity with the lien of the Instrument, except as permitted by the Instrument, or permit the creation of any preference of any holder of a Bond over any other holder of a Bond or deprive the holders of the Bonds of the lien created by the Instrument upon the Revenues or the pledge of any Credit Facility, without the consent of the holders of all the Bonds then outstanding.

The Trustee shall not execute any indenture or accept any ordinance, as the case may be, supplemental to, or amendatory of, the Instrument or consent to any amendment to any Document unless the Trustee shall have received the prior written consent of the Company.

Defeasance

If at any time the entire indebtedness or obligation on all outstanding Bonds shall have been paid (or shall be deemed to have been paid) and if all other sums payable under the Instrument by the Issuer shall be paid and discharged, and upon the occurrence of certain other conditions, the Instrument shall terminate, and the Trustee shall acknowledge its satisfaction and discharge.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem outstanding Bonds, whether upon or prior to their maturity or the redemption date of such Bonds (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for giving such notice), all liability of the Issuer and the Company in respect of such Bonds shall cease, terminate and be completely discharged, except that the Issuer and Company will remain liable for such payment but only from, and the holders of the Bonds will thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date) out of, the money deposited with the Trustee as aforesaid for their payment.

Concerning the Trustee

The Issuer, in the absence of an Event of Default, at the direction of the Company, or the holders of a majority in aggregate principal amount of the Bonds at the time outstanding may, at any time, remove the Trustee and appoint a successor Trustee. Under the Instrument, the Trustee must be a corporation or banking association organized and doing business under the laws of the United States of America or a state thereof, authorized under such laws to exercise corporate trust powers, have a combined capital and surplus of at least $50,000,000 and be subject to supervision and examination by federal or state authorities. The Trustee may at any time resign by giving written notice to the Issuer, the Company and the Credit Providers and by giving to the holders of the Bonds notice either by publication of such resignation, which notice shall be published at least once in a qualified newspaper, or by mailing notice by first class mail to such holders of the Bonds.

THE REIMBURSEMENT AGREEMENTS

Each Reimbursement Agreement will operate independently of the others. However, to the extent described herein each Reimbursement Agreement contains substantially the same relevant terms and provisions, and the following is a summary of certain provisions of each Reimbursement Agreement. All references in this summary to the Reimbursement Agreement, the Issuer, the Instrument, the Agreement, the Bonds, the Project and similar references shall be read as relating to each of the Reimbursement Agreements and the Issuer, the Instrument, the Agreement, the Bonds and the Project related thereto unless the context clearly indicates otherwise.

Reimbursement, Fees and Expenses

The Company will reimburse the Credit Provider for all amounts drawn under the Letters of Credit, together with interest thereon. The Company also agrees to pay certain other fees and expenses.

Events of Default

The occurrence of certain events shall be events of default under the Reimbursement Agreement. If an event of default occurs under a Reimbursement Agreement, the Credit Provider may provide written notice to the Trustee of such event of default and direct the Trustee to give notice to the holders of the affected Bonds of a mandatory tender of such Bonds. The mandatory tender date will be a date, as specified by the Trustee, not more than 20 days after receipt by the Trustee of the Credit Provider's notice described above. See "The Bonds--Mandatory Tender for Purchase." The occurrence of an event of default under a Reimbursement Agreement does not relieve the Credit Provider of its obligations under the related Letter of Credit.

Events of default under the Reimbursement Agreements generally include, among others, and depending on the particular Reimbursement Agreement: failure by the Company to make payments under the Reimbursement Agreement when due or, in certain cases, within the time specified in the Reimbursement Agreement; certain representations or warranties made by the Company or its officers in or in connection with the Reimbursement Agreement prove to have been false or misleading in any material respect when made; failure of the Company to abide by certain negative covenants or to perform certain other covenants and, in certain cases, the failure is not remedied within the time specified in the Reimbursement Agreement; failure by the Company (or, in certain cases, certain of its subsidiaries) to make payment on certain indebtedness or to perform certain covenants with respect to such indebtedness and the failure is not remedied within the time permitted; certain events of bankruptcy, insolvency or reorganization of the Company (or, in certain cases, certain subsidiaries of the Company) or failure by the Company (or, in certain cases, certain of its subsidiaries) to make payments on certain judgments and the failure is not remedied within the time specified in the Reimbursement Agreement; the occurrence of an event of default or, in certain cases, certain defaults under the related Instrument or, in certain cases, the occurrence of an event of default under certain other agreements; the occurrence of certain events relating to employee benefit plans of the Company or its affiliates; and the failure by the Company to make payments with respect to certain operating leases and the effect of such failure is to cause or permit the termination of such operating lease.

Covenants

The Company agrees to certain covenants under each Reimbursement Agreement. In addition, without the prior written consent of the Credit Provider and, in certain cases, certain other banks who are participants in the applicable Reimbursement Agreement, the Company (and, in certain cases, certain of its subsidiaries) may not, among other things, and depending on the particular Reimbursement Agreement: incur or allow certain liens on its properties unless certain conditions are satisfied, or, in certain cases, the Company grants to the Credit Provider liens on its assets as collateral for its obligations under the Reimbursement Agreement; sell, lease or otherwise dispose of certain assets or merge or consolidate unless certain conditions are satisfied; enter into certain prohibited transactions or allow certain events or conditions relating to employee benefit plans; or enter into or consent to any amendment of the Instrument, the Agreement, the related Letter of Credit, the Bonds, or certain related agreements or instruments.

UNDERWRITING

Subject to the terms and conditions set forth in the respective Underwriting Agreement, CS First Boston Corporation, Goldman, Sachs & Co. and J.P. Morgan Securities Inc. have agreed to purchase the Maricopa Series C through F Bonds and the Farmington Bonds and CS First Boston Corporation and Goldman, Sachs & Co. have agreed to purchase the Maricopa Series A and B Bonds, at prices equal to 100% of the principal amount. The Company has agreed to pay the Underwriters underwriting fees equal to 0.358% of the principal amount of the Bonds.

Under the terms and conditions of each Underwriting Agreement, the Underwriters with respect to the related Series are committed to purchase all of the Bonds, if any are purchased.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriters.

The Company has agreed to indemnify the Underwriters and the Issuers against certain liabilities, including liabilities under the Federal securities laws.

Certain of the Underwriters have provided various investment banking services, including serving as commercial paper dealers under the Company's commercial paper program, to the Company and its affiliates from time to time, for which they have received customary compensation. The Company is a borrower under credit facilities pursuant to which Morgan Guaranty Trust Company of New York, an affiliate of an Underwriter, is a lender. In addition, certain of the Underwriters have provided various investment banking services to Pinnacle West Capital Corporation, the Company's parent, from time to time, for which they have received customary compensation.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe, Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes, except that Bond Counsel expresses no opinion as to the status of interest on any Bond for federal income tax purposes during any period that such Bond is held by a "substantial user" of facilities refinanced with proceeds of the Bonds or by a "related person" within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Interest on the Maricopa Bonds is exempt from all taxation in the State of Arizona, and interest on the Farmington Bonds is exempt from all taxation by the State of New Mexico or any subdivision thereof. Complete copies of the proposed opinions of Bond Counsel are set forth as Appendices F and G hereto.

Title XIII of the Tax Reform Act of 1986 and Section 103 of the 1954 Code impose various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Farmington Issuer and the Company have covenanted to comply with certain restrictions designed to assure that interest on the Farmington Bonds will not be included in federal gross income, and the Maricopa Issuer and the Company have covenanted to comply with certain restrictions designed to assure that interest on the Maricopa Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Instruments, the Agreements, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken under the circumstances and subject

to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of counsel other than themselves.

Although Bond Counsel expects to render an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, that interest on the Maricopa Bonds is exempt from all taxation in the State of Arizona and that interest on the Farmington Bonds is exempt from all taxation by the State of New Mexico or any subdivision thereof, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the tax liability of the holder of a Bond. The nature and extent of these other tax consequences will depend upon the particular tax status of the holder of the Bond or its other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the Bonds and with regard to the tax status thereof will be subject to the approval of Orrick, Herrington & Sutcliffe, San Francisco, California, Bond Counsel. Legal matters in connection with the issuance of the Maricopa Bonds will be passed upon for the Maricopa Issuer by Ryley, Carlock & Applewhite, P.A., Phoenix, Arizona.

Certain legal matters in connection with the Agreements and the Reimbursement Agreements will be passed upon for the Company by Snell & Wilmer, One Arizona Center, Phoenix, Arizona 85004-0001. The validity of the Agreements will be passed upon for the Underwriters by Sullivan & Cromwell, 444 South Flower Street, Los Angeles, California 90071. In giving their opinions, Sullivan & Cromwell and Snell & Wilmer may rely as to matters of New Mexico law upon the opinion of Keleher & McLeod, P.A., 1200 Public Service Building, Albuquerque, New Mexico 87102, and Sullivan & Cromwell may rely as to all matters of Arizona law upon the opinion of Snell & Wilmer.

ARIZONA PUBLIC SERVICE COMPANY

The information contained in this Appendix A has been obtained from Arizona Public Service Company (the "Company") and no representation is made by the Issuers or the Underwriters as to its accuracy or completeness.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and in accordance therewith files reports, proxy statements, and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements, and other information can be obtained at prescribed rates from the Public Reference Section of the Commission or may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549 and at certain of its regional offices located at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; and 7 World Trade Center, 13th Floor, New York, New York 10048. Certain securities of the Company are listed on the New York Stock Exchange. Reports, proxy materials, and other information concerning the Company can be inspected at the office of this exchange at 20 Broad Street, 7th Floor, New York, New York 10005.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents previously filed with the Commission by the Company (File No. 1-4473) are incorporated by reference in this Official Statement:

1. The Company's Form 10-K Report for the fiscal year ended December 31, 1993 (the "1993 10-K Report").

2. The Company's Form 10-Q Report for the fiscal quarter ended March 31, 1994 (the "March 10-Q Report").

3. The Company's Form 8-K Reports, dated December 15, 1993, February 23, April 30 and May 19, 1994 (the "May 8-K Report").

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14, or 15(d) of the 1934 Act after the filing date of the May 8-K Report and prior to the termination of the offering of the securities offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the date of filing of such documents.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which is also incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as modified or superseded, to constitute a part of this Official Statement.

The Company will provide without charge to each person, including any beneficial owner, to whom a copy of this Official Statement is delivered, upon the oral or written request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such

THE COMPANY

The Company was incorporated in 1920 under the laws of Arizona and is principally engaged in providing electricity in the State of Arizona. The principal executive offices of the Company are located at 400 North Fifth Street, Phoenix, Arizona 85004 and its telephone number is (602) 250-1000.

INDEPENDENT AUDITORS

The financial statements and the related financial statement schedules incorporated in this Official Statement by reference to the Company's 1993 Annual Report on Form 10-K have been audited by Deloitte & Touche, independent auditors, as stated in their report, which is incorporated herein by reference.

SELECTED INFORMATION

The following material is qualified in its entirety by reference to the detailed information and financial statements in the documents incorporated by reference in this Official Statement.

The Company

Business	Electric utility servicing approximately 654,000 customers in an area that includes all or part of 11 of Arizona's 15 counties.
Generating Fuel Mix (estimated for the twelve months ended March 31, 1994)	Coal - 64.9%; Nuclear - 29.4%; Gas - 5.4%; Other - 0.3%.

Financial Data (thousands of dollars):

	Twelve Months Ended			
	March 31, 1994(1)	December 31, 1993	1992	1991
Electric Operating Revenues	$ 1,680,163	$ 1,686,290	$ 1,669,679	$ 1,515,289
Refund Obligation (2)	--	--	--	(53,436)
Net Operating Revenues	$ 1,680,163	$ 1,686,290	$ 1,669,679	$ 1,461,853
Net Income (Loss)	$ 241,688	$ 250,386	$ 246,805	$ (222,649)
Ratio of Earnings to Fixed Charges	2.95	2.99	2.73	(3)

Capitalization Data (thousands of dollars):

	As of March 31, 1994(1)	As Adjusted(4)	
		Amount	Percentage
Long-Term Debt (excluding current maturities)	$ 2,163,966	$ 2,163,966	53.9%
Redeemable Preferred Stock	183,400	145,000	3.6%
Non-Redeemable Preferred Stock	193,561	193,561	4.8%
Common Stock Equity	1,511,383	1,511,383	37.7%
Total Capitalization	$ 4,052,310	$ 4,013,910	100.0%

(1) Financial data as of and for the twelve months ended March 31, 1994 is unaudited but, in the judgment of the Company's management, contains all necessary adjustments for a fair presentation of the financial position of the Company on such date and the results of operations for such period.

(2) The Company recorded a refund obligation to customers relating to and included in the write-off described in "Regulatory Matters—Rate Case Settlement" in Note 2 of Notes to Financial Statements in Part II, Item 8 of the 1993 10-K Report and in Note 5 of Notes to Financial Statements in Part I, Item 1 of the March 10-Q Report.

(3) The write-off resulting from the Arizona Corporation Commission order settling the Company's rate case (see "Regulatory Matters—Rate Case Settlement" in Note 2 of Notes to Financial Statements in Part II, Item 8 of the 1993 10-K Report and in Note 5 of Notes to Financial Statements in Part I, Item 1 of the March 10-Q Report) resulted in a negative coverage ratio and an earnings coverage deficiency of approximately $317 million for the twelve months ended December 31, 1991. Excluding the effects of the write-off, the coverage ratio would have been 2.11.

(4) For the Company's (i) assumed redemption on June 1, 1994 of $10 million of its $8.48 Cumulative Preferred Stock, Series S, and $3.525 million of its $11.50 Cumulative Preferred Stock, Series R (the "Series R Stock"), and (ii) assumed redemption on June 2, 1994 of $24.875 million of the Series R Stock. It is assumed that all of the net proceeds of the Bonds will be used for the redemption of the Prior Bonds.

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MORGAN GUARANTY TRUST COMPANY OF NEW YORK

Morgan Guaranty Trust Company of New York ("Morgan Guaranty") is a wholly owned subsidiary and the principal asset of J.P. Morgan & Co. Incorporated ("Morgan"), a Delaware corporation whose principal office is located in New York, New York. Morgan Guaranty is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. Its business is subject to examination and regulation by Federal and New York State banking authorities. As of March 31, 1994, Morgan Guaranty and its subsidiaries had total assets of $126.3 billion, total net loans of $20.7 billion, total deposits of $45.5 billion, and stockholder's equity of $7.2 billion. As of December 31, 1993, Morgan Guaranty and its subsidiaries had total assets of $95.7 billion, total net loans of $19.3 billion, total deposits of $39.7 billion, and stockholder's equity of $6.9 billion.

The Consolidated statement of condition of Morgan Guaranty as of March 31, 1994 is set forth on page 11 of Exhibit 99 to Form 8-K dated April 14, 1994, as filed by Morgan with the Securities and Exchange Commission. Morgan Guaranty will provide without charge to each person to whom this Official Statement is delivered, on the request of any such person, a copy of the Form 8-K referred to above. Written requests should be directed to: Morgan Guaranty Trust Company of New York, 60 Wall Street, New York, New York 10260-0060, Attention: Office of the Secretary.

The information contained in this Appendix relates to and has been obtained from Morgan Guaranty Trust Company of New York. The delivery of the Official Statement or this Appendix shall not create any implication that there has been no change in the affairs of Morgan Guaranty Trust Company of New York since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

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THE TORONTO-DOMINION BANK

The Toronto-Dominion Bank ("Toronto Dominion Bank") is a Canadian chartered bank subject to the provisions of the Bank Act (Canada). Toronto Dominion Bank was formed through the amalgamation on February 1, 1955 of The Bank of Toronto (established 1855) and The Dominion Bank (established 1869). As of October 31, 1993, Toronto Dominion Bank was the fifth largest chartered bank in Canada in terms of total assets.

Toronto Dominion Bank offers a wide range of financial services to individuals, corporate and commercial enterprises, financial institutions and governments throughout Canada. Personal banking services include personal and residential mortgage loans, credit card facilities and automated banking facilities. Toronto Dominion Bank conducts the largest discount brokerage operation in Canada. Toronto Dominion Bank services the financial needs of Canadian businesses through its domestic divisions and its corporate and investment banking group supported by a wide range of industry and banking specialists. Toronto Dominion Bank is also active in financing mergers and acquisitions, securities underwriting, domestic and international capital markets transactions, money markets and foreign exchange. In the United States, Toronto Dominion Bank offers a broad range of credit and non-credit services to corporations, financial institutions and governments. Outside North America, Toronto Dominion Bank conducts treasury and wholesale corporate operations in the world's major financial centers. As of October 31, 1993, Toronto Dominion Bank provided its services through a network of approximately 900 branches and offices located throughout the Canadian provinces and abroad, and over 1,600 automated banking machines located in Canada.

Net income for the year ended October 31, 1993 was C$275 million, compared to C$408 million for the year ended October 31, 1992. Net income in 1993 was reduced by a restructuring provision (C$79 million after tax) arising from the acquisition of Central Guaranty Trust Company (CGT) and the cost of acquiring the Marathon Brokerage business (C$39 million after tax). Excluding the costs associated with the CGT and Marathon acquisitions, net income was C$393 million in 1993. At October 31, 1993 and 1992, total assets of Toronto Dominion Bank were C$85.0 billion and C$74.1 billion, respectively, and total shareholders' equity was unchanged at C$5.0 billion.

Net income for the three months ended January 31, 1994 was C$168 million. This compares to previous quarter net income of C$121 million, excluding the acquisition cost of Marathon Brokerage. Net income for the three months ended January 31, 1993 was C$80 million before the C$79 million charge arising from the CGT acquisition. At January 31, 1994, total assets of Toronto Dominion Bank were C$92.4 billion and total shareholders' equity was C$5.4 billion.

Toronto Dominion Bank's financial statements are prepared in accordance with accounting policies prescribed by the Bank Act (Canada) and related instructions prescribed by the Canadian Minister of Finance.

Copies of Toronto Dominion Bank's 1993 Annual Report, the 1993 Annual Statement and quarterly reports to shareholders are available, without charge, upon request by telephone or mail from Toronto Dominion Bank, U.S.A. Division, 31 West 52nd Street, New York, NY 10019-6101, Attention: Comptroller, Telephone (212) 468-0300.

The information contained in this Appendix has been provided by Toronto Dominion Bank, and no assurance can be given by the Maricopa Issuer, the Company or the Underwriters as to its accuracy or completeness. The delivery of the Official Statement or this Appendix shall not create any implication that there has been no change in the affairs of Toronto Dominion Bank since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

Bank of America National Trust and Savings Association ("Bank of America") is a wholly owned subsidiary and the principal asset of BankAmerica Corporation, a bank holding company ("BankAmerica"). As of December 31, 1993, and based on the consolidated Report of Condition of the Bank at such date, the Bank and its consolidated subsidiaries had total deposits of $106.4 billion (including deposits from BankAmerica and its nonbank subsidiaries of $2.0 billion), total assets of $136.7 billion and capital and surplus of $11.7 billion.

Bank of America will provide without charge to any person to whom this Official Statement is delivered, upon request, a copy of any or all of the following reports:

(i) BankAmerica's 1993 Form 10-K and BankAmerica's Form 10-Q and Quarterly Analytical Review for each subsequent quarter for which such a report has been filed with the Securities and Exchange Commission;

(ii) each of BankAmerica's Form 8-K Current Reports filed with the Securities and Exchange Commission subsequent to the filing of BankAmerica's 1993 Form 10-K;

(iii) the publicly-available portions of the Consolidated Reports of Income of Bank of America for the years ended December 31, 1992 and 1993 and for each subsequent quarter for which such a report has been prepared, in each case so submitted to the Comptroller of the Currency; and

(iv) the publicly-available portions of the Consolidated Reports of Condition of Bank of America at December 31, 1992 and 1993 and at the end of each subsequent quarter for which such a report has been prepared, in each case as submitted to the Comptroller of the Currency.

Requests to Bank of America for such documents should be directed by telephone to Kara Hanks at (415) 624-0445 or by mail to Bank of America NT&SA, External Reporting Department #3703, P.O. Box 37000, San Francisco, CA 94137.

The information contained in this Appendix has been provided by the Bank of America, and no assurance can be given by the Maricopa Issuer, the Company or the Underwriters as to its accuracy or completeness. The delivery of the Official Statement or this Appendix shall not create any implication that there has been no change in the affairs of Bank of America since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

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UNION BANK OF SWITZERLAND, LOS ANGELES BRANCH

Union Bank of Switzerland ("UBS"), a Swiss banking corporation, was chartered as a bank in Zurich in 1912. UBS's principal executed offices are located at Bahnhofstrasse 45, Zurich. The Los Angeles Branch of UBS is licensed by the Comptroller of the Currency (the "Comptroller") to conduct a banking business as a branch of a foreign bank. The office of the Los Angeles Branch is located at 444 South Flower Street, Los Angeles, California 90071.

UBS has approximately 306 branches and banking subsidiaries throughout Switzerland. UBS also has United States branches, agencies, representatives offices and subsidiaries in New York, Chicago, Houston, Los Angeles and San Francisco and other foreign offices including branches, representative offices and subsidiaries, in Beijing, Frankfurt, Hong Kong, London, Luxembourg, Singapore, Sydney, Taipei, Tokyo and Toronto, for a total of 54 business offices abroad. In addition to the receipt of deposits and the making of loans and advances, UBS engages in other banking and bank-related activities typical of the world's major international banks, including fiduciary, investment advisory and custodial services, foreign exchange and underwriting in the United States, Swiss and Euro-capital markets.

As a Swiss bank, UBS is subject to regulation by the Swiss Federal Banking Commission (the "Swiss Commission") and the Swiss National Bank, and its business is subject to inspection by an independent auditing firm. The auditors review compliance with the Swiss Banking Law and are required to report uncured violations or irregularities to the Swiss Commission, which is authorized to enforce compliance with the Swiss Banking Law. The Swiss National Bank oversees the financial condition and liquidity of Swiss banks. UBS is required to file with the Swiss National Bank annual statements of condition, monthly interim balance sheets, quarterly liquidity statements and other information regarding its financial condition. Information provided to the Swiss Commission and the Swiss National Bank is not available to the general public.

In addition to regulation by the Swiss banking authorities, UBS is subject to regulatory oversight in the United States. The scope of UBS's activities (directly or through subsidiaries) in the United States is limited by the International Banking Act of 1978, and the Bank Holding Act of 1956. The Los Angeles Branch of UBS is licensed by the Comptroller, pursuant to the International Banking Act of 1978, to conduct a banking business as a branch of a foreign bank. It is required to make periodic reports to, and is subject to examination by, the Comptroller and the Federal Reserve Board.

At December 31, 1993, UBS had total assets of Sfr. 230.8 billion, total deposits (including due to banks) of Sfr. 177.1 billion, notes, bonds and other liabilities of Sfr. 37.0 billion, equity capital and reserves of Sfr. 15.2 billion and net income of Sfr. 1.5 billion. At December 31, 1993, foreign (i.e., non-Swiss) business accounted for approximately 47% of UBS's assets and 54% of its liabilities. Such amounts are as reflected in UBS's 1993 Annual Report to Shareholders and do not include UBS's consolidated subsidiaries. The accounting principles applied in the preparation of its financial statements (and therefore reflected herein) may not conform to generally accepted accounting principles applied by United States banks.

Copies of UBS's annual reports to shareholders are available from the Los Angeles Branch of UBS on request at the address in Los Angeles, set forth above.

The information contained in this Appendix has been provided by UBS, and no assurance can be given by the Farmington Issuer, the Company or the Underwriters as to its accuracy or completeness. The delivery of the Official Statement or this Appendix shall not create any implication that there has been no change in the affairs of UBS since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

May __, 1994

Maricopa County, Arizona,
Pollution Control Corporation,
Phoenix, Arizona

Re: Maricopa County, Arizona
Pollution Control Corporation
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Palo Verde Project)
1994 Series A, 1994 Series B, 1994 Series C,
1994 Series D, 1994 Series E and 1994 Series F
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Maricopa County, Arizona Pollution Control Corporation (the "Issuer") of $253,980,000 aggregate principal amount of Maricopa County, Arizona Pollution Control Corporation Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Palo Verde Project) 1994 Series A, 1994 Series B, 1994 Series C, 1994 Series D, 1994 Series E and 1994 Series F (collectively, the "Bonds"), issued pursuant to the provisions of Title 35, Chapter 6, Arizona Revised Statutes, as amended and supplemented to the date hereof (the "Act"), and pursuant to an Indenture of Trust, dated as of May 1, 1994 (the "Indenture"), between the Issuer and The Bank of New York, as trustee (the "Trustee"). The Bonds are issued for the stated purpose of making a loan of the proceeds thereof to Arizona Public Service Company, an Arizona corporation (the "Company"), pursuant to a Loan Agreement, dated as of May 1, 1994 (the "Loan Agreement"), between the Issuer and the Company. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, opinions of counsel to the Issuer, the Company and the Trustee, the Tax Certificate, certain resolutions of the Issuer and the Board of Supervisors of Maricopa County, Arizona, certificates of the Issuer, the Company, the Trustee and others, and such other documents, opinions and matters to the extent deemed necessary by us to render the opinions set forth herein. We have not undertaken to verify independently, and we have assumed, the accuracy of the factual matters represented, warranted or certified in such documents, and of the legal conclusions contained in the opinions referred to above, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Indenture, the Loan Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is

expressed herein as to any Bond or the interest thereon on or after any such change that occurs or action that is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we have no obligation to update this opinion. Our engagement with respect to the Bonds has concluded with their issuance. Further, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, arrangement and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of Arizona. We also express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we have undertaken no responsibility for the accuracy, completeness or fairness of any official statement or other offering material relating to the Bonds and express herein no opinion with respect thereto.

Based on and subject to the forgoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer has lawful authority for the issuance of the Bonds, and the Bonds constitute valid and binding limited obligations of the Issuer payable solely from Revenues and other sources as and to the extent specified in the Indenture.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and, with respect to each Series of Bonds, any Credit Facility provided with respect to such Series of Bonds (to the extent the Issuer has any interest therein), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Indenture also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Issuer in the Loan Agreement, except the right to receive certain payments and notices and to give certain consents and approvals (to the extent more particularly described in the Indenture).

3. The Loan Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Issuer.

4. The Bonds are not a debt or liability or pledge of faith and credit of the Issuer or Maricopa County, Arizona and are payable solely from the funds provided in the Indenture therefor.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Title XIII of the Tax Reform Act of 1986 and Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of any facilities financed or refinanced with Bond proceeds or by a

"related person" within the meaning of Section 103(b)(13) of the 1954 Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. The Bonds and the income therefrom are exempt from all taxation in the State of Arizona. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE

per

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May __, 1994

City of Farmington, New Mexico,
Farmington, New Mexico

Re: City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Farmington, New Mexico (the "Issuer") of $49,400,000 aggregate principal amount of City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series A (the "Bonds"), issued pursuant to the provisions of Article 59 of Chapter 3 of the New Mexico Statutes Annotated, as amended and supplemented to the date hereof (the "Act"), and pursuant to an Ordinance and a Resolution each adopted by the Issuer on May 10, 1994 (collectively, the "Ordinance"). The Bank of New York has been appointed trustee under the Ordinance (the "Trustee"). The Bonds are issued for the stated purpose of refinancing certain pollution control and solid waste disposal facilities of Arizona Public Service Company, an Arizona corporation (the "Company"), pursuant to an Installment Sale Agreement, dated as of May 1, 1994 (the "Sale Agreement"), between the Issuer and the Company. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Ordinance.

In such connection, we have reviewed the Ordinance, the Sale Agreement, opinions of counsel to the Issuer, the Company and the Trustee, the Tax Certificate, certain resolutions of the Issuer, certificates of the Issuer, the Company, the Trustee and others, and such other documents, opinions and matters to the extent deemed necessary by us to render the opinions set forth herein. We have not undertaken to verify independently, and we have assumed, the accuracy of the factual matters represented, warranted or certified in such documents, and of the legal conclusions contained in the opinions referred to above, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Ordinance, the Sale Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon or after any such change that occurs or action that is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we have no obligation to update this opinion. Our engagement with respect to the Bonds has concluded with their issuance. Further, we have assumed compliance with all covenants and agreements contained in the Ordinance, the Sale Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinance, the Sale Agreement and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, arrangement and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of New Mexico. We also express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering material relating to the Bonds and express herein no opinion with respect thereto.

Based on and subject to the forgoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer has lawful authority for the issuance of the Bonds, and the Bonds constitute valid and binding limited obligations of the Issuer payable solely from Revenues and other sources as and to the extent specified in the Ordinance.

2. The Ordinance has been duly adopted by, and constitutes the valid and binding obligation of, the Issuer. The Ordinance creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and (to the extent the Issuer has any interest therein) any Credit Facility provided with respect to the Bonds, subject to the provisions of the Ordinance permitting the applications thereof for the purposes and on the terms and conditions set forth in the Ordinance. The Ordinance also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Issuer in the Sale Agreement, except the right to receive certain payments and notices and to give certain consents and approvals (to the extent more particularly described in the Ordinance).

3. The Sale Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Issuer.

4. The Bonds are not a debt or liability or pledge of faith and credit of the Issuer and are payable solely from the funds provided in the Ordinance therefor.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Title XIII of the Tax Reform Act of 1986 and Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of any facilities financed or refinanced with Bond proceeds or by a "related person" within the meaning of Section 103(b)(13) of the 1954 Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. The Bonds and the income therefrom are exempt from all taxation by the State of New

Mexico or any subdivision thereof. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE

per

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The information contained in this Official Statement has been obtained from the Maricopa Issuer, the City of Farmington, Arizona Public Service Company and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Maricopa Issuer, the City of Farmington, Arizona Public Service Company or the Underwriters. This Official Statement is submitted in connection with the sale of the securities referred to herein, and may not be reproduced or be used, in whole or in part, for any other purpose. Neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances at any time imply that the information herein is correct as of any time subsequent to its date.

No dealer, broker, salesman or any other person has been authorized by Arizona Public Service Company, the Maricopa Issuer, the City of Farmington, or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer of any securities, other than those described on the cover page, or an offer to sell or a solicitation of any offer to buy in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

$253,980,000
Maricopa County, Arizona
Pollution Control Corporation
(Arizona Public Service Company
Palo Verde Project)
1994 Series A through F

$49,400,000
City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company
Four Corners Project)
1994 Series A

APS

Arizona Public Service Company

OFFICIAL STATEMENT

CS First Boston
Goldman, Sachs & Co.
J.P. Morgan Securities Inc.

Dated May 24, 1994

OFFICIAL STATEMENT

$65,750,000
City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series B

$31,500,000
City of Farmington, New Mexico
Pollution Control Revenue Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series C

Dated: Date of Issuance **Due: September 1, 2024**

The Bonds are limited obligations of the City of Farmington, New Mexico, and will be payable solely from and secured solely by the revenues to be derived pursuant to separate Agreements with

Arizona Public Service Company

The Bonds will be further secured by irrevocable direct pay Letters of Credit issued by the following Credit Providers and will be subsequently remarketed by the following Remarketing Agents:

Series	Amount	Letter of Credit Provider	Remarketing Agent
B	$65,750,000	Barclays Bank PLC, New York Branch	CS First Boston
C	$31,500,000	Union Bank of Switzerland, Los Angeles Branch	Goldman, Sachs & Co.

Under the Letters of Credit, the respective Trustees will be entitled to draw amounts sufficient to pay (a) up to sixty-two days interest on the related Bonds and (b) principal on the related Bonds as such principal becomes due, whether at maturity, on acceleration, at redemption or upon tender thereof.

The Bonds as initially issued will bear interest at Daily Rates, designated and determined from time to time as described herein. Thereafter, the interest rate on the Bonds may be changed to a Weekly Rate, Monthly Rate, Flexible Rate or Term Rate, as described herein. The Bonds are subject to purchase at the option of the holders of the Bonds and, under certain circumstances, are subject to mandatory purchase in the manner and at the times described herein.

The Bonds will be delivered in fully registered form in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, which will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in authorized denominations described herein. So long as the Bonds remain in book-entry form, purchasers of beneficial interests in the Bonds will not receive certificates representing such interests. The Bonds are subject to optional and mandatory redemption prior to maturity in the manner and at the times described herein. See "The Bonds".

The Bonds will not constitute an indebtedness or obligation to which the full faith and credit of the City of Farmington or the State of New Mexico is pledged and shall never constitute nor give rise to a pecuniary liability of the City of Farmington or the State of New Mexico or a charge against the general credit or taxing powers of the City of Farmington or the State of New Mexico.

Price: 100%

In the opinion of Orrick, Herrington & Sutcliffe, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes, except that no opinion is expressed as to the status of interest on any Series B Bond during any period that such Series B Bond is held by a "substantial user" of facilities refinanced by the Series B Bonds or by a "related person" within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended, and except that no opinion is expressed as to the status of interest on any Series C Bond during any period that such Series C Bond is held by a "substantial user" of facilities financed by the Series C Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. In the opinion of Bond Counsel, interest on the Series B Bonds is not a specific preference item for purposes of calculating the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. In the opinion of Bond Counsel, interest on the Series C Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the Bonds is exempt from all taxation by the State of New Mexico or any subdivision thereof. Bond Counsel expresses no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Matters."

The Bonds are offered, subject to prior sale, when, as and if issued and received by the Underwriters and subject to certain conditions, including the approval of Orrick, Herrington & Sutcliffe, Bond Counsel. Certain legal matters will be passed upon for the Company by Snell & Wilmer, counsel to the Company. The validity of the Agreements will be passed upon for the Underwriters by Sullivan & Cromwell. It is expected that the Bonds will be available for delivery in New York, New York on or about September 14, 1994.

CS First Boston Goldman, Sachs & Co.

The date of this Official Statement is September 13, 1994

THESE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE OR THE ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. ANY REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN (OTHER THAN THE APPLICABLE INFORMATION CONTAINED UNDER "THE ISSUER") ARE NOT TO BE CONSTRUED AS REPRESENTATIONS BY THE ISSUER. THE ISSUER NEITHER HAS NOR ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION IN THIS OFFICIAL STATEMENT (OTHER THAN THE APPLICABLE INFORMATION CONTAINED UNDER "THE ISSUER").

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Supplement to Official Statement Dated September 13, 1994

$31,500,000
CITY OF FARMINGTON, NEW MEXICO
POLLUTION CONTROL REVENUE BONDS
(ARIZONA PUBLIC SERVICE COMPANY FOUR CORNERS PROJECT)
1994 SERIES C

This Supplement to the Official Statement (this "Supplement"), sets forth certain information concerning the substitution of letter of credit for the above-referenced Series C Bonds and should be read in conjunction with the accompanying Official Statement dated September 13, 1994 (the "Official Statement"). All capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Official Statement.

Effective November 12, 1997 a letter of credit issued by

Barclays Bank PLC, New York Branch

will be substituted for the Series C Letter of Credit (the "Original Series C Letter of Credit") then in effect with respect to the Series C Bonds. As of the close of business on November 12, 1997, The Bank of New York, as trustee for the Series C Bonds, will surrender the Original Series C Letter of Credit to Union Bank of Switzerland, issuer of the Original Series C Letter of Credit and the Original Series C Letter of Credit will be cancelled and will no longer be in effect. The terms of the Series C Letter of Credit issued by Barclays Bank PLC, New York Branch, are the same in all material respects as the Original Series C Letter of Credit, except for the stated expiration date which is October 22, 2002. All references to the Series C Letter of Credit and the Series C Credit Provider set forth in the Official Statement should be read as references to the Series C Letter of Credit dated November 12, 1997 and to Barclays Bank PLC, New York Branch, respectively.

Barclays Bank PLC

Barclays Bank PLC ("Barclays"), which is also the Credit Provider for the City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series B, together with its subsidiary companies (the "Barclays Bank Group" or the "Group") is a United Kingdom based financial services group engaged primarily in the banking, investment banking and asset management businesses. In terms of assets employed, the Group is one of the largest financial services groups in the United Kingdom. The Group also operates in the financial markets of many other countries around the world. In addition to servicing domestic markets, it is a principal provider of coordinated global services to multinational corporations and financial institutions from Barclays Bank Group operations in the world's main financial centers. Principal activities include retail and corporate banking, investment banking, asset management and insurance. The whole of the issued ordinary share capital of Barclays is owned by Barclays PLC, the ultimate parent company of the Group, and the investment in Barclays is the only significant asset of Barclays PLC.

At June 30, 1997, total assets of the Barclays Bank Group were £228,372 million, total deposits by banks, customer accounts and debt securities in issue were £169,441 million, total loans and advances to banks and customers (including finance lease receivables) were £144,259 million and total capital resources were £11,269 million. A significant portion of the Group's total assets are denominated in non-sterling currencies. On June 30, 1997, the noon buying rate in New York City for cable transfers in pounds sterling, as certified for customs purposes by the Federal Reserve Bank of New York, was $1.66 per pound sterling.

The summary consolidated financial information for Barclays set forth below has been derived from the 1996 Annual Report on Form 20-F for the year ended December 31, 1996 (the "Annual Report") filed with the Securities and Exchange Commission (the "SEC") and from the Interim Report on Form 6-K of Barclays for the six month period ended June 30, 1997 (the "Interim Report"). For further information regarding the Group, reference is made to the Annual Report and the Interim Report, copies of which will be provided, without charge to each person to whom this document is delivered, on the written request of such person directed to Barclays Bank PLC, 75 Wall Street, New York, New York 10265, Attention: Margaret M. Grieve, Managing Director and General Counsel.

The date of this Supplement to Official Statement is November 12, 1997

BARCLAYS BANK PLC
SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information appearing below has been prepared in accordance with accounting principles generally accepted in the United Kingdom and is based on published financial statements for the periods indicated.

	Six months ended June 30,		Year ended December 31,		
Results	**1997**	**1996**	**1996**	**1995**	**1994**
	(£ million)	(£ million)		(£ million)	
Income before taxes and minority interests [1]	1,271	1,270	2,356	2,083	1,859
Net income	915	895	1,664	1,389	1,235
Financial Position					
Deposits by banks, customer accounts and debt securities in issue	169,441	147,918	142,554	125,361	125,165
Loans and advances to banks and customers	144,259	127,300	118,441	111,280	112,705
Total assets	228,372	191,618	186,002	168,826	162,403
Shareholders' equity	7,895	7,661	7,522	7,308	6,440
Total capital resources . . .	11,269	11,039	10,674	11,021	10,152

(1) Income before taxes and minority interests for the six months ended June 30, 1997 reflects the adoption this year of the Urgent Issues Tax Force Abstract 16 (UITF 16). The data for the corresponding period in 1996 has been restated to reflect UITF 16. The data for the three years ended December 31, 1996 has not been restated to reflect the impact of UITF 16, which would not have been significant in respect of such years. Net income and shareholders' equity is unchanged by UITF 16.

Differences Between U.K. and U.S. Accounting Principles

The summary consolidated financial information presented above has been prepared in accordance with accounting principles generally accepted in the United Kingdom ("UK GAAP"). Such principles vary in significant respects from those generally accepted in the United States ("US GAAP"). Key figures on a UK GAAP basis, and as estimated on a US GAAP basis, are:

	Six months ended June 30,				Year ended December 31,			
	1997		**1996**		**1996**		**1995**	
	£m UK GAAP	£m US GAAP	£m UK GAAP	£m US GAAP	£m UK GAAP	£m US GAAP	£m UK GAAP	£m US GAAP
Net income	915	931	895	834	1,664	1,570	1,389	1,335
Shareholders' funds	7,895	7,518	7,661	7,351	7,522	7,056	7,308	6,986

$65,750,000
City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series B

$31,500,000
City of Farmington, New Mexico
Pollution Control Revenue Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series C

INTRODUCTORY STATEMENT

This Official Statement is provided to furnish certain information in connection with the issuance by the City of Farmington, New Mexico (the "City of Farmington" or the "Issuer") of its (i) Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series B in the aggregate principal amount of $65,750,000 (the "Series B Bonds") and (ii) Pollution Control Revenue Bonds (Arizona Public Service Company Four Corners Project) 1994 Series C in the aggregate principal amount of $31,500,000 (the "Series C Bonds"). The Series B Bonds and the Series C Bonds are hereinafter collectively referred to as the "Bonds." The Series B Bonds will be issued pursuant to an ordinance adopted by the City of Farmington on May 10, 1994 (the "Original Ordinance"), as supplemented by a resolution with respect to the Series B Bonds adopted by the City of Farmington on August 23, 1994 (collectively, the "Series B Ordinance"). Pursuant to the Original Ordinance, as supplemented by a resolution adopted by the City of Farmington on May 10, 1994, the City of Farmington has also issued $49,400,000 aggregate principal amount of the City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series A (the "Series A Bonds"). The Series C Bonds will be issued pursuant to an ordinance adopted by the City of Farmington on August 9, 1994, as supplemented by a resolution with respect to the Series C Bonds adopted by the City of Farmington on August 23, 1994 (collectively, the "Series C Ordinance"). The Series B Ordinance and the Series C Ordinance are herein collectively referred to as the "Ordinances". The Bank of New York has been appointed trustee (with respect to the Series B Bonds, the "Series B Trustee," with respect to the Series C Bonds, the "Series C Trustee" and, generally, the "Trustee") under the Series B Ordinance and under the Series C Ordinance. The Bank of New York is also acting as Tender Agent, Registrar and Paying Agent (the "Tender Agent", "Registrar" and "Paying Agent") with respect to the Bonds and its "Principal Office," as used herein, is at 101 Barclay Street, New York, New York.

The Bonds are being issued by the Issuer at the request of Arizona Public Service Company (the "Company"), a corporation organized and existing under the laws of the State of Arizona. The Series B Bonds will provide moneys to refund $65,750,000 aggregate principal amount of the Issuer's Pollution Control Revenue Refunding Par Value Demand Bonds, 1983 Series A (Arizona Public Service Company Four Corners Project) (the "1983 Prior Bonds"). The 1983 Prior Bonds were issued to refinance certain pollution control, sewage and solid waste disposal facilities and related facilities located in San Juan County, New Mexico (the "Series B Project"). The Series C Bonds will provide moneys to finance a portion of the costs to the Company associated with certain facilities for the abatement, control, reduction or prevention of pollution located in San Juan County, New Mexico (the "Series C Project", and, together with the Series B Project, the "Projects"). See "The Projects."

Prior to the issuance of the Series B Bonds, the Company and the City of Farmington will enter into an Amended and Restated Installment Sale Agreement dated as of September 1, 1994 (the "Series B Sale Agreement"), amending and restating the Installment Sale Agreement dated as of May 1, 1983, whereby the Company's interests in the Series B Project were sold by the Company to the City of Farmington and then sold by the City of Farmington to the Company in connection with the issuance of the 1983 Prior Bonds. In addition to payments necessary to support the 1983 Prior Bonds, the Series B Sale Agreement requires payments to be made to the City of Farmington, in payment of the purchase price of the Series B Project, at such times and in such amounts as principal of (whether at maturity, on redemption, upon tender for purchase or by acceleration), premium, if any, and interest on the Series B Bonds becomes due. Prior to the issuance of the Series C Bonds, the Company and the City of Farmington will enter into an Installment Sale Agreement dated as of September 1, 1994 (the "Series C Sale Agreement" and, together with the Series B Sale Agreement, the "Agreements"), whereby the Company's interests in the Series C Project are sold by the Company to the City of Farmington, and then sold by the City of Farmington to the Company in connection with the issuance of the Series C Bonds. The Series C Sale Agreement requires payments to be made to the City of Farmington, in payment of the purchase price of the Series C Project, at such times and in such amounts as principal of (whether at maturity, on redemption, upon tender for purchase or by acceleration), premium, if any, and interest on the Series C Bonds become due.

Concurrently with the issuance of the Bonds, the Company will cause to be delivered to the Trustee (i) with respect to the Series B Bonds, an irrevocable letter of credit (the "Series B Letter of Credit") issued by Barclays Bank PLC, New York Branch (the "Series B Credit Provider") and (ii) with respect to the Series C Bonds, an irrevocable letter of credit (the "Series C Letter of Credit" and, together with the Series B Letter of Credit, the "Letters of Credit") issued by Union Bank of Switzerland, Los Angeles Branch (the "Series C Credit Provider" and, together with the Series B Credit Provider, the "Credit Providers").

As more fully provided in the Ordinances, the Bonds will not constitute an indebtedness or obligation to which the faith and credit of the State of New Mexico, the City of Farmington or any other political subdivision of the State of New Mexico will be pledged, but will be limited obligations of the Issuer, which will be obligated to pay the principal of, premium, if any, and interest on the Bonds only from the payments made pursuant to the applicable Agreement and the other funds pledged therefor. The Bonds shall never constitute an indebtedness of the Issuer within the meaning of any New Mexico state constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers.

Brief descriptions of the Issuer and the Projects and summaries of certain provisions of the Bonds, the Agreements, the Ordinances, the Letters of Credit and the Reimbursement Agreements between the Company and the respective Credit Providers (the "Reimbursement Agreements") are included in this Official Statement. Such information and descriptions do not purport to be complete, comprehensive or definitive. Statements regarding specific documents, including the Agreements and the Ordinances, make use of certain terms defined in such documents and are summaries of and subject to the detailed provisions of such documents and are qualified in their entirety by reference to each such document, and references to the Bonds are similarly subject to and qualified in their entirety by reference to the forms thereof included in the Ordinances and the information with respect thereto included in the aforesaid documents. Copies of all aforesaid documents may be obtained at the principal office of CS First Boston Corporation or Goldman, Sachs & Co., each in New York, New York, during the period of the initial offering of the Bonds and thereafter are available for inspection at the offices of the Trustee or the Company.

For information concerning the Company, including selected financial and operating information and information incorporated by reference, see Appendix A hereto. For information concerning the Credit Providers, see Appendices B and C hereto. The proposed forms of opinions of Bond Counsel with respect to the Bonds are attached as Appendices D and E hereto.

THE ISSUER

The City of Farmington is an incorporated municipality, a body politic and corporate, existing under the Constitution and laws of the State of New Mexico. The City of Farmington is authorized under the provisions of such Constitution and laws, including particularly the Pollution Control Revenue Bond Act, Chapter 397, laws of 1973 of the State of New Mexico (the "Act"), as amended, to issue the Bonds, to adopt the Ordinances, and to secure the Bonds by a pledge of revenues of the City of Farmington pursuant to the Agreements.

THE PROJECTS

The Projects are located in San Juan County, New Mexico and consist of certain facilities for the abatement, reduction or prevention of pollution and the disposal of solid waste or pollution caused by the operation of the Four Corners Generating Station, a coal-fired steam electric power generating plant (the "Plant") located in San Juan County, New Mexico. The Company owns a 15% undivided interest in Units 4 and 5 at the Plant. The remaining undivided interests in such Units are owned by Southern California Edison Company (48%), Public Service Company of New Mexico (13%), El Paso Electric Company (7%), Salt River Project Agricultural Improvement and Power District (10%) and Tucson Electric Power Company (7%). The ownership and operation of Units 4 and 5 are, and the construction of that portion of the Series B Project at such Units have been and will be, governed by certain agreements (the "Plant Agreements") among the Company and such other owners. Under the Plant Agreements, the Company was in charge of the construction and is in charge of the operation and maintenance of, including any capital improvements to, such Units. Units 1, 2 and 3 at the Plant are owned in their entirety by the Company; the Series C Project relates only to these Units.

USE OF PROCEEDS

The proceeds of the Series B Bonds will be deposited with Barclays Bank, PLC, New York Branch, acting as escrow agent (the "Escrow Agent"), pursuant to an escrow agreement dated as of September 1, 1994 among the City, the Company, Bankers Trust Company, as trustee for the 1983 Prior Bonds, Barclays Bank PLC, New York Branch, as provider of liquidity and credit support for the 1983 Prior Bonds (the "Series 1983 Credit Provider") and the Escrow Agent, and will be applied, together with additional funds to be provided by the Company, to reimburse the Series 1983 Credit Provider, after the

draw under the letter of credit supporting the 1983 Prior Bonds has been utilized to redeem the 1983 Prior Bonds on November 1, 1994. The proceeds of the Series B Bonds to be held by the Escrow Agent prior to the redemption of the 1983 Prior Bonds will not be held as security for the Series B Bonds. Costs of issuance of the Series B Bonds, including all legal, underwriting and miscellaneous costs, will be paid by the Company. The proceeds of the Series C Bonds will be used to defray the cost to the Company of acquiring, constructing, reconstructing, improving, maintaining, equipping or furnishing the Series C Project and to pay certain costs of issuance incurred in connection with the issuance of the Series C Bonds, including legal, underwriting and miscellaneous costs.

THE BONDS

Each issue of Bonds will operate independently of the other. However, each issue of Bonds contains substantially the same terms (other than amount) and provisions, and the following is a summary of certain provisions of each issue of the Bonds. All references in this summary to the Bonds, the Agreement, the Ordinance, the Project and similar references shall be read as relating to each issue of Bonds, and the Agreement, the Ordinance and the Project related thereto, unless the context clearly indicates otherwise.

General

The Bonds will be issued as fully registered Bonds without coupons in the manner described below. The Bonds will be dated as of the date of delivery thereof (the "Issue Date") and will mature on September 1, 2024. The term of the Bonds shall be divided into consecutive Rate Periods, during each of which the Bonds may bear interest at Daily, Weekly, Monthly, Term or Flexible Rates designated and determined as described herein. At any time, the Rate Period applicable to either Series of Bonds may be different from the Rate Period applicable to the other Series of Bonds. The Initial Rate Period for the Bonds will be a Daily Rate Period. During such Daily Rate Period, the Bonds will bear interest at Daily Rates as described herein. The Bonds will continue to bear interest at Daily Rates determined as described herein unless and until the interest rate determination method for the Bonds is adjusted as described herein.

The Bonds are authorized in denominations of $100,000 or any integral multiple thereof, with respect to Bonds during any Daily Rate Period, any Weekly Rate Period or any Monthly Rate Period; $100,000 or any integral multiple of $5,000 in excess of $100,000, with respect to Bonds during any Flexible Rate Period; and $5,000 or any integral multiple thereof, with respect to Bonds during any Term Rate Period; provided, however, that one Series B Bond may be issued in a denomination other than the foregoing (collectively, "Authorized Denominations").

The Bonds are subject to tender for purchase at the option of the holders of the Bonds, and under certain circumstances are subject to mandatory tender for purchase in the manner and at the times described herein. The Bonds are subject to optional and mandatory redemption prior to maturity in the manner and at the times described herein.

CS First Boston Corporation has been appointed by the Company as Remarketing Agent with respect to the Series B Bonds. Goldman, Sachs & Co. has been appointed by the Company as Remarketing Agent with respect to the Series C Bonds. CS First Boston Corporation and Goldman, Sachs & Co. are referred to herein as "Remarketing Agents." The Remarketing Agents will be paid fees for their services and may be removed or resign under certain circumstances.

Concurrently with the issuance of the Bonds, the Company will cause to be delivered to the Trustee the Letters of Credit issued by the Credit Providers.

Definitions

The terms "Daily Rate," "Daily Rate Period," "Weekly Rate," "Weekly Rate Period," "Monthly Rate," "Monthly Rate Period," "Flexible Rate," "Flexible Segment," "Term Rate" and "Term Rate Period" are defined by reference to the procedures for the determination thereof, as described below. In addition, the following terms are used in this summary:

"Business Day" means a day on which banks located in the cities in which the principal offices of the Trustee, the Registrar, the Paying Agent, the Tender Agent, either Remarketing Agent and either Credit Provider are located are not

required or authorized to be closed and on which the New York Stock Exchange is not closed, and, in the case of any action to be taken by the Company, which is not a day on which banks in Phoenix, Arizona are required or authorized to be closed.

"Interest Payment Date" means (i) with respect to any Daily, Weekly or Monthly Rate Period, the first Business Day of each calendar month, (ii) with respect to any Term Rate Period, the first day of the sixth month following the commencement of the Term Rate Period and the first day of each sixth month thereafter, (iii) with respect to any Flexible Segment, the Business Day next succeeding the last day of such Flexible Segment, (iv) with respect to any Rate Period, the Business Day next succeeding the last day thereof and (v) with respect to any Credit Provider Bonds, the dates specified in the related Reimbursement Agreement for the payment of interest on any reimbursement obligations of the Company to the related Credit Provider relating to such Credit Provider Bonds, as such dates shall be specified by the Credit Provider to the Trustee.

"Rate Period" means any Daily Rate Period, Weekly Rate Period, Monthly Rate Period, Term Rate Period or Flexible Rate Period.

"Record Date" means with respect to any Interest Payment Date in respect of any Daily Rate Period, Weekly Rate Period, Monthly Rate Period or Flexible Segment, the Business Day next preceding such Interest Payment Date and, with respect to any Interest Payment Date in respect of any Term Rate Period, the fifteenth day of the month preceding such Interest Payment Date.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended (the "1954 Code") or Section 147(a) of the Internal Revenue Code of 1986 (the "1986 Code") for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the 1986 Code.

Payment of Principal and Interest

Interest shall be payable (i) by check mailed by first class mail on the Interest Payment Date to the holders as of the Record Date or (ii) during any Rate Period other than a Term Rate Period, in immediately available funds (by wire transfer or by deposit to the account of the holder of such Bond if such account is maintained with the Paying Agent), but in respect of any holder of Bonds in a Daily, Weekly or Monthly Rate Period only to any holder owning Bonds in an aggregate principal amount of at least $1,000,000 on the Record Date and having provided wire transfer instructions to the Paying Agent prior to the close of business on such Record Date; provided, that, if and to the extent there shall have been a default in the payment of the interest due, such interest shall be paid to the persons in whose name any such Bonds are registered as of a special record date to be fixed by the Trustee, notice of which shall be given to such holders not less than 10 days prior thereto. Notwithstanding the foregoing, interest in respect of any Bond bearing a Flexible Rate shall be paid only upon presentation to the Tender Agent of the Bond on which such payment is due.

Interest shall be computed, in the case of any Rate Period other than a Term Rate Period, on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed and, in the case of a Term Rate Period, on the basis of a 360-day year consisting of twelve 30-day months.

Daily Rate Period

Daily Rate. During each Daily Rate Period, the affected Bonds shall bear interest at the Daily Rate, determined by the applicable Remarketing Agent either on each Business Day for such Business Day or on the next preceding Business Day for the Business Day next succeeding such date of determination and as may be determined by the applicable Remarketing Agent for any day that is not a Business Day on any such day during which there shall be active trading in Tax-Exempt obligations comparable to the affected Bonds for such day.

The Daily Rate will be the rate determined by the applicable Remarketing Agent to be the lowest rate which would enable such Remarketing Agent to sell the affected Bonds on the effective date of such rate at a price (without regard to

accrued interest) equal to 100% of the principal amount thereof. If a Remarketing Agent has not determined a Daily Rate, the Daily Rate will be the same as the Daily Rate for the immediately preceding day. In no event will the Daily Rate be greater than 12%.

Adjustment to a Daily Rate Period. The interest rate borne by the affected Bonds will be adjusted to a Daily Rate upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company. The notice must specify the effective date of the adjustment to a Daily Rate which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the receipt by the Trustee of such direction (or such shorter period acceptable to the Trustee), (2) in the case of an adjustment from a Monthly Rate Period or a Term Rate Period, a day on which the affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Ordinance as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" and "—Optional Redemption—Term Rate Period," as applicable, and (3) in the case of an adjustment from a Flexible Rate Period, either (i) the day immediately following the last day of the then current Flexible Rate Period, or (ii) for each affected Bond, the day immediately following the last day of the last Flexible Segment for such Bond in the then current Flexible Rate Period; provided, however, that if prior to the Company's making such election, any affected Bonds shall have been called for redemption and such redemption shall not have theretofore been effected, the effective date of such Daily Rate Period shall not precede such redemption date. In the case of an adjustment from a Term Rate Period, such notice must be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Act and the Ordinance, and (2) will not adversely affect the Tax-Exempt status of the interest on the Bonds.

Notice of Adjustment to a Daily Rate Period. The Trustee must give notice of an adjustment to a Daily Rate Period to the holders of the Bonds not less than twelve days (fifteen days if the then current Rate Period shall be a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Daily Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to a Daily Rate (subject to the Company's ability to rescind its election, as provided in the Ordinance), (2) the effective date of the Daily Rate Period, (3) that the Bonds are subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of such Bonds do not have a right to retain their Bonds on such effective date.

Weekly Rate Period

Weekly Rate. During each Weekly Rate Period, the affected Bonds will bear interest at the Weekly Rate determined by the applicable Remarketing Agent no later than the first day of such Weekly Rate Period and thereafter no later than Tuesday of each week during such Weekly Rate Period, unless any such Tuesday shall not be a Business Day, in which event the Weekly Rate shall be determined by the applicable Remarketing Agent no later than the Business Day next preceding such Tuesday.

The Weekly Rate will be the rate determined by the Remarketing Agent to be the lowest rate which would enable the Remarketing Agent to sell the affected Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If the applicable Remarketing Agent has not determined a Weekly Rate for any period, the Weekly Rate for such period will be the same as the Weekly Rate for the immediately preceding period. In no event will the Weekly Rate be greater than 12%.

The first Weekly Rate determined for each Weekly Rate Period will apply to the period commencing on the first day of such Weekly Rate Period and ending on the next succeeding Tuesday. Thereafter, each Weekly Rate will apply to the period commencing on each Wednesday and ending on the next succeeding Tuesday; provided, however, if such Weekly Rate Period will end on a day other than Tuesday, the last Weekly Rate for such Weekly Rate Period will apply to the period commencing on the Wednesday preceding the last day of such Weekly Rate Period and ending on such last day.

Adjustment to a Weekly Rate Period. The interest rate borne by the affected Bonds will be adjusted, at any time, to a Weekly Rate upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice must specify the effective date of such adjustment to a Weekly Rate Period which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after receipt by the Trustee

of such direction (or such shorter period acceptable to the Trustee), (2) in the case of an adjustment from a Monthly Rate Period or a Term Rate Period, a day on which affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Ordinance as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" and "—Optional Redemption—Term Rate Period," as applicable, and (3) in the case of an adjustment from a Flexible Rate Period, either the day immediately following the last day of the then current Flexible Rate Period or for each affected Bond, the day immediately following the last day of the then current Flexible Segment for such Bond; provided, however, that if prior to the Company's making such election, any affected Bonds have been called for redemption and such redemption has not yet been effected, the effective date of such Weekly Rate Period will not precede such redemption date. In the case of an adjustment from a Term Rate Period, such notice must be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Act and the Ordinance, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

Notice of Adjustment to a Weekly Rate Period. The Trustee must give notice of an adjustment to a Weekly Rate Period to the holders of the Bonds not less than twelve days (fifteen days if the then current rate period is a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Weekly Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to a Weekly Rate (subject to the Company's ability to rescind its election, as provided in the Ordinance), (2) the effective date of the Weekly Rate Period, (3) that the Bonds are subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that holders of such Bonds do not have the right to retain such Bonds on such effective date.

Monthly Rate Period

Monthly Rate. During each Monthly Rate Period, the affected Bonds will bear interest at the Monthly Rate, determined by the Remarketing Agent no later than the first day of such Monthly Rate Period and thereafter no later than the Business Day immediately preceding each Interest Payment Date with respect to the affected Bonds.

The Monthly Rate will be the rate determined by the applicable Remarketing Agent to be the lowest rate which would enable the applicable Remarketing Agent to sell the affected Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If the applicable Remarketing Agent has not determined a Monthly Rate for any period, the Monthly Rate shall be the same as the Monthly Rate in effect for the immediately preceding month. In no event shall any Monthly Rate be greater than 12%.

The first Monthly Rate determined for each Monthly Rate Period will apply to the period commencing on the first day of such Monthly Rate Period and ending on the day immediately preceding the next Interest Payment Date with respect to the affected Bonds. Thereafter, each Monthly Rate will apply to the period commencing on the Interest Payment Date next succeeding the date of determination of such Monthly Rate and ending on the day immediately preceding the Interest Payment Date next succeeding the effective date of such Monthly Rate.

Adjustment to a Monthly Rate Period. The interest rate borne by the affected Bonds will be adjusted, at any time, to a Monthly Rate upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice will specify the effective date of such adjustment to a Monthly Rate Period, which shall be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the date of receipt by the Trustee of such notice (or such shorter period acceptable to the Trustee); (2) in the case of an adjustment from a Term Rate Period, a day on which affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Ordinance as described herein under "—Redemption of Bonds—Optional Redemption—Term Rate Period"; and (3) in the case of an adjustment from a Flexible Rate Period either the day immediately following the last day of the then current Flexible Rate Period or for each affected Bond, the day immediately following the last day of the last Flexible Segment for such Bond in the then current Flexible Rate Period; provided, however, that if prior to the Company's making such election, any of the affected Bonds have been called for redemption and such redemption has not been effected, the effective date of such Monthly Rate Period will not precede such redemption date. In the case of an adjustment from a Term Rate Period, such written notice shall be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Ordinance and the Act, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

Notice of Adjustment to a Monthly Rate Period. The Trustee must give notice of an adjustment to a Monthly Rate Period to the holders of the affected Bonds not less than twelve days (fifteen days if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Monthly Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to a Monthly Rate (subject to the Company's ability to rescind its election pursuant to the Ordinance), (2) the effective date of the Monthly Rate Period, (3) that the affected Bonds are subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of such Bonds do not have the right to retain their Bonds on such effective date.

Flexible Rate Period

Flexible Segments and Flexible Rates. Flexible Rate Periods will consist of Flexible Segments of varying duration for each Bond. Different Flexible Segments may apply to different Bonds at any time and from time to time. During each Flexible Rate Period, each Bond will bear interest at the Flexible Rate applicable to the Flexible Segment in effect for such Bond. Each Flexible Segment will be a period of at least one day and not more than 365 days, ending on a day that immediately precedes a Business Day, determined by the applicable Remarketing Agent to be the period which, together with all other Flexible Segments for all affected Bonds then outstanding, will result in the lowest overall net interest expense on the affected Bonds. The Flexible Rate for each Flexible Segment for each Bond will be the rate determined by the applicable Remarketing Agent no later than the first day of such Flexible Segment to be the lowest interest rate which would enable the Remarketing Agent to sell the Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If a Flexible Rate for a Flexible Segment of one day is not determined or effective on such day, the Flexible Rate for such Flexible Segment of one day shall be eighty percent (80%) of the most recent One-Year Note Index theretofore published in The Bond Buyer. In no event shall the Flexible Rate for any Bond be greater than 12%.

Adjustment to a Flexible Rate Period. The interest rates borne by the affected Bonds will be adjusted, at any time, to Flexible Rates upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice will specify the effective date of the Flexible Rate Period during which the Bonds will bear interest at Flexible Rates which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the date of receipt by the Trustee of such notice (or such shorter period acceptable to the Trustee), and (2) in the case of an adjustment from a Monthly Rate Period or a Term Rate Period, a day on which the affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Ordinance as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" or "—Optional Redemption—Term Rate Period," as applicable; provided, however, that if prior to the Company's making such election, any of the affected Bonds have been called for redemption and such redemption has not been effected, the effective date of such Flexible Rate Period will not precede such redemption date. In the case of an adjustment from a Term Rate Period, such direction must be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Ordinance and the Act, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

Notice of Adjustment to a Flexible Rate Period. The Trustee must give notice of an adjustment to a Flexible Rate Period to the holders of the affected Bonds not less than twelve days (fifteen days if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Flexible Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to Flexible Rates (subject to the Company's ability to rescind its election pursuant to the Ordinance), (2) the effective date of such Flexible Rate Period, (3) that the Bonds are subject to mandatory tender for purchase on the effective date of such Flexible Rate Period, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of the Bonds do not have the right to retain their Bonds on such effective date.

Adjustment from a Flexible Rate Period. At any time during a Flexible Rate Period, the Company may elect that a Series of Bonds shall no longer bear interest at Flexible Rates. The Company must notify the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of the election and specify the Rate Period to follow with respect to the affected Bonds upon cessation of the Flexible Rate Period. The applicable Remarketing Agent will (1) determine Flexible Segments of such duration that, as soon as possible, all Flexible Segments shall end on the same date, not earlier than the eleventh day following the fifth Business Day (or such shorter period acceptable to the Trustee), following the receipt by the Trustee of the notice described in the last sentence of this paragraph, which date shall be the last day of the then

current Flexible Rate Period, and, upon the establishment of such Flexible Segments, the day next succeeding the last day of all such Flexible Segments shall be the effective date of the Rate Period elected by the Company; or (2) determine Flexible Segments that will in the judgment of the applicable Remarketing Agent best promote an orderly transition to the next succeeding Rate Period to apply to such Bonds, beginning not earlier than the eleventh day following the fifth Business Day (or such shorter period acceptable to the Trustee) following the receipt by the Trustee of the notice described in the last sentence of this paragraph. If the alternative in clause (2) above is selected, the day next succeeding the last day of the Flexible Segment for each affected Bond shall be with respect to such Bond the effective date of the Rate Period elected by the Company. The Remarketing Agent, promptly upon the determination thereof, shall give written notice of such last day and such effective dates to the Company, the Trustee and the Paying Agent.

Term Rate Period

Term Rate. During each Term Rate Period, the Bonds will bear interest at the Term Rate which will be determined by the applicable Remarketing Agent on a Business Day selected by the Remarketing Agent, but not more than 40 days prior to and not later than the effective date of such Term Rate Period. The Term Rate will be the rate determined by the applicable Remarketing Agent on such date, and communicated on such date to the Trustee, the Paying Agent and the Company, by written notice or by telephone promptly confirmed by telecopy or other writing, as being the lowest rate which would enable the Remarketing Agent to sell the Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof; provided, however, that if, for any reason, a Term Rate for any Term Rate Period is not determined or effective or if an adjustment from a Term Rate Period to another Rate Period is not effective, the Rate Period for the Bonds will automatically convert to a Daily Rate Period. If a Daily Rate for the first day of such Daily Rate Period is not determined as described under "—Daily Rate Period—Daily Rate", the Daily Rate for the first day of such Daily Rate Period shall be 80% of the most recent One-Year Note Index theretofore published in The Bond Buyer. In no event will any Term Rate be greater than 12% per annum.

Adjustment to or Continuation of a Term Rate Period. The interest rate borne by the affected Bonds will be adjusted to or continued at a Term Rate, at any time, upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice will indicate the duration of the Term Rate Period during which the affected Bonds will bear interest at such rate. At the time the Company elects an adjustment to or continuation of a Term Rate Period, the Company may specify two or more consecutive Term Rate Periods and, if the Company so specifies, will specify the duration of each such successive Term Rate Period. Such notice must specify the effective date of each Term Rate Period, which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the date of receipt by the Trustee of such notice (or such shorter period acceptable to the Trustee); (2) in the case of an adjustment from a Monthly Rate Period or an adjustment from or continuation of a Term Rate Period, a day on which the affected Bonds would be permitted to be redeemed at the option of the Company pursuant to the provisions of the Ordinance as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" or "—Optional Redemption—Term Rate Period," as applicable; and (3) in the case of an adjustment from a Flexible Rate Period either (i) the day immediately following the last day of the then current Flexible Rate Period, or (ii) for each affected Bond, the day immediately following the last day of the last Flexible Segment for such Bond in the then current Flexible Rate Period; provided, however, that if prior to the Company's making such election, any affected Bonds shall have been called for redemption and such redemption has not been effected, the effective date of such Term Rate Period will not precede such redemption date. In addition, such notice must specify the last day of such Term Rate Period (which shall be either the day preceding the date of final maturity of the affected Bonds or a day which both immediately precedes a Business Day and is at least one hundred eighty (180) days after such effective date), and unless such Term Rate Period immediately succeeds a Term Rate Period of the same duration and is subject to the same optional redemption rights provided by the Ordinance, shall be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Ordinance and the Act, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

If, by the second Business Day preceding the fourteenth day prior to the last day of any Term Rate Period, the Trustee shall not have received notice of the Company's election that, during the next succeeding Rate Period, the affected Bonds will bear interest at a Daily Rate, a Weekly Rate, a Monthly Rate, a Term Rate or a Flexible Rate accompanied by appropriate opinions of bond counsel, if expressly required by the provisions of the Ordinance, the next succeeding Rate Period shall be a Term Rate Period of the same duration as the immediately preceding Term Rate Period and the optional redemption prices and periods for such successive Term Rate Period shall be the same as for the immediately preceding Term Rate Period; provided,

however, that if the last day of any such successive Term Rate Period is not a day immediately preceding a Business Day, then such successive Term Rate Period will end on the first day immediately preceding the Business Day next succeeding such day, or if such last day would be after the day prior to the final maturity date of the affected Bonds, such Term Rate Period shall end on the last day prior to such maturity date.

Notice of Adjustment to or Continuation of a Term Rate Period. The Trustee must give notice of an adjustment to or continuation of a Term Rate Period to the holders of the Bonds not less than twelve days (fifteen days if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Term Rate Period. In the event such adjustment or continuation is from a Term Rate Period to a Term Rate Period of equal duration, such notice shall state (1) that the interest rate on the affected Bonds will be adjusted to, or continue to be, a Term Rate (subject to the Company's ability to rescind its election as provided in the Ordinance), (2) the effective date and the last date of the Term Rate Period, (3) that the Term Rate for such Term Rate Period will be determined not later than the effective date thereof, (4) how such Term Rate may be obtained from the Remarketing Agent, (5) the Interest Payment Dates after such effective date, (6) that, during such Term Rate Period, the holders of Bonds will not have the right to tender their Bonds for purchase, (7) the redemption provisions that will apply to affected Bonds during such Term Rate Period, (8) whether any Credit Facility (as defined in the Ordinance) will be in effect after such effective date and, if so, the name of the Credit Provider and the interest coverage and expiration date of any such Credit Facility, and (9) the rating or ratings, if any, which the Bonds are expected to receive from the Rating Agencies as of such effective date. In the event such adjustment or continuation is not from a Term Rate Period to a Term Rate Period of equal duration, such notice shall state (1) that the interest rate on such Bonds will be adjusted to, or continue to be, a Term Rate (subject to the Company's ability to rescind its election as provided in the Ordinance), (2) the effective date of the Term Rate Period, (3) that such Bonds shall be subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of such Bonds do not have the right to retain their Bonds on such effective date.

Determinations Conclusive

The determination of any Daily Rate, Weekly Rate, Monthly Rate, Flexible Rate and Term Rate and each Flexible Segment by the applicable Remarketing Agent shall be conclusive and binding upon such Remarketing Agent, the Trustee, the Paying Agent, the Company, the Issuer and the holders of the Bonds.

Automatic Adjustment to Daily Rate Upon Rescission of Rate Period Adjustment

The Company may rescind any election by it to adjust to or continue a Rate Period prior to the effective date thereof, by giving written notice to the Issuer, the Trustee and the applicable Remarketing Agent prior to such effective date. If notice of the election to adjust to or continue the Rate Period has previously been given by the Trustee to the holders of the Bonds, then the Rate Period will automatically adjust to a Daily Rate Period on the date originally scheduled for such adjustment or continuation. If a Daily Rate for the first day of any such Daily Rate Period is not determined as described under "—Daily Rate Period—Daily Rate", the Daily Rate for the first day of such Daily Rate Period will be 80% of the most recent One-Year Note Index theretofore published in The Bond Buyer.

Optional Tender for Purchase

Daily Rate Period. On any Business Day during any Daily Rate Period, any Bond (or portion thereof in an Authorized Denomination) will be purchased at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, to the date of purchase, upon (i) delivery by the holder of such Bond to the Tender Agent at its Principal Office by no later than 11:00 a.m., New York City time, on such Business Day, of an irrevocable notice by telephone or in writing, which states the principal amount, or portion thereof, of such Bond to be tendered for purchase and the date of purchase, and (ii) delivery of such Bond to the Tender Agent at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date (as defined in the Ordinance).

Weekly Rate Period. On any Wednesday, or if such Wednesday is not a Business Day, then the next succeeding Business Day, during any Weekly Rate Period, any Bond (or portion thereof in an Authorized Denomination) will be purchased at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, to the date of purchase, upon (i) delivery by the holder of such Bond to the Tender Agent at its principal office of an irrevocable notice by telephone (promptly confirmed in writing) or in writing by 5:00 p.m. New York City time on any Business Day at least seven days prior to the date of purchase, which states the principal amount or portion thereof of such Bond to be tendered for purchase and the date of purchase, and (ii) delivery of such Bond to the Tender Agent at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date.

Monthly Rate Period. On any Interest Payment Date during a Monthly Rate Period, any Bond (or portion thereof in an Authorized Denomination) will be purchased at a purchase price equal to 100% of the principal amount thereof, upon (i) delivery by the holder of such Bond to the Tender Agent at its principal office of an irrevocable notice in writing, by 5:00 p.m., New York City time, on any Business Day at least seven days prior to such Purchase Date, which states the principal amount of such Bond to be tendered for purchase and the Purchase Date, and (ii) delivery of such Bond to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in a form satisfactory to the Tender Agent, executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date.

Term Rate Period. On the first day of any Term Rate Period which is preceded by a Term Rate Period of the same duration, any Bond (or portion thereof in an Authorized Denomination) will be purchased from its holder, at a purchase price equal to 100% of the principal amount thereof plus accrued interest thereon upon (i) delivery by the holder of such Bond to the Tender Agent at its Principal Office, of an irrevocable notice in writing, by 5:00 p.m., New York City time, on any Business Day not less than fifteen days prior to the Purchase Date which states the principal amount, or portion thereof, of such Bond to be purchased, and (ii) delivery of such Bond to the Tender Agent at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date.

Bonds tendered for purchase under the provisions of the Ordinance must be delivered to the Principal Office of the Tender Agent; provided that so long as any Bond is held in book-entry form, such Bond need not be delivered in connection with any tender pursuant to the provisions of the Ordinance described in this Section.

Mandatory Tender for Purchase

The Bonds are subject to mandatory tender for purchase at a purchase price equal to the principal amount thereof, plus accrued interest to the Purchase Date therefor, on any of:

(a) as to any Bond, the effective date of any change in a Rate Period for such Bond other than the effective date for a Term Rate Period which was preceded by a Term Rate Period of the same duration;

(b) as to each Bond in a Flexible Rate Period, the day next succeeding the last day of any Flexible Segment with respect to such Bond;

(c) as to all Bonds of a Series, the second Business Day next preceding the termination of any Credit Facility with respect to such Series (whether upon the stated termination date thereof or upon the substitution of a different Credit Facility) unless the Trustee shall have received, on or before the twentieth day prior to such termination date, written confirmation from each Rating Agency (as such term is defined in the Ordinance) then rating the Bonds that such termination shall not result in the lowering or withdrawal of the then current ratings on the Bonds of such Series;

(d) as to all Bonds of a Series, a day, as specified by the Trustee, not more than twenty days after receipt by the Trustee from the Credit Provider with respect to such Series, within seven days after a drawing on the Credit Facility with respect to such Series, of a notice to the effect that the Credit Provider has not been reimbursed for such drawing, and that the amount available to be drawn thereunder has not been reinstated and directing the Trustee to give notice of such mandatory tender and to purchase such Bonds on the applicable Purchase Date; or

(e) as to all Bonds of a Series, a day, as specified by the Trustee, not more than twenty days after receipt by the Trustee from the Credit Provider with respect to such Bonds, of a written notice stating that an event of default has occurred under the applicable Reimbursement Agreement and directing the Trustee to give notice of such mandatory tender and to purchase such Bonds on the applicable Purchase Date.

The Bonds are also subject to mandatory tender for purchase on the day next succeeding any Term Rate Period which ends prior to the day originally established as the last day of such Term Rate Period at a purchase price equal to the principal amount thereof plus an amount equal to any premium which would have been payable on such day had the Company directed optional redemption of such Bonds on that day.

On the day next succeeding the last day of any Flexible Segment for any Bond, such Bond shall be purchased (as described in clause (b) above) unless the holder thereof elects to retain its investment in the Bond and not to have such Bond purchased by delivery to the Tender Agent at the Principal Office of the Tender Agent not later than 11:00 a.m., New York City time, on the first day of the applicable Flexible Segment, of an irrevocable telephonic notice which states that such Bond is not to be so purchased. Payment of interest on Bonds to be retained shall be made only upon exchange thereof for a Bond bearing a notation of the new Flexible Segment and new Flexible Rate.

The Trustee shall give notice by first-class mail to the holders of a Series of Bonds of the termination of any Credit Facility with respect to such Series and of the provision of any proposed substitute Credit Facility with respect to such Series, not later than the fifteenth day prior to such termination or provision. Such notice shall (i) include a general description of any Credit Facility in effect prior to such termination or provision and any substitute Credit Facility to be in effect on such termination or provision, (ii) state the date of such termination or provision, (iii) state the ratings, if any, expected for the Bonds after such termination or provision, and (iv) if by the twentieth day prior to such termination or provision the Trustee shall not have received written confirmation from each nationally recognized Rating Agency then rating the Bonds that such termination or provision will not result in the lowering or withdrawal of the then current rating or ratings on the Bonds, state that the Bonds shall be subject to mandatory tender for purchase on the second Business Day next preceding such termination as described in clause (c) above.

The Trustee shall give notice by first-class mail to the holders of the affected Bonds of any mandatory tender occurring by reason of clause (d) or (e) above no later than five days after receiving the notice from the Credit Provider as described in such clause (d) or (e), as applicable, and not less than fifteen days prior to the mandatory tender date described in such clause (d) or (e), as applicable.

Redemption of Bonds

Optional Redemption—Daily Rate Period or Weekly Rate Period. On any Business Day during a Daily Rate Period or a Weekly Rate Period for a Series of Bonds, the Bonds are subject to redemption, at the option of the Company, in whole or in part, at 100% of their principal amount, plus accrued interest, if any, to the redemption date.

Optional Redemption—Monthly Rate Period. On any Interest Payment Date during a Monthly Rate Period, the Bonds are subject to redemption at the option of the Company, in whole or in part, at 100% of their principal amount.

Optional Redemption—Flexible Rate Period. On the day next succeeding the last day of any Flexible Segment with respect to any Bond, such Bond is subject to redemption at the option of the Company, in whole or in part, at 100% of its principal amount.

Optional Redemption—Term Rate Period. On the day next succeeding the last scheduled day of any Term Rate Period with respect to a Series of Bonds, such Bonds shall be subject to redemption at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date. During any Term Rate Period, the Bonds are subject to redemption, at the option of the Company, during the periods specified below, in whole at any time or in part from time to time, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued interest, if any, to the redemption date:

Length of Term Rate Period (in years)	Redemption Dates and Prices
Greater than 15	At any time on or after the first day of the calendar month following the tenth anniversary of the effective date at 102% declining 1% annually to 100%
Greater than 10 and less than or equal to 15	At any time on or after the first day of the calendar month following the fifth anniversary of the effective date at 102% declining 1% annually to 100%
Greater than 7 and less than or equal to 10	At any time on or after the first day of the calendar month following the third anniversary of the effective date at 102% declining 1% annually to 100%
Greater than 4 and less than or equal to 7	At any time on or after the first day of the calendar month following the second anniversary of the effective date at 101% declining 0.5% annually to 100%
Greater than 2 and less than or equal to 4	At any time on or after the first day of the calendar month following the second anniversary of the effective date at 101% declining 0.5% each six months thereafter to 100%
Greater than 1 and less than or equal to 2	At any time on or after the first day of the calendar month following the first anniversary of the effective date at 100.5%, declining 0.5% six months thereafter to 100%
Less than or equal to 1	Not redeemable

The Company shall have the option to cause the Rate Period for either Series of Bonds to change on any date on which such Bonds are subject to redemption as provided above, in which event such Bonds shall be subject to mandatory tender at the applicable price set forth above, as described in the second paragraph under "—Mandatory Tender for Purchase."

With respect to any Term Rate Period, the Company may, in the notice required by the Ordinance with respect to an adjustment to or continuation of a Term Rate Period, specify redemption prices and periods other than those set forth above; provided, however, that such notice shall be accompanied by an opinion of bond counsel stating that such changes in redemption prices and periods (i) are authorized or permitted by the Act and the Ordinance, and (ii) will not adversely affect the Tax-Exempt status of the Bonds.

Extraordinary Optional Redemption. The Bonds will be redeemed in whole or in part at any time at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date upon receipt by the Trustee of a written notice from the Company stating that any of the following events has occurred and that the Company therefore intends to exercise its option to prepay the payments due under the Agreement and thereby effect the redemption of Bonds in whole or in part:

(a) the Plant or the Project or a portion thereof the original cost of which is equal to or greater than $500,000 shall have been damaged or destroyed to such extent that, in the opinion of the Company (i) it is not practicable or desirable to rebuild, repair or restore the Project or such portion thereof within a period of six consecutive months following such damage or destruction, (ii) the Company is or will be thereby prevented from carrying on its normal operations at the Project or such portion thereof for a period of six consecutive months, or (iii) the cost of restoration thereof would substantially exceed the net proceeds of insurance carried thereon;

(b) title to, or the temporary use of, the Plant or the Project or a portion thereof the original cost of which is equal to or greater than $500,000 shall have been taken under the exercise of the power of eminent domain, including such a taking as results (or is likely to result) in the Company being prevented from carrying on normal operations at the Project or such portion thereof for a period of six months or as renders the Project or such portion thereof unsuitable for use by the Company;

(c) unreasonable burdens or excessive liabilities, in the opinion of the Company, shall have been imposed on the Company, including, without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Agreement; or

(d) any court or administrative body or regulatory agency shall enter a judgment, order or decree requiring the Company to cease all or any substantial part of its operations at the Project or a portion thereof the original cost of which is equal to or greater than $500,000, to such an extent that, in the opinion of the Company it is or will be thereby prevented from carrying on its normal operations at the Project or such portion thereof for a period of six consecutive months.

Mandatory Redemption. Upon the occurrence of any of the following events, the Bonds of any affected Series shall be redeemed, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, from amounts required to be prepaid by the Company:

(A) in whole on any date upon a Determination of Taxability (as hereinafter defined); provided, however, that if, in the opinion of bond counsel delivered to the Issuer and to the Trustee, the redemption of a specified portion of such Bonds outstanding would have the result that interest payable on such Bonds remaining outstanding after such redemption would remain Tax-Exempt, then such Bonds shall be redeemed in part by lot (in Authorized Denominations) in such amount as such bond counsel in such opinion shall have determined is necessary to accomplish that result; or

(B) in whole upon the acceleration of payments due with respect to such Series under the Agreement following an event of default (as such term is defined in the Agreement) thereunder; provided, however, that such redemption shall not occur if, pursuant to the Agreement, the acceleration of such payments is annulled prior to the redemption date and, in such event, the Trustee will promptly give written notice of such annulment to the Issuer and the Company, and will give notice thereof to the holders of the Bonds and each Credit Provider.

For purposes of the foregoing, "Determination of Taxability" means a determination that interest payable on any Bond is includable in the gross income for federal income tax purposes of the holder of such Bond (other than a holder who is a "substantial user" of the Project or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code with respect to the Series B Bonds and within the meaning of Section 147(a) of the 1986 Code with respect to the Series C Bonds). Such determination shall be deemed to have been made upon the date on which, due to the untruth or inaccuracy of any representation or warranty made by the Company in the Agreement, or in connection with the offer and sale of the Bonds, or the breach of any covenant or warranty of the Company contained in the Agreement, interest on the Bonds, or any of them, is determined to be includable in the gross income for federal income tax purposes of the owners thereof (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code with respect to the Series B Bonds and within the meaning of Section 147(a) of the 1986 Code with respect to the Series C Bonds) by a final administrative determination of the Internal Revenue Service or a final judicial decision of a court of competent jurisdiction in a proceeding of which the Company received notice and was afforded an opportunity to participate to the full extent permitted by law. A determination or decision will not be considered final for purposes of the preceding sentence unless (A) the holder or holders of the Bonds involved in the proceeding in which the issue is raised (i) shall have given the Company and the Trustee prompt notice of the commencement thereof, and (ii) shall have offered the Company the opportunity to control the proceeding; provided the Company agrees to pay all expenses in connection therewith and to indemnify such holder or holders against all liability for such expenses (except that any such holder may engage separate counsel, and the Company shall not be liable for the fees or expenses of such counsel); and (B) such proceeding shall not be subject to a further right of appeal or shall not have been timely appealed.

Notice and Manner of Redemption; Effect. Notice of redemption shall be given by the Trustee, not fewer than 15 nor more than 60 days prior to the redemption date, (i) by first-class mail to the registered holder of each Bond to be redeemed at such registered holder's address as it appears on the registration books and to the applicable Credit Provider and (ii) by telecopy, confirmed by first-class mail, to the Securities Depositories (as defined in the Ordinance) and one or more Information Services (as defined in the Ordinance). During the continuance of a book-entry system, the Trustee shall not be obligated to give notices to beneficial holders. See "—Book-Entry Only System" below. Each notice of redemption shall state, among other things, the redemption date, the place of redemption, the source of funds to be used for such redemption and the principal amount, and shall also state that the interest on the Bonds designated for redemption shall cease to accrue from and after such redemption date and that on such date there will become due and payable on each of the Bonds the principal amount thereof to be redeemed, interest accrued thereon, if any, to the redemption date and the premium, if any, thereon (such premium to be specified). No publication of notice is required. If less than all the Bonds are called for redemption, the Trustee shall select Bonds to be redeemed by lot.

With respect to any notice of optional redemption, unless upon the giving of such notice such Bonds shall be deemed to have been paid, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of Available Amounts (as defined in the Ordinances) sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such Available Amounts shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such Available Amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such Available Amounts were not so received.

If moneys for payment of the redemption price are held by the Trustee, Bonds called for redemption shall become due and payable on the redemption date at the applicable redemption price, interest on the Bonds called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any lien, benefit or security under the Ordinance, and the holders of the Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof (including interest, if any, accrued to the redemption date), without interest accrued on any funds held to pay such redemption price.

Failure to mail notice of redemption to any registered owner of the Bonds or any defect therein in respect of any Bond will not affect the validity of the redemption of any other Bonds and will not extend the period for making elections or in any way change the rights of the holders of the Bonds to elect to have their Bonds purchased as provided in the Ordinance. Failure to give notice of redemption to any one or more of the Information Services or Securities Depositories or the insufficiency of any of any such notices will not affect the sufficiency of the proceedings for redemption.

If, thirty days after any redemption date, any Bonds called for redemption have not been presented to the Trustee for payment, the Trustee will no later than sixty days following such redemption date send notice by first-class mail to the holder of each Bond not so presented.

Transfer and Exchange

Bonds may be transferred or exchanged for other Bonds in Authorized Denominations at the Principal Office of the Registrar, initially the Trustee. Exchanges and transfers shall be made without charge to the holders, except for any applicable tax, fee or other governmental charge. The Registrar is not required to effect any transfer or exchange of any Bonds during the seven days preceding the mailing of any notice of redemption or of any Bonds called for redemption.

Book-Entry Only System

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants (the "Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the

books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants. Beneficial Owners of the Bonds will have no lien or security interest in any rebate or refund paid by DTC to the Paying Agent which arises from the payment by the Paying Agent of principal of or interest on the Bonds to DTC.

Notwithstanding anything to the contrary in the foregoing paragraphs, the Tender Agent shall accept any notice of tender from any Beneficial Owner of any Bond held in book-entry form, but shall make payment of the purchase price thereof only to the registered owner of such Bond.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. In such event or if the Company determines to discontinue the services of DTC, certificates for the Bonds will be delivered as described in the Ordinance unless a successor securities depository is appointed by the Issuer (with the consent or at the direction of the Company).

THE ISSUER, THE COMPANY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES, AND NONE OF THEM HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER, WITH RESPECT TO, AMONG OTHER THINGS, (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE BONDS; (III) THE DISTRIBUTION OF ANY REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO. (INCLUDING THE TIMELINESS OF SUCH DISTRIBUTION); OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Company believes to be reliable, but neither the Issuer nor the Company nor the Underwriters take any responsibility for the accuracy thereof.

The Letters of Credit

The following description applies to each of the Series B Letter of Credit and the Series C Letter of Credit. The Letters of Credit are irrevocable obligations of the applicable Credit Provider to pay to the applicable Trustee upon request, (i) in order to pay interest on the respective Series of Bonds as such interest becomes due, an amount not exceeding the interest on such Series of Bonds for up to sixty-two days computed at the rate of 12% per annum, and (ii) in order to pay principal on the respective Series of Bonds as such principal becomes due, an amount not exceeding the principal amount of the respective Series of Bonds. Each Letter of Credit will terminate on the earliest of (i) the stated expiration date of the Letter of Credit (as described below), (ii) the date the applicable Credit Provider is notified of the substitution of an Alternate Credit Facility (as described below) for the related Series of Bonds and, in the case of the Series B Letter of Credit, the Letter of Credit is surrendered to the Credit Provider, (iii) the date notified to the applicable Credit Provider by the applicable Trustee as the date on which there is no longer any related Bond outstanding, (iv) the Credit Provider honoring a draft upon the maturity, acceleration, redemption, or purchase due to mandatory tender under the circumstances described in subparagraphs (c), (d) and (e) of the first paragraph under the heading "—Mandatory Tender for Purchase" above, of all of the related Series of Bonds and at the close of business on the effective date of any such mandatory tender; or (v) the Credit Provider honoring a draft upon purchase due to mandatory tender upon a change in Rate Period of the related Series of Bonds to a Term Rate Period or a Flexible Rate Period and at the close of business on the effective date of a change in Rate Period of the related Series of Bonds to a Term Rate Period or a Flexible Rate Period. The stated expiration date of each of the Letters of Credit is as follows:

Series B	September 14, 1997
Series C	September 14, 1997

The termination of a Letter of Credit may result in a mandatory tender of the related Series of Bonds unless certain conditions are satisfied. See "—Mandatory Tender for Purchase."

The obligation of the applicable Credit Provider under the related Letter of Credit will be reduced to the extent of any drawings thereunder. With respect to a drawing by the applicable Trustee to pay interest on the related Series of Bonds, unless the Trustee has received from the applicable Credit Provider within seven calendar days from the date of such drawing a notice that the Credit Provider has not been reimbursed, the Trustee's right to draw under the Letter of Credit will be automatically reinstated by the amount of such drawing. With respect to a drawing by the applicable Trustee to pay the purchase price of the related Series of Bonds tendered for purchase, except in the case of a mandatory tender of the related Series of Bonds under certain circumstances, the amount available under the related Letter of Credit for the payment of principal of and interest on such Series of Bonds will be reinstated to the extent the Credit Provider is reimbursed for amounts so drawn.

Notice from a Credit Provider to the related Trustee of the failure by the Company to reimburse the Credit Provider pursuant to the terms of the related Reimbursement Agreement within seven days of a drawing or notice from a Credit Provider to the related Trustee of an event of default under the related Reimbursement Agreement will result in a mandatory tender of the related Series of Bonds. See "—Mandatory Tender for Purchase." Only the Trustee for a particular Series of Bonds is entitled to make a drawing under the related Letter of Credit supporting such Series.

Substitution of Credit Facility

As provided in each Ordinance, the Company may at any time terminate any Credit Facility; provided, however, that the Company may not terminate any Credit Facility for a Bond during any Term Rate Period or Flexible Segment with respect to such Bond. See "—The Ordinances—Credit Facilities; Credit Provider Bonds." If there shall have been delivered to the Issuer and the Trustee (i) a substitute Credit Facility and (ii) an opinion of bond counsel to the effect that the delivery of such Credit Facility to the Trustee is permitted under the Act and the Agreement and complies with the terms of the Agreement and the Ordinance and that the delivery of such Credit Facility will not adversely affect the Tax-Exempt status of interest on the Bonds, then the Trustee shall accept such Credit Facility. In the event that the Company elects to terminate a Credit Facility or to provide a substitute Credit Facility, the related Series of Bonds is subject to mandatory tender unless the Trustee shall have received written confirmation from each Rating Agency then rating such Bonds at least twenty days prior to such termination or substitution that such Rating Agency's then current rating on such Bonds will not be lowered or withdrawn as a result of such termination or provision. Subject to the qualifications stated above, the Company is not required to maintain a Credit Facility in support of the Bonds.

THE AGREEMENTS

Each Agreement will operate independently of the other. However, except as otherwise described, each Agreement contains substantially the same terms and provisions, and the following is a summary of certain provisions of each Agreement. All references in this summary to the Agreement, the Bonds, the Ordinance, the Project and similar references shall be read as relating to each Agreement, and Bonds, the Ordinance and the Project related thereto unless the context clearly indicates otherwise.

General

The City of Farmington will enter into the Series B Agreement with the Company confirming the prior sale of the Company's interest in the Series B Project by the Company to the City of Farmington and the sale back by the City of Farmington to the Company. The purchase price of the Series B Project to be paid by the Company includes an amount equal to the aggregate of the principal and premium, if any, and interest on the Series B Bonds.

The City of Farmington will enter into the Series C Agreement with the Company pursuant to which the Company's interest in the Series C Project will be sold by the Company to the City of Farmington and then will be sold back by the City of Farmington to the Company. The purchase price of the Series C Project to be paid by the Company will be an amount equal to the aggregate of the principal and premium, if any, and interest on the Series C Bonds.

Amendment of Description of the Project

In the event that the Company desires to amend or supplement the description of the Project and the Issuer approves of such amendment or supplement, the Issuer will enter into, and will instruct the Trustee to consent to, such amendment or supplement upon receipt of:

(i) a certificate of the Company describing in detail the proposed changes and stating that they will not have the effect of disqualifying any component of the Project as a facility that may be financed pursuant to the Act;

(ii) a copy of the proposed form of amended or supplemented Project description; and

(iii) an opinion of bond counsel to the effect that such proposed changes will not adversely affect the Tax-Exempt status of interest on the Bonds.

Purchase Price Installments

The Company has agreed under the Series B Agreement to pay the purchase price for the Company's interest in the Series B Project (the "Series B Purchase Price"), which is an amount equal to the aggregate principal amount of the 1983 Prior Bonds and the Series B Bonds then outstanding, plus interest on such amount outstanding from time to time, plus premium, if any, in the amounts and at the times necessary to enable the Trustee, on behalf of the Issuer, to pay when due all amounts payable with respect to the 1983 Prior Bonds and the Series B Bonds, whether as principal, premium, interest or otherwise, and, whether at maturity, upon redemption or otherwise. The Company's obligations to pay the Series B Purchase Price will be reduced from time to time by any amount drawn under the letter of credit supporting the 1983 Prior Bonds and a Credit Facility supporting the Series B Bonds and applied to the corresponding payment of principal of and interest on the 1983 Prior Bonds and the Series B Bonds. The Company has agreed under the Series C Agreement to pay the purchase price for the interest in the Series C Project (the "Series C Purchase Price" and, together with the Series B Purchase Price, "Purchase Price Installments", and each a "Purchase Price Installment"), which is an amount equal to the aggregate principal amount of the Series C Bonds then outstanding, plus interest on such amount outstanding from time to time, plus premium, if any, payable in the amounts and at the times necessary to enable the Trustee, on behalf of the Issuer, to pay when due all amounts payable with respect to the Series C Bonds, whether as principal, premium, interest or otherwise, and whether at maturity, upon redemption or otherwise. The Company's obligation to pay the Series C Purchase Price will be reduced from time to time by any amounts drawn under a Credit Facility supporting the Series C Bonds and applied to the corresponding payment of principal of and interest on the Series C Bonds.

The Company has the option and in certain circumstances the obligation to prepay all or a portion of the Purchase Price Installments related to the Bonds upon the happening of certain events as described under "The Bonds—Redemption of Bonds" and "The Ordinance—Acceleration." To the extent mandatory redemption of the Bonds is required as described under "The Bonds—Redemption of Bonds—Mandatory Redemption," the Company must make the required prepayment, subject to any notice required by the Ordinance, (a) within 180 days of any Determination of Taxability giving rise to such prepayment, (b) immediately in the case of any acceleration of payments following an event of default under the Agreement and (c) immediately upon receipt of notice from the Trustee of any acceleration of the maturity of any Bonds pursuant to the Ordinance. In the event the Company elects or is required to make a prepayment under the Agreement, the Company must give written notice to the Issuer and the Trustee of such prepayment.

The Company's obligations to make payments required by the Agreement and to perform and observe the other agreements on its part contained in the Agreement are absolute and unconditional. Until such time as the principal of and premium, if any, and interest on all of the Bonds shall have been fully paid (or provision for the payment thereof shall have been made as required by the Ordinance), the Company shall perform and observe all of its agreements contained in the Agreement and will not terminate the Agreement, except as otherwise provided therein.

Special Covenants of the Company

Special covenants of the Company under the Agreement include the following:

Maintenance of Corporate Existence. The Company agrees that during the term of the Agreement it will maintain its corporate existence in good standing and will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another person or permit one or more other persons to consolidate or merge into it; provided that the Company may consolidate with or merge into another person, or permit one or more other persons to consolidate with or merge into it, or sell or otherwise transfer to another person all or substantially all of its assets and thereafter dissolve, provided that (1) either (a) the Company is the surviving person or (b) the surviving, resulting or transferee person, as the case may be, (i) assumes and agrees in writing to pay and perform all of the obligations of the Company under the Agreement and (ii) qualifies to do business in the State of New Mexico; and (2) the Company delivers to the Trustee an opinion of bond counsel to the effect that such consolidation, merger or transfer and dissolution does not in and of itself adversely affect the Tax-Exempt status of interest on the Bonds.

Assignments. The rights and obligations of the Company under the Agreements may be assigned by the Company, with the written consent of the Issuer, in whole or in part, provided that, any assignment other than an assignment described above under "Maintenance of Corporate Existence," will be subject to the following conditions: (i) no such assignment shall relieve the Company from primary liability for any of its obligations under the Agreement, and the Company shall continue to remain primarily liable for the payments specified in the Agreement and for the performance of its other obligations thereunder, (ii) the Company shall retain such rights and interests as will permit it to perform its obligations under the Agreement, and any assignee from the Company shall assume the obligations of the Company to the extent of the interest assigned and (iii) the Issuer and the Trustee shall be furnished a true and complete copy of such assignment together with an instrument of assumption and an opinion of bond counsel that such assignment will not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds.

Maintenance and Repair. The Company agrees that, to the extent within its control, as long as it owns or operates the Project, it will maintain the Project, or cause the Project to be maintained, in as reasonably safe condition as its operations shall permit and in good repair and operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof; provided, however, that the Company will have no obligation to maintain, preserve, keep, repair, replace or renew any item or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomic because of damage or destruction or obsolescence (including economic obsolescence) or change in governmental standards and regulations, or the termination of the operation of the generating facilities to which the portion of the Project is an adjunct, and (b) with respect to which the Company has furnished to the Issuer and the Trustee a certificate executed by an authorized Company representative that the maintenance, preservation, keeping, repair, replacement or renewal of such portion of such Project is being discontinued for one of the foregoing reasons, which shall be stated therein.

The Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of the Agreement as part of the Project.

Tax Covenants

Under the Agreements, the Issuer covenants and agrees that it will not take or omit to take any action reasonably within its control that will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the 1986 Code or otherwise will cause interest on the Bonds to be subject to federal income taxation under Sections 103 and 141 through 150 of the 1986 Code and any applicable regulations thereunder. The Company certifies and represents that it has not taken or, to the extent within its control, permitted to be taken, and the Company covenants and agrees that it will not take or, to the extent within its control, permit to be taken, any action which will cause the interest on the Bonds to become includable in gross income of the holders thereof for federal income tax purposes (except for any Series B Bond during any period while such Series B Bond is held by a "substantial user" of the Series B Project or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code and except for any Series C Bond during any period while such Series C Bond is held by a "substantial user" of the Series C Project or a "related person" with the meaning of Section 147(a) of the 1986 Code). None of the covenants and agreements contained in the Agreement will require either the Company or the Issuer to enter an appearance or intervene in any administrative, legislative or judicial proceeding in connection with any changes in applicable laws, rules or regulations or in connection with any decisions of any court or administrative agency or other governmental body affecting the taxation of interest on the Bonds.

Events of Default

Any one of the following events will constitute an event of default under the Agreement:

(a) failure by the Company to pay Purchase Price Installments or other amounts necessary to purchase tendered Bonds when due;

(b) failure of the Company to observe and perform any covenant, condition or agreement on its part required to be observed or performed by the Agreement (other than a failure resulting in an event of default referred to in (a) above) which continues for a period of sixty days after written notice, which notice shall specify such failure and request that it be remedied, given to the Company by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected; or

(c) certain specified events of bankruptcy or insolvency of the Company.

The Company shall not be deemed in default under clause (b) above if and so long as the Company is unable to carry out its agreement under the Agreement by reason of certain causes or events not reasonably within the control of the Company, as specified in the Agreement.

Remedies on Default

Whenever any event of default under the Agreement shall have occurred and shall continue,

(a) the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of the Bonds outstanding, shall, by notice in writing delivered to the Company with copies of such notice being sent to the Issuer and each Credit Provider, declare the unpaid balance of the Purchase Price Installment attributable to the affected Bonds and the interest accrued thereon to be immediately due and payable, and such interest and principal shall thereupon become immediately due and payable; provided, however, that the Trustee shall not accelerate the unpaid balance of the Purchase Price Installment attributable to any Bonds secured by a Credit Facility without the prior written

consent of the applicable Credit Provider. Upon any such acceleration, the Bonds of the affected Series shall be subject to mandatory redemption as provided in the Ordinance;

(b) the Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Company; and

(c) the Issuer or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Company under the Agreement.

The provisions of clause (a) of the preceding paragraph are subject to the condition that if, at any time after the unpaid balance of the Purchase Price Installment relating to a Series of Bonds shall have been declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the affected Bonds matured prior to such declaration and all matured installments of interest (if any) upon all such Bonds, with interest on such overdue installments of principal as provided herein, and the reasonable expenses of the Trustee, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on such Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then the holders of at least a majority in principal amount of the affected Bonds then outstanding by written notice to the Issuer and to the Trustee accompanied by the written consent of the Credit Provider with respect to the affected Bonds, may, on behalf of the holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default. No such recision and annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Insurance; Condemnation

So long as any of the Bonds are outstanding, the Company has agreed to maintain, through a program of self-insurance or otherwise, such fire, casualty and other insurance with respect to the Project as is customarily carried by electric utility companies with respect to similar facilities, and all proceeds of such insurance shall be for the account of the Company. In the event that title to or the temporary use of the Project or any part thereof shall be taken in condemnation or by the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the net proceeds of any award to the extent of the Company's interest therein, shall be paid for the account of the Company, and the City of Farmington shall cooperate fully in the handling and conduct of any condemnation proceeding.

Fees, Expenses and Indemnification

The Company has agreed to pay certain expenses in connection with the issuance of the Bonds and the transactions described herein. The Company will indemnify the Issuer and the Trustee against certain costs and charges, including the reasonable fees of attorneys incurred in good faith or arising out of or in connection with any collection or enforcement action under the Agreement. The Company will also indemnify and hold harmless the Issuer and the Trustee against certain liabilities arising out of or connected with the Project, the issuance of the Bonds or the performance of the Ordinance.

Assignment

Pursuant to the Ordinance, the Issuer will assign to the Trustee its rights under and interests in, but not its obligations under, the Agreement, other than its rights to receive its fees and expenses and its rights to indemnification as described above, and certain rights to receive notices and to provide consents under the Agreement.

Amendments

Except under certain limited circumstances set forth in the Agreement and the Ordinance, the Agreement may not be amended without the prior written consent of the Trustee and the Credit Provider for the related Series of Bonds. See "The Ordinances—Amendments."

THE ORDINANCES

Each Ordinance will operate independently of the other. However, except as otherwise described herein each Ordinance contains substantially the same terms and provisions, and the following is a summary of certain provisions of each Ordinance. In addition to providing for the issuance of the Series B Bonds, the Original Ordinance, as supplemented by a resolution adopted by the City of Farmington on May 10, 1994, provided for the issuance of the Series A Bonds which were issued on May 24, 1994. All references in this summary to the Ordinance, the Agreement, the Bonds, the Project and similar references shall be read as relating to each Ordinance, and the Agreement, the Bonds issued under such Ordinance, including, with respect to the Original Ordinance, the Series A Bonds, and the Project related thereto unless the context clearly indicates otherwise.

Bond Fund; Credit Facility Accounts

The Bond Fund, into which the Revenues derived under the Agreement and certain other amounts specified in the Ordinance (including all amounts received by the Trustee pursuant to any Credit Facility except amounts to be used to pay the purchase price of tendered Bonds) will be deposited, will be maintained with the Trustee. While any Bonds are outstanding and except as otherwise provided in the Ordinance, moneys in the Bond Fund will be used for the payment of the principal of and premium, if any, and interest on, the Bonds as the same shall become due, whether at maturity, upon redemption or acceleration or otherwise.

Within the Bond Fund, the Trustee shall establish and maintain a Series Credit Facility Account with respect to each Series of Bonds. Except to the extent such proceeds are used to pay the purchase price of Bonds tendered, proceeds of drawings under any Credit Facility provided with respect to a Series of Bonds shall be deposited in the applicable Series Credit Facility Account.

In making payments of principal of, premium, if any, and interest on a Series of Bonds, the Trustee shall (a) first use any Available Amounts held in the Bond Fund, other than amounts held in the Series Credit Facility Accounts, (b) then use amounts held in the applicable Series Credit Facility Account, and (c) then use any other Revenues (as defined in the Ordinances) received by the Trustee (except amounts on deposit in the Series Credit Facility Account established with respect to another Series of Bonds).

Investment of Funds

Except as provided in the Agreement and the Ordinance, any moneys held in any fund or account established pursuant to the Ordinance, including the Bond Fund, shall be invested by the Trustee, upon written direction of the Company, in any securities or other evidences of indebtedness or demand deposits to the extent such investments are permitted under the laws of New Mexico.

Credit Facilities; Credit Provider Bonds

The Trustee will accept the Letters of Credit as the initial Credit Facilities with respect to the Bonds. See "The Bonds—The Letters of Credit." The Company has the right at any time to terminate any Credit Facility and to provide a substitute Credit Facility with respect to either Series of Bonds; provided, that no such termination or substitution may be made with respect to any Bond during any Term Rate Period or Flexible Segment with respect to such Bond.

In the case of a Credit Facility in the form of a letter of credit, the Trustee shall draw on such Credit Facility subject to and in accordance with its terms, in order to receive payment thereunder not later than the time payment is due on the related Series of Bonds on the following dates in the following amounts:

(i) On each Interest Payment Date, in an amount which will be sufficient to pay all interest due and payable on the outstanding Bonds of the related Series on such Interest Payment Date;

(ii) On any date fixed for payment, defeasance (if a defeasance drawing is allowed under the applicable Credit Facility) or redemption of the related Series of Bonds in part, in an amount which, together with amounts drawn pursuant to clause (i) above, will be sufficient to pay the amount due on such Bonds, including accrued interest;

(iii) On the date fixed for payment of the related Series of Bonds in connection with any declaration of the acceleration of the maturity of the Bonds of such Series following an event of default under the Ordinance, in an amount which will be sufficient to pay all principal and interest due on such Bonds as a result of such declaration on the date fixed for such payment;

(iv) On each Purchase Date, in an amount sufficient to pay the purchase price of any Bonds of the related Series tendered or deemed tendered pursuant to the Ordinance and for which such purchase price has not been received upon the remarketing of such Bonds; and

(v) On the final maturity, defeasance (if a defeasance drawing is allowed under the applicable Credit Facility) or redemption date of the related Series of Bonds in an amount which, together with amounts drawn pursuant to clause (i) above, will be sufficient to pay the principal, premium (if a drawing is permitted for premium under the terms of such Credit Facility), if any, and interest due on all outstanding Bonds of such Series on such final maturity, defeasance or redemption date.

Any Bonds purchased with a drawing under a Credit Facility pursuant to clause (iv) above either (i) shall be registered in the name of or as otherwise directed by the Credit Provider and delivered to or upon the order of such Credit Provider or (ii) shall be held by the Tender Agent or such other person as may be designated by the applicable Credit Provider in the name and on behalf of the Company or as otherwise provided by such Credit Provider and pledged to such Credit Provider, in each case in accordance with the terms of the applicable Reimbursement Agreement; provided, that if such Bonds are then registered in the name of DTC or its Nominee, the Trustee shall immediately upon making any draw on a Credit Facility pursuant to clause (iv) above notify the Tender Agent. Upon receipt of such notice, the Tender Agent shall direct DTC to cause any Bonds purchased with the proceeds of such draw to be transferred to such account at DTC as may be directed by the Credit Provider, and such Bonds shall be held in the name of or for the account of the applicable Credit Provider or as may be directed by such Credit Provider (such Bonds, "Credit Provider Bonds").

Events of Default

The Ordinance defines the occurrence of any of the following events to be an "event of default" with respect to the Bonds:

(a) failure to make payment of any installment of interest on any Bond when such installment shall have become due and payable;

(b) failure to make due and punctual payment of the principal of or premium, if any, on any Bond at the stated maturity thereof, or when such Bond has become due and payable upon proceedings for redemption thereof, or upon the maturity thereof by declaration of acceleration or failure to make any payment necessary to purchase Bonds tendered for purchase in accordance with the Ordinance; or

(c) default by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Ordinance or in any Bond and the continuance of such default for a period of 60 days after written notice thereof shall have been given to the Issuer, the Company and the Credit Provider by the Trustee, or to the Issuer, the Company, the Credit Provider and the Trustee by the holders of not less than 25% in aggregate principal amount of the Bonds at the time outstanding; provided that if the Issuer, the Company or the Credit Provider diligently pursues the correction of any such failure which cannot be corrected within 60 days, such failure will not constitute an event of default under the Ordinance.

Acceleration

Upon the occurrence and continuation of an event of default under the Ordinance, the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding shall, by notice in writing delivered to the Company and each Credit Provider, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable; provided, however, that with respect to any Series of Bonds secured by a Credit Facility, the Trustee shall not accelerate the maturity of such Series of Bonds without the prior consent of the applicable Credit Provider. The Ordinance provides, however, that the Trustee is not required to take any action upon the occurrence and continuation of an event of default under (c) above until the Trustee has actual notice or knowledge of such event of default. After such declaration of acceleration, the Trustee shall immediately take such actions as are necessary to realize moneys under each Credit Facility and shall declare all Purchase Price Installments payable under the Agreement to be immediately due and payable in accordance with the terms thereof. Such provisions for acceleration are, however, subject to the condition that if, at any time after the principal of any Bonds of a Series shall have been declared due and payable, and before any judgment or decree for the payment of moneys due shall have been obtained or entered, there shall have been deposited with the Trustee a sum sufficient to pay all of the principal of such Bonds matured prior to such declaration and all matured installments of interest (if any) on such Bonds, with interest on such overdue installments of principal as provided in the Agreement and the reasonable expenses of the Trustee, and all other defaults known to the Trustee (other than in the payment of principal of and interest on such Bonds due and payable solely by reason of such declaration) under the Ordinance are cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then the holders of a majority in aggregate principal amount of the Bonds of such Series then outstanding by written notice to the Issuer and the Trustee accompanied by the written consent of the Credit Provider with respect to such Series of Bonds may annul such declaration with respect to such Series and its consequences.

Other Remedies

In addition, upon the occurrence and continuation of an event of default under the Ordinance the Trustee may, and upon the written request of the holders of a majority in aggregate principal amount of the Bonds then outstanding and receipt of indemnity to its satisfaction will, pursue any available remedy at law or in equity by suit, action or special proceeding to enforce its rights or the rights of the holders of the Bonds under the Act or the Ordinance.

No holder of any Bond shall have the right to institute any suit, action or proceeding in equity or at law for the enforcement of any remedy unless such holder has given notice to the Trustee of the occurrence of an event of default, the holders of at least a majority in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee to so act, such holders shall have tendered to the Trustee reasonable indemnity against costs, expenses and liabilities, and the Trustee shall have failed to so act within thirty days after receipt of such written request and tender of indemnity. Nothing contained in the Ordinance shall, however, without the consent of the holder of such Bond, affect or impair the right of the holder of any Bond to enforce the payment of the principal of and premium, if any, and interest on such Bond out of Revenues on and after the respective due dates expressed in such Bond.

Amendments

Without the consent of or notice to any of the holders of the Bonds, but with the consent of the Credit Provider for the affected Series of Bonds, the Issuer may adopt and the Trustee may accept supplemental ordinances, and the Trustee may, without the consent of any holders of the Bonds, consent to any waiver, amendment or modification ("Amendment") to the Agreement or any Credit Facility ("Document") in each case for any one or more of the following purposes: (a) to add to the covenants or agreements of the Issuer contained in the Ordinance, or of the Company or any Credit Provider contained in any Document, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power reserved to or conferred upon the Issuer or the Company in such Document, provided that no such change shall materially adversely affect the interests of the holders of the Bonds, (b) to make such provision for the curing of any ambiguity, inconsistency, defect or omission in the Ordinance or any Document or in regard to matters or questions arising thereunder as the Issuer may deem necessary or desirable and not inconsistent with the Ordinance and which shall not materially adversely affect the interest of the holders of the Bonds, (c) to permit the qualification of the Ordinance under the Trust Indenture Act of 1939 or any other similar federal statute and, if they so determine, to add to the Ordinance or any ordinance supplemental thereto any other terms, conditions and provisions as may be permitted by such Trust Indenture Act of 1939 or similar federal

statute and which shall not adversely affect the interest of the holders of the Bonds, (d) to provide for any additional procedures, covenants or agreements necessary to maintain the Tax-Exempt status of interest on the Bonds, (e) to modify or eliminate the book-entry registration system for any of the Bonds, (f) to provide for the procedures required to permit any holder of a Bond to separate the right to receive interest on the Bonds from the right to receive principal thereof and to sell or dispose of such rights, as contemplated by Section 1286 of the 1986 Code, (g) to provide for the appointment of a co-trustee or the succession of a new Trustee, Registrar or Paying Agent, (h) to change the description of the Project in the Agreement in accordance with the provisions thereof and of the Tax Certificate; (i) to provide for a Credit Facility; (j) in connection with any other change which, in the judgment of the Trustee, will not adversely affect the security for the Bonds or the Tax-Exempt status of interest thereon or otherwise materially adversely affect the holders of the Bonds; or (k) to modify, alter, amend or supplement the Ordinance or any Document in any other respect if the effective date of such supplemental ordinance or Amendment is a date on which all Bonds affected thereby are subject to mandatory tender for purchase or if notice of the proposed supplemental ordinance or Amendment is given to holders of the affected Bonds at least thirty days before the effective date thereof and, on or before such effective date, such holders of Bonds have the right to demand purchase of their Bonds pursuant to the Ordinance.

Any other modification or amendment of the Ordinance or the Agreement may be made only with the consent of the holders of a majority in aggregate principal amount of the Bonds at the time outstanding and the Credit Providers for the affected Series of Bonds. No such modification or amendment shall be made which will have the effect of extending the time for payment or reducing any amount due and payable by the Company pursuant to the Agreement without the consent of all the holders of the Bonds, and no such supplemental ordinance shall (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each Bond so affected, or (2) reduce the aforesaid percentage of holders of Bonds whose consent is required for the execution of such supplemental ordinances or permit the creation of any lien on the Revenues prior to or on a parity with the lien of the Ordinance, except as permitted by the Ordinance, or permit the creation of any preference of any holder of a Bond over any other holder of a Bond or deprive the holders of the Bonds of the lien created by the Ordinance upon the Revenues or the pledge of any Credit Facility, without the consent of the holders of all the Bonds then outstanding.

The Trustee shall not accept any ordinance supplemental to, or amendatory of, the Ordinance or consent to any amendment to any Document unless the Trustee shall have received the prior written consent of the Company.

Defeasance

If at any time the entire indebtedness or obligation on all outstanding Bonds shall have been paid (or shall be deemed to have been paid) and if all other sums payable under the related Ordinance by the Issuer shall be paid and discharged, and upon the occurrence of certain other conditions, the related Ordinance shall terminate, and the Trustee shall acknowledge its satisfaction and discharge.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem outstanding Bonds, whether upon or prior to their maturity or the redemption date of such Bonds (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for giving such notice), all liability of the Issuer and the Company in respect of such Bonds shall cease, terminate and be completely discharged, except that the Issuer and Company will remain liable for such payment but only from, and the holders of the Bonds will thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date) out of, the money deposited with the Trustee as aforesaid for their payment.

Concerning the Trustee

The Issuer, in the absence of an event of default under the Ordinance, at the direction of the Company, or the holders of a majority in aggregate principal amount of the Bonds at the time outstanding may, at any time, remove the Trustee and appoint a successor Trustee. Under the Ordinance, the Trustee must be a corporation or banking association organized and doing business under the laws of the United States of America or a state thereof, authorized under such laws to exercise corporate trust powers, have a combined capital and surplus of at least $50,000,000 and be subject to supervision and examination by federal or state authorities. The Trustee may at any time resign by giving written notice to the Issuer, the Company and the related Credit

Providers and by giving to the holders of the Bonds notice either by publication of such resignation, which notice shall be published at least once in a qualified newspaper, or by mailing notice by first class mail to such holders of the Bonds.

THE REIMBURSEMENT AGREEMENTS

Each Reimbursement Agreement will operate independently of the other. However, to the extent described herein each Reimbursement Agreement contains substantially the same relevant terms and provisions, and the following is a summary of certain provisions of each Reimbursement Agreement. All references in this summary to the Reimbursement Agreement, the Ordinance, the Agreement, the Bonds, the Project and similar references shall be read as relating to each Reimbursement Agreement, and the Ordinance, the Agreement, the Bonds and the Project related thereto unless the context clearly indicates otherwise.

Reimbursement, Fees and Expenses

The Company will reimburse the applicable Credit Provider for all amounts drawn under the related Letter of Credit, together with interest thereon. The Company also agrees to pay certain other fees and expenses.

Events of Default

The occurrence of certain events shall be events of default under the Reimbursement Agreements. If an event of default occurs under a Reimbursement Agreement, the Credit Provider may provide written notice to the Trustee of such event of default and direct the Trustee to give notice to the holders of the affected Bonds of a mandatory tender of such Bonds. The mandatory tender date will be a date, as specified by the Trustee, not more than 20 days after receipt by the Trustee of the Credit Provider's notice described above. See "The Bonds--Mandatory Tender for Purchase." The occurrence of an event of default under a Reimbursement Agreement does not relieve the Credit Provider of its obligations under the related Letter of Credit.

Events of default under the Reimbursement Agreements generally include, among others, and depending on the particular Reimbursement Agreement: failure by the Company to make payments under the Reimbursement Agreement when due or, in certain cases, within the time specified in the Reimbursement Agreement; certain representations or warranties made by the Company or its officers in or in connection with the Reimbursement Agreement prove to have been false or misleading in any material respect when made; failure of the Company to abide by certain negative covenants or to perform certain other covenants and, with respect to certain covenants, the failure is not remedied within the time specified in the Reimbursement Agreement; failure by the Company to make payment on certain indebtedness or to perform certain covenants with respect to such indebtedness and the failure is not remedied within the time permitted; certain events of bankruptcy, insolvency or reorganization of the Company (or certain subsidiaries of the Company); the failure by the Company (or certain of its subsidiaries) to make payments on certain judgments and the failure is not remedied within the time specified in the Reimbursement Agreement; the occurrence of an event of default under the related Ordinance or, in certain cases, the occurrence of an event of default under certain other agreements; the occurrence of certain events relating to employee benefit plans of the Company or its affiliates; and the failure by the Company to make payments with respect to certain operating leases and the effect of such failure is to cause or permit the termination of such operating lease.

Covenants

The Company agrees to certain covenants under each Reimbursement Agreement. In addition, without the prior written consent of the Credit Provider and certain other banks who are participants in the applicable Reimbursement Agreement, the Company (and, with respect to certain covenants, certain of its subsidiaries) may not, among other things, and depending on the particular Reimbursement Agreement: incur or allow certain liens on its properties unless certain conditions are satisfied, or the Company grants to the Credit Provider liens on its assets as collateral for the obligations under the Reimbursement Agreement; sell, lease or otherwise dispose of certain assets or merge or consolidate unless certain conditions are satisfied; or enter into or consent to any amendment of the Ordinance, the Agreement, the Bonds, the Tender Agreement or the Remarketing Agreement or consent to any change in the Trustee, or, in certain cases, the Remarketing Agent for the related Bonds.

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement, CS First Boston Corporation and Goldman, Sachs & Co. have agreed to purchase the Bonds at prices equal to 100% of the principal amount. The Company has agreed to pay the Underwriters an underwriting fee equal to 0.377% of the principal amount of the Bonds.

Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to purchase all of the Bonds, if any are purchased.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriters.

The Company has agreed to indemnify the Underwriters and the Issuer against certain liabilities, including liabilities under the Federal securities laws.

Each of the Underwriters have provided various investment banking services, including serving as commercial paper dealers under the Company's commercial paper program, to the Company and its affiliates from time to time, for which they have received customary compensation. In addition, each of the Underwriters have provided various investment banking services to Pinnacle West Capital Corporation, the Company's parent, from time to time, for which they have received customary compensation.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe, Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series B Bonds is excluded from gross income for federal income tax purposes, except that Bond Counsel expresses no opinion as to the status of interest on any Series B Bond for federal income tax purposes during any period that such Series B Bond is held by a "substantial user" of facilities refinanced with proceeds of the Series B Bonds or by a "related person" within the meaning of Section 103(b)(13) of the 1954 Code. Interest on the Series B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Interest on the Series B Bonds is exempt from all taxation by the State of New Mexico or any subdivision thereof. A complete copy of the proposed form of opinion of Bond Counsel concerning the Series B Bonds is set forth as Appendix D hereto.

In the opinion of Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series C Bonds is excluded from gross income for federal income tax purposes, except that Bond Counsel expresses no opinion as to the status of interest on any Series C Bond during any period that such Series C Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the Series C Bonds or by a "related person" within the meaning of Section 147(a) of the 1986 Code. Interest on the Series C Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the Series C Bonds is exempt from all taxation by the State of New Mexico or any subdivision thereof. A complete copy of the proposed form of opinion of Bond Counsel concerning the Series C Bonds is set forth as Appendix E hereto.

Title XIII of the Tax Reform Act of 1986, as amended, and Section 103 of the 1954 Code impose various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series B Bonds, and the 1986 Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series C Bonds. The Issuer and the Company have covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds. The opinions of Bond Counsel assume compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Ordinances, the Agreements, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of counsel other than themselves.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and that interest on the Bonds is exempt from all taxation by the State of New Mexico or any subdivision thereof, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the tax liability of the holder of a Bond. The nature and extent of these other tax consequences will depend upon the particular tax status of the holder of the Bond or its other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the Bonds and with regard to the tax status thereof will be subject to the approval of Orrick, Herrington & Sutcliffe, San Francisco, California, Bond Counsel. Certain legal matters in connection with the Agreements and the Reimbursement Agreements will be passed upon for the Company by Snell & Wilmer, One Arizona Center, Phoenix, Arizona 85004-0001. The validity of the Agreements will be passed upon for the Underwriters by Sullivan & Cromwell, 444 South Flower Street, Los Angeles, California 90071. In giving their opinions, Sullivan & Cromwell and Snell & Wilmer may rely as to matters of New Mexico law upon the opinion of Keleher & McLeod, P.A., 1200 Public Service Building, Albuquerque, New Mexico 87102, and Sullivan & Cromwell may rely as to all matters of Arizona law upon the opinion of Snell & Wilmer.

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ARIZONA PUBLIC SERVICE COMPANY

The information contained in this Appendix A has been obtained from Arizona Public Service Company (the "Company") and no representation is made by the Issuer or the Underwriters as to its accuracy or completeness.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and in accordance therewith files reports, proxy statements, and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements, and other information can be obtained at prescribed rates from the Public Reference Section of the Commission or may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549 and at certain of its regional offices located at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; and 7 World Trade Center, 13th Floor, New York, New York 10048. Certain securities of the Company are listed on the New York Stock Exchange. Reports, proxy materials, and other information concerning the Company can be inspected at the office of this exchange at 20 Broad Street, 7th Floor, New York, New York 10005.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents previously filed with the Commission by the Company (File No. 1-4473) are incorporated by reference in this Official Statement:

1. The Company's Form 10-K Report for the fiscal year ended December 31, 1993 (the "1993 10-K Report").

2. The Company's Form 10-Q Reports for the fiscal quarters ended March 31 and June 30, 1994 (the "June 10-Q Report").

3. The Company's Form 8-K Reports, dated December 15, 1993, February 23, April 30 and May 19, 1994.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14, or 15(d) of the 1934 Act after the filing date of the June 10-Q Report and prior to the termination of the offering of the securities offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the date of filing of such documents.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which is also incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as modified or superseded, to constitute a part of this Official Statement.

The Company will provide without charge to each person, including any beneficial owner, to whom a copy of this Official Statement is delivered, upon the oral or written request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such documents. Request for such copies should be directed to Arizona Public Service Company, office of the Secretary, Station 9068, P.O. Box 53999, Phoenix, Arizona 85072-3999, (602) 250-3252.

THE COMPANY

The Company was incorporated in 1920 under the laws of Arizona and is principally engaged in providing electricity in the State of Arizona. The principal executive offices of the Company are located at 400 North Fifth Street, Phoenix, Arizona 85004 and its telephone number is (602) 250-1000.

INDEPENDENT AUDITORS

The financial statements and the related financial statement schedules incorporated in this Official Statement by reference to the Company's 1993 Annual Report on Form 10-K have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference.

SELECTED INFORMATION

The following material is qualified in its entirety by reference to the detailed information and financial statements in the documents incorporated by reference in this Official Statement.

The Company

Business	Electric utility servicing approximately 654,000 customers in an area that includes all or part of 11 of Arizona's 15 counties.
Generating Fuel Mix (estimated for the twelve months ended June 30, 1994)	Coal - 65.3%; Nuclear - 28.4%; Gas - 6.1%; Other - 0.2%.

Financial Data (thousands of dollars):

	Twelve Months Ended			
	June 30,	December 31,		
	1994(1)	1993	1992	1991
Electric Operating Revenues	$ 1,690,376	$ 1,686,290	$ 1,669,679	$ 1,515,289
Refund Obligation (2)	--	--	--	(53,436)
Net Operating Revenues	$ 1,690,376	$ 1,686,290	$ 1,669,679	$ 1,461,853
Net Income (Loss)	$ 246,175	$ 250,386	$ 246,805	$ (222,649)
Ratio of Earnings to Fixed Charges	2.97	2.99	2.73	(3)

Capitalization Data (thousands of dollars):

	As of June 30, 1994(1)	As Adjusted(4)	
		Amount	Percentage
Long-Term Debt (excluding current maturities)	$ 2,163,173	$ 2,170,673	55.0%
Redeemable Preferred Stock	145,000	95,000	2.4
Non-Redeemable Preferred Stock	193,561	193,561	4.9
Common Stock Equity	1,485,244	1,485,244	37.7
Total Capitalization	$ 3,986,978	$ 3,944,478	100.0%

(1) Financial data as of and for the twelve months ended June 30, 1994 is unaudited but, in the judgment of the Company's management, contains all necessary adjustments for a fair presentation of the financial position of the Company on such date and the results of operations for such period.

(2) The Company recorded a refund obligation to customers relating to and included in the write-off described in "Regulatory Matters—Rate Case Settlement" in Note 2 of Notes to Financial Statements in Part II, Item 8 of the 1993 10-K Report and in Note 5 of Notes to Financial Statements in Part I, Item 1 of the June 10-Q Report.

(3) The write-off resulting from the Arizona Corporation Commission order settling the Company's rate case (see "Regulatory Matters—Rate Case Settlement" in Note 2 of Notes to Financial Statements in Part II, Item 8 of the 1993 10-K Report) resulted in a negative coverage ratio and an earnings coverage deficiency of approximately $317 million for the twelve months ended December 31, 1991. Excluding the effects of the write-off, the coverage ratio would have been 2.11 for the same period.

(4) For the Company's (i) open market purchase during August 1994 of approximately $24 million in aggregate principal amount of its First Mortgage Bonds, 10 1/4% Series due 2000; (ii) redemption at maturity on September 1, 1994 of $50 million of its $8.50 Cumulative Preferred Stock, Series T ($100 Par Value); and (iii) assumed issuance of the Bonds. It is assumed that all of the net proceeds of the Series B Bonds will be used for the redemption of the 1983 Prior Bonds.

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BARCLAYS BANK PLC, NEW YORK BRANCH

Barclays Bank PLC (the "Bank") together with its subsidiary companies (the "Barclays Bank Group" or the "Group") is a UK based financial services group engaged primarily in the banking and investment banking businesses. In terms of assets employed, the Group is one of the largest financial services groups in the United Kingdom. The Group also operates in many other countries around the world. In addition to servicing domestic markets, it is a principal provider of co-ordinated global services to multinational corporations and financial institutions in the world's main financial centres. The whole of the issued ordinary share capital of the Bank is owned by Barclays PLC, the ultimate parent company of the Group, and the investment in the Bank is the only significant asset of Barclays PLC.

At June 30, 1994, total assets of the Barclays Bank Group were £161,003 million, total deposits by banks, customer accounts and debt securities in issue were £125,199 million, total loans and advances to banks and customers (including finance lease receivables) were £113,767 million and total capital resources were £10,800 million. At June 30, 1994 just over 40% of the Group's total assets were denominated in non-sterling currencies, principally U.S. dollars. On June 30, 1994 the noon buying rate for cable transfers in New York City payable in pounds sterling was US$1.55 per pound sterling.

The summary consolidated financial information for the Bank set forth below has been extracted from the Annual Report on Form 20-F of the Bank for the year ended December 31, 1993 (the "Annual Report") filed with the Securities and Exchange Commission (the "SEC") and from the Interim Report on Form 6-K of the Bank for the six month period ended June 30, 1994 (the "Interim Report"). For further information regarding the Group, reference is made to the Annual Report, the Interim Report and to any subsequent Reports on Form 6-K or Form 8, filed by the Bank with the SEC, copies of which will be provided, without charge, to each person to whom this document is delivered, on the written request of such person directed to:

Barclays Bank PLC
75 Wall Street
New York, New York 10265
Attention: Margaret M. Grieve
Managing Director and General Counsel

BARCLAYS BANK PLC
SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information appearing below has been prepared in accordance with accounting principles generally accepted in the United Kingdom and is based on published financial statements for the periods indicated, restated where appropriate to accord with current accounting practice.

	Six months ended June 30,		Year ended December 31,		
Results	**1994**	**1993**	**1993**	**1992**	**1991**
			(£ million)		
				(restated)	(restated)
Income/(loss) before taxes and minority interests	1,036	335	664	(242)	533
Net Income/(loss)	688	216	368	(298)	283
Financial Position					
Total assets	161,003	169,328	166,008	159,857	144,453
Loans and advances to banks and customers	113,767	120,701	117,081	114,579	108,066
Deposits by banks, customer accounts and debt securities in issue	125,199	137,305	133,288	126,393	118,965
Shareholders' equity	6,507	5,954	5,945	5,814	6,242
Total capital resources	10,800	10,624	10,303	9,813	9,676

Differences between UK and US Accounting Principles

The summary consolidated financial information presented above has been prepared in accordance with accounting principles generally accepted in the United Kingdom ("UK GAAP"). Such principles vary in significant respects from those generally accepted in the United States ("US GAAP"). The significant differences applicable to the Group are summarized in Note 53 to the Group's financial statements contained in the Annual Report.

Approximate net income/(loss) and shareholders' equity calculated in accordance with US GAAP are:

	Six months ended June 30,		Year ended December 31,		
	1994	1993	1993	1992	1991
			(£ million)		
				(restated)	(restated)
Net Income/(loss)	693	227	254	(205)	168
Shareholders' equity	6,165	5,533	5,466	5,358	5,734

The information contained in this Appendix relates to and has been obtained from Barclays Bank PLC. No assurance can be given by the Issuer, the Company or the Underwriters as to its accuracy or completeness. The delivery of the Official Statement or this Appendix shall not create any implication that there has been no change in the affairs of Barclays Bank PLC since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

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UNION BANK OF SWITZERLAND, LOS ANGELES BRANCH

Union Bank of Switzerland ("UBS"), a Swiss banking corporation, was chartered as a bank in Zurich in 1912. UBS's principal executive offices are located at Bahnhofstrasse 45, Zurich. The Los Angeles Branch of UBS is licensed by the Comptroller of the Currency (the "Comptroller") to conduct a banking business as a branch of a foreign bank. The office of the Los Angeles Branch is located at 444 South Flower Street, Los Angeles, California 90071.

UBS has approximately 306 branches and banking subsidiaries throughout Switzerland. UBS also has United States branches, agencies, representatives offices and subsidiaries in New York, Chicago, Houston, Los Angeles and San Francisco and other foreign offices including branches, representative offices and subsidiaries, in Beijing, Frankfurt, Hong Kong, London, Luxembourg, Singapore, Sydney, Taipei, Tokyo and Toronto, for a total of 54 business offices abroad. In addition to the receipt of deposits and the making of loans and advances, UBS engages in other banking and bank-related activities typical of the world's major international banks, including fiduciary, investment advisory and custodial services, foreign exchange and underwriting in the United States, Swiss and Euro-capital markets.

As a Swiss bank, UBS is subject to regulation by the Swiss Federal Banking Commission (the "Swiss Commission") and the Swiss National Bank, and its business is subject to inspection by an independent auditing firm. The auditors review compliance with the Swiss Banking Law and are required to report uncured violations or irregularities to the Swiss Commission, which is authorized to enforce compliance with the Swiss Banking Law. The Swiss National Bank oversees the financial condition and liquidity of Swiss banks. UBS is required to file with the Swiss National Bank annual statements of condition, monthly interim balance sheets, quarterly liquidity statements and other information regarding its financial condition. Information provided to the Swiss Commission and the Swiss National Bank is not available to the general public.

In addition to regulation by the Swiss banking authorities, UBS is subject to regulatory oversight in the United States. The scope of UBS's activities (directly or through subsidiaries) in the United States is limited by the International Banking Act of 1978 and the Bank Holding Act of 1956. The Los Angeles Branch of UBS is licensed by the Comptroller, pursuant to the International Banking Act of 1978, to conduct a banking business as a branch of a foreign bank. It is required to make reports to, and is subject to examination by, the Comptroller.

At December 31, 1993, UBS had total assets of Sfr. 230.8 billion, total deposits (including due to banks) of Sfr. 177.1 billion, notes, bonds and other liabilities of Sfr. 37.0 billion, equity capital and reserves of Sfr. 15.9 billion. At December 31, 1993, foreign (i.e., non-Swiss) business accounted for approximately 54% of UBS's assets and 47% of its liabilities. Such amounts are as reflected in UBS's 1993 Annual Report to Shareholders and do not include UBS's consolidated subsidiaries. The accounting principles applied in the preparation of its financial statements (and therefore reflected herein) may not conform to generally accepted accounting principles applied by United States banks.

Copies of UBS's annual reports to shareholders are available from the Los Angeles Branch of UBS on request at the address in Los Angeles, set forth above.

The information contained in this Appendix has been provided by Union Bank of Switzerland, and no assurance can be given by the Issuer, the Company or the Underwriters as to its accuracy or completeness. The delivery of the Official Statement or this Appendix shall not create any implication that there has been no change in the affairs of Union Bank since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

September __, 1994

City of Farmington, New Mexico,
Farmington, New Mexico

Re: City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Farmington, New Mexico (the "Issuer") of $65,750,000 aggregate principal amount of City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series B (the "Bonds"), issued pursuant to the provisions of Article 59 of Chapter 3 of the New Mexico Statutes Annotated, as amended and supplemented to the date hereof (the "Act"), and pursuant to an Ordinance adopted by the Issuer on May 10, 1994 and a Resolution adopted by the Issuer on August 23, 1994 (collectively, the "Ordinance"). The Bank of New York has been appointed trustee under the Ordinance (the "Trustee"). The Bonds are issued for the stated purpose of refinancing certain pollution control and solid waste disposal facilities of Arizona Public Service Company, an Arizona corporation (the "Company"), pursuant to an Amended and Restated Installment Sale Agreement, dated as of September 1, 1994 (the "Sale Agreement"), between the Issuer and the Company. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Ordinance.

In such connection, we have reviewed the Ordinance, the Sale Agreement, opinions of counsel to the Issuer, the Company and the Trustee, the Tax Certificate, certificates of the Issuer, the Company, the Trustee and others, and such other documents, opinions and matters to the extent deemed necessary by us to render the opinions set forth herein. We have not undertaken to verify independently, and we have assumed, the accuracy of the factual matters represented, warranted or certified in such documents, and of the legal conclusions contained in the opinions referred to above, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Ordinance, the Sale Agreement relating to the Bonds, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon on or after any such change that occurs or action that is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to

inform any person, whether any such actions are taken or omitted or events do occur, and we have no obligation to update this opinion. Our engagement with respect to the Bonds has concluded with their issuance. Further, we have assumed compliance with all covenants and agreements contained in the Ordinance, the Sale Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinance, the Sale Agreement and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, arrangement and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of New Mexico. We also express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering material relating to the Bonds and express herein no opinion with respect thereto.

Based on and subject to the forgoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer has lawful authority for the issuance of the Bonds, and the Bonds constitute valid and binding limited obligations of the Issuer payable solely from Revenues and other sources as and to the extent specified in the Ordinance.

2. The Ordinance has been duly adopted by, and constitutes the valid and binding obligation of, the Issuer. The Ordinance creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and (to the extent the Issuer has any interest therein) any Credit Facility provided with respect to the Bonds, subject to the provisions of the Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth in the Ordinance. The Ordinance also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Issuer in the Sale Agreement, except the right to receive certain payments and notices and to give certain consents and approvals (to the extent more particularly described in the Ordinance).

3. The Sale Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Issuer.

4. The Bonds are not a debt or liability or pledge of the faith and credit of the Issuer and are payable solely from the funds provided in the Ordinance therefor.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Title XIII of the Tax Reform Act of 1986 and Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of any facilities financed or refinanced with Bond proceeds or by a "related person" within the meaning of Section 103(b)(13) of the 1954 Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. The Bonds and the income therefrom are exempt from all taxation by the State of New Mexico or any subdivision thereof. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE

per

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September __, 1994

City of Farmington, New Mexico,
Farmington, New Mexico

Re: City of Farmington, New Mexico
Pollution Control Revenue Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series C
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Farmington, New Mexico (the "Issuer") of $31,500,000 aggregate principal amount of City of Farmington, New Mexico Pollution Control Revenue Bonds (Arizona Public Service Company Four Corners Project) 1994 Series C (the "Bonds"), issued pursuant to the provisions of Article 59 of Chapter 3 of the New Mexico Statutes Annotated, as amended and supplemented to the date hereof (the "Act"), and pursuant to an Ordinance adopted by the Issuer on August 9, 1994 and a Resolution adopted by the Issuer on August 23, 1994 (collectively, the "Ordinance"). The Bank of New York has been appointed trustee under the Ordinance (the "Trustee"). The Bonds are issued for the stated purpose of financing certain pollution control and solid waste disposal facilities of Arizona Public Service Company, an Arizona corporation (the "Company"), pursuant to an Installment Sale Agreement, dated as of September 1, 1994 (the "Sale Agreement"), between the Issuer and the Company. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Ordinance.

In such connection, we have reviewed the Ordinance, the Sale Agreement, opinions of counsel to the Issuer, the Company and the Trustee, the Tax Certificate, certificates of the Issuer, the Company, the Trustee and others, and such other documents, opinions and matters to the extent deemed necessary by us to render the opinions set forth herein. We have not undertaken to verify independently, and we have assumed, the accuracy of the factual matters represented, warranted or certified in such documents, and of the legal conclusions contained in the opinions referred to above, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Ordinance, the Sale Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon on or after any such change that occurs or action that is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we have no obligation to update this opinion. Our engagement with respect to the Bonds has concluded with their issuance. Further, we have assumed compliance with all covenants and agreements contained in the Ordinance, the Sale Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinance, the Sale Agreement and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, arrangement and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of New Mexico. We also express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering material relating to the Bonds and express herein no opinion with respect thereto.

Based on and subject to the forgoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer has lawful authority for the issuance of the Bonds, and the Bonds constitute valid and binding limited obligations of the Issuer payable solely from Revenues and other sources as and to the extent specified in the Ordinance.

2. The Ordinance has been duly adopted by, and constitutes the valid and binding obligation of, the Issuer. The Ordinance creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and (to the extent the Issuer has any interest therein) any Credit Facility provided with respect to the Bonds, subject to the provisions of the Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth in the Ordinance. The Ordinance also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Issuer in the Sale Agreement, except the right to receive certain payments and notices and to give certain consents and approvals (to the extent more particularly described in the Ordinance).

3. The Sale Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Issuer.

4. The Bonds are not a debt or liability or pledge of the faith and credit of the Issuer and are payable solely from the funds provided in the Ordinance therefor.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of any facilities financed with Bond proceeds or by a "related person" within the meaning of Section 147(a) of the Code. The Bonds and the income therefrom are exempt from all taxation by the State of New Mexico or any subdivision thereof. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds, although we observe that interest on the Bonds is a specific preference item for purposes of calculating the federal individual and corporate alternative minimum taxable income.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE

per

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The information contained in this Official Statement has been obtained from the City of Farmington, Arizona Public Service Company and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the City of Farmington, Arizona Public Service Company or the Underwriters. This Official Statement is submitted in connection with the sale of the securities referred to herein, and may not be reproduced or be used, in whole or in part, for any other purpose. Neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances at any time imply that the information herein is correct as of any time subsequent to its date.

No dealer, broker, salesman or any other person has been authorized by Arizona Public Service Company, the City of Farmington, or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer of any securities, other than those described on the cover page, or an offer to sell or a solicitation of any offer to buy in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

$65,750,000
City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company
Four Corners Project)
1994 Series B

$31,500,000
City of Farmington, New Mexico
Pollution Control Revenue Bonds
(Arizona Public Service Company
Four Corners Project)
1994 Series C

APS

Arizona Public Service Company

OFFICIAL STATEMENT

CS First Boston
Goldman, Sachs & Co.

Dated September 13, 1994

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, September 22, 2010 2:33 PM
To: 'Schumacher, Laura'
Cc: McGill, James T
Subject: Farmington Bonds

Laura, it would be very helpful if we could have your verbal rating by Monday morning, September 27th. Sorry for the miscommunication in my prior note – we are conducting our diligence on Monday and would like to have the verbal before the call.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, September 22, 2010 2:34 PM
To: 'Bettinelli, Antonio'
Cc: McGill, James T
Subject: Farmington Bonds

Tony, it would be very helpful if we could have your verbal (via email) rating by Monday morning, September 27th. Sorry for the miscommunication in my prior note – we are conducting our diligence on Monday and would like to have the verbal before the call.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, September 22, 2010 2:34 PM
To: Philip.Smyth@fitchratings.com
Cc: McGill, James T
Subject: FW: Farmington Bonds

Philip, it would be very helpful if we could have your verbal (via email) rating by Monday morning, September 27th. Sorry for the miscommunication in my prior note – we are conducting our diligence on Monday and would like to have the verbal before the call.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Wednesday, September 22, 2010 2:42 PM
To: Dolyniuk, Karen E
Subject: Re: Farmington Bonds

Ok, will you be in early? I have a meeting outside the office monday, and I will have to leave by 11:30 NY time...8:30 for you...or, we could chat on Friday?

From: Karen.Dolyniuk@pinnaclewest.com <Karen.Dolyniuk@pinnaclewest.com>
To: Schumacher, Laura
Cc: James.MCgill@pinnaclewest.com <James.MCgill@pinnaclewest.com>
Sent: Wed Sep 22 17:32:35 2010
Subject: Farmington Bonds

Laura, it would be very helpful if we could have your verbal rating by Monday morning, September 27th. Sorry for the miscommunication in my prior note – we are conducting our diligence on Monday and would like to have the verbal before the call.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Email Firewall made the following annotations

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, September 22, 2010 2:43 PM
To: 'Schumacher, Laura'
Subject: RE: Farmington Bonds

I will be in by about 6:30 a.m. Phx time on Monday, so we can talk then or Friday – whatever works best for you.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Wednesday, September 22, 2010 2:42 PM
To: Dolyniuk, Karen E
Subject: Re: Farmington Bonds

Ok, will you be in early? I have a meeting outside the office monday, and I will have to leave by 11:30 NY time...8:30 for you...or, we could chat on Friday?

From: Karen.Dolyniuk@pinnaclewest.com <Karen.Dolyniuk@pinnaclewest.com>
To: Schumacher, Laura
Cc: James.MCgill@pinnaclewest.com <James.MCgill@pinnaclewest.com>
Sent: Wed Sep 22 17:32:35 2010
Subject: Farmington Bonds

Laura, it would be very helpful if we could have your verbal rating by Monday morning, September 27th. Sorry for the miscommunication in my prior note – we are conducting our diligence on Monday and would like to have the verbal before the call.

Thank you!

Karen E. Dolyniuk, CTP
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Pinnacle West Capital Corporation
602-250-5630

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Dolyniuk, Karen E

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Wednesday, September 22, 2010 2:46 PM
To: Dolyniuk, Karen E
Subject: Re: Farmington Bonds

Monday should work. Talk to yo then.

From: Karen.Dolyniuk@pinnaclewest.com <Karen.Dolyniuk@pinnaclewest.com>
To: Schumacher, Laura
Sent: Wed Sep 22 17:42:36 2010
Subject: RE: Farmington Bonds

I will be in by about 6:30 a.m. Phx time on Monday, so we can talk then or Friday – whatever works best for you.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Wednesday, September 22, 2010 2:42 PM
To: Dolyniuk, Karen E
Subject: Re: Farmington Bonds

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, September 22, 2010 2:54 PM
To: 'Schumacher, Laura'
Subject: RE: Farmington Bonds

Thanks!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Wednesday, September 22, 2010 2:46 PM
To: Dolyniuk, Karen E
Subject: Re: Farmington Bonds

Monday should work. Talk to yo then.

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To: Schumacher, Laura
Sent: Wed Sep 22 17:42:36 2010
Subject: RE: Farmington Bonds

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Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

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Laura, it would be very helpful if we could have your verbal rating by Monday morning, September 27th. Sorry for the miscommunication in my prior note – we are conducting our diligence on Monday and would like to have the verbal before the call.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Email Firewall made the following annotations

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Dolyniuk, Karen E

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Wednesday, September 22, 2010 4:22 PM
To: Dolyniuk, Karen E
Cc: McGill, James T
Subject: RE: Farmington A,B,C Bonds

Karen,

The senior unsecured debt obligations of Arizona Public Service are rated BBB- by Standard & Poor's. The outlook is stable.

Tony Bettinelli
Associate
U.S. Electric Utilities
Corporate & Government Ratings
Standard & Poor's
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Wednesday, September 22, 2010 9:22 AM
To: Bettinelli, Antonio
Cc: James.MCgill@pinnaclewest.com
Subject: Farmington A,B,C Bonds

Hi Tony! Attached is a draft of the Reoffering Circular for the Farmington transaction we will be completing in early October (this is still subject to minor changes). We will begin the marketing effort on September 28th and would appreciate having your "verbal" confirmation of APS' ratings by Monday the 27th or early on the 28th. We will price the bonds around 10/6 and will need your final letter by then.

As a reminder – we will be taking the Farmington A & B bonds out to maturity with a 10 yr call. The Farmington C bonds will be placed in a 7 year put mode.

I am also attaching the original official statements for each series of bonds. Please let me know as soon as possible if you need any other documents.

Thank you!
Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

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Dolyniuk, Karen E

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Wednesday, September 22, 2010 4:24 PM
To: Dolyniuk, Karen E
Cc: McGill, James T
Subject: RE: Farmington A,B,C Bonds

[CORRECTION: The outlook is POSITIVE.]

Karen,

The senior unsecured debt obligations of Arizona Public Service are rated BBB- by Standard & Poor's. The outlook is positive.

Tony Bettinelli
Associate
U.S. Electric Utilities
Corporate & Government Ratings
Standard & Poor's
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Thursday, September 23, 2010 6:39 AM
To: 'Bettinelli, Antonio'
Cc: McGill, James T
Subject: RE: Farmington A,B,C Bonds

Thanks Tony!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Wednesday, September 22, 2010 4:24 PM
To: Dolyniuk, Karen E
Cc: McGill, James T
Subject: RE: Farmington A,B,C Bonds

[CORRECTION: The outlook is POSITIVE.]

Karen,

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Tony Bettinelli
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One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
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tony_bettinelli@sandp.com

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Thursday, September 23, 2010 6:47 AM
To: 'Philip.Smyth@fitchratings.com'
Subject: Farmington

Importance: High

HI Phil! Just wanted to be sure you received the email I sent yesterday with the reoffering circular and official statements for Farmington. Again, we are looking for a verbal (email) confirmation by Monday, September 27th.

Thanks.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Philip.Smyth@fitchratings.com
Sent: Thursday, September 23, 2010 2:48 PM
To: Dolyniuk, Karen E
Subject: Fitch Rating Letter Attached Below
Attachments: PNW_APS_(Farmington unsecured)_Rating Letter_9.23.2010_P.pdf

Karen,

Please find below the electronic version of the Fitch rating letter as requested. We will also send the letter to you via U.S. postal service.
Please do not hesitate to call if you need anything further.

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
212 908 0531

(See attached file: PNW_APS_(Farmington unsecured)_Rating Letter_9.23.2010_P.pdf)

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FitchRatings

One State Street Plaza
New York, NY 10004

T 212 908 0500 / 800 75 FITCH
www.fitchratings.com

September 23, 2010

Mr. Lee R. Nickloy
Vice President and Treasurer
Arizona Public Service Company
400 N. 5th Street
Phoenix, AZ 85004

Dear Mr. Nickloy

Re: $49,400,000 City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project), 1994 Series A;

$65,750,000 City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project), 1994 Series B;

$31,500,000 City of Farmington, New Mexico Pollution Control Revenue Bonds (Arizona Public Service Company Four Corners Project), 1994 Series C;

Fitch ("**Fitch**") (see definition below) has assigned a rating of 'BBB' to the above referenced transactions. The Rating Outlook is Stable.

The primary applicable criteria with respect to this rating is entitled:

--'U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines' (Aug. 22, 2007)

All applicable criteria can be found at www.fitchratings.com.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

FitchRatings

Users of Fitch's ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

Fitch seeks to continuously improve its ratings criteria and methodologies, and periodically updates the descriptions on its website of its criteria and methodologies for securities of a given type. The criteria and methodology used to determine a rating action are those in effect at the time the rating action is taken, which is the date of the related rating action commentary. Each rating action commentary provides information about the criteria and methodology used to arrive at the stated rating, which may differ from the general criteria and methodology for the applicable security type posted on the website at a given time. For this reason, you should always consult the applicable rating action commentary for the most accurate information on the basis of any given rating.

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The assignment of a rating by Fitch does not constitute consent by Fitch to the use of its name as an expert in connection with any registration statement or other filings under US, UK or any other relevant securities laws.

It is important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason Fitch deems sufficient.

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In this letter, "**Fitch**" means Fitch, Inc. and Fitch Ratings Ltd and any subsidiary of either of them together with any successor in interest to any such person.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please contact me at (212) 908-0531.

Sincerely,

Fitch
Philip W. Smyth, CFA
Senior Director

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Thursday, September 23, 2010 2:49 PM
To: 'Philip.Smyth@fitchratings.com'
Subject: RE: Fitch Rating Letter Attached Below

Thank you so much for the quick response!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Thursday, September 23, 2010 2:48 PM
To: Dolyniuk, Karen E
Subject: Fitch Rating Letter Attached Below

Karen,

Please find below the electronic version of the Fitch rating letter as requested. We will also send the letter to you via U.S. postal service.
Please do not hesitate to call if you need anything further.

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
212 908 0531

(See attached file: PNW_APS_(Farmington unsecured)_Rating Letter_9.23.2010_P.pdf)

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McGill, James T(Z71171)

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Thursday, September 23, 2010 4:16 PM
To: Nickloy, Lee R
Cc: McGill, James T
Subject: Pension payment question

Lee/Jim,

There was a significant pension contribution earlier this year. How is this reflected in the YTD cash flow statements? Thanks.

Tony Bettinelli
Associate
U.S. Electric Utilities
Corporate & Government Ratings
Standard & Poor's
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Monday, October 25, 2010 11:07 AM
To: Dolyniuk, Karen E
Subject: FW: Pension payment question

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, September 24, 2010 12:05 PM
To: Nickloy, Lee R
Cc: McGill, James T
Subject: RE: Pension payment question

Thanks.

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Friday, September 24, 2010 11:37 AM
To: Bettinelli, Antonio
Cc: James.MCgill@pinnaclewest.com
Subject: RE: Pension payment question

Tony,

For financial reporting purposes, the $100MM contribution is split into three components and reflected in separate line items/categories on the Statement of Cash Flows as follows:

- 50%, or $50MM, representing the amount we reflect on the Income Statement, is captured in Change in Other Long-Term Liabilities in the Operating section,
- 30%, or $30MM, representing the amount billed to the participants (i.e. co-owners in various generating facilities we operate), is captured in Customer and Other Receivables in the Operating section, and
- 20%, or $20MM, representing the amount we capitalize, is captured in Capital Expenditures in the Investing section

Hopefully this is helpful

Lee

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Thursday, September 23, 2010 4:16 PM
To: Nickloy, Lee R
Cc: McGill, James T
Subject: Pension payment question

Lee/Jim,

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Tony Bettinelli
Associate
U.S. Electric Utilities

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Tuesday, September 28, 2010 8:06 AM
To: 'Schumacher, Laura'
Subject: Farmington Bonds

Laura, attached is the final Reoffering Circular. The transaction is now public.

Thanks!

APS Farmington Preliminary Reo...

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

The information in this Preliminary Reoffering Circular is not complete and will be amended. This Preliminary Reoffering Circular is not an offer to sell these securities or a solicitation of your offer to buy these securities in any jurisdiction where that would not be permitted.

PRELIMINARY REOFFERING CIRCULAR DATED SEPTEMBER 28, 2010

NOT A NEW ISSUE

$49,400,000	$65,750,000	$31,500,000
City of Farmington, New Mexico	City of Farmington, New Mexico	City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds	Pollution Control Revenue Refunding Bonds	Pollution Control Revenue Bonds
(Arizona Public Service Company	(Arizona Public Service Company	(Arizona Public Service Company
Four Corners Project)	Four Corners Project)	Four Corners Project)
1994 Series A (the "Series A Bonds")	1994 Series B (the "Series B Bonds")	1994 Series C (the "Series C Bonds")

Series A Bonds Date of Original Issue: May 25, 1994
Series B Bonds Date of Original Issue: September 14, 1994
Series C Bonds Date of Original Issue: September 14, 1994
Term Rate Adjustment Date: October 12, 2010

Series A Bonds Due: May 1, 2024
Series B Bonds Due: September 1, 2024
Series C Bonds Due: September 1, 2024

The Series A Bonds were originally issued on May 25, 1994 by the City of Farmington, New Mexico (the "Issuer") for the benefit of Arizona Public Service Company (the "Company"). The Series B Bonds and the Series C Bonds were originally issued on September 14, 1994 by the Issuer for the benefit of the Company. The Series A Bonds were issued pursuant to an ordinance and a resolution, each adopted by the Issuer on May 10, 1994 (collectively, the "Series A Ordinance"). The Series B Bonds were issued pursuant to an ordinance adopted by the Issuer on May 10, 1994 and a resolution adopted by the Issuer on August 23, 1994 (collectively, the "Series B Ordinance"). The Series C Bonds were issued pursuant to an ordinance adopted by the Issuer on August 9, 1994 and a resolution adopted by the Issuer on August 23, 1994 (collectively, the "Series C Ordinance", and, together with the Series A Ordinance and the Series B Ordinance, the "Ordinances"). The Bank of New York Mellon, formerly The Bank of New York, is acting as trustee under each of the Ordinances.

On the Term Rate Adjustment Date, the Rate Period for the Series A Bonds, the Series B Bonds and the Series C Bonds (each, a "Series of Bonds", and, collectively, the "Bonds") will be changed from a Daily Rate Period to a Term Rate Period as described below. The Series A Bonds will be subject to mandatory tender for purchase pursuant to the Series A Ordinance and will be reoffered in a Term Rate Period bearing interest at a Term Rate determined as provided in the Series A Ordinance, all as described under the caption "The Bonds" in the Official Statement, dated May 24, 1994 (the "Series A Official Statement"), attached hereto as Appendix C-1. The Series B Bonds will be subject to mandatory tender for purchase pursuant to the Series B Ordinance and will be reoffered in a Term Rate Period bearing interest at a Term Rate determined as provided in the Series B Ordinance, all as described under the caption "The Bonds" in the Official Statement, dated September 13, 1994 (the "Series B and Series C Official Statement" and, together with the Series A Official Statement, the "Official Statements"), attached hereto as Appendix C-2. The Series C Bonds will be subject to mandatory tender for purchase pursuant to the Series C Ordinance and will be reoffered in a Term Rate Period bearing interest at a Term Rate determined as provided in the Series C Ordinance, all as described under the caption "The Bonds" in the Series B and Series C Official Statement. See also "Introductory Statement" herein.

The Term Rate Period for each Series of Bonds will commence on October 12, 2010. The last day of the Term Rate Period for the Series A Bonds will be April 30, 2024 (which is the day preceding the date of final maturity of the Series A Bonds), the last day of the Term Rate Period for the Series B Bonds will be August 31, 2024 (which is the day preceding the date of final maturity of the Series B Bonds) and the last day of the Term Rate Period for the Series C Bonds will be October 12, 2017. During the Term Rate Period, the Series A Bonds will bear interest at a rate of % per annum, the Series B Bonds will bear interest at a rate of % per annum and the Series C Bonds will bear interest at a rate of % per annum, in each case payable semiannually on April 1 and October 1, commencing April 1, 2011. Interest will also be payable on the business day following the last day of the Term Rate Period. At the end of the Term Rate Period for the Series C Bonds, the Series C Bonds will be subject to mandatory or optional tender, each as described under the caption "The Bonds" in the Series B and Series C Official Statement. After the Term Rate Period for the Series C Bonds ends, the Rate Period for the Series C Bonds may be changed to a Daily Rate, a Weekly Rate, a Monthly Rate, a Flexible Rate, or a new Term Rate (of equal or different duration), all as provided in the Series C Ordinance.

The Series A Bonds and the Series B Bonds are subject to optional redemption at the option of the Company on or after November 1, 2020. In addition, the Company may cause the Rate Period for the Series A Bonds or the Series B Bonds to change on any date on which such Series A Bonds or Series B Bonds are subject to optional redemption. The Series C Bonds are not subject to optional redemption at the option of the Company prior to the end of the Term Rate Period. See "Introductory Statement" herein.

As more fully provided in the Ordinances, the Bonds are limited obligations of the Issuer, which is obligated to pay the principal of, premium, if any, and interest on the Bonds only from the payments made pursuant to the applicable Agreement (as defined herein) and the other funds pledged therefor.

During the Term Rate Period, there will be no credit or liquidity facility, or any other third-party security, supporting any Series of Bonds.

Ownership interests in the Bonds may be purchased in book-entry form only, in authorized denominations described in the Official Statement applicable to each Series of Bonds.

The Bonds do not constitute an indebtedness or obligation to which the full faith and credit of the Issuer or the State of New Mexico are pledged and shall never constitute nor give rise to a pecuniary liability of the Issuer or the State of New Mexico or a charge against the general credit or taxing powers of the Issuer or the State of New Mexico.

Price: 100%

Certain legal matters in connection with the original issuance of each Series of Bonds were subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer ("Bond Counsel"). In connection with the adjustment to the Term Rate Period, Bond Counsel has delivered its opinions to the effect that such action will not, in and of itself, adversely affect the tax-exempt status of interest on the Bonds. See "Introductory Statement" and Appendix B-2, Appendix B-4 and Appendix B-6.

The Bonds are being reoffered at the direction of the Company. The Issuer has not participated in the preparation of this Reoffering Circular, makes no representation with respect to any of the information contained herein and is not in any manner responsible for any of the information contained herein.

This cover page contains information for convenience of reference only. Investors must read this entire Reoffering Circular, including the Official Statement applicable to each Series of Bonds, to obtain information essential to the making of an informed investment decision.

Goldman, Sachs & Co.
(Remarketing Agent for the Series A Bonds, the Series B Bonds and the Series C Bonds)

KeyBanc Capital Markets
(Remarketing Agent for the Series A Bonds and the Series B Bonds)

Morgan Stanley
(Remarketing Agent for the Series B Bonds and the Series C Bonds)

SunTrust Robinson Humphrey
(Remarketing Agent for the Series A Bonds and the Series C Bonds)

, 2010

No dealer, broker, salesperson or other person or entity has been authorized by the Issuer, the Company or the remarketing agents to give any information or to make any representations other than those contained in this Reoffering Circular in connection with the reoffering described herein, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Reoffering Circular does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Bonds reoffered hereby, and there shall not be any offer or solicitation of such offer or sale of the Bonds within any jurisdiction in which such offer or solicitation is not authorized or in which the person or entity making such offer or solicitation is not qualified to do so or to any person or entity to whom it is unlawful to make such offer or solicitation.

THIS REOFFERING CIRCULAR AND THE INFORMATION CONTAINED HEREIN ARE NOT TO BE CONSTRUED AS REPRESENTATIONS BY THE ISSUER. THE ISSUER NEITHER HAS NOR ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED IN THIS REOFFERING CIRCULAR.

Nothing contained in this Reoffering Circular is, or shall be relied upon as, a promise or representation by the Issuer or by the remarketing agents. This Reoffering Circular is submitted in connection with the sale of securities as referred to herein and may not be reproduced or used in whole or in part for any other purpose. The delivery of this Reoffering Circular at any time does not imply that the information herein is correct as of any time subsequent to its date.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained therein and have not been registered or qualified under the securities laws of any state.

IN CONNECTION WITH THIS OFFERING, THE REMARKETING AGENTS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS REOFFERED HEREBY AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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REOFFERING CIRCULAR

$49,400,000	$65,750,000	$31,500,000
City of Farmington, New Mexico	City of Farmington, New Mexico	City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds	Pollution Control Revenue Refunding Bonds	Pollution Control Revenue Bonds
(Arizona Public Service Company Four Corners Project)	(Arizona Public Service Company Four Corners Project)	(Arizona Public Service Company Four Corners Project)
1994 Series A (the "Series A Bonds")	1994 Series B (the "Series B Bonds")	1994 Series C (the "Series C Bonds")

INTRODUCTORY STATEMENT

This Reoffering Circular, including the cover page and the Appendices hereto, sets forth information concerning the Series A Bonds, the Series B Bonds and the Series C Bonds (each a "Series of Bonds", and, collectively, the "Bonds"). The Series A Bonds were originally issued on May 25, 1994 by the City of Farmington, New Mexico (the "Issuer") for the benefit of Arizona Public Service Company (the "Company"). The Series B Bonds and the Series C Bonds were originally issued on September 14, 1994 by the Issuer for the benefit of the Company. The Series A Bonds were issued pursuant to Ordinance No. 94-1010 ("Ordinance No. 94-1010") and Resolution No. 94-782 (collectively, the "Series A Ordinance"), each adopted by the Issuer on May 10, 1994. The Series B Bonds were issued pursuant to Ordinance No. 94-1010 and Resolution No. 94-793 ("Resolution No. 94-793", and, together with Ordinance No. 94-1010, the "Series B Ordinance"), adopted by the Issuer on August 23, 1994. The Series C Bonds were issued pursuant to Ordinance No. 94-1016, adopted by the Issuer on August 9, 1994, and Resolution No. 94-793 (collectively, the "Series C Ordinance", and, together with the Series A Ordinance and the Series B Ordinance, the "Ordinances"). The Bank of New York Mellon, formerly The Bank of New York, is acting as trustee under each of the Ordinances. This Reoffering Circular shall be delivered with and is intended to supplement the Official Statement dated May 24, 1994 attached hereto as Appendix C-1 (the "Series A Official Statement"), which provides information relating to the Series A Bonds, and the Official Statement dated September 13, 1994 (the "Series B and Series C Official Statement", and, together with the Series A Official Statement, the "Official Statements") attached hereto as Appendix C-2, which provides information with respect to the Series B Bonds and the Series C Bonds, and, in certain instances the Series A Bonds, which, together with the Series B Bonds, were issued pursuant to Ordinance No. 94-1010. Each Official Statement contains important information about the Series of Bonds to which it relates.

Each capitalized term used and not otherwise defined herein shall have the meaning set forth in the Series A Official Statement and the Series B and Series C Official Statement, as applicable.

As more fully provided in the Ordinances, the Bonds do not constitute an indebtedness or obligation to which the faith and credit of the State of New Mexico, the City of Farmington or any other political subdivision of the State of New Mexico is pledged, but are limited obligations of the Issuer, which is obligated to pay the principal of, premium, if any, and interest on the Bonds only from the payments made pursuant to, in the case of the Series A Bonds, the Amended and Restated Installment Sale Agreement, dated as of May 1, 1994 (the "Series A Agreement"), between the Issuer and the Company, in the case of the Series B Bonds, the Amended and Restated Installment Sale Agreement, dated as of September 1, 1994 (the "Series B Agreement"), between the Issuer and the Company and, in the case of the Series C Bonds, the Installment Sale Agreement, dated as of September 1, 1994 (the "Series C Agreement", and, together with the Series A Agreement and the Series B Agreement, the "Agreements"), between the Issuer and the Company, and the other funds pledged therefor. The Bonds shall never constitute an indebtedness of the Issuer within the meaning of any New Mexico state constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers.

During each Term Rate Period described herein, each Series of Bonds will bear interest at the applicable Term Rate set forth on the cover page hereof. Interest on each Series of Bonds will be payable semiannually on April 1 and October 1, commencing April 1, 2011. Interest will also be payable on the business day following the last day of the applicable Term Rate Period.

Pursuant to the election of the Company in accordance with the provisions of the Series A Ordinance and the Series B Ordinance, the Series A Bonds and the Series B Bonds will be subject to optional redemption on any date on or after November 1, 2020 at a redemption price equal to 100% of the principal amount of the Bonds called for redemption, plus accrued interest thereon to the redemption date. In addition, the Company may cause the Rate Period for the Series A Bonds or the Series B Bonds to change on any date on which such Series A Bonds or Series B Bonds are subject to optional redemption. The Series C Bonds will not be subject to optional redemption during the Term Rate Period commencing October 12, 2010 and ending October 12, 2017. See "The Bonds—Redemption of Bonds—Optional Redemption—Term Rate Period" in each of the Official Statements. The Series A Bonds will continue to be subject to extraordinary optional redemption described in the Series A Official Statement and the Series B Bonds and the Series C Bonds will continue to be subject to extraordinary optional redemption described in the Series B and Series C Official Statement, in each instance, under the caption "The Bonds—Redemption of Bonds—Extraordinary Optional Redemption."

Holders of the Bonds will not have the right to cause the Company to purchase their Bonds during the Term Rate Period. Unless the Term Rate Period for the Series C Bonds is followed by another Term Rate Period of equal duration, the Series C Bonds will be subject to mandatory tender for purchase by the Company on the business day following the last day of the Term Rate Period. If the Term Rate Period for the Series C Bonds is followed by another Term Rate Period of equal duration, holders of the Series C Bonds will have the right to tender their Series C Bonds to the Company for purchase on the effective date of such new Term Rate Period by giving notice as provided in the Series C Ordinance and described in the Series B and Series C Official Statement under the caption "The Bonds—Optional Tender for Purchase—Term Rate Period." See also "The Bonds—Term Rate Period" and "—Mandatory Tender for Purchase" in the Series B and Series C Official Statement.

Certain legal matters in connection with the issuance of the Series A Bonds on May 25, 1994 and the Series B Bonds and the Series C Bonds on September 14, 1994 were subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Issuer ("Bond Counsel"). A complete copy of the opinions delivered by Bond Counsel in connection with these original issuances of the Bonds are attached hereto as Appendix B-1, Appendix B-3 and Appendix B-5. Such opinions spoke only as of the date of original issuance of the Series of Bonds with respect to which they were rendered. In connection with the adjustment to the Term Rate Period for the Series A Bonds, Bond Counsel has delivered its opinion to the effect that the adjustment and the election that the Series A Bonds will be subject to optional redemption during the Term Rate Period as described herein will not, in and of themselves, adversely affect the tax-exempt status of interest on the Series A Bonds. In connection with the adjustment to the Term Rate Period for the Series B Bonds, Bond Counsel has delivered its opinion to the effect that the adjustment and the election that the Series B Bonds will be subject to optional redemption during the Term Rate Period as described herein will not, in and of themselves, adversely affect the tax-exempt status of interest on the Series B Bonds. In connection with the adjustment to the Term Rate Period for the Series C Bonds, Bond Counsel has delivered its opinion to the effect that the adjustment and the election that the Series C Bonds will not be subject to optional redemption during the Term Rate Period as described herein will not, in and of themselves, adversely affect the tax-exempt status of interest on the Series C Bonds. Complete copies of the forms of opinion delivered by Bond Counsel in connection with the adjustment of each Series of Bonds to a Term Rate Period are attached hereto as Appendix B-2, Appendix B-4 and Appendix B-6. **No additional opinions have been or will be obtained as to the current status for tax purposes of interest on any Series of Bonds.**

For information concerning the Company, including information incorporated by reference, see Appendix A hereto.

REMARKETING

The Bonds reoffered hereby will be purchased pursuant to a mandatory tender from the holders thereof on October 12, 2010. Goldman, Sachs & Co. ("Goldman"), KeyBanc Capital Markets Inc. ("KeyBanc") and SunTrust Robinson Humphrey, Inc. ("SunTrust") will serve as remarketing agents in connection with the remarketing of the Series A Bonds in the Term Rate Period, Goldman, KeyBanc and Morgan Stanley & Co. Incorporated ("Morgan Stanley") will serve as remarketing agents in connection with the remarketing of the Series B Bonds in the Term Rate Period and Goldman, Morgan Stanley and SunTrust will serve as remarketing agents in connection with the remarketing of the Series C Bonds in the Term Rate Period, such Term Rate Period commencing, for each Series of Bonds, on October 12, 2010. The remarketing agents for each Series of Bonds have agreed, subject to certain conditions, to use their reasonable best efforts to remarket such Series of Bonds at a price equal to 100% of the principal amount thereof. The Company has agreed to pay the remarketing agents for the Series A Bonds a fee equal to 0.70% of the principal amount of the Series A Bonds, the remarketing agents for the Series B Bonds a fee equal to 0.70% of the principal amount of the Series B Bonds and the remarketing agents for the Series C Bonds a fee equal to 0.55% of the principal amount of the Series C Bonds. In addition, the Company has agreed to indemnify the remarketing agents against certain liabilities, including liabilities under the federal securities laws.

Morgan Stanley's parent company has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley will compensate Morgan Stanley Smith Barney LLC for its remarketing efforts with respect to the Series B Bonds and the Series C Bonds.

Each of the remarketing agents or their affiliates have provided various investment banking services, commercial banking services and/or advisory services to the Company and its affiliates, including Pinnacle West Capital Corporation, the Company's parent, from time to time, for which they have received customary compensation. The remarketing agents and their affiliates may, from time to time, engage in transactions with and perform services for the Company and its affiliates in the ordinary course of their businesses.

RATINGS

The Company expects that Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and Fitch, Inc. will assign ratings of "Baa2", "BBB-" and "BBB", respectively, to each Series of Bonds. Such ratings reflect only the views of such ratings agencies and do not constitute a recommendation to buy, sell or hold securities. In general, ratings address credit risk. Each rating should be evaluated independently of any other rating. An explanation of the significance of such ratings may be obtained only from such rating agencies at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; Standard & Poor's, 55 Water Street, New York, New York 10041; and Fitch, Inc., One State Street Plaza, New York, New York 10004. The security rating may be subject to revision or withdrawal at any time by the assigning rating organization, and, accordingly, there can be no assurance that such ratings will remain in effect for any period of time or that they will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances warrant. None of the Company, the Issuer or the remarketing agents have undertaken any responsibility to oppose any proposed downward revision or withdrawal of a rating on the Bonds. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

The Company will covenant, for the benefit of the holders of each Series of Bonds, to provide certain financial information and operating data relating to the Company (each, an "Annual Report") by not later than four months following the end of its fiscal year (presently December 31), commencing with the Annual Report

for the fiscal year ending December 31, 2010, and to provide notices of the occurrence of certain enumerated events. Each Annual Report and any such notice will be filed with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report with respect to the Bonds or the notices of enumerated events with respect to the Bonds is described in Appendix D attached hereto. These covenants have been made in order to assist the remarketing agents in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). The failure of the Company to comply with these covenants shall not be considered an Event of Default under the Agreements or the Ordinances.

No financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Bonds. The Company has undertaken all responsibility for any continuing disclosure to the holders of the Bonds as described above, and the Issuer shall not have any liability to such holders or any other person or entity with respect to compliance with Rule 15c2-12.

APPENDIX A

ARIZONA PUBLIC SERVICE COMPANY

The information contained in this Appendix A has been obtained from the Company, and no representation is made by the Issuer or the remarketing agents as to its accuracy or completeness. Capitalized terms used but not defined in this Appendix A have the respective meanings ascribed thereto above in this Reoffering Circular.

The Company was incorporated in 1920 under the laws of the State of Arizona and is a wholly-owned subsidiary of Pinnacle West Capital Corporation ("Pinnacle West"). The Company is a vertically-integrated electric utility that provides either retail or wholesale electric service to most of the State of Arizona, with the major exceptions of about one-half of the Phoenix metropolitan area, the Tucson metropolitan area and Mohave County in northwestern Arizona. As of December 31, 2009, the Company had approximately 1.1 million customers. The Company's principal executive offices are located at 400 North Fifth Street, P.O. Box 53999, Phoenix, Arizona 85072-3999, and the Company's telephone number is 602-250-1000.

AVAILABLE INFORMATION

The Company files annual, quarterly and current reports and other information with the Securities and Exchange Commission ("SEC"). The Company's SEC filings are available to the public over the Internet at the SEC's web site located at http://www.sec.gov. The Company's SEC filings are also available at the SEC's public reference room, which is located at 100 F Street, N.E., Washington, D.C. 20549. Further information concerning the SEC's public reference room may be obtained by calling the SEC at 1-800-SEC-0330. The Company's filings with the SEC are also available on the website of its parent, Pinnacle West, at http://www.pinnaclewest.com. The other information on Pinnacle West's website is not a part of this Appendix A or of this Reoffering Circular.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

For purposes of this Reoffering Circular, the Company is disclosing important information to you by referring you to the information that the Company files with the SEC. The information incorporated by reference is considered to be part of this Reoffering Circular, except for information superseded by information in this Reoffering Circular, and later information that the Company files with the SEC will automatically update and supersede this information. The Company incorporates by reference the documents listed below and any future filings it makes with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, excluding, in each case, information deemed furnished and not filed, until all of the Bonds are sold under this Reoffering Circular and for as long as this Reoffering Circular is used in the remarketing of the Bonds from time to time.

1. The Annual Report on Form 10-K for the year ended December 31, 2009.

2. The Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010 and June 30, 2010.

3. The Current Reports on Form 8-K filed on January 25, 2010, February 19, 2010, March 4, 2010, April 21, 2010, April 27, 2010 and June 2, 2010.

You may request a copy of these filings and will receive a copy of these filings, at no cost, by writing or telephoning the Company at the following address:

Arizona Public Service Company
Office of the Secretary
Station 9068
P.O. Box 53999
Phoenix, Arizona 85072-3999
Tel: (602) 250-3252

RISK FACTORS

The Company includes a discussion of risk factors relating to its business and an investment in its securities in its Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q filed from time to time by the Company with the SEC. These reports are incorporated by reference in this Reoffering Circular. See "Incorporation of Certain Documents by Reference" above. Before purchasing the Company's securities, you should carefully consider the risk factors the Company describes in those reports. Although the Company tries to discuss key risks in the risk factor descriptions, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and the Company cannot predict those risks or estimate the extent to which they may affect its business, financial condition, cash flows or operating results.

If the ratings of the Bonds are lowered or withdrawn, the market value of the Bonds could decrease.

A rating is not a recommendation to purchase, hold or sell the Bonds, inasmuch as the rating does not comment as to market price or suitability for a particular investor. The ratings of the Bonds address the likelihood of the timely payment of interest and the ultimate repayment of principal of the Bonds pursuant to their respective terms. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if in its judgment circumstances in the future so warrant. In the event that any of the ratings initially assigned to the Bonds is subsequently lowered or withdrawn for any reason, you may not be able to resell your Bonds without a substantial discount.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The balance sheets as of December 31, 2009 and 2008 and the related statements of income, changes in common stock equity and cash flows for each of the three years in the period ended December 31, 2009, and related financial statement schedule incorporated in this Reoffering Circular by reference from Arizona Public Service Company's Annual Report on Form 10-K for the year ended December 31, 2009, and the effectiveness of internal control over financial reporting as of December 31, 2009, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference.

ORRICK, HERRINGTON
& SUTCLIFFE

May 25, 1994

City of Farmington
Farmington, New Mexico

Re: City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Farmington, New Mexico (the "Issuer") of $49,400,000 aggregate principal amount of City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series A (the "Bonds"), issued pursuant to the provisions of Article 59 of Chapter 3 of the New Mexico Statutes Annotated, as amended and supplemented to the date hereof (the "Act"), and pursuant to an Ordinance and Resolution each adopted by the Issuer on May 10, 1994 (collectively, the "Ordinance"). The Bank of New York has been appointed as trustee (the "Trustee") under the Ordinance. The Bonds are issued for the stated purpose of refinancing certain pollution control and solid waste disposal facilities of Arizona Public Service Company, an Arizona corporation (the "Company"), pursuant to an Amended and Restated Installment Sale Agreement, dated as of May 1, 1994 (the "Sale Agreement"), between the Issuer and the Company. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Ordinance.

In such connection, we have reviewed the Ordinance, the Sale Agreement relating to the Bonds, opinions of counsel to the Issuer, the Company and the Trustee, the Tax Certificate, certificates of the Issuer, the Company, the Trustee and others, and such other documents, opinions and matters to the extent deemed necessary by us to render the opinions set forth herein.

Old Federal Reserve Bank Building • 400 Sansome Street • San Francisco, California 94111
Telephone 415 392 1122 • Facsimile 415 773 5759
Los Angeles • New York • Sacramento

We have not undertaken to verify independently, and we have assumed, the accuracy of the factual matters represented, warranted or certified in such documents, and of the legal conclusions contained in the opinions referred to above, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Ordinance, the Sale Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon on or after any such change that occurs or action that is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we have no obligation to update this opinion. Our engagement with respect to the Bonds has concluded with their issuance. Further, we have assumed compliance with all covenants and agreements contained in the Ordinance, the Sale Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinance, the Sale Agreement and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, arrangement and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of New Mexico. We also express no opinion with respect to any

indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we have undertaken no responsibility for the accuracy, completeness or fairness of any official statement or other offering material relating to the Bonds and express herein no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer has lawful authority for the issuance of the Bonds, and the Bonds constitute valid and binding limited obligations of the Issuer payable solely from Revenues and other sources as and to the extent specified in the Ordinance.

2. The Ordinance has been duly adopted by, and constitutes the valid and binding obligation of, the Issuer. The Ordinance creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and (to the extent the Issuer has any interest therein) any Credit Facility provided with respect to the Bonds, subject to the provisions of the Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth in the Ordinance. The Ordinance also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Issuer in the Sale Agreement, except the right to receive certain payments and notices and to give certain consents and approvals (to the extent more particularly described in the Ordinance).

3. The Sale Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Issuer.

4. The Bonds are not a debt or liability or pledge of faith and credit of the Issuer and are payable solely from the funds provided in the Ordinance therefor.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Title XIII of the Tax Reform Act of 1986 and Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of any facilities financed or refinanced with Bond proceeds or by

a "related person" within the meaning of Section 103(b)(13) of the 1954 Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. The Bonds and the income therefrom are exempt from all taxation by the State of New Mexico or any subdivision thereof. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE

per Elaine Bayless

ORRICK

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September 20, 2010

City of Farmington, New Mexico
Farmington, New Mexico

The Bank of New York Mellon,
as trustee
Woodland Park, New Jersey

City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project) 1994 Series A

Ladies and Gentlemen:

The City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series A (the "Bonds") in the aggregate principal amount of $49,400,000 were issued by the City of Farmington, New Mexico (the "City") on May 25, 1994, pursuant to Ordinance No. 94-1010 and Resolution No. 94-782, each adopted by the City Council of the City on May 10, 1994 (the Ordinance and Resolution being hereinafter collectively referred to as the "Ordinance"), for the benefit of Arizona Public Service Company (the "Company"). The Bank of New York Mellon, formerly known as The Bank of New York, was appointed to serve as trustee (the "Trustee") for the Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

Pursuant to Section 2.01(c)(v)(B) of the Ordinance, the Rate Period for the Bonds is being adjusted from a Daily Rate Period to a Term Rate Period (such change being hereinafter referred to as the "Adjustment"). Effective with the Adjustment, in accordance with Section 2.01(c)(v)(B) of the Ordinance and Section 4.01(a)(3) of the Ordinance, the Company has specified optional redemption provisions for such Term Rate Period different from those specified in Section 4.01(a) of the Ordinance. In connection with the Adjustment and the change in optional redemption provisions (such change being hereinafter referred to as the "Optional Redemption Change"), as bond counsel to the City ("Bond Counsel"), we have reviewed the Ordinance, the Tax Certificate, the Notice of Change to Term Rate Period, dated the date hereof, delivered by the Company, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have assumed that on the date the Adjustment takes effect the City and the Company will execute and deliver a Tax Certificate and Agreement (the "Term Rate Period Tax Certificate"), in such form as has been provided by Bond Counsel, which Term Rate Period Tax Certificate shall include a Certificate of Remarketing Agents, executed and delivered by Goldman, Sachs & Co., acting on behalf of itself and as

representative of the other remarketing agents identified in such Certificate of Remarketing Agents, in connection with the Adjustment.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any party other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance, the Agreement, the Tax Certificate and the Term Rate Period Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that actions, omissions or events on and after the date of issuance of the Bonds have not caused and will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We have not undertaken to determine compliance with any of such covenants and agreements or any other requirements of law, and, except as expressly set forth in the Term Rate Period Tax Certificate, we have not otherwise reviewed any actions, omissions or events occurring after the date of issuance of the Bonds or the exclusion of interest on the Bonds from gross income for federal income tax purposes. Accordingly, no opinion is expressed herein as to whether interest on the Bonds is excludable from gross income for federal income tax purposes or as to any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Nothing in this letter should imply that we have considered or in any manner reaffirm any of the matters covered in any prior opinion we rendered with respect to the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any Reoffering Circular or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Adjustment and the Optional Redemption Change are authorized or permitted by the Ordinance and the Act.

2. The Adjustment and the Optional Redemption Change, in and of themselves, will not adversely affect the Tax-Exempt status of interest on the Bonds.

ORRICK

This opinion is furnished by us as Bond Counsel to the City solely for purposes of Section 2.01(c)(v)(B) and Section 4.01(a)(3) of the Ordinance and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose. No attorney-client relationship has existed or exists between our firm and the Trustee in connection with the Bonds or by virtue of this opinion, and we disclaim any obligation to update this opinion.

Very truly yours,

Orrick, Herrington & Sutcliffe LLP

ORRICK, HERRINGTON & SUTCLIFFE LLP

ORRICK, HERRINGTON
& SUTCLIFFE

September 14, 1994

City of Farmington
Farmington, New Mexico

Re: City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Farmington, New Mexico (the "Issuer") of $65,750,000 aggregate principal amount of City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series B (the "Bonds"), issued pursuant to the provisions of Article 59 of Chapter 3 of the New Mexico Statutes Annotated, as amended and supplemented to the date hereof (the "Act"), and pursuant to an Ordinance adopted by the Issuer on May 10, 1994 and a Resolution adopted by the Issuer on August 23, 1994 (collectively, the "Ordinance"). The Bank of New York has been appointed as trustee (the "Trustee") under the Ordinance. The Bonds are issued for the stated purpose of refinancing certain pollution control and solid waste disposal facilities of Arizona Public Service Company, an Arizona corporation (the "Company"), pursuant to an Amended and Restated Installment Sale Agreement, dated as of September 1, 1994 (the "Sale Agreement"), between the Issuer and the Company. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Ordinance.

In such connection, we have reviewed the Ordinance, the Sale Agreement relating to the Bonds, opinions of counsel to the Issuer, the Company and the Trustee, the Tax Certificate, certificates of the Issuer, the Company, the Trustee and others, and such other documents, opinions and matters to the extent deemed necessary by us to render the opinions set forth herein.

We have not undertaken to verify independently, and we have assumed, the accuracy of the factual matters represented, warranted or certified in such documents, and of the legal conclusions contained in the opinions referred to above, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as

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copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Ordinance, the Sale Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon on or after any such change that occurs or action that is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we have no obligation to update this opinion. Our engagement with respect to the Bonds has concluded with their issuance. Further, we have assumed compliance with all covenants and agreements contained in the Ordinance, the Sale Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinance, the Sale Agreement and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, arrangement and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of New Mexico. We also express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we have undertaken no responsibility for the accuracy, completeness or fairness of any official statement or other offering material relating to the Bonds and express herein no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer has lawful authority for the issuance of the Bonds, and the Bonds constitute valid and binding limited obligations of the Issuer payable solely from Revenues and other sources as and to the extent specified in the Ordinance.

2. The Ordinance has been duly adopted by, and constitutes the valid and binding obligation of, the Issuer. The Ordinance creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and (to the extent the Issuer has any interest therein) any Credit Facility provided with respect to the Bonds, subject to the provisions of the Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth in the Ordinance. The Ordinance also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Issuer in the Sale Agreement, except the right to receive certain payments and notices and to give certain consents and approvals (to the extent more particularly described in the Ordinance).

3. The Sale Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Issuer.

4. The Bonds are not a debt or liability or pledge of the faith and credit of the Issuer and are payable solely from the funds provided in the Ordinance therefor.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Title XIII of the Tax Reform Act of 1986 and Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of any facilities financed or refinanced with Bond proceeds or by a "related person" within the meaning of Section 103(b)(13) of the 1954 Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. The Bonds and the income therefrom are exempt from all taxation by the State of New Mexico or any subdivision thereof. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE

per Elaine Bayes

ORRICK

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September 20, 2010

City of Farmington, New Mexico
Farmington, New Mexico

The Bank of New York Mellon,
as trustee
Woodland Park, New Jersey

City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project) 1994 Series B

Ladies and Gentlemen:

The City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series B (the "Bonds") in the aggregate principal amount of $65,750,000 were issued by the City of Farmington, New Mexico (the "City") on September 14, 1994, pursuant to Ordinance No. 94-1010, adopted by the City Council of the City on May 10, 1994 ("Ordinance No. 94-1010") and Resolution No. 94-793, adopted by the City Council of the City on August 23, 1994 (the "Resolution," and, together with Ordinance No. 94-1010, hereinafter collectively referred to as the "Ordinance"), for the benefit of Arizona Public Service Company (the "Company"). The Bank of New York Mellon, formerly known as The Bank of New York, was appointed to serve as trustee (the "Trustee") for the Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

Pursuant to Section 2.01(c)(v)(B) of the Ordinance, the Rate Period for the Bonds is being adjusted from a Daily Rate Period to a Term Rate Period (such change being hereinafter referred to as the "Adjustment"). Effective with the Adjustment, in accordance with Section 2.01(c)(v)(B) of the Ordinance and Section 4.01(a)(3) of the Ordinance, the Company has specified optional redemption provisions for such Term Rate Period different from those specified in Section 4.01(a) of the Ordinance. In connection with the Adjustment and the change in optional redemption provisions (such change being hereinafter referred to as the "Optional Redemption Change"), as bond counsel to the City ("Bond Counsel"), we have reviewed the Ordinance, the Tax Certificate, the Notice of Change to Term Rate Period, dated the date hereof, delivered by the Company, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have assumed that on the date the Adjustment takes effect the City and the Company will execute and deliver a Tax Certificate and Agreement (the "Term Rate Period Tax Certificate"), in such form as has been provided by Bond Counsel, which Term Rate Period Tax Certificate shall include a Certificate of Remarketing

Agents, executed and delivered by Goldman, Sachs & Co., acting on behalf of itself and as representative of the other remarketing agents identified in such Certificate of Remarketing Agents, in connection with the Adjustment.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any party other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance, the Agreement, the Tax Certificate and the Term Rate Period Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that actions, omissions or events on and after the date of issuance of the Bonds have not caused and will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We have not undertaken to determine compliance with any of such covenants and agreements or any other requirements of law, and, except as expressly set forth in the Term Rate Period Tax Certificate, we have not otherwise reviewed any actions, omissions or events occurring after the date of issuance of the Bonds or the exclusion of interest on the Bonds from gross income for federal income tax purposes. Accordingly, no opinion is expressed herein as to whether interest on the Bonds is excludable from gross income for federal income tax purposes or as to any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Nothing in this letter should imply that we have considered or in any manner reaffirm any of the matters covered in any prior opinion we rendered with respect to the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any Reoffering Circular or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Adjustment and the Optional Redemption Change are authorized or permitted by the Ordinance and the Act.

2. The Adjustment and the Optional Redemption Change, in and of themselves, will not adversely affect the Tax-Exempt status of interest on the Bonds.

ORRICK

This opinion is furnished by us as Bond Counsel to the City solely for purposes of Section 2.01(c)(v)(B) and Section 4.01(a)(3) of the Ordinance and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose. No attorney-client relationship has existed or exists between our firm and the Trustee in connection with the Bonds or by virtue of this opinion, and we disclaim any obligation to update this opinion.

Very truly yours,

Orrick, Herrington & Sutcliffe LLP

ORRICK, HERRINGTON & SUTCLIFFE LLP

ORRICK, HERRINGTON
& SUTCLIFFE

September 14, 1994

City of Farmington
Farmington, New Mexico

Re: City of Farmington, New Mexico Pollution Control Revenue Bonds
(Arizona Public Service Company Four Corners Project) 1994 Series C
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Farmington, New Mexico (the "Issuer") of $31,500,000 aggregate principal amount of City of Farmington, New Mexico Pollution Control Revenue Bonds (Arizona Public Service Company Four Corners Project) 1994 Series C (the "Bonds"), issued pursuant to the provisions of Article 59 of Chapter 3 of the New Mexico Statutes Annotated, as amended and supplemented to the date hereof (the "Act"), and pursuant to an Ordinance adopted by the Issuer on August 9, 1994 and a Resolution adopted by the Issuer on August 23, 1994 (collectively, the "Ordinance"). The Bank of New York has been appointed as trustee (the "Trustee") under the Ordinance. The Bonds are issued for the stated purpose of financing certain pollution control and solid waste disposal facilities of Arizona Public Service Company, an Arizona corporation (the "Company"), pursuant to an Installment Sale Agreement, dated as of September 1, 1994 (the "Sale Agreement"), between the Issuer and the Company. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Ordinance.

In such connection, we have reviewed the Ordinance, the Sale Agreement relating to the Bonds, opinions of counsel to the Issuer, the Company and the Trustee, the Tax Certificate, certificates of the Issuer, the Company, the Trustee and others, and such other documents, opinions and matters to the extent deemed necessary by us to render the opinions set forth herein.

We have not undertaken to verify independently, and we have assumed, the accuracy of the factual matters represented, warranted or certified in such documents, and of the legal conclusions contained in the opinions referred to above, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as

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copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Ordinance, the Sale Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon on or after any such change that occurs or action that is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we have no obligation to update this opinion. Our engagement with respect to the Bonds has concluded with their issuance. Further, we have assumed compliance with all covenants and agreements contained in the Ordinance, the Sale Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinance, the Sale Agreement and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, arrangement and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of New Mexico. We also express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we have undertaken no responsibility for the accuracy, completeness or fairness of any official statement or other offering material relating to the Bonds and express herein no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer has lawful authority for the issuance of the Bonds, and the Bonds constitute valid and binding limited obligations of the Issuer payable solely from Revenues and other sources as and to the extent specified in the Ordinance.

2. The Ordinance has been duly adopted by, and constitutes the valid and binding obligation of, the Issuer. The Ordinance creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and (to the extent the Issuer has any interest therein) any Credit Facility provided with respect to the Bonds, subject to the provisions of the Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth in the Ordinance. The Ordinance also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Issuer in the Sale Agreement, except the right to receive certain payments and notices and to give certain consents and approvals (to the extent more particularly described in the Ordinance).

3. The Sale Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Issuer.

4. The Bonds are not a debt or liability or pledge of the faith and credit of the Issuer and are payable solely from the funds provided in the Ordinance therefor.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of any facilities financed with Bond proceeds or by a "related person" within the meaning of Section 147(a) of the Code. The Bonds and the income therefrom are exempt from all taxation by the State of New Mexico or any subdivision thereof. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds, although we observe that interest on the Bonds is a specific preference item for purposes of calculating the federal individual and corporate alternative minimum taxable income.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE

per Elaine Bayna

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September 20, 2010

City of Farmington, New Mexico
Farmington, New Mexico

The Bank of New York Mellon,
as trustee
Woodland Park, New Jersey

City of Farmington, New Mexico Pollution Control Revenue Bonds
(Arizona Public Service Company Four Corners Project) 1994 Series C

Ladies and Gentlemen:

The City of Farmington, New Mexico Pollution Control Revenue Bonds (Arizona Public Service Company Four Corners Project) 1994 Series C (the "Bonds") in the aggregate principal amount of $31,500,000 were issued by the City of Farmington, New Mexico (the "City") on September 14, 1994, pursuant to Ordinance No. 94-1016, adopted by the City Council of the City on August 9, 1994 ("Ordinance No. 94-1016") and Resolution No. 94-793, adopted by the City Council of the City on August 23, 1994 (the "Resolution," and, together with Ordinance No. 94-1016, hereinafter collectively referred to as the "Ordinance"), for the benefit of Arizona Public Service Company (the "Company"). The Bank of New York Mellon, formerly known as The Bank of New York, was appointed to serve as trustee (the "Trustee") for the Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

Pursuant to Section 2.01(c)(v)(B) of the Ordinance, the Rate Period for the Bonds is being adjusted from a Daily Rate Period to a Term Rate Period (such change being hereinafter referred to as the "Adjustment"). Effective with the Adjustment, in accordance with Section 2.01(c)(v)(B) of the Ordinance and Section 4.01(a)(3) of the Ordinance, the Company has specified optional redemption provisions for such Term Rate Period different from those specified in Section 4.01(a) of the Ordinance. In connection with the Adjustment and the change in optional redemption provisions (such change being hereinafter referred to as the "Optional Redemption Change"), as bond counsel to the City ("Bond Counsel"), we have reviewed the Ordinance, the Tax Certificate, the Notice of Change to Term Rate Period, dated the date hereof, delivered by the Company, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have assumed that on the date the Adjustment takes effect the City and the Company will execute and deliver a Tax Certificate and Agreement (the "Term Rate Period Tax Certificate"), in such form as has been provided by Bond Counsel, which Term Rate Period Tax Certificate shall include a Certificate of Remarketing Agents, executed and delivered by Goldman, Sachs & Co., acting on behalf of itself and as

representative of the other remarketing agents identified in such Certificate of Remarketing Agents, in connection with the Adjustment.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any party other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance, the Agreement, the Tax Certificate and the Term Rate Period Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that actions, omissions or events on and after the date of issuance of the Bonds have not caused and will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We have not undertaken to determine compliance with any of such covenants and agreements or any other requirements of law, and, except as expressly set forth in the Term Rate Period Tax Certificate, we have not otherwise reviewed any actions, omissions or events occurring after the date of issuance of the Bonds or the exclusion of interest on the Bonds from gross income for federal income tax purposes. Accordingly, no opinion is expressed herein as to whether interest on the Bonds is excludable from gross income for federal income tax purposes or as to any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. Nothing in this letter should imply that we have considered or in any manner reaffirm any of the matters covered in any prior opinion we rendered with respect to the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any Reoffering Circular or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Adjustment and the Optional Redemption Change are authorized or permitted by the Ordinance and the Act.

2. The Adjustment and the Optional Redemption Change, in and of themselves, will not adversely affect the Tax-Exempt status of interest on the Bonds.

ORRICK

This opinion is furnished by us as Bond Counsel to the City solely for purposes of Section 2.01(c)(v)(B) and Section 4.01(a)(3) of the Ordinance and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose. No attorney-client relationship has existed or exists between our firm and the Trustee in connection with the Bonds or by virtue of this opinion, and we disclaim any obligation to update this opinion.

Very truly yours,

Orrick, Herrington & Sutcliffe LLP

ORRICK, HERRINGTON & SUTCLIFFE LLP

OFFICIAL STATEMENT

$253,980,000	$49,400,000
Maricopa County, Arizona Pollution Control Corporation	**City of Farmington, New Mexico**
Pollution Control Revenue Refunding Bonds	**Pollution Control Revenue Refunding Bonds**
(Arizona Public Service Company Palo Verde Project)	**(Arizona Public Service Company Four Corners Project)**
1994 Series A through F	**1994 Series A**

Dated: Date of Issuance **Maricopa Bonds Due: May 1, 2029** **Farmington Bonds Due: May 1, 2024**

The Bonds are limited obligations of the respective Issuers, and will be payable solely from and secured solely by the revenues to be derived pursuant to separate Agreements with

Arizona Public Service Company

The Bonds will be further secured by irrevocable direct pay Letters of Credit issued by the following Credit Providers and will be subsequently remarketed by the following Remarketing Agents:

Issuer	Series	Amount	Letter of Credit Provider	Remarketing Agent
Maricopa	A	$45,000,000	Morgan Guaranty Trust Company of New York	CS First Boston
Maricopa	B	$45,000,000	Morgan Guaranty Trust Company of New York	Goldman, Sachs & Co.
Maricopa	C	$57,000,000	The Toronto-Dominion Bank	J.P. Morgan Securities Inc.
Maricopa	D	$35,000,000	Bank of America National Trust and Savings Association	CS First Boston
Maricopa	E	$35,000,000	Bank of America National Trust and Savings Association	Goldman, Sachs & Co.
Maricopa	F	$36,980,000	Bank of America National Trust and Savings Association	J.P. Morgan Securities Inc.
Farmington	A	$49,400,000	Union Bank of Switzerland, Los Angeles Branch	J.P. Morgan Securities Inc.

Under the Letters of Credit, the respective Trustees will be entitled to draw amounts sufficient to pay (a) up to sixty-two days interest on the related Bonds and (b) principal on the related Bonds as such principal becomes due, whether at maturity, on acceleration, at redemption or upon tender thereof.

The Bonds as initially issued will bear interest at Daily Rates, designated and determined from time to time as described herein. Thereafter, the interest rate on the Bonds may be changed to a Weekly Rate, Monthly Rate, Flexible Rate or Term Rate, as described herein. The Bonds are subject to purchase at the option of the holders of the Bonds and, under certain circumstances, are subject to mandatory purchase in the manner and at the times described herein.

The Bonds will be delivered in fully registered form in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, which will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in authorized denominations described herein. So long as the Bonds remain in book-entry form, purchasers of beneficial interests in the Bonds will not receive certificates representing such interests. The Bonds are subject to optional and mandatory redemption prior to maturity in the manner and at the times described herein. See "The Bonds".

The Bonds will not constitute an indebtedness or obligation to which the full faith and credit of the Maricopa Issuer, Maricopa County, the City of Farmington, the State of Arizona or the State of New Mexico is pledged and shall never constitute nor give rise to a pecuniary liability of the Maricopa Issuer, Maricopa County, the State of Arizona, the City of Farmington or the State of New Mexico or a charge against the general credit or taxing powers of Maricopa County, the State of Arizona, the City of Farmington or the State of New Mexico or the general credit of the Maricopa Issuer. The Maricopa Issuer has no taxing power.

Price: 100%

In the opinion of Orrick, Herrington & Sutcliffe, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes, except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of facilities financed or refinanced by the Bonds or by a "related person" within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of calculating the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Interest on the Maricopa Bonds is exempt from all taxation in the State of Arizona and interest on the Farmington Bonds is exempt from all taxation by the State of New Mexico or any subdivision thereof. Bond Counsel expresses no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Matters".

The Bonds are offered, subject to prior sale, when, as and if issued and received by the Underwriters and subject to certain conditions, including the approval of Orrick, Herrington & Sutcliffe, Bond Counsel. Certain legal matters will be passed upon for the Maricopa Issuer by Ryley, Carlock & Applewhite, P.A. and for the Company by Snell & Wilmer, counsel to the Company. The validity of the Agreements will be passed upon for the Underwriters by Sullivan & Cromwell. It is expected that the Bonds will be available for delivery in New York, New York on or about May 25, 1994.

CS First Boston

Goldman, Sachs & Co.

J.P. Morgan Securities Inc.

The date of this Official Statement is May 24, 1994

THESE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE OR THE ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. ANY REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN (OTHER THAN THE APPLICABLE INFORMATION CONTAINED UNDER "THE ISSUERS") ARE NOT TO BE CONSTRUED AS REPRESENTATIONS BY THE ISSUERS. THE ISSUERS NEITHER HAVE NOR ASSUME ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION IN THIS OFFICIAL STATEMENT (OTHER THAN THE APPLICABLE INFORMATION CONTAINED UNDER "THE ISSUERS").

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

$253,980,000
Maricopa County, Arizona Pollution Control Corporation
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Palo Verde Project)
1994 Series A through F

$49,400,000
City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series A

INTRODUCTORY STATEMENT

This Official Statement is provided to furnish certain information in connection with (a) the issuance by Maricopa County, Arizona Pollution Control Corporation (the "Maricopa Issuer") of its Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Palo Verde Project) 1994 Series A through F in the aggregate principal amount of $253,980,000 (the "Maricopa Bonds") and (b) the issuance by the City of Farmington, New Mexico (the "City of Farmington") of its Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series A in the aggregate principal amount of $49,400,000 (the "Farmington Bonds"). Of the Maricopa Bonds, Maricopa Bonds in the aggregate principal amount of $45,000,000 are designated as "1994 Series A"; Maricopa Bonds in the aggregate principal amount of $45,000,000 are designated as "1994 Series B"; Maricopa Bonds in the aggregate principal amount of $57,000,000 are designated as "1994 Series C"; Maricopa Bonds in the aggregate principal amount of $35,000,000 are designated as "1994 Series D"; Maricopa Bonds in the aggregate principal amount of $35,000,000 are designated as "1994 Series E"; and Maricopa Bonds in the aggregate principal amount of $36,980,000 are designated as "1994 Series F." The Maricopa Bonds and the Farmington Bonds are hereinafter collectively referred to as the "Bonds," and the Maricopa Issuer and the City of Farmington are each referred to as an "Issuer" and hereinafter collectively referred to as the "Issuers." The Maricopa Bonds will be issued pursuant to an Indenture of Trust dated as of May 1, 1994 (the "Indenture" or an "Instrument"), between the Maricopa Issuer and The Bank of New York, as trustee (the "Maricopa Trustee"). The Farmington Bonds will be issued pursuant to an ordinance adopted by the City of Farmington, as supplemented by a resolution with respect to the Farmington Bonds, both adopted by the City of Farmington on May 10, 1994 (collectively, the "Ordinance" or an "Instrument" and, together with the Indenture, the "Instruments"), under which The Bank of New York has been appointed trustee (the "Farmington Trustee" and, together with the Maricopa Trustee, the "Trustees"). The Bank of New York is also acting as Tender Agent, Registrar and Paying Agent (the "Tender Agent", "Registrar" and "Paying Agent") with respect to the Bonds and its "Principal Office," as used herein, is at 101 Barclay Street, New York, New York.

The Bonds are being issued by the Issuers at the request of Arizona Public Service Company (the "Company"), a corporation organized and existing under the laws of the State of Arizona, to provide moneys to refund $106,980,000 aggregate principal amount of the Maricopa Issuer's Adjustable-Rate Annual Tender Pollution Control Revenue Refunding Bonds, 1985 Series A (Arizona Public Service Company Palo Verde Project), $90,000,000 aggregate principal amount of the Maricopa Issuer's Pollution Control Revenue Par Value Demand Bonds, 1983 Series A (Arizona Public Service Company Palo Verde Project), $57,000,000 aggregate principal amount of the Maricopa Issuer's Pollution Control Revenue Par Value Demand Bonds, 1984 Series G (Arizona Public Service Company Palo Verde Project) and $49,400,000 aggregate principal amount of City of Farmington's Adjustable-Rate Annual Tender Pollution Control Revenue Refunding Bonds, 1985 Series A (Arizona Public Service Company Four Corners Project) (the "Farmington 1985 A Prior Bonds" and, collectively, the "Prior Bonds"). The Prior Bonds were issued to finance or refinance certain pollution control, sewage and solid waste disposal facilities and related facilities located in Maricopa County, Arizona (the "Maricopa Project") and San Juan County, New Mexico (the "Farmington Project"). See "The Projects."

Prior to the issuance of the Maricopa Bonds, the Company and the Maricopa Issuer will enter into a Loan Agreement dated as of May 1, 1994 (the "Loan Agreement") whereby such Issuer will loan the proceeds from the sale of such Bonds to the Company. In such Loan Agreement, the Company agrees to make payments so as to provide sufficient revenues to pay when due pursuant to the related Instrument the principal of (whether at maturity, on redemption, upon tender for purchase or by acceleration), the premium, if any, and the interest on the Maricopa Bonds, and certain other payments as provided in the Loan Agreement. Prior to the issuance of the Farmington Bonds, the Company and the City of Farmington will enter into an Amended and Restated Installment Sale Agreement dated as of May 1, 1994 (the "Sale Agreement" and, together with the Loan Agreement, the "Agreements"), whereby the Company's interests in the Farmington Project were sold by the Company to the City of Farmington and then sold by the City of Farmington to the Company in connection with the issuance of the Farmington 1985 A Prior Bonds. In addition to payments necessary to support the Farmington 1985 A Prior Bonds, the Sale Agreement requires payments to be made to the City of Farmington, in payment

of the purchase price of the Farmington Project, at such times and in such amounts as principal of (whether at maturity, on redemption, upon tender for purchase or by acceleration), premium, if any, and interest on the Farmington Bonds becomes due.

Concurrently with the issuance of the Bonds, the Company will cause to be delivered to the Maricopa Trustee (i) with respect to the Maricopa Series A and B Bonds, two irrevocable letters of credit (the "Maricopa Series A and B Letters of Credit") of Morgan Guaranty Trust Company of New York (the "Maricopa Series A and B Credit Provider"), (ii) with respect to the Maricopa Series C Bonds, an irrevocable letter of credit (the "Maricopa Series C Letter of Credit") of The Toronto-Dominion Bank (the "Maricopa Series C Credit Provider") and (iii) with respect to the Maricopa Series D, E and F Bonds, three irrevocable letters of credit (the "Maricopa Series D, E and F Letters of Credit") issued by Bank of America National Trust and Savings Association (the "Maricopa Series D, E and F Credit Provider") and to the Farmington Trustee an irrevocable letter of credit (the "Farmington Letter of Credit" and, together with the Maricopa Series A and B Letters of Credit, the Maricopa Series C Letter of Credit and the Maricopa Series D, E and F Letters of Credit, the "Letters of Credit") issued by Union Bank of Switzerland, Los Angeles Branch (the "Farmington Credit Provider" and, together with the Maricopa Series A and B Credit Provider, the Maricopa Series C Credit Provider and the Maricopa Series D, E and F Credit Provider, the "Credit Providers").

As more fully provided in the Instruments, the Bonds will not constitute an indebtedness or obligation to which the faith and credit of the State of Arizona, the State of New Mexico, Maricopa County, the City of Farmington, the Maricopa Issuer or any other political subdivision of either State will be pledged, but will be limited obligations of the respective Issuer, which will be obligated to pay the principal of, premium, if any, and interest on its Bonds only from the payments made pursuant to the applicable Agreement and the other funds pledged therefor. Maricopa County will not in any event be liable for the payment of the principal of, premium, if any, or interest on the Maricopa Bonds or for the performance of any pledge, mortgage, obligation or agreement undertaken by the Maricopa Issuer, nor will the Maricopa Issuer's agreements or obligations be construed to constitute an indebtedness of Maricopa County within the meaning of any constitutional or statutory provision of the State of Arizona whatsoever. As more fully provided in the Ordinance, the Farmington Bonds do not constitute an indebtedness or obligation to which the full faith and credit of the City of Farmington are pledged but are limited obligations of the City, and shall never constitute an indebtedness of the City within the meaning of any New Mexico state constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers.

Brief descriptions of the Issuers and the Projects and summaries of certain provisions of the Bonds, the Agreements, the Indenture and the Ordinance, the Letters of Credit and the Reimbursement Agreements between the Company and the respective Credit Providers (the "Reimbursement Agreements") are included in this Official Statement. Such information and descriptions do not purport to be complete, comprehensive or definitive. Statements regarding specific documents, including the Agreements and the Instruments, make use of certain terms defined in such documents and are summaries of and subject to the detailed provisions of such documents and are qualified in their entirety by reference to each such document, and references to the Bonds are similarly subject to and qualified in their entirety by reference to the forms thereof included in the Instruments and the information with respect thereto included in the aforesaid documents. Copies of all aforesaid documents may be obtained at the principal office of CS First Boston Corporation, in New York, New York, during the period of the initial offering of the Bonds and thereafter are available for inspection at the offices of the Trustee or the Company.

For information concerning the Company, including selected financial and operating information and information incorporated by reference, see Appendix A hereto. For information concerning the Credit Providers, see Appendices B, C, D and E hereto. The proposed forms of opinions of Bond Counsel with respect to the Bonds are attached as Appendices F and G hereto.

THE ISSUERS

The Maricopa Issuer is a political subdivision under the laws of the State of Arizona, organized under the "Pollution Control Corporations for Municipalities and Counties Act", being Title 35, Chapter 6, Arizona Revised Statutes (the "Maricopa Act"). The Maricopa Bonds will be issued in full compliance with the Act, and the issuance of the Maricopa Bonds by the Maricopa Issuer will be approved by the Board of Supervisors of Maricopa County, Arizona. The Maricopa Issuer has no taxing power. As required by the provisions of Section 38-511, Arizona Revised Statutes, as amended, the Maricopa Issuer may cancel any contract, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the Maricopa Issuer is, at any time while the contract or any extension thereof is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter thereof. The Company and the Maricopa Trustee have covenanted not to employ as an employee, agent or, with respect to the subject matter of the Loan Agreement and the Indenture, respectively, a consultant, any person significantly involved in initiating, negotiating, securing, drafting or creating such documents on behalf of the Maricopa Issuer within three years from the execution thereof, unless a waiver is provided by the Maricopa Issuer. The cancellation of any financing agreement which is material to the payment of the Maricopa Bonds, including the Indenture, could adversely affect the holders of the Maricopa Bonds.

The City of Farmington is an incorporated municipality, a body politic and corporate, existing under the Constitution and laws of the State of New Mexico. The City of Farmington is authorized under the provisions of such Constitution and laws, including particularly the Pollution Control Revenue Bond Act, Chapter 397, laws of 1973 of the State of New Mexico (the "Farmington Act" and, together with the Maricopa Act, the "Acts"), as amended, to issue the Farmington Bonds, to adopt the Ordinance, and to secure the Farmington Bonds by a pledge of the receipts and revenues of the City of Farmington pursuant to the Sale Agreement.

THE PROJECTS

The Maricopa Project is located in Maricopa County, Arizona and consists of certain facilities for the abatement, reduction or prevention of pollution, or for the disposal of sewage or solid waste, caused by the operation of the Palo Verde Nuclear Generating Station, a nuclear electric power generating plant (the "Maricopa Plant") located in Maricopa County, Arizona. The Company owns or leases a 29.1% undivided interest in the Maricopa Plant. The remaining undivided interests in the Maricopa Plant are owned or, in certain cases, leased by Salt River Project Agricultural Improvement and Power District (17.49%), Southern California Edison Company (15.8%), El Paso Electric Company (15.8%), Public Service Company of New Mexico (10.2%), Southern California Public Power Authority (5.91%), and Department of Water and Power of the City of Los Angeles (5.7%). In 1986, the Company sold and leased back approximately 42% of its 29.1% interest in Unit 2 of the Maricopa Plant and approximately 4% of its 29.1% interest in certain common facilities related thereto. The ownership and operation of the Maricopa Plant are, and the construction of the Maricopa Project at the Maricopa Plant have been and will be, governed by certain agreements (the "Maricopa Plant Agreements") among the Company and such other owners. Under the Maricopa Plant Agreements, the Company was in charge of the construction and is in charge of the operation and maintenance of, including any capital improvements to, the Maricopa Plant.

The Farmington Project is located in San Juan County, New Mexico and consists of certain facilities for the abatement, reduction or prevention of pollution and the disposal of solid waste or pollution caused by the operation of the Four Corners Generating Station, a coal-fired steam electric power generating plant (the "Farmington Plant") located in San Juan County, New Mexico. The Company owns a 15% undivided interest in Units 4 and 5 at the Farmington Plant. The remaining undivided interests in such Units are owned by Southern California Edison Company (48%), Public Service Company of New Mexico (13%), El Paso Electric Company (7%), Salt River Project Agricultural Improvement and Power District (10%) and Tucson Electric Power Company (7%). The ownership and operation of Units 4 and 5 are, and the construction of that portion of the Farmington Project at such Units have been and will be, governed by certain agreements (the "Farmington Plant Agreements") among the Company and such other owners. Under the Farmington Plant Agreements, the Company was in charge of the construction and is in charge of the operation and maintenance of, including any capital improvements to, such Units. Units 1, 2 and 3 at the Farmington Plant are owned in their entirety by the Company.

USE OF PROCEEDS

The proceeds of the Bonds will be deposited with the respective trustees for the Prior Bonds, and will be applied, together with additional funds to be provided by the Company, to reimburse the applicable bank after draws under letters of credit supporting the Prior Bonds have been utilized to redeem the Prior Bonds on or before August 1, 1994. The proceeds of the Bonds to be held by the respective trustees for the Prior Bonds prior to the redemption of the Prior Bonds will not be held as security for the Bonds. Costs of issuance of the Bonds, including all legal, underwriting and miscellaneous costs, will be paid by the Company.

THE BONDS

Each issue of Bonds will operate independently of the others. However, each issue of Bonds contains substantially the same terms (other than amount) and provisions, and the following is a summary of certain provisions of each issue of the Bonds. All references in this summary to the Bonds, the Agreement, the Instrument, the Plant, the Project and similar references shall be read as relating to each issue of Bonds and the Issuer, the Agreement, the Indenture or Ordinance, the Plant and the Project related thereto unless the context clearly indicates otherwise.

General

The Bonds will be issued as fully registered Bonds without coupons in the manner described below. The Bonds will be dated as of the date of delivery thereof (the "Issue Date"), the Maricopa Bonds will mature on May 1, 2029 and the Farmington Bonds will mature on May 1, 2024. The term of the Bonds shall be divided into consecutive Rate Periods, during each of which the Bonds may bear interest at Daily, Weekly, Monthly, Term or Flexible Rates designated and determined as described herein. At any time, the Rate Period applicable to any series of Bonds may be different from the Rate Period applicable to any other series of Bonds. The Initial Rate Period for the Bonds will be a Daily Rate Period. During such Daily Rate Period, the Bonds will bear interest at Daily Rates as described herein. The first Interest Payment Date will be June 1, 1994. The Bonds will continue to bear interest at Daily Rates determined as described herein unless and until the interest rate determination method for the Bonds is adjusted as described herein.

The Bonds are authorized in denominations of $100,000 or any integral multiple thereof, with respect to Bonds during any Daily Rate Period, any Weekly Rate Period or any Monthly Rate Period; $100,000 or any integral multiple of $5,000 in excess of $100,000, with respect to Bonds during any Flexible Rate Period; and $5,000 or any integral multiple thereof, with respect to Bonds during any Term Rate Period; provided, however, that one Maricopa Series F Bond may be issued in a denomination other than the foregoing (collectively, "Authorized Denominations").

The Bonds are subject to tender for purchase at the option of the holders of the Bonds, and under certain circumstances are subject to mandatory tender for purchase in the manner and at the times described herein. The Bonds are subject to optional and mandatory redemption prior to maturity in the manner and at the times described herein.

CS First Boston Corporation has been appointed by the Company as Remarketing Agent with respect to the Maricopa Series A and D Bonds. Goldman, Sachs & Co. has been appointed by the Company as Remarketing Agent with respect to the Maricopa Series B and E Bonds. J.P. Morgan Securities Inc. has been appointed by the Company as Remarketing Agent with respect to the Maricopa Series C and F Bonds and the Farmington Bonds. CS First Boston Corporation, Goldman, Sachs & Co. and J.P. Morgan Securities Inc. are referred to herein as "Remarketing Agents." The Remarketing Agents will be paid fees for their services and may be removed or resign under certain circumstances.

Concurrently with the issuance of the Bonds, the Company will cause to be delivered to the Maricopa Trustee and the Farmington Trustee the Letters of Credit issued by the Credit Providers.

Definitions

The terms "Daily Rate," "Daily Rate Period," "Weekly Rate," "Weekly Rate Period," "Monthly Rate," "Monthly Rate Period," "Flexible Rate," "Flexible Segment," "Term Rate" and "Term Rate Period" are defined by reference to the procedures for the determination thereof, as described below. In addition, the following terms are used in this summary:

"Business Day" means a day on which banks located in the cities in which the principal offices of the Trustee, the Registrar, the Paying Agent, the Tender Agent, the Remarketing Agent and any Credit Provider are located are not required or authorized to be closed and on which the New York Stock Exchange is not closed, and, in the case of any action to be taken by the Company, which is not a day on which banks in Phoenix, Arizona are required or authorized to be closed.

"Interest Payment Date" means (i) with respect to any Daily, Weekly or Monthly Rate Period, the First Business Day of each calendar month, (ii) with respect to any Term Rate Period, the first day of the sixth month following the commencement of the Term Rate Period and the first day of each sixth month thereafter, (iii) with respect to any Flexible Segment, the Business Day next succeeding the last day of such Flexible Segment, (iv) with respect to any Rate Period, the Business Day next succeeding the last day thereof and (v) with respect to any Credit Provider Bonds, the dates specified in the related Reimbursement Agreement for the payment of interest on any reimbursement obligations of the Company to the related Credit Provider relating to such Credit Provider Bonds, as such dates shall be specified by the Credit Provider to the Trustee.

"Rate Period" means any Daily Rate Period, Weekly Rate Period, Monthly Rate Period, Term Rate Period or Flexible Rate Period.

"Record Date" means with respect to any Interest Payment Date in respect of any Daily Rate Period, Weekly Rate Period, Monthly Rate Period or Flexible Segment, the Business Day next preceding such Interest Payment Date and, with respect to any Interest Payment Date in respect of any Term Rate Period, the fifteenth day of the month preceding such Interest Payment Date.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code or Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

Payment of Principal and Interest

Interest shall be payable (i) by check mailed by first class mail on the Interest Payment Date to the holders as of the Record Date or (ii) during any Rate Period other than a Term Rate Period, in immediately available funds (by wire transfer or by deposit to the account of the holder of such Bond if such account is maintained with the Paying Agent), but in respect of any holder of Bonds in a Daily, Weekly or Monthly Rate Period only to any holder owning Bonds in an aggregate principal amount of at least $1,000,000 on the Record Date and having provided wire transfer instructions to the Paying Agent prior to the close of business on such Record Date; provided, that, if and to the extent there shall have been a default in the payment of the interest due, such interest shall be paid to the persons in whose name any such Bonds are registered as of a special record date to be fixed by the Trustee, notice of which shall be given to such holders not less than 10 days prior thereto. Notwithstanding the foregoing, interest in respect of any Bond bearing a Flexible Rate shall be paid only upon presentation to the Tender Agent of the Bond on which such payment is due.

Interest shall be computed, in the case of any Rate Period other than a Term Rate Period, on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed and, in the case of a Term Rate Period, on the basis of a 360-day year consisting of twelve 30-day months.

Daily Rate Period

Daily Rate. During each Daily Rate Period, the affected Bonds shall bear interest at the Daily Rate, determined by the applicable Remarketing Agent either on each Business Day for such Business Day or on the next preceding Business Day for the Business Day next succeeding such date of determination and as may be determined by the applicable Remarketing Agent for any date that is not a Business Day on any such day during which there shall be active trading in Tax-Exempt obligations comparable to the affected Bonds for such day.

The Daily Rate will be the rate determined by the applicable Remarketing Agent to be the lowest rate which would enable the Remarketing Agent to sell the affected Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If a Remarketing Agent has not determined a Daily Rate, the Daily Rate will be the same as the Daily Rate for the immediately preceding day. In no event will the Daily Rate be greater than 12%.

Adjustment to a Daily Rate Period. The interest rate borne by the affected Bonds will be adjusted to a Daily Rate upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company. The notice must specify the effective date of the adjustment to a Daily Rate which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current rate period is a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the receipt by the Trustee of such direction (or such shorter period acceptable to the Trustee), (2) in the case of an adjustment from a Monthly Rate Period or a Term Rate Period, a day on which the affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Instrument as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" and "—Optional Redemption—Term Rate Period," as applicable, and (3) in the case of an adjustment from a Flexible Rate Period, either (i) the day immediately following the last day of the then current Flexible Rate Period, or (ii) for each affected Bond, the day immediately following the last day of the last Flexible Segment for such Bond in the then current Flexible Rate Period; provided, however, that if prior to the Company's making such election, any affected Bonds shall have been called for redemption and such redemption shall not have theretofore been effected, the effective date of such Daily Rate Period shall not precede such redemption date. In the case of an adjustment from a Term Rate Period, such notice must be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Act and the Instrument, and (2) will not adversely affect the Tax-Exempt status of the interest on the Bonds.

Notice of Adjustment to a Daily Rate Period. The Trustee must give notice of an adjustment to a Daily Rate Period to the holders of the Bonds not less than twelve days (fifteen days if the then current Rate Period shall be a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Daily Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to a Daily Rate (subject to the Company's ability to rescind its election, as provided in the Instrument), (2) the effective date of the Daily Rate Period, (3) that the Bonds are subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of such Bonds do not have a right to retain their Bonds on such effective date.

Weekly Rate Period

Weekly Rate. During each Weekly Rate Period, the affected Bonds will bear interest at the Weekly Rate determined by the applicable Remarketing Agent no later than the first day of such Weekly Rate Period and thereafter no later than Tuesday of each week during such Weekly Rate Period, unless any such Tuesday shall not be a Business Day, in which event the Weekly Rate shall be determined by the applicable Remarketing Agent no later than the Business Day next preceding such Tuesday.

The Weekly Rate will be the rate determined by the Remarketing Agent to be the lowest rate which would enable the Remarketing Agent to sell the affected Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If the applicable Remarketing Agent has not determined a Weekly Rate for any period, the Weekly Rate for such period will be the same as the Weekly Rate for the immediately preceding period. In no event will the Weekly Rate be greater than 12%.

The first Weekly Rate determined for each Weekly Rate Period will apply to the period commencing on the first day of such Weekly Rate Period and ending on the next succeeding Tuesday. Thereafter, each Weekly Rate will apply to the period commencing on each Wednesday and ending on the next succeeding Tuesday; provided, however, if such Weekly Rate Period will end on a day other than Tuesday, the last Weekly Rate for such Weekly Rate Period will apply to the period commencing on the Wednesday preceding the last day of such Weekly Rate Period and ending on such last day.

Adjustment to a Weekly Rate Period. The interest rate borne by the affected Bonds will be adjusted, at any time, to a Weekly Rate upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice must specify the effective date of such adjustment to a Weekly Rate Period which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current rate period shall be a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after receipt by the Trustee of such direction (or such shorter period acceptable to the Trustee), (2) in the case of an adjustment from a Monthly Rate Period or a Term Rate Period, a day on which affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Instrument as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" and "—Optional Redemption—Term Rate Period," as applicable, and (3) in the case of an adjustment from a Flexible Rate Period, either the day immediately following the last day of the then current Flexible Rate Period or for each affected Bond the day immediately following the last day of the then current Flexible Segment for such Bond; provided, however, that if prior to the Company's making such election, any affected Bonds have been called for redemption and such redemption has not yet been effected, the effective date of such Weekly Rate Period will not precede such redemption date. In the case of an adjustment from a Term Rate Period, such notice must be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Act and the Instrument, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

Notice of Adjustment to a Weekly Rate Period. The Trustee must give notice of an adjustment to a Weekly Rate Period to the holders of the Bonds not less than twelve days (fifteen days if the then current rate period is a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Weekly Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to a Weekly Rate (subject to the Company's ability to rescind its election, as provided in the Instrument), (2) the effective date of the Weekly Rate Period, (3) that the Bonds are subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that holders of such Bonds do not have the right to retain such Bonds on such effective date.

Monthly Rate Period

Monthly Rate. During each Monthly Rate Period, the affected Bonds will bear interest at the Monthly Rate, determined by the Remarketing Agent no later than the first day of such Monthly Rate Period and thereafter no later than the Business Day immediately preceding each Interest Payment Date with respect to the affected Bonds.

The Monthly Rate will be the rate determined by the applicable Remarketing Agent to be the lowest rate which would enable the applicable Remarketing Agent to sell the affected Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If the applicable Remarketing Agent has not determined a Monthly Rate for any period, the Monthly Rate shall be the same as the Monthly Rate in effect for the immediately preceding month. In no event shall any Monthly Rate be greater than 12%.

The first Monthly Rate determined for each Monthly Rate Period will apply to the period commencing on the first day of such Monthly Rate Period and ending on the day immediately preceding the next Interest Payment Date with respect to the affected Bonds. Thereafter, each Monthly Rate will apply to the period commencing on the Interest Payment Date next succeeding the date of determination of such Monthly Rate and ending on the day immediately preceding the Interest Payment Date next succeeding the effective date of such Monthly Rate.

Adjustment to a Monthly Rate Period. The interest rate borne by the affected Bonds will be adjusted, at any time, to a Monthly Rate upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice will specify the effective date of such adjustment to a Monthly Rate Period, which shall be (1) a Business Day not earlier than the twelfth day (the fifteenth day

if the then current Rate Period shall be a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the date of receipt by the Trustee of such notice (or such shorter period acceptable to the Trustee); (2) in the case of an adjustment from a Term Rate Period, a day on which affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Instrument as described herein under "—Redemption of Bonds—Optional Redemption—Term Rate Period"; and (3) in the case of an adjustment from a Flexible Rate Period either the day immediately following the last day of the then current Flexible Rate Period or for each affected Bond, the day immediately following the last day of the last Flexible Segment for such Bond in the then current Flexible Rate Period; provided, however, that if prior to the Company's making such election, any of the affected Bonds have been called for redemption and such redemption has not been effected, the effective date of such Monthly Rate Period will not precede such redemption date. In the case of an adjustment from a Term Rate Period, such written notice shall be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Indenture and the Act, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

Notice of Adjustment to a Monthly Rate Period. The Trustee must give notice of an adjustment to a Monthly Rate Period to the holders of the affected Bonds not less than twelve days (fifteen days if the then current Rate Period shall be a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Monthly Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to a Monthly Rate (subject to the Company's ability to rescind its election pursuant to the Instrument), (2) the effective date of the Monthly Rate Period, (3) that the affected Bonds are subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of such Bonds do not have the right to retain their Bonds on such effective date.

Flexible Rate Period

Flexible Segments and Flexible Rates. Flexible Rate Periods will consist of Flexible Segments of varying duration for each Bond. Different Flexible Segments may apply to different Bonds at any time and from time to time. During each Flexible Rate Period, each Bond will bear interest at the Flexible Rate applicable to the Flexible Segment in effect for such Bond. Each Flexible Segment will be a period of at least one day and not more than 365 days, ending on a day that immediately precedes a Business Day, determined by the applicable Remarketing Agent to be the period which, together with all other Flexible Segments for all affected Bonds then outstanding, will result in the lowest overall net interest expense on the affected Bonds. The Flexible Rate for each Flexible Segment for each Bond will be the rate determined by the applicable Remarketing Agent no later than the first day of such Flexible Segment to be the lowest interest rate which would enable the Remarketing Agent to sell the Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If a Flexible Rate for a Flexible Segment of one day is not determined or effective on such day, the Flexible Rate for such Flexible Segment of one day shall be eighty percent (80%) of the most recent One-Year Note Index theretofore published in The Bond Buyer. In no event shall the Flexible Rate for any Bond be greater than 12%.

Adjustment to a Flexible Rate Period. The interest rates borne by the affected Bonds will be adjusted, at any time, to Flexible Rates upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice will specify the effective date of the Flexible Rate Period during which the Bonds will bear interest at Flexible Rates which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current Rate period is a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the date of receipt by the Trustee of such direction, and (2) in the case of an adjustment from a Monthly Rate Period or a Term Rate Period, a day on which the affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Instrument as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" or "—Optional Redemption—Term Rate Period," as applicable; provided, however, that if prior to the Company's making such election, any of the affected Bonds have been called for redemption and such redemption has not been effected, the effective date of such Flexible Rate Period will not precede such redemption date. In the case of an adjustment from a Term Rate Period, such direction must be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Instrument and the applicable Act, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

Notice of Adjustment to a Flexible Rate Period. The Trustee must give notice of an adjustment to a Flexible Rate Period to the holders of the affected Bonds not less than twelve days (fifteen days if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Flexible Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to Flexible Rates (subject to the Company's ability to rescind its election pursuant to the Instrument), (2) the effective date of such Flexible Rate Period, (3) that the Bonds are subject to mandatory tender for purchase on the effective date of such Flexible Rate Period, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of the Bonds do not have the right to retain their Bonds on such effective date.

Adjustment from a Flexible Rate Period. At any time during a Flexible Rate Period, the Company may elect that a Series of Bonds shall no longer bear interest at Flexible Rates. The Company must notify the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of the election and specify the Rate Period to follow with respect to the affected Bonds upon cessation of the Flexible Rate Period. The applicable Remarketing Agent will (1) determine Flexible Segments of such duration that, as soon as possible, all Flexible Segments shall end on the same date, not earlier than the eleventh day following the fifth Business Day (or such shorter period acceptable to the Trustee), following the receipt by the Trustee of the notice described in the last sentence of this paragraph, which date shall be the last day of the then current Flexible Rate Period, and, upon the establishment of such Flexible Segments the day next succeeding the last day of all such Flexible Segments shall be the effective date of the Rate Period elected by the Company; or (2) determine Flexible Segments that will in the judgment of the applicable Remarketing Agent best promote an orderly transition to the next succeeding Rate Period to apply to such Bonds, beginning not earlier than the eleventh day following the fifth Business Day (or such shorter period acceptable to the Trustee) following the receipt by the Trustee of the notice described in the last sentence of this paragraph. If the alternative in clause (2) above is selected, the day next succeeding the last day of the Flexible Segment for each affected Bond shall be with respect to such Bond the effective date of the Rate Period elected by the Company. The Remarketing Agent, promptly upon the determination thereof, shall give written notice of such last day and such effective dates to the Company, the Trustee and the Paying Agent.

Term Rate Period

Term Rate. During each Term Rate Period, the Bonds will bear interest at the Term Rate which will be determined by the applicable Remarketing Agent on a Business Day selected by the Remarketing Agent, but not more than 40 days prior to and not later than the effective date of such Term Rate Period. The Term Rate will be the rate determined by the applicable Remarketing Agent on such date, and communicated on such date to the Trustee, the Paying Agent and the Company, by written notice or by telephone promptly confirmed by telecopy or other writing, as being the lowest rate which would enable the Remarketing Agent to sell the Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof; provided, however, that if, for any reason, a Term Rate for any Term Rate Period is not determined or effective or if an adjustment from a Term Rate Period to another Rate Period is not effective, the Rate Period for the Bonds will automatically convert to a Daily Rate Period. If a Daily Rate for the first day of such Daily Rate Period is not determined as described under "—Daily Rate Period—Daily Rate", the Daily Rate for the first day of such Daily Rate Period shall be 80% of the most recent One-Year Note Index theretofore published in The Bond Buyer. In no event will any Term Rate be greater than 12% per annum.

Adjustment to or Continuation of a Term Rate Period. The interest rate borne by the affected Bonds will be adjusted to or continued at a Term Rate, at any time, upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice will indicate the duration of the Term Rate Period during which the affected Bonds will bear interest at such rate. At the time the Company elects an adjustment to or continuation of a Term Rate Period, the Company may specify two or more consecutive Term Rate Periods and, if the Company so specifies, will specify the duration of each such successive Term Rate Period. Such notice must specify the effective date of each Term Rate Period, which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current Rate Period shall be a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the date of receipt by the Trustee of such notice; (2) in the case of an adjustment from a Monthly Rate Period or an adjustment from or continuation of a Term Rate Period, a day on which the affected Bonds would be permitted to be redeemed at the option of the Company pursuant to the provisions of the Instrument as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" or "—Optional

Redemption—Term Rate Period," as applicable; and (3) in the case of an adjustment from a Flexible Rate Period either (i) the day immediately following the last day of the then current Flexible Rate Period, or (ii) for each affected Bond, the day immediately following the last day of the last Flexible Segment for such Bond in the then current Flexible Rate Period; provided, however, that if prior to the Company's making such election, any affected Bonds shall have been called for redemption and such redemption has not been effected, the effective date of such Term Rate Period will not precede such redemption date. In addition, such notice must specify the last day of such Term Rate Period (which shall be either the day preceding the date of final maturity of the affected Bonds or a day which both immediately precedes a Business Day and is at least one hundred eighty (180) days after such effective date), and unless such Term Rate Period immediately succeeds a Term Rate Period of the same duration and is subject to the same optional redemption rights provided by the Instrument, shall be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Instrument and the Act, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

If, by the second Business Day preceding the fourteenth day prior to the last day of any Term Rate Period, the Trustee shall not have received notice of the Company's election that, during the next succeeding Rate Period, the affected Bonds will bear interest at a Daily Rate, a Weekly Rate, a Monthly Rate, a Term Rate or a Flexible Rate accompanied by appropriate opinions of bond counsel, if expressly required by the provisions of the Instrument, the next succeeding Rate Period shall be a Term Rate Period of the same duration as the immediately preceding Term Rate Period and the optional redemption prices and periods for such successive Term Rate Period shall be the same as for the immediately preceding Term Rate Period; provided, however, that if the last day of any such successive Term Rate Period is not a day immediately preceding a Business Day, then such successive Term Rate Period will end on the first day immediately preceding the Business Day next succeeding such day, or if such last day would be after the day prior to the final maturity date of the affected Bonds, such Term Rate Period shall end on the last day prior to such maturity date.

Notice of Adjustment to or Continuation of a Term Rate Period. The Trustee must give notice of an adjustment to or continuation of a Term Rate Period to the holders of the Bonds not less than twelve days (fifteen days if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Term Rate Period. In the event such adjustment or continuation is from a Term Rate Period to a Term Rate Period of equal duration, such notice shall state (1) that the interest rate on the affected Bonds will be adjusted to, or continue to be, a Term Rate (subject to the Company's ability to rescind its election as provided in the Instrument), (2) the effective date and the last date of the Term Rate Period, (3) that the Term Rate for such Term Rate Period will be determined not later than the effective date thereof, (4) how such Term Rate may be obtained from the Remarketing Agent, (5) the Interest Payment Dates after such effective date, (6) that, during such Term Rate Period, the holders of Bonds will not have the right to tender their Bonds for purchase, (7) the redemption provisions that will apply to affected Bonds during such Term Rate Period, (8) whether any Credit Facility will be in effect after such effective date and, if so, the name of the Credit Provider and the interest coverage and expiration date of any such Credit Facility, and (9) the rating or ratings, if any, which the Bonds are expected to receive from the Rating Agencies as of such effective date. In the event such adjustment or continuation is not from a Term Rate Period to a Term Rate Period of equal duration, such notice shall state (1) that the interest rate on such Bonds will be adjusted to, or continue to be, a Term Rate (subject to the Company's ability to rescind its election as provided in the Instrument), (2) the effective date of the Term Rate Period, (3) that such Bonds shall be subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of such Bonds do not have the right to retain their Bonds on such effective date.

Determinations Conclusive

The determination of any Daily Rate, Weekly Rate, Monthly Rate, Flexible Rate and Term Rate and each Flexible Segment by the applicable Remarketing Agent shall be conclusive and binding upon such Remarketing Agent, the Trustee, the Paying Agent, the Company, the Issuer and the holders of the Bonds.

Automatic Adjustment to Daily Rate Upon Rescission of Rate Period Adjustment

The Company may rescind any election by it to adjust to or continue a Rate Period prior to the effective date thereof, by giving written notice to the Issuer, the Trustee and the applicable Remarketing Agent prior to such effective date. If notice of the election to adjust to or continue the Rate Period has previously been given by the Trustee to the holders of the Bonds, then the Rate Period will automatically adjust to a Daily Rate Period. If a Daily Rate for the first day of any such Daily Rate Period is not determined as described under "—Daily Rate Period—Daily Rate", the Daily Rate for the first day of such Daily Rate Period will be 80% of the most recent One-Year Note Index theretofore published in The Bond Buyer.

Optional Tender for Purchase

Daily Rate Period. On any Business Day during any Daily Rate Period, any Bond (or portion thereof in an Authorized Denomination) will be purchased at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, to the date of purchase, upon (i) delivery by the holder of such Bond to the Tender Agent at its Principal Office by no later than 11:00 a.m., New York City time, on such Business Day, of an irrevocable notice by telephone or in writing, which states the principal amount, or portion thereof, of such Bond to be tendered for purchase and the date of purchase, and (ii) delivery of such Bond to the Tender Agent at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date (as defined in the Instrument).

Weekly Rate Period. On any Wednesday, or if such Wednesday is not a Business Day, then the next succeeding Business Day, during any Weekly Rate Period, any Bond (or portion thereof in an Authorized Denomination) will be purchased at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, to the date of purchase, upon (i) delivery by the holder of such Bond to the Tender Agent at its principal office of an irrevocable notice by telephone (promptly confirmed in writing) or in writing by 5:00 p.m. New York City time on any Business Day at least seven days prior to the date of purchase, which states the principal amount or portion thereof of such Bond to be tendered for purchase and the date of purchase, and (ii) delivery of such Bond to the Tender Agent at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date.

Monthly Rate Period. On any Interest Payment Date during a Monthly Rate Period, any Bond (or portion thereof in an authorized denomination) will be purchased at a purchase price equal to 100% of the principal amount thereof, upon (i) delivery by the holder of such Bond to the Tender Agent at its principal office of an irrevocable notice in writing, by 5:00 p.m., New York City time, on any Business Day at least seven days prior to such Purchase Date, which states the principal amount of such Bond to be tendered for purchase and the Purchase Date, and (ii) delivery of such Bond to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in a form satisfactory to the Tender Agent, executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date.

Term Rate Period. On the first day of any Term Rate Period which is preceded by a Term Rate Period of the same duration, any Bond (or portion thereof in an authorized denomination) will be purchased from its holder, at a purchase price equal to 100% of the principal amount thereof plus accrued interest upon (i) delivery by the holder of such Bond to the Tender Agent at its Principal Office, of an irrevocable notice in writing, by 5:00 p.m., New York City time, on any Business Day not less than fifteen days prior to the Purchase Date which states the principal amount, or portion thereof, of such Bond to be purchased, and (ii) delivery of such Bond to the Tender Agent at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date.

Bonds tendered for purchase under the provisions of the Instrument must be delivered to the Principal Office of the Tender Agent; provided that so long as any Bond is held in book-entry form, such Bond need not be delivered in connection with any tender pursuant to the provisions of the Instrument described in this Section.

Mandatory Tender for Purchase

The Bonds are subject to mandatory tender for purchase at a purchase price equal to the principal amount thereof, plus accrued interest to the purchase date therefor, on any of:

(a) as to any Bond, the effective date for any change in a Rate Period for such Bond other than the effective date for a Term Rate Period which was preceded by a Term Rate Period of the same duration;

(b) as to each Bond in a Flexible Rate Period, the day next succeeding the last day of any Flexible Segment with respect to such Bond;

(c) as to all Bonds of a Series, the second Business Day next preceding the termination of any Credit Facility with respect to such Series (whether upon the stated termination date thereof or upon the substitution of a different Credit Facility) unless the Trustee shall have received, on or before the twentieth day prior to such termination date, written confirmation from each Rating Agency then rating the Bonds that such termination shall not result in the lowering or withdrawal of the then current ratings on the Bonds of such Series;

(d) as to all Bonds of a Series, a day, as specified by the Trustee, not more than twenty days after receipt by the Trustee from the Credit Provider with respect to such Series, within seven days after a drawing on the Credit Facility with respect to such Series, of a notice to the effect that the Credit Provider has not been reimbursed for such drawing, and that the amount available to be drawn thereunder has not been reinstated and directing the Trustee to give notice of such mandatory tender and to purchase such Bonds on the applicable Purchase Date; or

(e) as to all Bonds of a Series, on a day, as specified by the Trustee, not more than twenty days after receipt by the Trustee from the Credit Provider with respect to such Bonds, of a written notice stating that an event of default has occurred under the applicable Reimbursement Agreement and directing the Trustee to give notice of such mandatory tender and to purchase such Bonds on the applicable Purchase Date.

The Bonds are also subject to mandatory tender for purchase on the day next succeeding any Term Rate Period which ends prior to the day originally established as the last day of such Term Rate Period at a purchase price equal to the principal amount thereof plus an amount equal to any premium which would have been payable on such day had the Company directed optional redemption of such Bonds on that day.

On the day next succeeding the last day of any Flexible Segment for any Bond, such Bond shall be purchased (as described in clause (b) above) unless the holder thereof elects to retain its investment in the Bond and not to have such Bond purchased by delivery to the Tender Agent at the Principal Office of the Tender Agent not later than 11:00 a.m., New York City time, on the first day of the applicable Flexible Segment, of an irrevocable telephonic notice which states that such Bond is not to be so purchased. Payment of interest on Bonds to be retained shall be made only upon exchange thereof for a Bond bearing a notation of the new Flexible Segment and new Flexible Rate.

The Trustee shall give notice by first-class mail to the holders of a series of Bonds of the termination of any Credit Facility with respect to such series and of the provision of any proposed substitute Credit Facility with respect to such Series, not later than the fifteenth day prior to such termination or provision. Such notice shall (i) include a general description of any Credit Facility in effect prior to such termination or substitution and any substitute Credit Facility to be in effect on such termination or provision, (ii) state the date of such termination or provision, (iii) state the ratings, if any, expected for the Bonds after such termination or provision, and (iv) if by the twentieth day prior to such termination or provision the Trustee shall not have received written confirmation from each nationally recognized rating agency then rating the Bonds that such termination or provision will not result in the lowering or withdrawal of the then current rating or ratings on the Bonds, state that the Bonds shall be subject to mandatory tender for purchase on the second Business Day next preceding such termination as described above in clause (c).

The Trustee shall give notice by first-class mail to the holders of the affected Bonds of any mandatory tender occurring by reason of clause (d) or (e) above no later than five days after receiving the notice from the Credit Provider as described in such clause (d) or (e), as applicable, and not less than fifteen days prior to the mandatory tender date described in such clause (d) or (e), as applicable.

Redemption of Bonds

Optional Redemption—Daily Rate Period or Weekly Rate Period. On any Business Day during a Daily Rate Period or a Weekly Rate Period for a Series of Bonds, the Bonds are subject to redemption, at the option of the Company, in whole or in part, at 100% of their principal amount, plus accrued interest, if any, to the redemption date.

Optional Redemption—Monthly Rate Period. On any Interest Payment Date during a Monthly Rate Period, the Bonds are subject to redemption at the option of the Company, in whole or in part, at 100% of their principal amount.

Optional Redemption—Flexible Rate Period. On the day next succeeding the last day of any Flexible Segment with respect to any Bond, such Bond is subject to redemption at the option of the Company, in whole or in part, at 100% of its principal amount.

Optional Redemption—Term Rate Period. On the next day succeeding the last scheduled day of any Term Rate Period with respect to a Series of Bonds, such Bonds shall be subject to redemption at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date. During any Term Rate Period the Bonds are subject to redemption, at the option of the Company, during the periods specified below, in whole at any time or in part from time to time, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued interest, if any, to the redemption date:

Length of Term Rate Period (in years)	Redemption Dates and Prices
Greater than 15	At any time on or after the first day of the calendar month following the tenth anniversary of the effective date at 102% declining 1% annually to 100%
Greater than 10 and less than or equal to 15	At any time on or after the first day of the calendar month following the fifth anniversary of the effective date at 102% declining 1% annually to 100%
Greater than 7 and less than or equal to 10	At any time on or after the first day of the calendar month following the third anniversary of the effective date at 102% declining 1% annually to 100%
Greater than 4 and less than or equal to 7	At any time on or after the first day of the calendar month following the second anniversary of the effective date at 101% declining 0.5% annually to 100%
Greater than 2 and less than or equal to 4	At any time on or after the first day of the calendar month following the second anniversary of the effective date at 101% declining 0.5% each six months thereafter to 100%
Greater than 1 and less than or equal to 2	At any time on or after the first day of the calendar month following the first anniversary of the effective date at 100.5%, declining 0.5% six months thereafter to 100%
Less than or equal to 1	Not redeemable

The Company shall have the option to cause the Rate Period for any Series of Bonds to change on any date on which such Bonds are subject to redemption as provided above, in which event such Bonds shall be subject to mandatory tender at the applicable price set forth above, as described in the second paragraph under "—Mandatory Tender for Purchase."

With respect to any Term Rate Period, the Company may, in the notice required by the Instrument with respect to an adjustment to or continuation of a Term Rate Period, specify redemption prices and periods other than those set forth above; provided, however, that such notice shall be accompanied by an opinion of bond counsel stating that such changes in redemption prices and periods (i) are authorized or permitted by the applicable Act and the Instrument, and (ii) will not adversely affect the Tax-Exempt status of the Bonds.

Extraordinary Optional Redemption. The Bonds will be redeemed in whole or in part at any time at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date upon receipt by the Trustee of a written notice from the Company stating that any of the following events has occurred and that the Company therefore intends to exercise its option to prepay the payments due under the Agreement and thereby effect the redemption of Bonds in whole or in part:

(a) the Plant or the Project or a portion thereof the original cost of which is equal to or greater than $500,000 shall have been damaged or destroyed to such extent that, in the opinion of the Company (i) it is not practicable or desirable to rebuild, repair or restore the Project or such portion thereof within a period of six consecutive months following such damage or destruction, (ii) the Company is or will be thereby prevented from carrying on its normal operations at the Project or such portion thereof for a period of six consecutive months, or (iii) the cost of restoration thereof would substantially exceed the net proceeds of insurance carried thereon;

(b) title to, or the temporary use of, the Plant or the Project or a portion thereof the original cost of which is equal to or greater than $500,000 shall have been taken under the exercise of the power of eminent domain, including such a taking as results (or is likely to result) in the Company being prevented from carrying on normal operations at the Project or such portion thereof for a period of six months or as renders the Project or such portion thereof unsuitable for use by the Company;

(c) unreasonable burdens or excessive liabilities, in the opinion of the Company, shall have been imposed on the Company, including, without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Agreement; or

(d) any court or administrative body or regulatory agency shall enter a judgment, order or decree requiring the Company to cease all or any substantial part of its operations at the Project or a portion thereof the original cost of which is equal to or greater than $500,000, to such an extent that, in the opinion of the Company it is or will be thereby prevented from carrying on its normal operations at the Project or such portion thereof for a period of six consecutive months.

Mandatory Redemption. Upon the occurrence of any of the following events, the Bonds of any affected Series shall be redeemed, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, from amounts required to be prepaid by the Company:

(A) in whole on any date upon a Determination of Taxability (as hereinafter defined); provided, however, that if, in the opinion of nationally recognized bond counsel delivered to the Issuer and to the Trustee, the redemption of a specified portion of such Bonds outstanding would have the result that interest payable on such Bonds remaining outstanding after such redemption would remain Tax-Exempt, then such Bonds shall be redeemed in part by lot (in Authorized Denominations) in such amount as such bond counsel in such opinion shall have determined is necessary to accomplish that result; or

(B) in whole upon the acceleration of payments due with respect to such Series under the Agreement following an Event of Default (as such term is defined in the Agreement) thereunder; provided, however, that such redemption shall not occur if, pursuant to the Agreement, the acceleration of such payments is annulled prior to the

redemption date and, in such event, the Trustee will promptly give written notice of such annulment to the Issuer and the Company, and will give notice thereof to the holders of the Bonds and each Credit Provider.

For purposes of the foregoing, "Determination of Taxability" means a determination that interest payable on any Bond is includable in the gross income for federal income tax purposes of the holder of such Bond (other than a holder who is a "substantial user" of the Project or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code). Such determination shall be deemed to have been made upon the date on which, due to the untruth or inaccuracy of any representation or warranty made by the Company in the Agreement, or in connection with the offer and sale of the Bonds, or the breach of any covenant or warranty of the Company contained in the Agreement, interest on the Bonds, or any of them, is determined to be includable in the gross income for federal income tax purposes of the owners thereof (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code) by a final administrative determination of the Internal Revenue Service or a final judicial decision of a court of competent jurisdiction in a proceeding of which the Company received notice and was afforded an opportunity to participate to the full extent permitted by law. A determination or decision will not be considered final for purposes of the preceding sentence unless (A) the holder or holders of the Bonds involved in the proceeding in which the issue is raised (i) shall have given the Company and the Trustee prompt notice of the commencement thereof, and (ii) shall have offered the Company the opportunity to control the proceeding; provided the Company agrees to pay all expenses in connection therewith and to indemnify such holder or holders against all liability for such expenses (except that any such holder may engage separate counsel, and the Company shall not be liable for the fees or expenses of such counsel); and (B) such proceeding shall not be subject to a further right of appeal or shall not have been timely appealed.

Notice and Manner of Redemption; Effect. Notice of redemption shall be given by the Trustee, not fewer than 15 nor more than 60 days prior to the redemption date, (i) by first-class mail to the registered holder of each Bond to be redeemed at such registered holder's address as it appears on the registration books and to the applicable Credit Provider and (ii) by telecopy, confirmed by first-class mail, to the Securities Depositories (as defined in the Instrument) and one or more Information Services (as defined in the Instrument). During the continuance of a book-entry system, the Trustee shall not be obligated to give notices to beneficial holders. See "—Book-Entry Only System" below. Each notice of redemption shall state, among other things, the redemption date, the place of redemption, the source of funds to be used for such redemption and the principal amount, and shall also state that the interest on the Bonds designated for redemption shall cease to accrue from and after such redemption date and that on such date there will become due and payable on each of the Bonds the principal amount thereof to be redeemed, interest accrued thereon, if any, to the redemption date and the premium, if any, thereon (such premium to be specified). No publication of notice is required. If less than all the Bonds are called for redemption, the Trustee shall select Bonds to be redeemed by lot.

With respect to any notice of optional redemption, unless upon the giving of such notice such Bonds shall be deemed to have been paid, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of Available Amounts (as defined in the Instruments) sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such Available Amounts shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such Available Amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such Available Amounts were not so received.

If moneys for payment of the redemption price are held by the Trustee, Bonds called for redemption shall become due and payable on the redemption date at the applicable redemption price, interest on the Bonds called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any lien, benefit or security under the Instrument, and the holders of the Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof (including interest, if any, accrued to the redemption date), without interest accrued on any funds held to pay such redemption price.

Failure to mail notice of redemption to any registered owner of the Bonds or any defect therein in respect of any Bond will not affect the validity of the redemption of any other Bonds and will not extend the period for making elections or in any way change the rights of the holders of the Bonds to elect to have their Bonds purchased as provided in the Instrument. Failure to give notice of redemption to any one or more of the Information Services or Securities Depositories or the insufficiency of any of any such notices will not affect the sufficiency of the proceedings for redemption.

If, thirty days after any redemption date, any Bonds called for redemption have not been presented to the Trustee for payment, the Trustee will no later than sixty days following such redemption date send notice by first-class mail to the holder of each Bond not so presented.

Transfer and Exchange

Bonds may be transferred or exchanged for other Bonds in Authorized Denominations at the Principal Office of the Registrar, initially the Trustee. Exchanges and transfers shall be made without charge to the holders, except for any applicable tax, fee or other governmental charge. The Registrar is not required to effect any transfer or exchange of any Bonds during the seven days preceding the mailing of any notice of redemption or of any Bonds called for redemption.

Book-Entry Only System

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants (the "Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuers or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants. Beneficial Owners of the Bonds will have no lien or security interest in any rebate or refund paid by DTC to the Paying Agent which arises from the payment by the Paying Agent of principal of or interest on the Bonds to DTC.

Notwithstanding anything to the contrary in the foregoing paragraphs, the Tender Agent shall accept any notice of tender from any Beneficial Owner of any Bond held in book-entry form, but shall make payment of the purchase price thereof only to the registered owner of such Bond.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuers or the Trustee. In such event or if the Company determines to discontinue the services of DTC, certificates for the Bonds will be delivered as described in the Instrument unless a successor securities depository is appointed by the Issuers (with the consent or at the direction of the Company).

THE ISSUERS, THE COMPANY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES, AND NONE OF THEM HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER, WITH RESPECT TO, AMONG OTHER THINGS, (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE BONDS; (III) THE DISTRIBUTION OF ANY REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO. (INCLUDING THE TIMELINESS OF SUCH DISTRIBUTION); OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Company believes to be reliable, but neither the Issuers nor the Company nor the Underwriters take any responsibility for the accuracy thereof.

The Letters of Credit

The following description applies to each of the Maricopa Series A and B Letters of Credit, the Maricopa Series C Letter of Credit, the Maricopa Series D, E and F Letters of Credit and the Farmington Letter of Credit. The Letters of Credit are irrevocable obligations of the applicable Credit Provider to pay to the Maricopa Trustee or the Farmington Trustee, as the case may be, upon request, (i) in order to pay interest on the respective Series of Bonds as such interest becomes due, an amount not exceeding the interest on such Series of Bonds for up to sixty-two days computed at the rate of 12% per annum, and (ii) in order to pay principal on the respective Series of Bonds as such principal becomes due, an amount not exceeding the principal amount of the respective Series of Bonds. Each Letter of Credit will terminate on the earliest of (i) the stated expiration date of the Letter of Credit (as described below), (ii) the substitution of an Alternate Credit Facility (as described below), (iii) the date notified to the applicable Credit Provider by the applicable Trustee as the date on which there is no longer any related Bond outstanding, (iv) the Credit Provider honoring a draft upon the maturity, acceleration, redemption, or purchase due to mandatory tender under the circumstances described in subparagraphs (c), (d) and (e) of the first paragraph under the heading "—Mandatory Tender for Purchase" above, of all of the related Series of

Bonds and, in any event, at the close of business on the effective date of any such mandatory tender; or (v) the Credit Provider honoring a draft upon purchase due to mandatory tender upon a change in Rate Period of the related Series of Bonds to a Term Rate Period or a Flexible Rate Period, and in any event, at the close of business on the effective date of a change in Rate Period of the related Series of Bonds to a Term Rate Period or a Flexible Rate Period. The stated expiration date of each of the Letters of Credit is as follows:

Maricopa Series A and B	November 15, 1996
Maricopa Series C	January 14, 1996
Maricopa Series D, E and F	May 15, 1997
Farmington Series A	February 15, 1995

The termination of a Letter of Credit may result in a mandatory tender of the related Series of Bonds unless certain conditions are satisfied. See "—Mandatory Tender for Purchase."

The obligation of the applicable Credit Provider under the related Letter of Credit will be reduced to the extent of any drawings thereunder. With respect to a drawing by the applicable Trustee to pay interest on the related Series of Bonds, unless the Trustee has received from the applicable Credit Provider within seven calendar days from the date of such drawing a notice that the Credit Provider has not been reimbursed, the Trustee's right to draw under the Letter of Credit will be automatically reinstated by the amount of such drawing. With respect to a drawing by the applicable Trustee to pay the purchase price of the related Series of Bonds tendered for purchase, except in the case of a mandatory tender of the related Series of Bonds under certain circumstances, the amount available under the related Letter of Credit for the payment of principal of and interest on such Bonds will be reinstated to the extent the Credit Provider is reimbursed for amounts so drawn.

Notice from a Credit Provider to the related Trustee of the failure by the Company to reimburse the Credit Provider pursuant to the terms of the related Reimbursement Agreement within seven days of a drawing or notice from a Credit Provider to the related Trustee of an event of default under the related Reimbursement Agreement will result in a mandatory tender of the related Series of Bonds. See "—Mandatory Tender for Purchase." Only the Trustee for a particular Series of Bonds is entitled to make a drawing under the related Letter of Credit supporting such Series.

Substitution of Credit Facility

As provided in the Instrument, the Company may at any time terminate any Credit Facility; provided, however, that the Company may not terminate any Credit Facility for a Bond during any Term Rate Period or Flexible Segment with respect to such Bond. See "—The Ordinance and the Indenture—Credit Facilities; Credit Provider Bonds." If there shall have been delivered to the Issuer and the Trustee (i) a substitute Credit Facility and (ii) an opinion of bond counsel to the effect that the delivery of such Credit Facility to the Trustee is permitted under the Act and the Agreement and complies with the terms of the Agreement and the Instrument and that the delivery of such Credit Facility will not adversely affect the Tax-Exempt status of interest on the Bonds, then the Trustee shall accept such Credit Facility. In the event that the Company elects to terminate a Credit Facility or to provide a substitute Credit Facility, the related Series of Bonds are subject to mandatory tender unless the Trustee shall have received written confirmation from each Rating Agency (as defined in the Instrument) then rating such Bonds at least twenty days prior to such termination or substitution that such Rating Agency's then current rating on such Bonds will not be lowered or withdrawn as a result of such termination or provision. Subject to the qualifications stated above, the Company is not required to maintain a Credit Facility in support of the Bonds.

THE AGREEMENTS

The Loan Agreement and the Sale Agreement will operate independently of each other. However, except as otherwise described, each Agreement contains substantially the same terms and provisions, and the following is a summary of certain provisions of each Agreement. All references in this summary to the Agreement, the Issuer, the Bonds, the Prior Bonds, the Instrument, the Project and similar references shall be read as relating to each of the two Agreements and the Issuer, the Bonds, the Prior Bonds, the Indenture or Ordinance and the Project related thereto unless the context clearly indicates otherwise.

General

The Maricopa Issuer will enter into the Loan Agreement with the Company, pursuant to which the Maricopa Issuer will lend to the Company the proceeds from the issuance and sale of the Bonds to repay the loan payments associated with the Prior Bonds and to facilitate the redemption of the Prior Bonds. The Loan Agreement will provide that all right, title and interest of the Issuer in and to the Loan Agreement (except for the right to receive payment of certain fees and expenses, certain notices and certain rights of indemnification and the right to give approvals or consents pursuant to the Agreement) will be assigned to the Trustee, as security for the benefit of the holders of Bonds.

The City of Farmington will enter into the Sale Agreement with the Company confirming the prior sale of the Company's interests in the Farmington Project by the Company to the City of Farmington and then by the City of Farmington to the Company. The purchase price of the Farmington Project to be paid by the Company includes an amount equal to the aggregate of the principal and premium, if any, and interest on the Farmington Bonds.

Amendment of Description of the Project

In the event that the Company desires to amend or supplement the Project, and the Issuer approves of such amendment or supplement, the Issuer will enter into, and will instruct the Trustee to consent to, such amendment or supplement upon receipt of:

(i) a certificate of the Company describing in detail the proposed changes and stating that they will not have the affect of disqualifying any component of the Project as a facility that may be financed pursuant to the Act;

(ii) a copy of the proposed form of amended or supplemented Project description; and

(iii) an opinion of nationally recognized bond counsel to the effect that such proposed changes will not adversely affect the Tax-Exempt status of interest on the Bonds.

Repayment Installments (Loan Agreement); Purchase Price Installments (Sale Agreement)

The Company has agreed under the Loan Agreement to make repayment installments ("Repayment Installments") in amounts sufficient to pay the principal of and premium, if any, and interest on the Maricopa Bonds when due; provided, however, that the Company's obligation to make such payments will be deemed satisfied and discharged to the extent of the corresponding payment made by any Credit Provider under a Credit Facility. The Company has agreed under the Sale Agreement to pay the Purchase Price of the Farmington Project ("Purchase Price Installment"), which is an amount equal to the aggregate principal amount of the Farmington 1985 A Prior Bonds and the Farmington Bonds, plus interest on such amount outstanding from time to time, in the amounts and at the times necessary to enable the Farmington Trustee, on behalf of the Farmington Issuer, to pay when due all amounts payable with respect to the Farmington 1985 A Prior Bonds and the Farmington Bonds, whether as principal, premium, interest or otherwise, and, whether at maturity, upon redemption or otherwise. The Company's obligations to pay the Purchase Price will be reduced from time to time by any amount drawn under the letter of credit supporting the Farmington 1985 A Prior Bonds and a Credit Facility supporting the

Farmington Bonds and applied to the corresponding payment of principal of and interest on the Farmington 1985 A Prior Bonds and the Farmington Bonds.

The Company has the option and in certain circumstances the obligation to prepay all or a portion of the Repayment Installments or the Purchase Price Installments upon the happening of certain events as described under "The Bonds—Redemption of Bonds" and "The Indenture and the Ordinance—Acceleration." To the extent mandatory redemption of the Bonds is required as described under "The Bonds—Redemption of Bonds—Mandatory Redemption," the Company must make the required prepayment (a) within 180 days of any Determination of Taxability giving rise to such prepayment, (b) immediately in the case of any acceleration of payments following an event of default under the Agreement and (c) immediately upon receipt from the Trustee of any acceleration of the maturity of any Bonds pursuant to the Instrument. In the event the Company elects or is required to make a prepayment under the Agreement, the Company must give written notice to the Issuer and the Trustee of such prepayment.

The Company's obligations to make payments required by the Agreement and to perform and observe the other agreements on its part contained in the Agreement are absolute and unconditional. Until such time as the principal of and premium, if any, and interest on all of the Bonds shall have been fully paid (or provision for the payment thereof shall have been made as required by the Instrument), the Company shall perform and observe all of its agreements contained in the Agreement and will not terminate the Agreement, except as otherwise provided therein.

Special Covenants of the Company

Special covenants of the Company under the Agreement include the following:

Maintenance of Corporate Existence. The Company agrees that during the term of the Agreement it will maintain its corporate existence in good standing and will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another person or permit one or more other persons to consolidate or merge into it; provided that the Company may consolidate with or merge into another person, or permit one or more other persons to consolidate with or merge into it, or sell or otherwise transfer to another person all or substantially all of its assets and thereafter dissolve, provided that (1) either (a) the Company is the surviving person or (b) the surviving, resulting or transferee person, as the case may be, (i) assumes and agrees in writing to pay and perform all of the obligations of the Company under the Agreement and (ii) qualifies to do business in the State of Arizona (with respect to the Loan Agreement) or New Mexico (with respect to the Sale Agreement); and (2) the Company shall deliver to the Trustee an opinion of nationally recognized bond counsel to the effect that such consolidation, merger or transfer and dissolution does not in and of itself adversely affect the Tax-Exempt status of interest on the Bonds.

Assignments. The rights and obligations of the Company under the Agreements may be assigned by the Company, with the written consent of the Issuer, in whole or in part, provided that, any assignment other than an assignment described above under "Maintenance of Corporate Existence," will be subject to the following conditions: (i) no such assignment shall relieve the Company from primary liability for any of its obligations under the Agreement, and the Company shall continue to remain primarily liable for the payments specified in the Agreement and for the performance of its other obligations thereunder, (ii) the Company shall retain such rights and interests as will permit it to perform its obligations under the Agreement, and any assignee from the Company shall assume the obligations of the Company to the extent of the interest assigned and (iii) the Issuer and the Trustee shall be furnished a true and complete copy of such assignment together with an instrument of assumption and an opinion of nationally recognized bond counsel that such assignment will not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds.

Maintenance and Repair. The Company agrees that, to the extent within its control, as long as it owns or operates the Project, it will maintain the Project, or cause the Project to be maintained, in as reasonably safe condition as its operations shall permit and in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof; provided, however, that the Company will have no obligation to maintain, preserve, keep, repair, replace or renew any item or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomic because of damage or destruction or obsolescence (including economic obsolescence) or change in governmental standards and regulations, or the termination of the operation of the generating facilities to which the portion of the Project is an adjunct, and (b) with respect

to which the Company has furnished to the Issuer and the Trustee a certificate executed by an authorized Company representative that the maintenance, preservation, keeping, repair, replacement or renewal of such portion of such Project is being discontinued for one of the foregoing reasons, which shall be stated therein.

The Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of the Agreement as part of the Project.

Tax Covenants

Under the Loan Agreement, the Maricopa Issuer certifies and represents that it has not taken, and the Maricopa Issuer covenants and agrees that it will not take, any action which results in interest paid on the Maricopa Bonds being included in gross income of the holders of the Maricopa Bonds for federal income tax purposes; and the Company certifies and represents that it has not taken or, to the extent within its control, permitted to be taken, and the Company covenants and agrees that it will not take or, to the extent within its control, permit to be taken, any action which will cause the interest on the Maricopa Bonds to become includable in gross income of the holders thereof for federal income tax purposes (except for any Maricopa Bond during any period while such Maricopa Bond is held by a "substantial user" of the Maricopa Plant or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code); provided that none of the covenants and agreements contained in the Loan Agreement shall require either the Company or the Maricopa Issuer to enter an appearance or intervene in any administrative, legislative or judicial proceeding in connection with any changes in applicable laws, rules or regulations or in connection with any decisions of any court or administrative agency or other governmental body affecting the taxation of interest on the Maricopa Bonds.

Under the Sale Agreement, the Farmington Issuer covenants and agrees that it will not take or omit to take any action reasonably within its control that will cause the Farmington Bonds to be "arbitrage bonds" within the meaning of Section 148 of the 1986 Code or otherwise subject to federal income taxation by reason of Sections 103 and 141 through 150 of the 1986 Code and any applicable regulations thereunder. The Company certifies and represents that it has not taken or, to the extent within its control, permitted to be taken, and the Company covenants and agrees that it will not take or, to the extent within its control, permit to be taken, any action which will cause the interest on the Farmington Bonds to become includable in gross income of the holders thereof for federal income tax purposes (except for any Farmington Bond during any period while such Farmington Bond is held by a "substantial user" of the Farmington Plant or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code). None of the covenants and agreements contained in the Sale Agreement will require either the Company or the Farmington Issuer to enter an appearance or intervene in any administrative, legislative or judicial proceeding in connection with any changes in applicable laws, rules or regulations or in connection with any decisions of any court or administrative agency or other governmental body affecting the taxation of interest on the Farmington Bonds.

Events of Default

Any one of the following events will constitute an event of default under the Agreement:

(a) failure by the Company to pay Repayment Installments (in the case of the Loan Agreement) or Purchase Price Installments (in the case of the Sale Agreement) when due with respect to a Series of Bonds;

(b) failure of the Company to observe and perform any covenant, condition or agreement on its part required to be observed or performed by the Agreement (other than a failure resulting in an Event of Default referred to in (a) above) which continues for a period of sixty days after written notice, which notice shall specify such failure and request that it be remedied, given to the Company by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Issuer and the

Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected; or

(c) certain specified events of bankruptcy or insolvency of the Company.

The Company shall not be deemed in default under clause (b) above if and so long as the Company is unable to carry out its agreement under the Agreement by reason of certain causes or events not reasonably within the control of the Company, as specified in the Agreement.

Remedies on Default

Whenever any Event of Default shall have occurred and shall continue,

(a) The Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of the Bonds outstanding, shall, by notice in writing delivered to the Company with copies of such notice being sent to the Issuer and each Credit Provider, declare the unpaid balance of the loan (in the case of the Loan Agreement) or the Purchase Price (in the case of the Sale Agreement) attributable to the affected Bonds and the interest accrued thereon to be immediately due and payable, and such interest and principal shall thereupon become immediately due and payable; provided, however, that the Trustee shall not accelerate the unpaid balance of the loan (in the case of the Loan Agreement) or the Purchase Price (in the case of the Sale Agreement) attributable to any series of Bonds secured by a Credit Facility without the prior written consent of the applicable Credit Provider. Upon any such acceleration the Bonds of the affected Series shall be subject to mandatory redemption as provided in the Instrument.

(b) The Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Company.

(c) The Issuer or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Company under the Agreement.

The provisions of clause (a) of the preceding paragraph are subject to the condition that if, at any time after any portion of the loan (in the case of the Loan Agreement) or the unpaid balance of the Purchase Price of the Farmington Project (in the case of the Sale Agreement) shall have been declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the affected Bonds matured prior to such declaration and all matured installments of interest (if any) upon all such Bonds, with interest on such overdue installments of principal as provided herein, and the reasonable expenses of the Trustee, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on such Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then the holders of at least a majority in principal amount of the affected Bonds then outstanding by written notice to the Issuer and to the Trustee accompanied by the written consent of the Credit Provider with respect to the affected Bonds, may, on behalf of the holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default. No such recision and annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Insurance; Condemnation (Sale Agreement)

So long as any of the Farmington Bonds are outstanding, the Company has agreed to maintain, through a program of self-insurance or otherwise, such fire, casualty and other insurance with respect to the Farmington Project as is customarily carried by electric utility companies with respect to similar facilities, and all proceeds of such insurance shall be for the account of the Company. In the event that title to or the temporary use of the Farmington Project or any part thereof shall be taken in condemnation or by the exercise of the power of eminent domain by any governmental body or by

any person, firm or corporation acting under governmental authority, the net proceeds of any award shall, to the extent of the Company's interest therein, shall be paid for the account of the Company, and the City of Farmington shall cooperate fully in the handling and conduct of any condemnation proceeding.

Fees, Expenses and Indemnification

The Company has agreed to pay certain expenses in connection with the issuance of the Bonds and the refinancing of the Project. The Company will indemnify the Issuer and the Trustee against certain costs and charges, including the reasonable fees of attorneys incurred in good faith or arising out of or in connection with any collection or enforcement action under the Agreement. The Company will also indemnify and hold harmless the Issuer and the Trustee against certain liabilities arising out of or connected with the Project, the issuance of the Bonds or the performance of the Instrument.

Assignment

Pursuant to the Instrument, the Issuer will assign to the Trustee its rights under and interests in, but not its obligations under, the Agreement, other than its rights to receive its fees and expenses and its rights to indemnification as described above, and certain rights to receive notices and to provide consents under the Agreement.

Amendments

Except under certain limited circumstances set forth in the Agreement and the Instrument, the Agreement may not be amended without the prior written consent of the Trustee and the Credit Provider for the related Series of Bonds. See "The Indenture and the Ordinance—Amendments."

THE INDENTURE AND THE ORDINANCE

The Indenture and the Ordinance will operate independently of each other. However, except as otherwise described herein each Instrument contains substantially the same terms and provisions, and the following is a summary of certain provisions of each Instrument. All references in this summary to the Instrument, the Issuer, the Agreement, the Bonds, the Project and similar references shall be read as relating to each of the two Instruments and the Issuer, the Agreement, the Bonds and the Project related thereto unless the context clearly indicates otherwise.

The Ordinance, in addition to providing for the issuance of the Farmington Bonds, also provides for the issuance of 1994 Series B Farmington Bonds in the maximum aggregate principal amount of $65,750,000, which will not be issued in connection with the issuance of the Bonds.

Bond Fund; Series Credit Facility Accounts

The Bond Fund, into which the Revenues derived under the Agreement and certain other amounts specified in the Instrument (including all amounts received by the Trustee pursuant to any Credit Facility except amounts to be used to pay the purchase price of tendered Bonds) will be deposited, will be maintained with the Trustee. While any Bonds are outstanding and except as otherwise provided in the Instrument, moneys in the Bond Fund will be used for the payment of the principal of and premium, if any, and interest on, the Bonds as the same shall become due, whether at maturity, upon redemption or acceleration or otherwise.

Within the Bond Fund, the Trustee shall establish and maintain a separate Series Credit Facility Account with respect to each Series of Bonds. Except to the extent such proceeds are used to pay the purchase price of Bonds tendered, proceeds of drawings under any Credit Facility provided with respect to a Series of Bonds shall be deposited in the applicable Series Credit Facility Account.

In making payments of principal of, premium, if any, and interest on a Series of Bonds, the Trustee shall (a) first used any Available Amounts held in the Bond Fund, other than amounts held in the Series Credit Facility Accounts, (b) then use amounts held in the applicable Series Credit Facility Account, and (c) then use any other Revenues (as defined in the Instruments) received by the Trustee (except amounts on deposit in the Series Credit Facility Accounts established with respect to other Series of Bonds).

Investment of Funds

Except as provided in the Agreement and the Instrument, any moneys held in any fund or account established pursuant to the Instrument, including the Bond Fund, shall be invested by the Trustee, upon written direction of the Company, in any securities or other evidences of indebtedness or demand deposits to the extent such investments are permitted under the laws of the State of Arizona (in the case of the Indenture) or New Mexico (in the case of the Ordinance).

Credit Facilities; Credit Provider Bonds

The Trustee will accept the Letters of Credit as the initial Credit Facilities with respect to the Bonds. See "The Bonds—The Letters of Credit." The Company has the right at any time to terminate any Credit Facility and to provide a substitute Credit Facility with respect to any Series of Bonds; provided, that no such termination or substitution may be made with respect to any Bond during any Term Rate Period or Flexible Segment with respect to such Bond.

In the case of a Credit Facility in the form of a letter of credit, the Trustee shall draw on such Credit Facility subject to and in accordance with its terms, in order to receive payment thereunder not later than the time payment is due on the Bonds on the following dates in the following amounts:

(i) On each Interest Payment Date, in an amount which will be sufficient to pay all interest due and payable on the outstanding Bonds of the related Series on such Interest Payment Date;

(ii) On any date fixed for payment, defeasance (if a defeasance drawing is allowed under the applicable Credit Facility) or redemption of the related Series of Bonds in part, in an amount which, together with amounts drawn pursuant to clause (i) above, will be sufficient to pay the amount due on such Bonds, including accrued interest;

(iii) On the date fixed for payment of the related Series of Bonds in connection with any declaration of the acceleration of the maturity of the Bonds of such Series following an Event of Default, in an amount which will be sufficient to pay all principal and interest due on such Bonds as a result of such declaration on the date fixed for such payment;

(iv) On each Purchase Date, in an amount sufficient to pay the purchase price of any Bonds of the related Series tendered or deemed tendered pursuant to the Instrument and for which such purchase price has not been received upon the remarketing of such Bonds; and

(v) On the final maturity, defeasance (if a defeasance drawing is allowed under the applicable Credit Facility) or redemption date of the Bonds of the related Series in an amount which, together with amounts drawn pursuant to clause (i) above, will be sufficient to pay the principal, premium, if any, and interest due on all outstanding Bonds of such Series on such final maturity, defeasance or redemption date.

Any Bonds purchased with a drawing under a Credit Facility pursuant to clause (iv) above either (i) shall be registered in the name of or as otherwise directed by the Credit Provider and delivered to or upon the order of such Credit

Provider or (ii) shall be held by the Tender Agent or such other person as may be designated by the applicable Credit Provider in the name and on behalf of the Company or as otherwise provided by such Credit Provider and pledged to such Credit Provider, in each case in accordance with the terms of the applicable Reimbursement Agreement; provided, that if such Bonds are then registered in the name of DTC or its Nominee, the Trustee shall immediately upon making any draw on a Credit Facility pursuant to clause (iv) above notify the Tender Agent. Upon receipt of such notice, the Tender Agent shall direct DTC to cause any Bonds purchased with the proceeds of such draw to be transferred to such account at DTC as may be directed by the Credit Provider, and such Bonds shall be held in the name of or for the account of the applicable Credit Provider or as may be directed by such Credit Provider (such Bonds, "Credit Provider Bonds").

Events of Default

The Instrument defines the occurrence of any of the following events to be an "Event of Default" with respect to the Bonds:

(a) failure to make payment of any installment of interest on any Bond when such installment shall have become due and payable;

(b) failure to make due and punctual payment of the principal of or premium, if any, on any Bond at the stated maturity thereof, or when such Bond has become due and payable upon proceedings for redemption thereof, or upon the maturity thereof by declaration of acceleration or failure to make any payment necessary to purchase Bonds tendered for purchase in accordance with the Instrument; or

(c) default by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Instrument or in any Bond and the continuance of such default for a period of 60 days after written notice thereof shall have been given to the Issuer, the Company and each Credit Provider by the Trustee, or to the Issuer, the Company, each Credit Provider and the Trustee by the holders of not less than 25% in aggregate principal amount of the Bonds at the time outstanding; provided that if the Issuer, the Company or a Credit Provider diligently pursues the correction of any such failure which cannot be corrected within 60 days, such failure will not constitute an Event of Default.

Acceleration

Upon the occurrence and continuation of an Event of Default, the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding shall, by notice in writing delivered to the Company and each Credit Provider, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable; provided, however, that with respect to any Series of Bonds secured by a Credit Facility, the Trustee shall not accelerate the maturity of such Series of Bonds without the prior consent of the applicable Credit Provider. The Instrument provides, however, that the Trustee is not required to take any action upon the occurrence and continuation of an Event of Default under (c) above until the Trustee has actual notice or knowledge of such Event of Default. After such declaration of acceleration, the Trustee shall immediately take such actions as are necessary to realize moneys under each Credit Facility and shall declare all Repayment Installments relating to the Maricopa Bonds or Purchase Price Installments relating to the Farmington Bonds, as the case may be, payable under the Agreement to be immediately due and payable in accordance with the terms thereof. Such provisions for acceleration are, however, subject to the condition that if, at any time after the principal of any Bonds of a Series shall have been declared due and payable, and before any judgment or decree for the payment of moneys due shall have been obtained or entered, there shall have been deposited with the Trustee a sum sufficient to pay all of the principal of such Bonds matured prior to such declaration and all matured installments of interest (if any) on such Bonds, with interest on such overdue installments of principal as provided in the Agreement and the reasonable expenses of the Trustee, and all other defaults known to the Trustee (other than in the payment of principal of and interest on such Bonds due and payable solely by reason of such declaration) under the Instrument are cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then the holders of a majority in aggregate principal amount of the Bonds of such Series then outstanding by written notice to the Issuer and

the Trustee accompanied by the written consent of the Credit Provider with respect to such Series may annul such declaration with respect to such Series and its consequences.

Other Remedies

In addition, upon the occurrence and continuation of an Event of Default the Trustee may, and upon the written request of the holders of a majority in aggregate principal amount of the Bonds then outstanding and receipt of indemnity to its satisfaction will, pursue any available remedy at law or in equity by suit, action or special proceeding to enforce its rights or the rights of the holders of the Bonds under the Act or the Instrument.

No holder of any Bond shall have the right to institute any suit, action or proceeding in equity or at law for the enforcement of any remedy unless such holder has given notice to the Trustee of the occurrence of an Event of Default, the holders of at least a majority in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee to so act, such holders shall have tendered to the Trustee reasonable indemnity against costs, expenses and liabilities, and the Trustee shall have failed to so act within thirty days after receipt of such written request and tender of indemnity. Nothing contained in the Instrument shall, however, without the consent of the holder of such Bond, affect or impair the right of the holder of any Bond to enforce the payment of the principal of and premium, if any, and interest on such Bond out of Revenues on and after the respective due dates expressed in such Bond.

Amendments

Without the consent of or notice to any of the holders of the Bonds, but with the consent of the Credit Provider for the affected Series of Bonds, the Maricopa Issuer and the Maricopa Trustee may enter into or adopt supplemental indentures, or the Farmington Issuer may adopt and the Farmington Trustee may accept supplemental ordinances, as the case may be, and the Trustee may, without the consent of any holders of the Bonds, consent to any waiver, amendment or modification ("Amendment") to the Agreement or any Credit Facility ("Document") in each case for any one or more of the following purposes: (a) to add to the covenants or agreements of the Issuer contained in the Instrument, or of the Company or any Credit Provider contained in any Document, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power reserved to or conferred upon the Issuer or the Company in such Document, provided that no such change shall materially adversely affect the interests of the holders of the Bonds, (b) to make such provision for the curing of any ambiguity, inconsistency, defect or omission in the Instrument or any Document or in regard to matters or questions arising thereunder as the Issuer may deem necessary or desirable and not inconsistent with the Instrument and which shall not materially adversely affect the interest of the holders of the Bonds, (c) to permit the qualification of the Instrument under the Trust Indenture Act of 1939 or any other similar federal statute and, if they so determine, to add to the Instrument or any indenture or ordinance, as the case may be, supplemental thereto any other terms, conditions and provisions as may be permitted by such Trust Indenture Act of 1939 or similar federal statute and which shall not adversely affect the interest of the holders of the Bonds, (d) to provide for any additional procedures, covenants or agreements necessary to maintain the Tax-Exempt status of interest on the Bonds, (e) to modify or eliminate the book-entry registration system for any of the Bonds, (f) to provide for the procedures required to permit any holder of a Bond to separate the right to receive interest on the Bonds from the right to receive principal thereof and to sell or dispose of such rights, as contemplated by Section 1286 of the Code, (g) to provide for the appointment of a co-trustee or the succession of a new Trustee, Registrar or Paying Agent, (h) to change the description of the Project in the Agreement in accordance with the provisions thereof and of the Tax Certificate; (i) to provide for a Credit Facility; (j) in connection with any other change which, in the judgment of the Trustee, will not adversely affect the security for the Bonds or the Tax-Exempt status of interest thereon or otherwise materially adversely affect the holders of the Bonds; or (k) to modify, alter, amend or supplement the Instrument or any Document in any other respect if the effective date of such supplemental indenture or ordinance or Amendment is a date on which all Bonds affected thereby are subject to mandatory tender for purchase or if notice of the proposed supplemental indenture or ordinance or Amendment is given to holders of the affected Bonds at least thirty days before the effective date thereof and, on or before such effective date, such holders of Bonds have the right to demand purchase of their Bonds pursuant to the Instrument.

Any other modification or amendment of the Instrument or the Agreement may be made only with the consent of the holders of a majority in aggregate principal amount of the Bonds (or, if such supplemental indenture or

ordinance or Amendment is only applicable to a Series of Bonds, such Series of Bonds) at the time outstanding and the Credit Providers for the affected Series of Bonds. No such modification or amendment shall be made which will have the effect of extending the time for payment or reducing any amount due and payable by the Company pursuant to the Agreement without the consent of all the holders of the Bonds, and no such supplemental indenture or ordinance shall (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each Bond so affected, or (2) reduce the aforesaid percentage of holders of Bonds whose consent is required for the execution of such supplemental indentures or ordinances, as the case may be, or permit the creation of any lien on the Revenues prior to or on a parity with the lien of the Instrument, except as permitted by the Instrument, or permit the creation of any preference of any holder of a Bond over any other holder of a Bond or deprive the holders of the Bonds of the lien created by the Instrument upon the Revenues or the pledge of any Credit Facility, without the consent of the holders of all the Bonds then outstanding.

The Trustee shall not execute any indenture or accept any ordinance, as the case may be, supplemental to, or amendatory of, the Instrument or consent to any amendment to any Document unless the Trustee shall have received the prior written consent of the Company.

Defeasance

If at any time the entire indebtedness or obligation on all outstanding Bonds shall have been paid (or shall be deemed to have been paid) and if all other sums payable under the Instrument by the Issuer shall be paid and discharged, and upon the occurrence of certain other conditions, the Instrument shall terminate, and the Trustee shall acknowledge its satisfaction and discharge.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem outstanding Bonds, whether upon or prior to their maturity or the redemption date of such Bonds (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for giving such notice), all liability of the Issuer and the Company in respect of such Bonds shall cease, terminate and be completely discharged, except that the Issuer and Company will remain liable for such payment but only from, and the holders of the Bonds will thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date) out of, the money deposited with the Trustee as aforesaid for their payment.

Concerning the Trustee

The Issuer, in the absence of an Event of Default, at the direction of the Company, or the holders of a majority in aggregate principal amount of the Bonds at the time outstanding may, at any time, remove the Trustee and appoint a successor Trustee. Under the Instrument, the Trustee must be a corporation or banking association organized and doing business under the laws of the United States of America or a state thereof, authorized under such laws to exercise corporate trust powers, have a combined capital and surplus of at least $50,000,000 and be subject to supervision and examination by federal or state authorities. The Trustee may at any time resign by giving written notice to the Issuer, the Company and the Credit Providers and by giving to the holders of the Bonds notice either by publication of such resignation, which notice shall be published at least once in a qualified newspaper, or by mailing notice by first class mail to such holders of the Bonds.

THE REIMBURSEMENT AGREEMENTS

Each Reimbursement Agreement will operate independently of the others. However, to the extent described herein each Reimbursement Agreement contains substantially the same relevant terms and provisions, and the following is a summary of certain provisions of each Reimbursement Agreement. All references in this summary to the Reimbursement Agreement, the Issuer, the Instrument, the Agreement, the Bonds, the Project and similar references shall be read as relating to each of the Reimbursement Agreements and the Issuer, the Instrument, the Agreement, the Bonds and the Project related thereto unless the context clearly indicates otherwise.

Reimbursement, Fees and Expenses

The Company will reimburse the Credit Provider for all amounts drawn under the Letters of Credit, together with interest thereon. The Company also agrees to pay certain other fees and expenses.

Events of Default

The occurrence of certain events shall be events of default under the Reimbursement Agreement. If an event of default occurs under a Reimbursement Agreement, the Credit Provider may provide written notice to the Trustee of such event of default and direct the Trustee to give notice to the holders of the affected Bonds of a mandatory tender of such Bonds. The mandatory tender date will be a date, as specified by the Trustee, not more than 20 days after receipt by the Trustee of the Credit Provider's notice described above. See "The Bonds--Mandatory Tender for Purchase." The occurrence of an event of default under a Reimbursement Agreement does not relieve the Credit Provider of its obligations under the related Letter of Credit.

Events of default under the Reimbursement Agreements generally include, among others, and depending on the particular Reimbursement Agreement: failure by the Company to make payments under the Reimbursement Agreement when due or, in certain cases, within the time specified in the Reimbursement Agreement; certain representations or warranties made by the Company or its officers in or in connection with the Reimbursement Agreement prove to have been false or misleading in any material respect when made; failure of the Company to abide by certain negative covenants or to perform certain other covenants and, in certain cases, the failure is not remedied within the time specified in the Reimbursement Agreement; failure by the Company (or, in certain cases, certain of its subsidiaries) to make payment on certain indebtedness or to perform certain covenants with respect to such indebtedness and the failure is not remedied within the time permitted; certain events of bankruptcy, insolvency or reorganization of the Company (or, in certain cases, certain subsidiaries of the Company) or failure by the Company (or, in certain cases, certain of its subsidiaries) to make payments on certain judgments and the failure is not remedied within the time specified in the Reimbursement Agreement; the occurrence of an event of default or, in certain cases, certain defaults under the related Instrument or, in certain cases, the occurrence of an event of default under certain other agreements; the occurrence of certain events relating to employee benefit plans of the Company or its affiliates; and the failure by the Company to make payments with respect to certain operating leases and the effect of such failure is to cause or permit the termination of such operating lease.

Covenants

The Company agrees to certain covenants under each Reimbursement Agreement. In addition, without the prior written consent of the Credit Provider and, in certain cases, certain other banks who are participants in the applicable Reimbursement Agreement, the Company (and, in certain cases, certain of its subsidiaries) may not, among other things, and depending on the particular Reimbursement Agreement: incur or allow certain liens on its properties unless certain conditions are satisfied, or, in certain cases, the Company grants to the Credit Provider liens on its assets as collateral for its obligations under the Reimbursement Agreement; sell, lease or otherwise dispose of certain assets or merge or consolidate unless certain conditions are satisfied; enter into certain prohibited transactions or allow certain events or conditions relating to employee benefit plans; or enter into or consent to any amendment of the Instrument, the Agreement, the related Letter of Credit, the Bonds, or certain related agreements or instruments.

UNDERWRITING

Subject to the terms and conditions set forth in the respective Underwriting Agreement, CS First Boston Corporation, Goldman, Sachs & Co. and J.P. Morgan Securities Inc. have agreed to purchase the Maricopa Series C through F Bonds and the Farmington Bonds and CS First Boston Corporation and Goldman, Sachs & Co. have agreed to purchase the Maricopa Series A and B Bonds, at prices equal to 100% of the principal amount. The Company has agreed to pay the Underwriters underwriting fees equal to 0.358% of the principal amount of the Bonds.

Under the terms and conditions of each Underwriting Agreement, the Underwriters with respect to the related Series are committed to purchase all of the Bonds, if any are purchased.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriters.

The Company has agreed to indemnify the Underwriters and the Issuers against certain liabilities, including liabilities under the Federal securities laws.

Certain of the Underwriters have provided various investment banking services, including serving as commercial paper dealers under the Company's commercial paper program, to the Company and its affiliates from time to time, for which they have received customary compensation. The Company is a borrower under credit facilities pursuant to which Morgan Guaranty Trust Company of New York, an affiliate of an Underwriter, is a lender. In addition, certain of the Underwriters have provided various investment banking services to Pinnacle West Capital Corporation, the Company's parent, from time to time, for which they have received customary compensation.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe, Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes, except that Bond Counsel expresses no opinion as to the status of interest on any Bond for federal income tax purposes during any period that such Bond is held by a "substantial user" of facilities refinanced with proceeds of the Bonds or by a "related person" within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Interest on the Maricopa Bonds is exempt from all taxation in the State of Arizona, and interest on the Farmington Bonds is exempt from all taxation by the State of New Mexico or any subdivision thereof. Complete copies of the proposed opinions of Bond Counsel are set forth as Appendices F and G hereto.

Title XIII of the Tax Reform Act of 1986 and Section 103 of the 1954 Code impose various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Farmington Issuer and the Company have covenanted to comply with certain restrictions designed to assure that interest on the Farmington Bonds will not be included in federal gross income, and the Maricopa Issuer and the Company have covenanted to comply with certain restrictions designed to assure that interest on the Maricopa Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Instruments, the Agreements, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken under the circumstances and subject

to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of counsel other than themselves.

Although Bond Counsel expects to render an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, that interest on the Maricopa Bonds is exempt from all taxation in the State of Arizona and that interest on the Farmington Bonds is exempt from all taxation by the State of New Mexico or any subdivision thereof, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the tax liability of the holder of a Bond. The nature and extent of these other tax consequences will depend upon the particular tax status of the holder of the Bond or its other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the Bonds and with regard to the tax status thereof will be subject to the approval of Orrick, Herrington & Sutcliffe, San Francisco, California, Bond Counsel. Legal matters in connection with the issuance of the Maricopa Bonds will be passed upon for the Maricopa Issuer by Ryley, Carlock & Applewhite, P.A., Phoenix, Arizona.

Certain legal matters in connection with the Agreements and the Reimbursement Agreements will be passed upon for the Company by Snell & Wilmer, One Arizona Center, Phoenix, Arizona 85004-0001. The validity of the Agreements will be passed upon for the Underwriters by Sullivan & Cromwell, 444 South Flower Street, Los Angeles, California 90071. In giving their opinions, Sullivan & Cromwell and Snell & Wilmer may rely as to matters of New Mexico law upon the opinion of Keleher & McLeod, P.A., 1200 Public Service Building, Albuquerque, New Mexico 87102, and Sullivan & Cromwell may rely as to all matters of Arizona law upon the opinion of Snell & Wilmer.

ARIZONA PUBLIC SERVICE COMPANY

The information contained in this Appendix A has been obtained from Arizona Public Service Company (the "Company") and no representation is made by the Issuers or the Underwriters as to its accuracy or completeness.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and in accordance therewith files reports, proxy statements, and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements, and other information can be obtained at prescribed rates from the Public Reference Section of the Commission or may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549 and at certain of its regional offices located at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; and 7 World Trade Center, 13th Floor, New York, New York 10048. Certain securities of the Company are listed on the New York Stock Exchange. Reports, proxy materials, and other information concerning the Company can be inspected at the office of this exchange at 20 Broad Street, 7th Floor, New York, New York 10005.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents previously filed with the Commission by the Company (File No. 1-4473) are incorporated by reference in this Official Statement:

1. The Company's Form 10-K Report for the fiscal year ended December 31, 1993 (the "1993 10-K Report").

2. The Company's Form 10-Q Report for the fiscal quarter ended March 31, 1994 (the "March 10-Q Report").

3. The Company's Form 8-K Reports, dated December 15, 1993, February 23, April 30 and May 19, 1994 (the "May 8-K Report").

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14, or 15(d) of the 1934 Act after the filing date of the May 8-K Report and prior to the termination of the offering of the securities offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the date of filing of such documents.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which is also incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as modified or superseded, to constitute a part of this Official Statement.

The Company will provide without charge to each person, including any beneficial owner, to whom a copy of this Official Statement is delivered, upon the oral or written request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such

THE COMPANY

The Company was incorporated in 1920 under the laws of Arizona and is principally engaged in providing electricity in the State of Arizona. The principal executive offices of the Company are located at 400 North Fifth Street, Phoenix, Arizona 85004 and its telephone number is (602) 250-1000.

INDEPENDENT AUDITORS

The financial statements and the related financial statement schedules incorporated in this Official Statement by reference to the Company's 1993 Annual Report on Form 10-K have been audited by Deloitte & Touche, independent auditors, as stated in their report, which is incorporated herein by reference.

SELECTED INFORMATION

The following material is qualified in its entirety by reference to the detailed information and financial statements in the documents incorporated by reference in this Official Statement.

The Company

Business	Electric utility servicing approximately 654,000 customers in an area that includes all or part of 11 of Arizona's 15 counties.
Generating Fuel Mix (estimated for the twelve months ended March 31, 1994)	Coal - 64.9%; Nuclear - 29.4%; Gas - 5.4%; Other - 0.3%.

Financial Data (thousands of dollars):

	Twelve Months Ended			
	March 31, 1994(1)	December 31, 1993	1992	1991
Electric Operating Revenues	$ 1,680,163	$ 1,686,290	$ 1,669,679	$ 1,515,289
Refund Obligation (2)	–	–	–	(53,436)
Net Operating Revenues	$ 1,680,163	$ 1,686,290	$ 1,669,679	$ 1,461,853
Net Income (Loss)	$ 241,688	$ 250,386	$ 246,805	$ (222,649)
Ratio of Earnings to Fixed Charges	2.95	2.99	2.73	(3)

Capitalization Data (thousands of dollars):

	As of March 31, 1994(1)	As Adjusted(4)	
		Amount	Percentage
Long-Term Debt (excluding current maturities)	$ 2,163,966	$ 2,163,966	53.9%
Redeemable Preferred Stock	183,400	145,000	3.6%
Non-Redeemable Preferred Stock	193,561	193,561	4.8%
Common Stock Equity	1,511,383	1,511,383	37.7%
Total Capitalization	$ 4,052,310	$ 4,013,910	100.0%

(1) Financial data as of and for the twelve months ended March 31, 1994 is unaudited but, in the judgment of the Company's management, contains all necessary adjustments for a fair presentation of the financial position of the Company on such date and the results of operations for such period.

(2) The Company recorded a refund obligation to customers relating to and included in the write-off described in "Regulatory Matters—Rate Case Settlement" in Note 2 of Notes to Financial Statements in Part II, Item 8 of the 1993 10-K Report and in Note 5 of Notes to Financial Statements in Part I, Item 1 of the March 10-Q Report.

(3) The write-off resulting from the Arizona Corporation Commission order settling the Company's rate case (see "Regulatory Matters—Rate Case Settlement" in Note 2 of Notes to Financial Statements in Part II, Item 8 of the 1993 10-K Report and in Note 5 of Notes to Financial Statements in Part I, Item 1 of the March 10-Q Report) resulted in a negative coverage ratio and an earnings coverage deficiency of approximately $317 million for the twelve months ended December 31, 1991. Excluding the effects of the write-off, the coverage ratio would have been 2.11.

(4) For the Company's (i) assumed redemption on June 1, 1994 of $10 million of its $8.48 Cumulative Preferred Stock, Series S, and $3.525 million of its $11.50 Cumulative Preferred Stock, Series R (the "Series R Stock"), and (ii) assumed redemption on June 2, 1994 of $24.875 million of the Series R Stock. It is assumed that all of the net proceeds of the Bonds will be used for the redemption of the Prior Bonds.

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MORGAN GUARANTY TRUST COMPANY OF NEW YORK

Morgan Guaranty Trust Company of New York ("Morgan Guaranty") is a wholly owned subsidiary and the principal asset of J.P. Morgan & Co. Incorporated ("Morgan"), a Delaware corporation whose principal office is located in New York, New York. Morgan Guaranty is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. Its business is subject to examination and regulation by Federal and New York State banking authorities. As of March 31, 1994, Morgan Guaranty and its subsidiaries had total assets of $126.3 billion, total net loans of $20.7 billion, total deposits of $45.5 billion, and stockholder's equity of $7.2 billion. As of December 31, 1993, Morgan Guaranty and its subsidiaries had total assets of $95.7 billion, total net loans of $19.3 billion, total deposits of $39.7 billion, and stockholder's equity of $6.9 billion.

The Consolidated statement of condition of Morgan Guaranty as of March 31, 1994 is set forth on page 11 of Exhibit 99 to Form 8-K dated April 14, 1994, as filed by Morgan with the Securities and Exchange Commission. Morgan Guaranty will provide without charge to each person to whom this Official Statement is delivered, on the request of any such person, a copy of the Form 8-K referred to above. Written requests should be directed to: Morgan Guaranty Trust Company of New York, 60 Wall Street, New York, New York 10260-0060, Attention: Office of the Secretary.

The information contained in this Appendix relates to and has been obtained from Morgan Guaranty Trust Company of New York. The delivery of the Official Statement or this Appendix shall not create any implication that there has been no change in the affairs of Morgan Guaranty Trust Company of New York since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

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THE TORONTO-DOMINION BANK

The Toronto-Dominion Bank ("Toronto Dominion Bank") is a Canadian chartered bank subject to the provisions of the Bank Act (Canada). Toronto Dominion Bank was formed through the amalgamation on February 1, 1955 of The Bank of Toronto (established 1855) and The Dominion Bank (established 1869). As of October 31, 1993, Toronto Dominion Bank was the fifth largest chartered bank in Canada in terms of total assets.

Toronto Dominion Bank offers a wide range of financial services to individuals, corporate and commercial enterprises, financial institutions and governments throughout Canada. Personal banking services include personal and residential mortgage loans, credit card facilities and automated banking facilities. Toronto Dominion Bank conducts the largest discount brokerage operation in Canada. Toronto Dominion Bank services the financial needs of Canadian businesses through its domestic divisions and its corporate and investment banking group supported by a wide range of industry and banking specialists. Toronto Dominion Bank is also active in financing mergers and acquisitions, securities underwriting, domestic and international capital markets transactions, money markets and foreign exchange. In the United States, Toronto Dominion Bank offers a broad range of credit and non-credit services to corporations, financial institutions and governments. Outside North America, Toronto Dominion Bank conducts treasury and wholesale corporate operations in the world's major financial centers. As of October 31, 1993, Toronto Dominion Bank provided its services through a network of approximately 900 branches and offices located throughout the Canadian provinces and abroad, and over 1,600 automated banking machines located in Canada.

Net income for the year ended October 31, 1993 was C$275 million, compared to C$408 million for the year ended October 31, 1992. Net income in 1993 was reduced by a restructuring provision (C$79 million after tax) arising from the acquisition of Central Guaranty Trust Company (CGT) and the cost of acquiring the Marathon Brokerage business (C$39 million after tax). Excluding the costs associated with the CGT and Marathon acquisitions, net income was C$393 million in 1993. At October 31, 1993 and 1992, total assets of Toronto Dominion Bank were C$85.0 billion and C$74.1 billion, respectively, and total shareholders' equity was unchanged at C$5.0 billion.

Net income for the three months ended January 31, 1994 was C$168 million. This compares to previous quarter net income of C$121 million, excluding the acquisition cost of Marathon Brokerage. Net income for the three months ended January 31, 1993 was C$80 million before the C$79 million charge arising from the CGT acquisition. At January 31, 1994, total assets of Toronto Dominion Bank were C$92.4 billion and total shareholders' equity was C$5.4 billion.

Toronto Dominion Bank's financial statements are prepared in accordance with accounting policies prescribed by the Bank Act (Canada) and related instructions prescribed by the Canadian Minister of Finance.

Copies of Toronto Dominion Bank's 1993 Annual Report, the 1993 Annual Statement and quarterly reports to shareholders are available, without charge, upon request by telephone or mail from Toronto Dominion Bank, U.S.A. Division, 31 West 52nd Street, New York, NY 10019-6101, Attention: Comptroller, Telephone (212) 468-0300.

The information contained in this Appendix has been provided by Toronto Dominion Bank, and no assurance can be given by the Maricopa Issuer, the Company or the Underwriters as to its accuracy or completeness. The delivery of the Official Statement or this Appendix shall not create any implication that there has been no change in the affairs of Toronto Dominion Bank since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

Bank of America National Trust and Savings Association ("Bank of America") is a wholly owned subsidiary and the principal asset of BankAmerica Corporation, a bank holding company ("BankAmerica"). As of December 31, 1993, and based on the consolidated Report of Condition of the Bank at such date, the Bank and its consolidated subsidiaries had total deposits of $106.4 billion (including deposits from BankAmerica and its nonbank subsidiaries of $2.0 billion), total assets of $136.7 billion and capital and surplus of $11.7 billion.

Bank of America will provide without charge to any person to whom this Official Statement is delivered, upon request, a copy of any or all of the following reports:

(i) BankAmerica's 1993 Form 10-K and BankAmerica's Form 10-Q and Quarterly Analytical Review for each subsequent quarter for which such a report has been filed with the Securities and Exchange Commission;

(ii) each of BankAmerica's Form 8-K Current Reports filed with the Securities and Exchange Commission subsequent to the filing of BankAmerica's 1993 Form 10-K;

(iii) the publicly-available portions of the Consolidated Reports of Income of Bank of America for the years ended December 31, 1992 and 1993 and for each subsequent quarter for which such a report has been prepared, in each case so submitted to the Comptroller of the Currency; and

(iv) the publicly-available portions of the Consolidated Reports of Condition of Bank of America at December 31, 1992 and 1993 and at the end of each subsequent quarter for which such a report has been prepared, in each case as submitted to the Comptroller of the Currency.

Requests to Bank of America for such documents should be directed by telephone to Kara Hanks at (415) 624-0445 or by mail to Bank of America NT&SA, External Reporting Department #3703, P.O. Box 37000, San Francisco, CA 94137.

The information contained in this Appendix has been provided by the Bank of America, and no assurance can be given by the Maricopa Issuer, the Company or the Underwriters as to its accuracy or completeness. The delivery of the Official Statement or this Appendix shall not create any implication that there has been no change in the affairs of Bank of America since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

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UNION BANK OF SWITZERLAND, LOS ANGELES BRANCH

Union Bank of Switzerland ("UBS"), a Swiss banking corporation, was chartered as a bank in Zurich in 1912. UBS's principal executed offices are located at Bahnhofstrasse 45, Zurich. The Los Angeles Branch of UBS is licensed by the Comptroller of the Currency (the "Comptroller") to conduct a banking business as a branch of a foreign bank. The office of the Los Angeles Branch is located at 444 South Flower Street, Los Angeles, California 90071.

UBS has approximately 306 branches and banking subsidiaries throughout Switzerland. UBS also has United States branches, agencies, representatives offices and subsidiaries in New York, Chicago, Houston, Los Angeles and San Francisco and other foreign offices including branches, representative offices and subsidiaries, in Beijing, Frankfurt, Hong Kong, London, Luxembourg, Singapore, Sydney, Taipei, Tokyo and Toronto, for a total of 54 business offices abroad. In addition to the receipt of deposits and the making of loans and advances, UBS engages in other banking and bank-related activities typical of the world's major international banks, including fiduciary, investment advisory and custodial services, foreign exchange and underwriting in the United States, Swiss and Euro-capital markets.

As a Swiss bank, UBS is subject to regulation by the Swiss Federal Banking Commission (the "Swiss Commission") and the Swiss National Bank, and its business is subject to inspection by an independent auditing firm. The auditors review compliance with the Swiss Banking Law and are required to report uncured violations or irregularities to the Swiss Commission, which is authorized to enforce compliance with the Swiss Banking Law. The Swiss National Bank oversees the financial condition and liquidity of Swiss banks. UBS is required to file with the Swiss National Bank annual statements of condition, monthly interim balance sheets, quarterly liquidity statements and other information regarding its financial condition. Information provided to the Swiss Commission and the Swiss National Bank is not available to the general public.

In addition to regulation by the Swiss banking authorities, UBS is subject to regulatory oversight in the United States. The scope of UBS's activities (directly or through subsidiaries) in the United States is limited by the International Banking Act of 1978, and the Bank Holding Act of 1956. The Los Angeles Branch of UBS is licensed by the Comptroller, pursuant to the International Banking Act of 1978, to conduct a banking business as a branch of a foreign bank. It is required to make periodic reports to, and is subject to examination by, the Comptroller and the Federal Reserve Board.

At December 31, 1993, UBS had total assets of Sfr. 230.8 billion, total deposits (including due to banks) of Sfr. 177.1 billion, notes, bonds and other liabilities of Sfr. 37.0 billion, equity capital and reserves of Sfr. 15.2 billion and net income of Sfr. 1.5 billion. At December 31, 1993, foreign (i.e., non-Swiss) business accounted for approximately 47% of UBS's assets and 54% of its liabilities. Such amounts are as reflected in UBS's 1993 Annual Report to Shareholders and do not include UBS's consolidated subsidiaries. The accounting principles applied in the preparation of its financial statements (and therefore reflected herein) may not conform to generally accepted accounting principles applied by United States banks.

Copies of UBS's annual reports to shareholders are available from the Los Angeles Branch of UBS on request at the address in Los Angeles, set forth above.

The information contained in this Appendix has been provided by UBS, and no assurance can be given by the Farmington Issuer, the Company or the Underwriters as to its accuracy or completeness. The delivery of the Official Statement or this Appendix shall not create any implication that there has been no change in the affairs of UBS since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

May __, 1994

Maricopa County, Arizona,
Pollution Control Corporation,
Phoenix, Arizona

Re: Maricopa County, Arizona
Pollution Control Corporation
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Palo Verde Project)
1994 Series A, 1994 Series B, 1994 Series C,
1994 Series D, 1994 Series E and 1994 Series F
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Maricopa County, Arizona Pollution Control Corporation (the "Issuer") of $253,980,000 aggregate principal amount of Maricopa County, Arizona Pollution Control Corporation Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Palo Verde Project) 1994 Series A, 1994 Series B, 1994 Series C, 1994 Series D, 1994 Series E and 1994 Series F (collectively, the "Bonds"), issued pursuant to the provisions of Title 35, Chapter 6, Arizona Revised Statutes, as amended and supplemented to the date hereof (the "Act"), and pursuant to an Indenture of Trust, dated as of May 1, 1994 (the "Indenture"), between the Issuer and The Bank of New York, as trustee (the "Trustee"). The Bonds are issued for the stated purpose of making a loan of the proceeds thereof to Arizona Public Service Company, an Arizona corporation (the "Company"), pursuant to a Loan Agreement, dated as of May 1, 1994 (the "Loan Agreement"), between the Issuer and the Company. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, opinions of counsel to the Issuer, the Company and the Trustee, the Tax Certificate, certain resolutions of the Issuer and the Board of Supervisors of Maricopa County, Arizona, certificates of the Issuer, the Company, the Trustee and others, and such other documents, opinions and matters to the extent deemed necessary by us to render the opinions set forth herein. We have not undertaken to verify independently, and we have assumed, the accuracy of the factual matters represented, warranted or certified in such documents, and of the legal conclusions contained in the opinions referred to above, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Indenture, the Loan Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is

expressed herein as to any Bond or the interest thereon on or after any such change that occurs or action that is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we have no obligation to update this opinion. Our engagement with respect to the Bonds has concluded with their issuance. Further, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Loan Agreement and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, arrangement and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of Arizona. We also express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we have undertaken no responsibility for the accuracy, completeness or fairness of any official statement or other offering material relating to the Bonds and express herein no opinion with respect thereto.

Based on and subject to the forgoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer has lawful authority for the issuance of the Bonds, and the Bonds constitute valid and binding limited obligations of the Issuer payable solely from Revenues and other sources as and to the extent specified in the Indenture.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and, with respect to each Series of Bonds, any Credit Facility provided with respect to such Series of Bonds (to the extent the Issuer has any interest therein), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Indenture also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Issuer in the Loan Agreement, except the right to receive certain payments and notices and to give certain consents and approvals (to the extent more particularly described in the Indenture).

3. The Loan Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Issuer.

4. The Bonds are not a debt or liability or pledge of faith and credit of the Issuer or Maricopa County, Arizona and are payable solely from the funds provided in the Indenture therefor.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Title XIII of the Tax Reform Act of 1986 and Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of any facilities financed or refinanced with Bond proceeds or by a

"related person" within the meaning of Section 103(b)(13) of the 1954 Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. The Bonds and the income therefrom are exempt from all taxation in the State of Arizona. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE

per

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May __, 1994

City of Farmington, New Mexico,
Farmington, New Mexico

Re: City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Farmington, New Mexico (the "Issuer") of $49,400,000 aggregate principal amount of City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series A (the "Bonds"), issued pursuant to the provisions of Article 59 of Chapter 3 of the New Mexico Statutes Annotated, as amended and supplemented to the date hereof (the "Act"), and pursuant to an Ordinance and a Resolution each adopted by the Issuer on May 10, 1994 (collectively, the "Ordinance"). The Bank of New York has been appointed trustee under the Ordinance (the "Trustee"). The Bonds are issued for the stated purpose of refinancing certain pollution control and solid waste disposal facilities of Arizona Public Service Company, an Arizona corporation (the "Company"), pursuant to an Installment Sale Agreement, dated as of May 1, 1994 (the "Sale Agreement"), between the Issuer and the Company. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Ordinance.

In such connection, we have reviewed the Ordinance, the Sale Agreement, opinions of counsel to the Issuer, the Company and the Trustee, the Tax Certificate, certain resolutions of the Issuer, certificates of the Issuer, the Company, the Trustee and others, and such other documents, opinions and matters to the extent deemed necessary by us to render the opinions set forth herein. We have not undertaken to verify independently, and we have assumed, the accuracy of the factual matters represented, warranted or certified in such documents, and of the legal conclusions contained in the opinions referred to above, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Ordinance, the Sale Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon or after any such change that occurs or action that is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we have no obligation to update this opinion. Our engagement with respect to the Bonds has concluded with their issuance. Further, we have assumed compliance with all covenants and agreements contained in the Ordinance, the Sale Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinance, the Sale Agreement and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, arrangement and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of New Mexico. We also express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering material relating to the Bonds and express herein no opinion with respect thereto.

Based on and subject to the forgoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer has lawful authority for the issuance of the Bonds, and the Bonds constitute valid and binding limited obligations of the Issuer payable solely from Revenues and other sources as and to the extent specified in the Ordinance.

2. The Ordinance has been duly adopted by, and constitutes the valid and binding obligation of, the Issuer. The Ordinance creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and (to the extent the Issuer has any interest therein) any Credit Facility provided with respect to the Bonds, subject to the provisions of the Ordinance permitting the applications thereof for the purposes and on the terms and conditions set forth in the Ordinance. The Ordinance also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Issuer in the Sale Agreement, except the right to receive certain payments and notices and to give certain consents and approvals (to the extent more particularly described in the Ordinance).

3. The Sale Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Issuer.

4. The Bonds are not a debt or liability or pledge of faith and credit of the Issuer and are payable solely from the funds provided in the Ordinance therefor.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Title XIII of the Tax Reform Act of 1986 and Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of any facilities financed or refinanced with Bond proceeds or by a "related person" within the meaning of Section 103(b)(13) of the 1954 Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. The Bonds and the income therefrom are exempt from all taxation by the State of New

Mexico or any subdivision thereof. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE

per

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The information contained in this Official Statement has been obtained from the Maricopa Issuer, the City of Farmington, Arizona Public Service Company and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Maricopa Issuer, the City of Farmington, Arizona Public Service Company or the Underwriters. This Official Statement is submitted in connection with the sale of the securities referred to herein, and may not be reproduced or be used, in whole or in part, for any other purpose. Neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances at any time imply that the information herein is correct as of any time subsequent to its date.

No dealer, broker, salesman or any other person has been authorized by Arizona Public Service Company, the Maricopa Issuer, the City of Farmington, or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer of any securities, other than those described on the cover page, or an offer to sell or a solicitation of any offer to buy in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

$253,980,000
Maricopa County, Arizona
Pollution Control Corporation
(Arizona Public Service Company
Palo Verde Project)
1994 Series A through F

$49,400,000
City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company
Four Corners Project)
1994 Series A

APS

Arizona Public Service Company

OFFICIAL STATEMENT

CS First Boston
Goldman, Sachs & Co.
J.P. Morgan Securities Inc.

Dated May 24, 1994

OFFICIAL STATEMENT

$65,750,000
City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series B

$31,500,000
City of Farmington, New Mexico
Pollution Control Revenue Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series C

Dated: Date of Issuance **Due: September 1, 2024**

The Bonds are limited obligations of the City of Farmington, New Mexico, and will be payable solely from and secured solely by the revenues to be derived pursuant to separate Agreements with

Arizona Public Service Company

The Bonds will be further secured by irrevocable direct pay Letters of Credit issued by the following Credit Providers and will be subsequently remarketed by the following Remarketing Agents:

Series	Amount	Letter of Credit Provider	Remarketing Agent
B	$65,750,000	Barclays Bank PLC, New York Branch	CS First Boston
C	$31,500,000	Union Bank of Switzerland, Los Angeles Branch	Goldman, Sachs & Co.

Under the Letters of Credit, the respective Trustees will be entitled to draw amounts sufficient to pay (a) up to sixty-two days interest on the related Bonds and (b) principal on the related Bonds as such principal becomes due, whether at maturity, on acceleration, at redemption or upon tender thereof.

The Bonds as initially issued will bear interest at Daily Rates, designated and determined from time to time as described herein. Thereafter, the interest rate on the Bonds may be changed to a Weekly Rate, Monthly Rate, Flexible Rate or Term Rate, as described herein. The Bonds are subject to purchase at the option of the holders of the Bonds and, under certain circumstances, are subject to mandatory purchase in the manner and at the times described herein.

The Bonds will be delivered in fully registered form in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, which will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in authorized denominations described herein. So long as the Bonds remain in book-entry form, purchasers of beneficial interests in the Bonds will not receive certificates representing such interests. The Bonds are subject to optional and mandatory redemption prior to maturity in the manner and at the times described herein. See "The Bonds".

The Bonds will not constitute an indebtedness or obligation to which the full faith and credit of the City of Farmington or the State of New Mexico is pledged and shall never constitute nor give rise to a pecuniary liability of the City of Farmington or the State of New Mexico or a charge against the general credit or taxing powers of the City of Farmington or the State of New Mexico.

Price: 100%

In the opinion of Orrick, Herrington & Sutcliffe, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes, except that no opinion is expressed as to the status of interest on any Series B Bond during any period that such Series B Bond is held by a "substantial user" of facilities refinanced by the Series B Bonds or by a "related person" within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended, and except that no opinion is expressed as to the status of interest on any Series C Bond during any period that such Series C Bond is held by a "substantial user" of facilities financed by the Series C Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986. In the opinion of Bond Counsel, interest on the Series B Bonds is not a specific preference item for purposes of calculating the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. In the opinion of Bond Counsel, interest on the Series C Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the Bonds is exempt from all taxation by the State of New Mexico or any subdivision thereof. Bond Counsel expresses no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "Tax Matters."

The Bonds are offered, subject to prior sale, when, as and if issued and received by the Underwriters and subject to certain conditions, including the approval of Orrick, Herrington & Sutcliffe, Bond Counsel. Certain legal matters will be passed upon for the Company by Snell & Wilmer, counsel to the Company. The validity of the Agreements will be passed upon for the Underwriters by Sullivan & Cromwell. It is expected that the Bonds will be available for delivery in New York, New York on or about September 14, 1994.

CS First Boston Goldman, Sachs & Co.

The date of this Official Statement is September 13, 1994

THESE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE OR THE ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. ANY REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN (OTHER THAN THE APPLICABLE INFORMATION CONTAINED UNDER "THE ISSUER") ARE NOT TO BE CONSTRUED AS REPRESENTATIONS BY THE ISSUER. THE ISSUER NEITHER HAS NOR ASSUMES ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION IN THIS OFFICIAL STATEMENT (OTHER THAN THE APPLICABLE INFORMATION CONTAINED UNDER "THE ISSUER").

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

$65,750,000
City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series B

$31,500,000
City of Farmington, New Mexico
Pollution Control Revenue Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series C

INTRODUCTORY STATEMENT

This Official Statement is provided to furnish certain information in connection with the issuance by the City of Farmington, New Mexico (the "City of Farmington" or the "Issuer") of its (i) Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series B in the aggregate principal amount of $65,750,000 (the "Series B Bonds") and (ii) Pollution Control Revenue Bonds (Arizona Public Service Company Four Corners Project) 1994 Series C in the aggregate principal amount of $31,500,000 (the "Series C Bonds"). The Series B Bonds and the Series C Bonds are hereinafter collectively referred to as the "Bonds." The Series B Bonds will be issued pursuant to an ordinance adopted by the City of Farmington on May 10, 1994 (the "Original Ordinance"), as supplemented by a resolution with respect to the Series B Bonds adopted by the City of Farmington on August 23, 1994 (collectively, the "Series B Ordinance"). Pursuant to the Original Ordinance, as supplemented by a resolution adopted by the City of Farmington on May 10, 1994, the City of Farmington has also issued $49,400,000 aggregate principal amount of the City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series A (the "Series A Bonds"). The Series C Bonds will be issued pursuant to an ordinance adopted by the City of Farmington on August 9, 1994, as supplemented by a resolution with respect to the Series C Bonds adopted by the City of Farmington on August 23, 1994 (collectively, the "Series C Ordinance"). The Series B Ordinance and the Series C Ordinance are herein collectively referred to as the "Ordinances". The Bank of New York has been appointed trustee (with respect to the Series B Bonds, the "Series B Trustee," with respect to the Series C Bonds, the "Series C Trustee" and, generally, the "Trustee") under the Series B Ordinance and under the Series C Ordinance. The Bank of New York is also acting as Tender Agent, Registrar and Paying Agent (the "Tender Agent", "Registrar" and "Paying Agent") with respect to the Bonds and its "Principal Office," as used herein, is at 101 Barclay Street, New York, New York.

The Bonds are being issued by the Issuer at the request of Arizona Public Service Company (the "Company"), a corporation organized and existing under the laws of the State of Arizona. The Series B Bonds will provide moneys to refund $65,750,000 aggregate principal amount of the Issuer's Pollution Control Revenue Refunding Par Value Demand Bonds, 1983 Series A (Arizona Public Service Company Four Corners Project) (the "1983 Prior Bonds"). The 1983 Prior Bonds were issued to refinance certain pollution control, sewage and solid waste disposal facilities and related facilities located in San Juan County, New Mexico (the "Series B Project"). The Series C Bonds will provide moneys to finance a portion of the costs to the Company associated with certain facilities for the abatement, control, reduction or prevention of pollution located in San Juan County, New Mexico (the "Series C Project", and, together with the Series B Project, the "Projects"). See "The Projects."

Prior to the issuance of the Series B Bonds, the Company and the City of Farmington will enter into an Amended and Restated Installment Sale Agreement dated as of September 1, 1994 (the "Series B Sale Agreement"), amending and restating the Installment Sale Agreement dated as of May 1, 1983, whereby the Company's interests in the Series B Project were sold by the Company to the City of Farmington and then sold by the City of Farmington to the Company in connection with the issuance of the 1983 Prior Bonds. In addition to payments necessary to support the 1983 Prior Bonds, the Series B Sale Agreement requires payments to be made to the City of Farmington, in payment of the purchase price of the Series B Project, at such times and in such amounts as principal of (whether at maturity, on redemption, upon tender for purchase or by acceleration), premium, if any, and interest on the Series B Bonds becomes due. Prior to the issuance of the Series C Bonds, the Company and the City of Farmington will enter into an Installment Sale Agreement dated as of September 1, 1994 (the "Series C Sale Agreement" and, together with the Series B Sale Agreement, the "Agreements"), whereby the Company's interests in the Series C Project are sold by the Company to the City of Farmington, and then sold by the City of Farmington to the Company in connection with the issuance of the Series C Bonds. The Series C Sale Agreement requires payments to be made to the City of Farmington, in payment of the purchase price of the Series C Project, at such times and in such amounts as principal of (whether at maturity, on redemption, upon tender for purchase or by acceleration), premium, if any, and interest on the Series C Bonds become due.

Concurrently with the issuance of the Bonds, the Company will cause to be delivered to the Trustee (i) with respect to the Series B Bonds, an irrevocable letter of credit (the "Series B Letter of Credit") issued by Barclays Bank PLC, New York Branch (the "Series B Credit Provider") and (ii) with respect to the Series C Bonds, an irrevocable letter of credit (the "Series C Letter of Credit" and, together with the Series B Letter of Credit, the "Letters of Credit") issued by Union Bank of Switzerland, Los Angeles Branch (the "Series C Credit Provider" and, together with the Series B Credit Provider, the "Credit Providers").

As more fully provided in the Ordinances, the Bonds will not constitute an indebtedness or obligation to which the faith and credit of the State of New Mexico, the City of Farmington or any other political subdivision of the State of New Mexico will be pledged, but will be limited obligations of the Issuer, which will be obligated to pay the principal of, premium, if any, and interest on the Bonds only from the payments made pursuant to the applicable Agreement and the other funds pledged therefor. The Bonds shall never constitute an indebtedness of the Issuer within the meaning of any New Mexico state constitutional provision or statutory limitation and shall never constitute or give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers.

Brief descriptions of the Issuer and the Projects and summaries of certain provisions of the Bonds, the Agreements, the Ordinances, the Letters of Credit and the Reimbursement Agreements between the Company and the respective Credit Providers (the "Reimbursement Agreements") are included in this Official Statement. Such information and descriptions do not purport to be complete, comprehensive or definitive. Statements regarding specific documents, including the Agreements and the Ordinances, make use of certain terms defined in such documents and are summaries of and subject to the detailed provisions of such documents and are qualified in their entirety by reference to each such document, and references to the Bonds are similarly subject to and qualified in their entirety by reference to the forms thereof included in the Ordinances and the information with respect thereto included in the aforesaid documents. Copies of all aforesaid documents may be obtained at the principal office of CS First Boston Corporation or Goldman, Sachs & Co., each in New York, New York, during the period of the initial offering of the Bonds and thereafter are available for inspection at the offices of the Trustee or the Company.

For information concerning the Company, including selected financial and operating information and information incorporated by reference, see Appendix A hereto. For information concerning the Credit Providers, see Appendices B and C hereto. The proposed forms of opinions of Bond Counsel with respect to the Bonds are attached as Appendices D and E hereto.

THE ISSUER

The City of Farmington is an incorporated municipality, a body politic and corporate, existing under the Constitution and laws of the State of New Mexico. The City of Farmington is authorized under the provisions of such Constitution and laws, including particularly the Pollution Control Revenue Bond Act, Chapter 397, laws of 1973 of the State of New Mexico (the "Act"), as amended, to issue the Bonds, to adopt the Ordinances, and to secure the Bonds by a pledge of revenues of the City of Farmington pursuant to the Agreements.

THE PROJECTS

The Projects are located in San Juan County, New Mexico and consist of certain facilities for the abatement, reduction or prevention of pollution and the disposal of solid waste or pollution caused by the operation of the Four Corners Generating Station, a coal-fired steam electric power generating plant (the "Plant") located in San Juan County, New Mexico. The Company owns a 15% undivided interest in Units 4 and 5 at the Plant. The remaining undivided interests in such Units are owned by Southern California Edison Company (48%), Public Service Company of New Mexico (13%), El Paso Electric Company (7%), Salt River Project Agricultural Improvement and Power District (10%) and Tucson Electric Power Company (7%). The ownership and operation of Units 4 and 5 are, and the construction of that portion of the Series B Project at such Units have been and will be, governed by certain agreements (the "Plant Agreements") among the Company and such other owners. Under the Plant Agreements, the Company was in charge of the construction and is in charge of the operation and maintenance of, including any capital improvements to, such Units. Units 1, 2 and 3 at the Plant are owned in their entirety by the Company; the Series C Project relates only to these Units.

USE OF PROCEEDS

The proceeds of the Series B Bonds will be deposited with Barclays Bank, PLC, New York Branch, acting as escrow agent (the "Escrow Agent"), pursuant to an escrow agreement dated as of September 1, 1994 among the City, the Company, Bankers Trust Company, as trustee for the 1983 Prior Bonds, Barclays Bank PLC, New York Branch, as provider of liquidity and credit support for the 1983 Prior Bonds (the "Series 1983 Credit Provider") and the Escrow Agent, and will be applied, together with additional funds to be provided by the Company, to reimburse the Series 1983 Credit Provider, after the

draw under the letter of credit supporting the 1983 Prior Bonds has been utilized to redeem the 1983 Prior Bonds on November 1, 1994. The proceeds of the Series B Bonds to be held by the Escrow Agent prior to the redemption of the 1983 Prior Bonds will not be held as security for the Series B Bonds. Costs of issuance of the Series B Bonds, including all legal, underwriting and miscellaneous costs, will be paid by the Company. The proceeds of the Series C Bonds will be used to defray the cost to the Company of acquiring, constructing, reconstructing, improving, maintaining, equipping or furnishing the Series C Project and to pay certain costs of issuance incurred in connection with the issuance of the Series C Bonds, including legal, underwriting and miscellaneous costs.

THE BONDS

Each issue of Bonds will operate independently of the other. However, each issue of Bonds contains substantially the same terms (other than amount) and provisions, and the following is a summary of certain provisions of each issue of the Bonds. All references in this summary to the Bonds, the Agreement, the Ordinance, the Project and similar references shall be read as relating to each issue of Bonds, and the Agreement, the Ordinance and the Project related thereto, unless the context clearly indicates otherwise.

General

The Bonds will be issued as fully registered Bonds without coupons in the manner described below. The Bonds will be dated as of the date of delivery thereof (the "Issue Date") and will mature on September 1, 2024. The term of the Bonds shall be divided into consecutive Rate Periods, during each of which the Bonds may bear interest at Daily, Weekly, Monthly, Term or Flexible Rates designated and determined as described herein. At any time, the Rate Period applicable to either Series of Bonds may be different from the Rate Period applicable to the other Series of Bonds. The Initial Rate Period for the Bonds will be a Daily Rate Period. During such Daily Rate Period, the Bonds will bear interest at Daily Rates as described herein. The Bonds will continue to bear interest at Daily Rates determined as described herein unless and until the interest rate determination method for the Bonds is adjusted as described herein.

The Bonds are authorized in denominations of $100,000 or any integral multiple thereof, with respect to Bonds during any Daily Rate Period, any Weekly Rate Period or any Monthly Rate Period; $100,000 or any integral multiple of $5,000 in excess of $100,000, with respect to Bonds during any Flexible Rate Period; and $5,000 or any integral multiple thereof, with respect to Bonds during any Term Rate Period; provided, however, that one Series B Bond may be issued in a denomination other than the foregoing (collectively, "Authorized Denominations").

The Bonds are subject to tender for purchase at the option of the holders of the Bonds, and under certain circumstances are subject to mandatory tender for purchase in the manner and at the times described herein. The Bonds are subject to optional and mandatory redemption prior to maturity in the manner and at the times described herein.

CS First Boston Corporation has been appointed by the Company as Remarketing Agent with respect to the Series B Bonds. Goldman, Sachs & Co. has been appointed by the Company as Remarketing Agent with respect to the Series C Bonds. CS First Boston Corporation and Goldman, Sachs & Co. are referred to herein as "Remarketing Agents." The Remarketing Agents will be paid fees for their services and may be removed or resign under certain circumstances.

Concurrently with the issuance of the Bonds, the Company will cause to be delivered to the Trustee the Letters of Credit issued by the Credit Providers.

Definitions

The terms "Daily Rate," "Daily Rate Period," "Weekly Rate," "Weekly Rate Period," "Monthly Rate," "Monthly Rate Period," "Flexible Rate," "Flexible Segment," "Term Rate" and "Term Rate Period" are defined by reference to the procedures for the determination thereof, as described below. In addition, the following terms are used in this summary:

"Business Day" means a day on which banks located in the cities in which the principal offices of the Trustee, the Registrar, the Paying Agent, the Tender Agent, either Remarketing Agent and either Credit Provider are located are not

required or authorized to be closed and on which the New York Stock Exchange is not closed, and, in the case of any action to be taken by the Company, which is not a day on which banks in Phoenix, Arizona are required or authorized to be closed.

"Interest Payment Date" means (i) with respect to any Daily, Weekly or Monthly Rate Period, the first Business Day of each calendar month, (ii) with respect to any Term Rate Period, the first day of the sixth month following the commencement of the Term Rate Period and the first day of each sixth month thereafter, (iii) with respect to any Flexible Segment, the Business Day next succeeding the last day of such Flexible Segment, (iv) with respect to any Rate Period, the Business Day next succeeding the last day thereof and (v) with respect to any Credit Provider Bonds, the dates specified in the related Reimbursement Agreement for the payment of interest on any reimbursement obligations of the Company to the related Credit Provider relating to such Credit Provider Bonds, as such dates shall be specified by the Credit Provider to the Trustee.

"Rate Period" means any Daily Rate Period, Weekly Rate Period, Monthly Rate Period, Term Rate Period or Flexible Rate Period.

"Record Date" means with respect to any Interest Payment Date in respect of any Daily Rate Period, Weekly Rate Period, Monthly Rate Period or Flexible Segment, the Business Day next preceding such Interest Payment Date and, with respect to any Interest Payment Date in respect of any Term Rate Period, the fifteenth day of the month preceding such Interest Payment Date.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended (the "1954 Code") or Section 147(a) of the Internal Revenue Code of 1986 (the "1986 Code") for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the 1986 Code.

Payment of Principal and Interest

Interest shall be payable (i) by check mailed by first class mail on the Interest Payment Date to the holders as of the Record Date or (ii) during any Rate Period other than a Term Rate Period, in immediately available funds (by wire transfer or by deposit to the account of the holder of such Bond if such account is maintained with the Paying Agent), but in respect of any holder of Bonds in a Daily, Weekly or Monthly Rate Period only to any holder owning Bonds in an aggregate principal amount of at least $1,000,000 on the Record Date and having provided wire transfer instructions to the Paying Agent prior to the close of business on such Record Date; provided, that, if and to the extent there shall have been a default in the payment of the interest due, such interest shall be paid to the persons in whose name any such Bonds are registered as of a special record date to be fixed by the Trustee, notice of which shall be given to such holders not less than 10 days prior thereto. Notwithstanding the foregoing, interest in respect of any Bond bearing a Flexible Rate shall be paid only upon presentation to the Tender Agent of the Bond on which such payment is due.

Interest shall be computed, in the case of any Rate Period other than a Term Rate Period, on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed and, in the case of a Term Rate Period, on the basis of a 360-day year consisting of twelve 30-day months.

Daily Rate Period

Daily Rate. During each Daily Rate Period, the affected Bonds shall bear interest at the Daily Rate, determined by the applicable Remarketing Agent either on each Business Day for such Business Day or on the next preceding Business Day for the Business Day next succeeding such date of determination and as may be determined by the applicable Remarketing Agent for any day that is not a Business Day on any such day during which there shall be active trading in Tax-Exempt obligations comparable to the affected Bonds for such day.

The Daily Rate will be the rate determined by the applicable Remarketing Agent to be the lowest rate which would enable such Remarketing Agent to sell the affected Bonds on the effective date of such rate at a price (without regard to

accrued interest) equal to 100% of the principal amount thereof. If a Remarketing Agent has not determined a Daily Rate, the Daily Rate will be the same as the Daily Rate for the immediately preceding day. In no event will the Daily Rate be greater than 12%.

Adjustment to a Daily Rate Period. The interest rate borne by the affected Bonds will be adjusted to a Daily Rate upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company. The notice must specify the effective date of the adjustment to a Daily Rate which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the receipt by the Trustee of such direction (or such shorter period acceptable to the Trustee), (2) in the case of an adjustment from a Monthly Rate Period or a Term Rate Period, a day on which the affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Ordinance as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" and "—Optional Redemption—Term Rate Period," as applicable, and (3) in the case of an adjustment from a Flexible Rate Period, either (i) the day immediately following the last day of the then current Flexible Rate Period, or (ii) for each affected Bond, the day immediately following the last day of the last Flexible Segment for such Bond in the then current Flexible Rate Period; provided, however, that if prior to the Company's making such election, any affected Bonds shall have been called for redemption and such redemption shall not have theretofore been effected, the effective date of such Daily Rate Period shall not precede such redemption date. In the case of an adjustment from a Term Rate Period, such notice must be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Act and the Ordinance, and (2) will not adversely affect the Tax-Exempt status of the interest on the Bonds.

Notice of Adjustment to a Daily Rate Period. The Trustee must give notice of an adjustment to a Daily Rate Period to the holders of the Bonds not less than twelve days (fifteen days if the then current Rate Period shall be a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Daily Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to a Daily Rate (subject to the Company's ability to rescind its election, as provided in the Ordinance), (2) the effective date of the Daily Rate Period, (3) that the Bonds are subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of such Bonds do not have a right to retain their Bonds on such effective date.

Weekly Rate Period

Weekly Rate. During each Weekly Rate Period, the affected Bonds will bear interest at the Weekly Rate determined by the applicable Remarketing Agent no later than the first day of such Weekly Rate Period and thereafter no later than Tuesday of each week during such Weekly Rate Period, unless any such Tuesday shall not be a Business Day, in which event the Weekly Rate shall be determined by the applicable Remarketing Agent no later than the Business Day next preceding such Tuesday.

The Weekly Rate will be the rate determined by the Remarketing Agent to be the lowest rate which would enable the Remarketing Agent to sell the affected Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If the applicable Remarketing Agent has not determined a Weekly Rate for any period, the Weekly Rate for such period will be the same as the Weekly Rate for the immediately preceding period. In no event will the Weekly Rate be greater than 12%.

The first Weekly Rate determined for each Weekly Rate Period will apply to the period commencing on the first day of such Weekly Rate Period and ending on the next succeeding Tuesday. Thereafter, each Weekly Rate will apply to the period commencing on each Wednesday and ending on the next succeeding Tuesday; provided, however, if such Weekly Rate Period will end on a day other than Tuesday, the last Weekly Rate for such Weekly Rate Period will apply to the period commencing on the Wednesday preceding the last day of such Weekly Rate Period and ending on such last day.

Adjustment to a Weekly Rate Period. The interest rate borne by the affected Bonds will be adjusted, at any time, to a Weekly Rate upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice must specify the effective date of such adjustment to a Weekly Rate Period which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after receipt by the Trustee

of such direction (or such shorter period acceptable to the Trustee), (2) in the case of an adjustment from a Monthly Rate Period or a Term Rate Period, a day on which affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Ordinance as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" and "—Optional Redemption—Term Rate Period," as applicable, and (3) in the case of an adjustment from a Flexible Rate Period, either the day immediately following the last day of the then current Flexible Rate Period or for each affected Bond, the day immediately following the last day of the then current Flexible Segment for such Bond; provided, however, that if prior to the Company's making such election, any affected Bonds have been called for redemption and such redemption has not yet been effected, the effective date of such Weekly Rate Period will not precede such redemption date. In the case of an adjustment from a Term Rate Period, such notice must be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Act and the Ordinance, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

Notice of Adjustment to a Weekly Rate Period. The Trustee must give notice of an adjustment to a Weekly Rate Period to the holders of the Bonds not less than twelve days (fifteen days if the then current rate period is a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Weekly Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to a Weekly Rate (subject to the Company's ability to rescind its election, as provided in the Ordinance), (2) the effective date of the Weekly Rate Period, (3) that the Bonds are subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that holders of such Bonds do not have the right to retain such Bonds on such effective date.

Monthly Rate Period

Monthly Rate. During each Monthly Rate Period, the affected Bonds will bear interest at the Monthly Rate, determined by the Remarketing Agent no later than the first day of such Monthly Rate Period and thereafter no later than the Business Day immediately preceding each Interest Payment Date with respect to the affected Bonds.

The Monthly Rate will be the rate determined by the applicable Remarketing Agent to be the lowest rate which would enable the applicable Remarketing Agent to sell the affected Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If the applicable Remarketing Agent has not determined a Monthly Rate for any period, the Monthly Rate shall be the same as the Monthly Rate in effect for the immediately preceding month. In no event shall any Monthly Rate be greater than 12%.

The first Monthly Rate determined for each Monthly Rate Period will apply to the period commencing on the first day of such Monthly Rate Period and ending on the day immediately preceding the next Interest Payment Date with respect to the affected Bonds. Thereafter, each Monthly Rate will apply to the period commencing on the Interest Payment Date next succeeding the date of determination of such Monthly Rate and ending on the day immediately preceding the Interest Payment Date next succeeding the effective date of such Monthly Rate.

Adjustment to a Monthly Rate Period. The interest rate borne by the affected Bonds will be adjusted, at any time, to a Monthly Rate upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice will specify the effective date of such adjustment to a Monthly Rate Period, which shall be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the date of receipt by the Trustee of such notice (or such shorter period acceptable to the Trustee); (2) in the case of an adjustment from a Term Rate Period, a day on which affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Ordinance as described herein under "—Redemption of Bonds—Optional Redemption—Term Rate Period"; and (3) in the case of an adjustment from a Flexible Rate Period either the day immediately following the last day of the then current Flexible Rate Period or for each affected Bond, the day immediately following the last day of the last Flexible Segment for such Bond in the then current Flexible Rate Period; provided, however, that if prior to the Company's making such election, any of the affected Bonds have been called for redemption and such redemption has not been effected, the effective date of such Monthly Rate Period will not precede such redemption date. In the case of an adjustment from a Term Rate Period, such written notice shall be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Ordinance and the Act, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

Notice of Adjustment to a Monthly Rate Period. The Trustee must give notice of an adjustment to a Monthly Rate Period to the holders of the affected Bonds not less than twelve days (fifteen days if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Monthly Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to a Monthly Rate (subject to the Company's ability to rescind its election pursuant to the Ordinance), (2) the effective date of the Monthly Rate Period, (3) that the affected Bonds are subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of such Bonds do not have the right to retain their Bonds on such effective date.

Flexible Rate Period

Flexible Segments and Flexible Rates. Flexible Rate Periods will consist of Flexible Segments of varying duration for each Bond. Different Flexible Segments may apply to different Bonds at any time and from time to time. During each Flexible Rate Period, each Bond will bear interest at the Flexible Rate applicable to the Flexible Segment in effect for such Bond. Each Flexible Segment will be a period of at least one day and not more than 365 days, ending on a day that immediately precedes a Business Day, determined by the applicable Remarketing Agent to be the period which, together with all other Flexible Segments for all affected Bonds then outstanding, will result in the lowest overall net interest expense on the affected Bonds. The Flexible Rate for each Flexible Segment for each Bond will be the rate determined by the applicable Remarketing Agent no later than the first day of such Flexible Segment to be the lowest interest rate which would enable the Remarketing Agent to sell the Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If a Flexible Rate for a Flexible Segment of one day is not determined or effective on such day, the Flexible Rate for such Flexible Segment of one day shall be eighty percent (80%) of the most recent One-Year Note Index theretofore published in The Bond Buyer. In no event shall the Flexible Rate for any Bond be greater than 12%.

Adjustment to a Flexible Rate Period. The interest rates borne by the affected Bonds will be adjusted, at any time, to Flexible Rates upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice will specify the effective date of the Flexible Rate Period during which the Bonds will bear interest at Flexible Rates which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the date of receipt by the Trustee of such notice (or such shorter period acceptable to the Trustee), and (2) in the case of an adjustment from a Monthly Rate Period or a Term Rate Period, a day on which the affected Bonds would be permitted to be redeemed at the option of the Company pursuant to provisions of the Ordinance as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" or "—Optional Redemption—Term Rate Period," as applicable; provided, however, that if prior to the Company's making such election, any of the affected Bonds have been called for redemption and such redemption has not been effected, the effective date of such Flexible Rate Period will not precede such redemption date. In the case of an adjustment from a Term Rate Period, such direction must be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Ordinance and the Act, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

Notice of Adjustment to a Flexible Rate Period. The Trustee must give notice of an adjustment to a Flexible Rate Period to the holders of the affected Bonds not less than twelve days (fifteen days if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Flexible Rate Period. Such notice will state (1) that the interest rate on the affected Bonds will be adjusted to Flexible Rates (subject to the Company's ability to rescind its election pursuant to the Ordinance), (2) the effective date of such Flexible Rate Period, (3) that the Bonds are subject to mandatory tender for purchase on the effective date of such Flexible Rate Period, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of the Bonds do not have the right to retain their Bonds on such effective date.

Adjustment from a Flexible Rate Period. At any time during a Flexible Rate Period, the Company may elect that a Series of Bonds shall no longer bear interest at Flexible Rates. The Company must notify the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of the election and specify the Rate Period to follow with respect to the affected Bonds upon cessation of the Flexible Rate Period. The applicable Remarketing Agent will (1) determine Flexible Segments of such duration that, as soon as possible, all Flexible Segments shall end on the same date, not earlier than the eleventh day following the fifth Business Day (or such shorter period acceptable to the Trustee), following the receipt by the Trustee of the notice described in the last sentence of this paragraph, which date shall be the last day of the then

current Flexible Rate Period, and, upon the establishment of such Flexible Segments, the day next succeeding the last day of all such Flexible Segments shall be the effective date of the Rate Period elected by the Company; or (2) determine Flexible Segments that will in the judgment of the applicable Remarketing Agent best promote an orderly transition to the next succeeding Rate Period to apply to such Bonds, beginning not earlier than the eleventh day following the fifth Business Day (or such shorter period acceptable to the Trustee) following the receipt by the Trustee of the notice described in the last sentence of this paragraph. If the alternative in clause (2) above is selected, the day next succeeding the last day of the Flexible Segment for each affected Bond shall be with respect to such Bond the effective date of the Rate Period elected by the Company. The Remarketing Agent, promptly upon the determination thereof, shall give written notice of such last day and such effective dates to the Company, the Trustee and the Paying Agent.

Term Rate Period

Term Rate. During each Term Rate Period, the Bonds will bear interest at the Term Rate which will be determined by the applicable Remarketing Agent on a Business Day selected by the Remarketing Agent, but not more than 40 days prior to and not later than the effective date of such Term Rate Period. The Term Rate will be the rate determined by the applicable Remarketing Agent on such date, and communicated on such date to the Trustee, the Paying Agent and the Company, by written notice or by telephone promptly confirmed by telecopy or other writing, as being the lowest rate which would enable the Remarketing Agent to sell the Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof; provided, however, that if, for any reason, a Term Rate for any Term Rate Period is not determined or effective or if an adjustment from a Term Rate Period to another Rate Period is not effective, the Rate Period for the Bonds will automatically convert to a Daily Rate Period. If a Daily Rate for the first day of such Daily Rate Period is not determined as described under "—Daily Rate Period—Daily Rate", the Daily Rate for the first day of such Daily Rate Period shall be 80% of the most recent One-Year Note Index theretofore published in The Bond Buyer. In no event will any Term Rate be greater than 12% per annum.

Adjustment to or Continuation of a Term Rate Period. The interest rate borne by the affected Bonds will be adjusted to or continued at a Term Rate, at any time, upon receipt by the Issuer, the Trustee, the Paying Agent, the applicable Remarketing Agent and the applicable Credit Provider of written notice from the Company, which notice will indicate the duration of the Term Rate Period during which the affected Bonds will bear interest at such rate. At the time the Company elects an adjustment to or continuation of a Term Rate Period, the Company may specify two or more consecutive Term Rate Periods and, if the Company so specifies, will specify the duration of each such successive Term Rate Period. Such notice must specify the effective date of each Term Rate Period, which will be (1) a Business Day not earlier than the twelfth day (the fifteenth day if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) following the fifth Business Day after the date of receipt by the Trustee of such notice (or such shorter period acceptable to the Trustee); (2) in the case of an adjustment from a Monthly Rate Period or an adjustment from or continuation of a Term Rate Period, a day on which the affected Bonds would be permitted to be redeemed at the option of the Company pursuant to the provisions of the Ordinance as described herein under "—Redemption of Bonds—Optional Redemption—Monthly Rate Period" or "—Optional Redemption—Term Rate Period," as applicable; and (3) in the case of an adjustment from a Flexible Rate Period either (i) the day immediately following the last day of the then current Flexible Rate Period, or (ii) for each affected Bond, the day immediately following the last day of the last Flexible Segment for such Bond in the then current Flexible Rate Period; provided, however, that if prior to the Company's making such election, any affected Bonds shall have been called for redemption and such redemption has not been effected, the effective date of such Term Rate Period will not precede such redemption date. In addition, such notice must specify the last day of such Term Rate Period (which shall be either the day preceding the date of final maturity of the affected Bonds or a day which both immediately precedes a Business Day and is at least one hundred eighty (180) days after such effective date), and unless such Term Rate Period immediately succeeds a Term Rate Period of the same duration and is subject to the same optional redemption rights provided by the Ordinance, shall be accompanied by an opinion of bond counsel to the effect that such adjustment (1) is authorized or permitted by the Ordinance and the Act, and (2) will not adversely affect the Tax-Exempt status of interest on the Bonds.

If, by the second Business Day preceding the fourteenth day prior to the last day of any Term Rate Period, the Trustee shall not have received notice of the Company's election that, during the next succeeding Rate Period, the affected Bonds will bear interest at a Daily Rate, a Weekly Rate, a Monthly Rate, a Term Rate or a Flexible Rate accompanied by appropriate opinions of bond counsel, if expressly required by the provisions of the Ordinance, the next succeeding Rate Period shall be a Term Rate Period of the same duration as the immediately preceding Term Rate Period and the optional redemption prices and periods for such successive Term Rate Period shall be the same as for the immediately preceding Term Rate Period; provided,

however, that if the last day of any such successive Term Rate Period is not a day immediately preceding a Business Day, then such successive Term Rate Period will end on the first day immediately preceding the Business Day next succeeding such day, or if such last day would be after the day prior to the final maturity date of the affected Bonds, such Term Rate Period shall end on the last day prior to such maturity date.

Notice of Adjustment to or Continuation of a Term Rate Period. The Trustee must give notice of an adjustment to or continuation of a Term Rate Period to the holders of the Bonds not less than twelve days (fifteen days if the then current Rate Period is a Term Rate Period or if such Bonds are then held in book-entry form) prior to the effective date of such Term Rate Period. In the event such adjustment or continuation is from a Term Rate Period to a Term Rate Period of equal duration, such notice shall state (1) that the interest rate on the affected Bonds will be adjusted to, or continue to be, a Term Rate (subject to the Company's ability to rescind its election as provided in the Ordinance), (2) the effective date and the last date of the Term Rate Period, (3) that the Term Rate for such Term Rate Period will be determined not later than the effective date thereof, (4) how such Term Rate may be obtained from the Remarketing Agent, (5) the Interest Payment Dates after such effective date, (6) that, during such Term Rate Period, the holders of Bonds will not have the right to tender their Bonds for purchase, (7) the redemption provisions that will apply to affected Bonds during such Term Rate Period, (8) whether any Credit Facility (as defined in the Ordinance) will be in effect after such effective date and, if so, the name of the Credit Provider and the interest coverage and expiration date of any such Credit Facility, and (9) the rating or ratings, if any, which the Bonds are expected to receive from the Rating Agencies as of such effective date. In the event such adjustment or continuation is not from a Term Rate Period to a Term Rate Period of equal duration, such notice shall state (1) that the interest rate on such Bonds will be adjusted to, or continue to be, a Term Rate (subject to the Company's ability to rescind its election as provided in the Ordinance), (2) the effective date of the Term Rate Period, (3) that such Bonds shall be subject to mandatory tender for purchase on such effective date, (4) the procedures for such mandatory tender, (5) the purchase price of such Bonds on such effective date (expressed as a percentage of the principal amount thereof), and (6) that the holders of such Bonds do not have the right to retain their Bonds on such effective date.

Determinations Conclusive

The determination of any Daily Rate, Weekly Rate, Monthly Rate, Flexible Rate and Term Rate and each Flexible Segment by the applicable Remarketing Agent shall be conclusive and binding upon such Remarketing Agent, the Trustee, the Paying Agent, the Company, the Issuer and the holders of the Bonds.

Automatic Adjustment to Daily Rate Upon Rescission of Rate Period Adjustment

The Company may rescind any election by it to adjust to or continue a Rate Period prior to the effective date thereof, by giving written notice to the Issuer, the Trustee and the applicable Remarketing Agent prior to such effective date. If notice of the election to adjust to or continue the Rate Period has previously been given by the Trustee to the holders of the Bonds, then the Rate Period will automatically adjust to a Daily Rate Period on the date originally scheduled for such adjustment or continuation. If a Daily Rate for the first day of any such Daily Rate Period is not determined as described under "—Daily Rate Period—Daily Rate", the Daily Rate for the first day of such Daily Rate Period will be 80% of the most recent One-Year Note Index theretofore published in The Bond Buyer.

Optional Tender for Purchase

Daily Rate Period. On any Business Day during any Daily Rate Period, any Bond (or portion thereof in an Authorized Denomination) will be purchased at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, to the date of purchase, upon (i) delivery by the holder of such Bond to the Tender Agent at its Principal Office by no later than 11:00 a.m., New York City time, on such Business Day, of an irrevocable notice by telephone or in writing, which states the principal amount, or portion thereof, of such Bond to be tendered for purchase and the date of purchase, and (ii) delivery of such Bond to the Tender Agent at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date (as defined in the Ordinance).

Weekly Rate Period. On any Wednesday, or if such Wednesday is not a Business Day, then the next succeeding Business Day, during any Weekly Rate Period, any Bond (or portion thereof in an Authorized Denomination) will be purchased at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, to the date of purchase, upon (i) delivery by the holder of such Bond to the Tender Agent at its principal office of an irrevocable notice by telephone (promptly confirmed in writing) or in writing by 5:00 p.m. New York City time on any Business Day at least seven days prior to the date of purchase, which states the principal amount or portion thereof of such Bond to be tendered for purchase and the date of purchase, and (ii) delivery of such Bond to the Tender Agent at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date.

Monthly Rate Period. On any Interest Payment Date during a Monthly Rate Period, any Bond (or portion thereof in an Authorized Denomination) will be purchased at a purchase price equal to 100% of the principal amount thereof, upon (i) delivery by the holder of such Bond to the Tender Agent at its principal office of an irrevocable notice in writing, by 5:00 p.m., New York City time, on any Business Day at least seven days prior to such Purchase Date, which states the principal amount of such Bond to be tendered for purchase and the Purchase Date, and (ii) delivery of such Bond to the Tender Agent at its Principal Office, accompanied by an instrument of transfer thereof, in a form satisfactory to the Tender Agent, executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date.

Term Rate Period. On the first day of any Term Rate Period which is preceded by a Term Rate Period of the same duration, any Bond (or portion thereof in an Authorized Denomination) will be purchased from its holder, at a purchase price equal to 100% of the principal amount thereof plus accrued interest thereon upon (i) delivery by the holder of such Bond to the Tender Agent at its Principal Office, of an irrevocable notice in writing, by 5:00 p.m., New York City time, on any Business Day not less than fifteen days prior to the Purchase Date which states the principal amount, or portion thereof, of such Bond to be purchased, and (ii) delivery of such Bond to the Tender Agent at its Principal Office accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof with the signature of such holder guaranteed by a guarantor acceptable to the Tender Agent, at or prior to 1:00 p.m., New York City time, on the Purchase Date.

Bonds tendered for purchase under the provisions of the Ordinance must be delivered to the Principal Office of the Tender Agent; provided that so long as any Bond is held in book-entry form, such Bond need not be delivered in connection with any tender pursuant to the provisions of the Ordinance described in this Section.

Mandatory Tender for Purchase

The Bonds are subject to mandatory tender for purchase at a purchase price equal to the principal amount thereof, plus accrued interest to the Purchase Date therefor, on any of:

(a) as to any Bond, the effective date of any change in a Rate Period for such Bond other than the effective date for a Term Rate Period which was preceded by a Term Rate Period of the same duration;

(b) as to each Bond in a Flexible Rate Period, the day next succeeding the last day of any Flexible Segment with respect to such Bond;

(c) as to all Bonds of a Series, the second Business Day next preceding the termination of any Credit Facility with respect to such Series (whether upon the stated termination date thereof or upon the substitution of a different Credit Facility) unless the Trustee shall have received, on or before the twentieth day prior to such termination date, written confirmation from each Rating Agency (as such term is defined in the Ordinance) then rating the Bonds that such termination shall not result in the lowering or withdrawal of the then current ratings on the Bonds of such Series;

(d) as to all Bonds of a Series, a day, as specified by the Trustee, not more than twenty days after receipt by the Trustee from the Credit Provider with respect to such Series, within seven days after a drawing on the Credit Facility with respect to such Series, of a notice to the effect that the Credit Provider has not been reimbursed for such drawing, and that the amount available to be drawn thereunder has not been reinstated and directing the Trustee to give notice of such mandatory tender and to purchase such Bonds on the applicable Purchase Date; or

(e) as to all Bonds of a Series, a day, as specified by the Trustee, not more than twenty days after receipt by the Trustee from the Credit Provider with respect to such Bonds, of a written notice stating that an event of default has occurred under the applicable Reimbursement Agreement and directing the Trustee to give notice of such mandatory tender and to purchase such Bonds on the applicable Purchase Date.

The Bonds are also subject to mandatory tender for purchase on the day next succeeding any Term Rate Period which ends prior to the day originally established as the last day of such Term Rate Period at a purchase price equal to the principal amount thereof plus an amount equal to any premium which would have been payable on such day had the Company directed optional redemption of such Bonds on that day.

On the day next succeeding the last day of any Flexible Segment for any Bond, such Bond shall be purchased (as described in clause (b) above) unless the holder thereof elects to retain its investment in the Bond and not to have such Bond purchased by delivery to the Tender Agent at the Principal Office of the Tender Agent not later than 11:00 a.m., New York City time, on the first day of the applicable Flexible Segment, of an irrevocable telephonic notice which states that such Bond is not to be so purchased. Payment of interest on Bonds to be retained shall be made only upon exchange thereof for a Bond bearing a notation of the new Flexible Segment and new Flexible Rate.

The Trustee shall give notice by first-class mail to the holders of a Series of Bonds of the termination of any Credit Facility with respect to such Series and of the provision of any proposed substitute Credit Facility with respect to such Series, not later than the fifteenth day prior to such termination or provision. Such notice shall (i) include a general description of any Credit Facility in effect prior to such termination or provision and any substitute Credit Facility to be in effect on such termination or provision, (ii) state the date of such termination or provision, (iii) state the ratings, if any, expected for the Bonds after such termination or provision, and (iv) if by the twentieth day prior to such termination or provision the Trustee shall not have received written confirmation from each nationally recognized Rating Agency then rating the Bonds that such termination or provision will not result in the lowering or withdrawal of the then current rating or ratings on the Bonds, state that the Bonds shall be subject to mandatory tender for purchase on the second Business Day next preceding such termination as described in clause (c) above.

The Trustee shall give notice by first-class mail to the holders of the affected Bonds of any mandatory tender occurring by reason of clause (d) or (e) above no later than five days after receiving the notice from the Credit Provider as described in such clause (d) or (e), as applicable, and not less than fifteen days prior to the mandatory tender date described in such clause (d) or (e), as applicable.

Redemption of Bonds

Optional Redemption—Daily Rate Period or Weekly Rate Period. On any Business Day during a Daily Rate Period or a Weekly Rate Period for a Series of Bonds, the Bonds are subject to redemption, at the option of the Company, in whole or in part, at 100% of their principal amount, plus accrued interest, if any, to the redemption date.

Optional Redemption—Monthly Rate Period. On any Interest Payment Date during a Monthly Rate Period, the Bonds are subject to redemption at the option of the Company, in whole or in part, at 100% of their principal amount.

Optional Redemption—Flexible Rate Period. On the day next succeeding the last day of any Flexible Segment with respect to any Bond, such Bond is subject to redemption at the option of the Company, in whole or in part, at 100% of its principal amount.

Optional Redemption—Term Rate Period. On the day next succeeding the last scheduled day of any Term Rate Period with respect to a Series of Bonds, such Bonds shall be subject to redemption at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date. During any Term Rate Period, the Bonds are subject to redemption, at the option of the Company, during the periods specified below, in whole at any time or in part from time to time, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued interest, if any, to the redemption date:

Length of Term Rate Period (in years)	Redemption Dates and Prices
Greater than 15	At any time on or after the first day of the calendar month following the tenth anniversary of the effective date at 102% declining 1% annually to 100%
Greater than 10 and less than or equal to 15	At any time on or after the first day of the calendar month following the fifth anniversary of the effective date at 102% declining 1% annually to 100%
Greater than 7 and less than or equal to 10	At any time on or after the first day of the calendar month following the third anniversary of the effective date at 102% declining 1% annually to 100%
Greater than 4 and less than or equal to 7	At any time on or after the first day of the calendar month following the second anniversary of the effective date at 101% declining 0.5% annually to 100%
Greater than 2 and less than or equal to 4	At any time on or after the first day of the calendar month following the second anniversary of the effective date at 101% declining 0.5% each six months thereafter to 100%
Greater than 1 and less than or equal to 2	At any time on or after the first day of the calendar month following the first anniversary of the effective date at 100.5%, declining 0.5% six months thereafter to 100%
Less than or equal to 1	Not redeemable

The Company shall have the option to cause the Rate Period for either Series of Bonds to change on any date on which such Bonds are subject to redemption as provided above, in which event such Bonds shall be subject to mandatory tender at the applicable price set forth above, as described in the second paragraph under "—Mandatory Tender for Purchase."

With respect to any Term Rate Period, the Company may, in the notice required by the Ordinance with respect to an adjustment to or continuation of a Term Rate Period, specify redemption prices and periods other than those set forth above; provided, however, that such notice shall be accompanied by an opinion of bond counsel stating that such changes in redemption prices and periods (i) are authorized or permitted by the Act and the Ordinance, and (ii) will not adversely affect the Tax-Exempt status of the Bonds.

Extraordinary Optional Redemption. The Bonds will be redeemed in whole or in part at any time at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, to the redemption date upon receipt by the Trustee of a written notice from the Company stating that any of the following events has occurred and that the Company therefore intends to exercise its option to prepay the payments due under the Agreement and thereby effect the redemption of Bonds in whole or in part:

(a) the Plant or the Project or a portion thereof the original cost of which is equal to or greater than $500,000 shall have been damaged or destroyed to such extent that, in the opinion of the Company (i) it is not practicable or desirable to rebuild, repair or restore the Project or such portion thereof within a period of six consecutive months following such damage or destruction, (ii) the Company is or will be thereby prevented from carrying on its normal operations at the Project or such portion thereof for a period of six consecutive months, or (iii) the cost of restoration thereof would substantially exceed the net proceeds of insurance carried thereon;

(b) title to, or the temporary use of, the Plant or the Project or a portion thereof the original cost of which is equal to or greater than $500,000 shall have been taken under the exercise of the power of eminent domain, including such a taking as results (or is likely to result) in the Company being prevented from carrying on normal operations at the Project or such portion thereof for a period of six months or as renders the Project or such portion thereof unsuitable for use by the Company;

(c) unreasonable burdens or excessive liabilities, in the opinion of the Company, shall have been imposed on the Company, including, without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Agreement; or

(d) any court or administrative body or regulatory agency shall enter a judgment, order or decree requiring the Company to cease all or any substantial part of its operations at the Project or a portion thereof the original cost of which is equal to or greater than $500,000, to such an extent that, in the opinion of the Company it is or will be thereby prevented from carrying on its normal operations at the Project or such portion thereof for a period of six consecutive months.

Mandatory Redemption. Upon the occurrence of any of the following events, the Bonds of any affected Series shall be redeemed, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, from amounts required to be prepaid by the Company:

(A) in whole on any date upon a Determination of Taxability (as hereinafter defined); provided, however, that if, in the opinion of bond counsel delivered to the Issuer and to the Trustee, the redemption of a specified portion of such Bonds outstanding would have the result that interest payable on such Bonds remaining outstanding after such redemption would remain Tax-Exempt, then such Bonds shall be redeemed in part by lot (in Authorized Denominations) in such amount as such bond counsel in such opinion shall have determined is necessary to accomplish that result; or

(B) in whole upon the acceleration of payments due with respect to such Series under the Agreement following an event of default (as such term is defined in the Agreement) thereunder; provided, however, that such redemption shall not occur if, pursuant to the Agreement, the acceleration of such payments is annulled prior to the redemption date and, in such event, the Trustee will promptly give written notice of such annulment to the Issuer and the Company, and will give notice thereof to the holders of the Bonds and each Credit Provider.

For purposes of the foregoing, "Determination of Taxability" means a determination that interest payable on any Bond is includable in the gross income for federal income tax purposes of the holder of such Bond (other than a holder who is a "substantial user" of the Project or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code with respect to the Series B Bonds and within the meaning of Section 147(a) of the 1986 Code with respect to the Series C Bonds). Such determination shall be deemed to have been made upon the date on which, due to the untruth or inaccuracy of any representation or warranty made by the Company in the Agreement, or in connection with the offer and sale of the Bonds, or the breach of any covenant or warranty of the Company contained in the Agreement, interest on the Bonds, or any of them, is determined to be includable in the gross income for federal income tax purposes of the owners thereof (other than an owner who is a "substantial user" of the Project or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code with respect to the Series B Bonds and within the meaning of Section 147(a) of the 1986 Code with respect to the Series C Bonds) by a final administrative determination of the Internal Revenue Service or a final judicial decision of a court of competent jurisdiction in a proceeding of which the Company received notice and was afforded an opportunity to participate to the full extent permitted by law. A determination or decision will not be considered final for purposes of the preceding sentence unless (A) the holder or holders of the Bonds involved in the proceeding in which the issue is raised (i) shall have given the Company and the Trustee prompt notice of the commencement thereof, and (ii) shall have offered the Company the opportunity to control the proceeding; provided the Company agrees to pay all expenses in connection therewith and to indemnify such holder or holders against all liability for such expenses (except that any such holder may engage separate counsel, and the Company shall not be liable for the fees or expenses of such counsel); and (B) such proceeding shall not be subject to a further right of appeal or shall not have been timely appealed.

Notice and Manner of Redemption; Effect. Notice of redemption shall be given by the Trustee, not fewer than 15 nor more than 60 days prior to the redemption date, (i) by first-class mail to the registered holder of each Bond to be redeemed at such registered holder's address as it appears on the registration books and to the applicable Credit Provider and (ii) by telecopy, confirmed by first-class mail, to the Securities Depositories (as defined in the Ordinance) and one or more Information Services (as defined in the Ordinance). During the continuance of a book-entry system, the Trustee shall not be obligated to give notices to beneficial holders. See "—Book-Entry Only System" below. Each notice of redemption shall state, among other things, the redemption date, the place of redemption, the source of funds to be used for such redemption and the principal amount, and shall also state that the interest on the Bonds designated for redemption shall cease to accrue from and after such redemption date and that on such date there will become due and payable on each of the Bonds the principal amount thereof to be redeemed, interest accrued thereon, if any, to the redemption date and the premium, if any, thereon (such premium to be specified). No publication of notice is required. If less than all the Bonds are called for redemption, the Trustee shall select Bonds to be redeemed by lot.

With respect to any notice of optional redemption, unless upon the giving of such notice such Bonds shall be deemed to have been paid, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of Available Amounts (as defined in the Ordinances) sufficient to pay the principal of, and premium, if any, and interest on, such Bonds to be redeemed, and that if such Available Amounts shall not have been so received said notice shall be of no force and effect and the Issuer shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such Available Amounts are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such Available Amounts were not so received.

If moneys for payment of the redemption price are held by the Trustee, Bonds called for redemption shall become due and payable on the redemption date at the applicable redemption price, interest on the Bonds called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any lien, benefit or security under the Ordinance, and the holders of the Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof (including interest, if any, accrued to the redemption date), without interest accrued on any funds held to pay such redemption price.

Failure to mail notice of redemption to any registered owner of the Bonds or any defect therein in respect of any Bond will not affect the validity of the redemption of any other Bonds and will not extend the period for making elections or in any way change the rights of the holders of the Bonds to elect to have their Bonds purchased as provided in the Ordinance. Failure to give notice of redemption to any one or more of the Information Services or Securities Depositories or the insufficiency of any of any such notices will not affect the sufficiency of the proceedings for redemption.

If, thirty days after any redemption date, any Bonds called for redemption have not been presented to the Trustee for payment, the Trustee will no later than sixty days following such redemption date send notice by first-class mail to the holder of each Bond not so presented.

Transfer and Exchange

Bonds may be transferred or exchanged for other Bonds in Authorized Denominations at the Principal Office of the Registrar, initially the Trustee. Exchanges and transfers shall be made without charge to the holders, except for any applicable tax, fee or other governmental charge. The Registrar is not required to effect any transfer or exchange of any Bonds during the seven days preceding the mailing of any notice of redemption or of any Bonds called for redemption.

Book-Entry Only System

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants (the "Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the

books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants. Beneficial Owners of the Bonds will have no lien or security interest in any rebate or refund paid by DTC to the Paying Agent which arises from the payment by the Paying Agent of principal of or interest on the Bonds to DTC.

Notwithstanding anything to the contrary in the foregoing paragraphs, the Tender Agent shall accept any notice of tender from any Beneficial Owner of any Bond held in book-entry form, but shall make payment of the purchase price thereof only to the registered owner of such Bond.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. In such event or if the Company determines to discontinue the services of DTC, certificates for the Bonds will be delivered as described in the Ordinance unless a successor securities depository is appointed by the Issuer (with the consent or at the direction of the Company).

THE ISSUER, THE COMPANY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES, AND NONE OF THEM HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER, WITH RESPECT TO, AMONG OTHER THINGS, (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE BONDS; (III) THE DISTRIBUTION OF ANY REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO. (INCLUDING THE TIMELINESS OF SUCH DISTRIBUTION); OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Company believes to be reliable, but neither the Issuer nor the Company nor the Underwriters take any responsibility for the accuracy thereof.

The Letters of Credit

The following description applies to each of the Series B Letter of Credit and the Series C Letter of Credit. The Letters of Credit are irrevocable obligations of the applicable Credit Provider to pay to the applicable Trustee upon request, (i) in order to pay interest on the respective Series of Bonds as such interest becomes due, an amount not exceeding the interest on such Series of Bonds for up to sixty-two days computed at the rate of 12% per annum, and (ii) in order to pay principal on the respective Series of Bonds as such principal becomes due, an amount not exceeding the principal amount of the respective Series of Bonds. Each Letter of Credit will terminate on the earliest of (i) the stated expiration date of the Letter of Credit (as described below), (ii) the date the applicable Credit Provider is notified of the substitution of an Alternate Credit Facility (as described below) for the related Series of Bonds and, in the case of the Series B Letter of Credit, the Letter of Credit is surrendered to the Credit Provider, (iii) the date notified to the applicable Credit Provider by the applicable Trustee as the date on which there is no longer any related Bond outstanding, (iv) the Credit Provider honoring a draft upon the maturity, acceleration, redemption, or purchase due to mandatory tender under the circumstances described in subparagraphs (c), (d) and (e) of the first paragraph under the heading "—Mandatory Tender for Purchase" above, of all of the related Series of Bonds and at the close of business on the effective date of any such mandatory tender; or (v) the Credit Provider honoring a draft upon purchase due to mandatory tender upon a change in Rate Period of the related Series of Bonds to a Term Rate Period or a Flexible Rate Period and at the close of business on the effective date of a change in Rate Period of the related Series of Bonds to a Term Rate Period or a Flexible Rate Period. The stated expiration date of each of the Letters of Credit is as follows:

Series B	September 14, 1997
Series C	September 14, 1997

The termination of a Letter of Credit may result in a mandatory tender of the related Series of Bonds unless certain conditions are satisfied. See "—Mandatory Tender for Purchase."

The obligation of the applicable Credit Provider under the related Letter of Credit will be reduced to the extent of any drawings thereunder. With respect to a drawing by the applicable Trustee to pay interest on the related Series of Bonds, unless the Trustee has received from the applicable Credit Provider within seven calendar days from the date of such drawing a notice that the Credit Provider has not been reimbursed, the Trustee's right to draw under the Letter of Credit will be automatically reinstated by the amount of such drawing. With respect to a drawing by the applicable Trustee to pay the purchase price of the related Series of Bonds tendered for purchase, except in the case of a mandatory tender of the related Series of Bonds under certain circumstances, the amount available under the related Letter of Credit for the payment of principal of and interest on such Series of Bonds will be reinstated to the extent the Credit Provider is reimbursed for amounts so drawn.

Notice from a Credit Provider to the related Trustee of the failure by the Company to reimburse the Credit Provider pursuant to the terms of the related Reimbursement Agreement within seven days of a drawing or notice from a Credit Provider to the related Trustee of an event of default under the related Reimbursement Agreement will result in a mandatory tender of the related Series of Bonds. See "—Mandatory Tender for Purchase." Only the Trustee for a particular Series of Bonds is entitled to make a drawing under the related Letter of Credit supporting such Series.

Substitution of Credit Facility

As provided in each Ordinance, the Company may at any time terminate any Credit Facility; provided, however, that the Company may not terminate any Credit Facility for a Bond during any Term Rate Period or Flexible Segment with respect to such Bond. See "—The Ordinances—Credit Facilities; Credit Provider Bonds." If there shall have been delivered to the Issuer and the Trustee (i) a substitute Credit Facility and (ii) an opinion of bond counsel to the effect that the delivery of such Credit Facility to the Trustee is permitted under the Act and the Agreement and complies with the terms of the Agreement and the Ordinance and that the delivery of such Credit Facility will not adversely affect the Tax-Exempt status of interest on the Bonds, then the Trustee shall accept such Credit Facility. In the event that the Company elects to terminate a Credit Facility or to provide a substitute Credit Facility, the related Series of Bonds is subject to mandatory tender unless the Trustee shall have received written confirmation from each Rating Agency then rating such Bonds at least twenty days prior to such termination or substitution that such Rating Agency's then current rating on such Bonds will not be lowered or withdrawn as a result of such termination or provision. Subject to the qualifications stated above, the Company is not required to maintain a Credit Facility in support of the Bonds.

THE AGREEMENTS

Each Agreement will operate independently of the other. However, except as otherwise described, each Agreement contains substantially the same terms and provisions, and the following is a summary of certain provisions of each Agreement. All references in this summary to the Agreement, the Bonds, the Ordinance, the Project and similar references shall be read as relating to each Agreement, and Bonds, the Ordinance and the Project related thereto unless the context clearly indicates otherwise.

General

The City of Farmington will enter into the Series B Agreement with the Company confirming the prior sale of the Company's interest in the Series B Project by the Company to the City of Farmington and the sale back by the City of Farmington to the Company. The purchase price of the Series B Project to be paid by the Company includes an amount equal to the aggregate of the principal and premium, if any, and interest on the Series B Bonds.

The City of Farmington will enter into the Series C Agreement with the Company pursuant to which the Company's interest in the Series C Project will be sold by the Company to the City of Farmington and then will be sold back by the City of Farmington to the Company. The purchase price of the Series C Project to be paid by the Company will be an amount equal to the aggregate of the principal and premium, if any, and interest on the Series C Bonds.

Amendment of Description of the Project

In the event that the Company desires to amend or supplement the description of the Project and the Issuer approves of such amendment or supplement, the Issuer will enter into, and will instruct the Trustee to consent to, such amendment or supplement upon receipt of:

(i) a certificate of the Company describing in detail the proposed changes and stating that they will not have the effect of disqualifying any component of the Project as a facility that may be financed pursuant to the Act;

(ii) a copy of the proposed form of amended or supplemented Project description; and

(iii) an opinion of bond counsel to the effect that such proposed changes will not adversely affect the Tax-Exempt status of interest on the Bonds.

Purchase Price Installments

The Company has agreed under the Series B Agreement to pay the purchase price for the Company's interest in the Series B Project (the "Series B Purchase Price"), which is an amount equal to the aggregate principal amount of the 1983 Prior Bonds and the Series B Bonds then outstanding, plus interest on such amount outstanding from time to time, plus premium, if any, in the amounts and at the times necessary to enable the Trustee, on behalf of the Issuer, to pay when due all amounts payable with respect to the 1983 Prior Bonds and the Series B Bonds, whether as principal, premium, interest or otherwise, and, whether at maturity, upon redemption or otherwise. The Company's obligations to pay the Series B Purchase Price will be reduced from time to time by any amount drawn under the letter of credit supporting the 1983 Prior Bonds and a Credit Facility supporting the Series B Bonds and applied to the corresponding payment of principal of and interest on the 1983 Prior Bonds and the Series B Bonds. The Company has agreed under the Series C Agreement to pay the purchase price for the interest in the Series C Project (the "Series C Purchase Price" and, together with the Series B Purchase Price, "Purchase Price Installments", and each a "Purchase Price Installment"), which is an amount equal to the aggregate principal amount of the Series C Bonds then outstanding, plus interest on such amount outstanding from time to time, plus premium, if any, payable in the amounts and at the times necessary to enable the Trustee, on behalf of the Issuer, to pay when due all amounts payable with respect to the Series C Bonds, whether as principal, premium, interest or otherwise, and whether at maturity, upon redemption or otherwise. The Company's obligation to pay the Series C Purchase Price will be reduced from time to time by any amounts drawn under a Credit Facility supporting the Series C Bonds and applied to the corresponding payment of principal of and interest on the Series C Bonds.

The Company has the option and in certain circumstances the obligation to prepay all or a portion of the Purchase Price Installments related to the Bonds upon the happening of certain events as described under "The Bonds—Redemption of Bonds" and "The Ordinance—Acceleration." To the extent mandatory redemption of the Bonds is required as described under "The Bonds—Redemption of Bonds—Mandatory Redemption," the Company must make the required prepayment, subject to any notice required by the Ordinance, (a) within 180 days of any Determination of Taxability giving rise to such prepayment, (b) immediately in the case of any acceleration of payments following an event of default under the Agreement and (c) immediately upon receipt of notice from the Trustee of any acceleration of the maturity of any Bonds pursuant to the Ordinance. In the event the Company elects or is required to make a prepayment under the Agreement, the Company must give written notice to the Issuer and the Trustee of such prepayment.

The Company's obligations to make payments required by the Agreement and to perform and observe the other agreements on its part contained in the Agreement are absolute and unconditional. Until such time as the principal of and premium, if any, and interest on all of the Bonds shall have been fully paid (or provision for the payment thereof shall have been made as required by the Ordinance), the Company shall perform and observe all of its agreements contained in the Agreement and will not terminate the Agreement, except as otherwise provided therein.

Special Covenants of the Company

Special covenants of the Company under the Agreement include the following:

Maintenance of Corporate Existence. The Company agrees that during the term of the Agreement it will maintain its corporate existence in good standing and will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another person or permit one or more other persons to consolidate or merge into it; provided that the Company may consolidate with or merge into another person, or permit one or more other persons to consolidate with or merge into it, or sell or otherwise transfer to another person all or substantially all of its assets and thereafter dissolve, provided that (1) either (a) the Company is the surviving person or (b) the surviving, resulting or transferee person, as the case may be, (i) assumes and agrees in writing to pay and perform all of the obligations of the Company under the Agreement and (ii) qualifies to do business in the State of New Mexico; and (2) the Company delivers to the Trustee an opinion of bond counsel to the effect that such consolidation, merger or transfer and dissolution does not in and of itself adversely affect the Tax-Exempt status of interest on the Bonds.

Assignments. The rights and obligations of the Company under the Agreements may be assigned by the Company, with the written consent of the Issuer, in whole or in part, provided that, any assignment other than an assignment described above under "Maintenance of Corporate Existence," will be subject to the following conditions: (i) no such assignment shall relieve the Company from primary liability for any of its obligations under the Agreement, and the Company shall continue to remain primarily liable for the payments specified in the Agreement and for the performance of its other obligations thereunder, (ii) the Company shall retain such rights and interests as will permit it to perform its obligations under the Agreement, and any assignee from the Company shall assume the obligations of the Company to the extent of the interest assigned and (iii) the Issuer and the Trustee shall be furnished a true and complete copy of such assignment together with an instrument of assumption and an opinion of bond counsel that such assignment will not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds.

Maintenance and Repair. The Company agrees that, to the extent within its control, as long as it owns or operates the Project, it will maintain the Project, or cause the Project to be maintained, in as reasonably safe condition as its operations shall permit and in good repair and operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof; provided, however, that the Company will have no obligation to maintain, preserve, keep, repair, replace or renew any item or portion of the Project (a) the maintenance, preservation, keeping, repair, replacement or renewal of which becomes uneconomic because of damage or destruction or obsolescence (including economic obsolescence) or change in governmental standards and regulations, or the termination of the operation of the generating facilities to which the portion of the Project is an adjunct, and (b) with respect to which the Company has furnished to the Issuer and the Trustee a certificate executed by an authorized Company representative that the maintenance, preservation, keeping, repair, replacement or renewal of such portion of such Project is being discontinued for one of the foregoing reasons, which shall be stated therein.

The Company shall have the privilege at its own expense of remodeling the Project or making substitutions, modifications and improvements to the Project from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of the Agreement as part of the Project.

Tax Covenants

Under the Agreements, the Issuer covenants and agrees that it will not take or omit to take any action reasonably within its control that will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the 1986 Code or otherwise will cause interest on the Bonds to be subject to federal income taxation under Sections 103 and 141 through 150 of the 1986 Code and any applicable regulations thereunder. The Company certifies and represents that it has not taken or, to the extent within its control, permitted to be taken, and the Company covenants and agrees that it will not take or, to the extent within its control, permit to be taken, any action which will cause the interest on the Bonds to become includable in gross income of the holders thereof for federal income tax purposes (except for any Series B Bond during any period while such Series B Bond is held by a "substantial user" of the Series B Project or a "related person" within the meaning of Section 103(b)(13) of the 1954 Code and except for any Series C Bond during any period while such Series C Bond is held by a "substantial user" of the Series C Project or a "related person" with the meaning of Section 147(a) of the 1986 Code). None of the covenants and agreements contained in the Agreement will require either the Company or the Issuer to enter an appearance or intervene in any administrative, legislative or judicial proceeding in connection with any changes in applicable laws, rules or regulations or in connection with any decisions of any court or administrative agency or other governmental body affecting the taxation of interest on the Bonds.

Events of Default

Any one of the following events will constitute an event of default under the Agreement:

(a) failure by the Company to pay Purchase Price Installments or other amounts necessary to purchase tendered Bonds when due;

(b) failure of the Company to observe and perform any covenant, condition or agreement on its part required to be observed or performed by the Agreement (other than a failure resulting in an event of default referred to in (a) above) which continues for a period of sixty days after written notice, which notice shall specify such failure and request that it be remedied, given to the Company by the Issuer or the Trustee, unless the Issuer and the Trustee shall agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected; or

(c) certain specified events of bankruptcy or insolvency of the Company.

The Company shall not be deemed in default under clause (b) above if and so long as the Company is unable to carry out its agreement under the Agreement by reason of certain causes or events not reasonably within the control of the Company, as specified in the Agreement.

Remedies on Default

Whenever any event of default under the Agreement shall have occurred and shall continue,

(a) the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of the Bonds outstanding, shall, by notice in writing delivered to the Company with copies of such notice being sent to the Issuer and each Credit Provider, declare the unpaid balance of the Purchase Price Installment attributable to the affected Bonds and the interest accrued thereon to be immediately due and payable, and such interest and principal shall thereupon become immediately due and payable; provided, however, that the Trustee shall not accelerate the unpaid balance of the Purchase Price Installment attributable to any Bonds secured by a Credit Facility without the prior written

consent of the applicable Credit Provider. Upon any such acceleration, the Bonds of the affected Series shall be subject to mandatory redemption as provided in the Ordinance;

(b) the Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Company; and

(c) the Issuer or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Company under the Agreement.

The provisions of clause (a) of the preceding paragraph are subject to the condition that if, at any time after the unpaid balance of the Purchase Price Installment relating to a Series of Bonds shall have been declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the affected Bonds matured prior to such declaration and all matured installments of interest (if any) upon all such Bonds, with interest on such overdue installments of principal as provided herein, and the reasonable expenses of the Trustee, and any and all other defaults actually known to the Trustee (other than in the payment of principal of and interest on such Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then the holders of at least a majority in principal amount of the affected Bonds then outstanding by written notice to the Issuer and to the Trustee accompanied by the written consent of the Credit Provider with respect to the affected Bonds, may, on behalf of the holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default. No such recision and annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Insurance; Condemnation

So long as any of the Bonds are outstanding, the Company has agreed to maintain, through a program of self-insurance or otherwise, such fire, casualty and other insurance with respect to the Project as is customarily carried by electric utility companies with respect to similar facilities, and all proceeds of such insurance shall be for the account of the Company. In the event that title to or the temporary use of the Project or any part thereof shall be taken in condemnation or by the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the net proceeds of any award to the extent of the Company's interest therein, shall be paid for the account of the Company, and the City of Farmington shall cooperate fully in the handling and conduct of any condemnation proceeding.

Fees, Expenses and Indemnification

The Company has agreed to pay certain expenses in connection with the issuance of the Bonds and the transactions described herein. The Company will indemnify the Issuer and the Trustee against certain costs and charges, including the reasonable fees of attorneys incurred in good faith or arising out of or in connection with any collection or enforcement action under the Agreement. The Company will also indemnify and hold harmless the Issuer and the Trustee against certain liabilities arising out of or connected with the Project, the issuance of the Bonds or the performance of the Ordinance.

Assignment

Pursuant to the Ordinance, the Issuer will assign to the Trustee its rights under and interests in, but not its obligations under, the Agreement, other than its rights to receive its fees and expenses and its rights to indemnification as described above, and certain rights to receive notices and to provide consents under the Agreement.

Amendments

Except under certain limited circumstances set forth in the Agreement and the Ordinance, the Agreement may not be amended without the prior written consent of the Trustee and the Credit Provider for the related Series of Bonds. See "The Ordinances—Amendments."

THE ORDINANCES

Each Ordinance will operate independently of the other. However, except as otherwise described herein each Ordinance contains substantially the same terms and provisions, and the following is a summary of certain provisions of each Ordinance. In addition to providing for the issuance of the Series B Bonds, the Original Ordinance, as supplemented by a resolution adopted by the City of Farmington on May 10, 1994, provided for the issuance of the Series A Bonds which were issued on May 24, 1994. All references in this summary to the Ordinance, the Agreement, the Bonds, the Project and similar references shall be read as relating to each Ordinance, and the Agreement, the Bonds issued under such Ordinance, including, with respect to the Original Ordinance, the Series A Bonds, and the Project related thereto unless the context clearly indicates otherwise.

Bond Fund; Credit Facility Accounts

The Bond Fund, into which the Revenues derived under the Agreement and certain other amounts specified in the Ordinance (including all amounts received by the Trustee pursuant to any Credit Facility except amounts to be used to pay the purchase price of tendered Bonds) will be deposited, will be maintained with the Trustee. While any Bonds are outstanding and except as otherwise provided in the Ordinance, moneys in the Bond Fund will be used for the payment of the principal of and premium, if any, and interest on, the Bonds as the same shall become due, whether at maturity, upon redemption or acceleration or otherwise.

Within the Bond Fund, the Trustee shall establish and maintain a Series Credit Facility Account with respect to each Series of Bonds. Except to the extent such proceeds are used to pay the purchase price of Bonds tendered, proceeds of drawings under any Credit Facility provided with respect to a Series of Bonds shall be deposited in the applicable Series Credit Facility Account.

In making payments of principal of, premium, if any, and interest on a Series of Bonds, the Trustee shall (a) first use any Available Amounts held in the Bond Fund, other than amounts held in the Series Credit Facility Accounts, (b) then use amounts held in the applicable Series Credit Facility Account, and (c) then use any other Revenues (as defined in the Ordinances) received by the Trustee (except amounts on deposit in the Series Credit Facility Account established with respect to another Series of Bonds).

Investment of Funds

Except as provided in the Agreement and the Ordinance, any moneys held in any fund or account established pursuant to the Ordinance, including the Bond Fund, shall be invested by the Trustee, upon written direction of the Company, in any securities or other evidences of indebtedness or demand deposits to the extent such investments are permitted under the laws of New Mexico.

Credit Facilities; Credit Provider Bonds

The Trustee will accept the Letters of Credit as the initial Credit Facilities with respect to the Bonds. See "The Bonds—The Letters of Credit." The Company has the right at any time to terminate any Credit Facility and to provide a substitute Credit Facility with respect to either Series of Bonds; provided, that no such termination or substitution may be made with respect to any Bond during any Term Rate Period or Flexible Segment with respect to such Bond.

In the case of a Credit Facility in the form of a letter of credit, the Trustee shall draw on such Credit Facility subject to and in accordance with its terms, in order to receive payment thereunder not later than the time payment is due on the related Series of Bonds on the following dates in the following amounts:

(i) On each Interest Payment Date, in an amount which will be sufficient to pay all interest due and payable on the outstanding Bonds of the related Series on such Interest Payment Date;

(ii) On any date fixed for payment, defeasance (if a defeasance drawing is allowed under the applicable Credit Facility) or redemption of the related Series of Bonds in part, in an amount which, together with amounts drawn pursuant to clause (i) above, will be sufficient to pay the amount due on such Bonds, including accrued interest;

(iii) On the date fixed for payment of the related Series of Bonds in connection with any declaration of the acceleration of the maturity of the Bonds of such Series following an event of default under the Ordinance, in an amount which will be sufficient to pay all principal and interest due on such Bonds as a result of such declaration on the date fixed for such payment;

(iv) On each Purchase Date, in an amount sufficient to pay the purchase price of any Bonds of the related Series tendered or deemed tendered pursuant to the Ordinance and for which such purchase price has not been received upon the remarketing of such Bonds; and

(v) On the final maturity, defeasance (if a defeasance drawing is allowed under the applicable Credit Facility) or redemption date of the related Series of Bonds in an amount which, together with amounts drawn pursuant to clause (i) above, will be sufficient to pay the principal, premium (if a drawing is permitted for premium under the terms of such Credit Facility), if any, and interest due on all outstanding Bonds of such Series on such final maturity, defeasance or redemption date.

Any Bonds purchased with a drawing under a Credit Facility pursuant to clause (iv) above either (i) shall be registered in the name of or as otherwise directed by the Credit Provider and delivered to or upon the order of such Credit Provider or (ii) shall be held by the Tender Agent or such other person as may be designated by the applicable Credit Provider in the name and on behalf of the Company or as otherwise provided by such Credit Provider and pledged to such Credit Provider, in each case in accordance with the terms of the applicable Reimbursement Agreement; provided, that if such Bonds are then registered in the name of DTC or its Nominee, the Trustee shall immediately upon making any draw on a Credit Facility pursuant to clause (iv) above notify the Tender Agent. Upon receipt of such notice, the Tender Agent shall direct DTC to cause any Bonds purchased with the proceeds of such draw to be transferred to such account at DTC as may be directed by the Credit Provider, and such Bonds shall be held in the name of or for the account of the applicable Credit Provider or as may be directed by such Credit Provider (such Bonds, "Credit Provider Bonds").

Events of Default

The Ordinance defines the occurrence of any of the following events to be an "event of default" with respect to the Bonds:

(a) failure to make payment of any installment of interest on any Bond when such installment shall have become due and payable;

(b) failure to make due and punctual payment of the principal of or premium, if any, on any Bond at the stated maturity thereof, or when such Bond has become due and payable upon proceedings for redemption thereof, or upon the maturity thereof by declaration of acceleration or failure to make any payment necessary to purchase Bonds tendered for purchase in accordance with the Ordinance; or

(c) default by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Ordinance or in any Bond and the continuance of such default for a period of 60 days after written notice thereof shall have been given to the Issuer, the Company and the Credit Provider by the Trustee, or to the Issuer, the Company, the Credit Provider and the Trustee by the holders of not less than 25% in aggregate principal amount of the Bonds at the time outstanding; provided that if the Issuer, the Company or the Credit Provider diligently pursues the correction of any such failure which cannot be corrected within 60 days, such failure will not constitute an event of default under the Ordinance.

Acceleration

Upon the occurrence and continuation of an event of default under the Ordinance, the Trustee may, and upon the written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding shall, by notice in writing delivered to the Company and each Credit Provider, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable; provided, however, that with respect to any Series of Bonds secured by a Credit Facility, the Trustee shall not accelerate the maturity of such Series of Bonds without the prior consent of the applicable Credit Provider. The Ordinance provides, however, that the Trustee is not required to take any action upon the occurrence and continuation of an event of default under (c) above until the Trustee has actual notice or knowledge of such event of default. After such declaration of acceleration, the Trustee shall immediately take such actions as are necessary to realize moneys under each Credit Facility and shall declare all Purchase Price Installments payable under the Agreement to be immediately due and payable in accordance with the terms thereof. Such provisions for acceleration are, however, subject to the condition that if, at any time after the principal of any Bonds of a Series shall have been declared due and payable, and before any judgment or decree for the payment of moneys due shall have been obtained or entered, there shall have been deposited with the Trustee a sum sufficient to pay all of the principal of such Bonds matured prior to such declaration and all matured installments of interest (if any) on such Bonds, with interest on such overdue installments of principal as provided in the Agreement and the reasonable expenses of the Trustee, and all other defaults known to the Trustee (other than in the payment of principal of and interest on such Bonds due and payable solely by reason of such declaration) under the Ordinance are cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then the holders of a majority in aggregate principal amount of the Bonds of such Series then outstanding by written notice to the Issuer and the Trustee accompanied by the written consent of the Credit Provider with respect to such Series of Bonds may annul such declaration with respect to such Series and its consequences.

Other Remedies

In addition, upon the occurrence and continuation of an event of default under the Ordinance the Trustee may, and upon the written request of the holders of a majority in aggregate principal amount of the Bonds then outstanding and receipt of indemnity to its satisfaction will, pursue any available remedy at law or in equity by suit, action or special proceeding to enforce its rights or the rights of the holders of the Bonds under the Act or the Ordinance.

No holder of any Bond shall have the right to institute any suit, action or proceeding in equity or at law for the enforcement of any remedy unless such holder has given notice to the Trustee of the occurrence of an event of default, the holders of at least a majority in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee to so act, such holders shall have tendered to the Trustee reasonable indemnity against costs, expenses and liabilities, and the Trustee shall have failed to so act within thirty days after receipt of such written request and tender of indemnity. Nothing contained in the Ordinance shall, however, without the consent of the holder of such Bond, affect or impair the right of the holder of any Bond to enforce the payment of the principal of and premium, if any, and interest on such Bond out of Revenues on and after the respective due dates expressed in such Bond.

Amendments

Without the consent of or notice to any of the holders of the Bonds, but with the consent of the Credit Provider for the affected Series of Bonds, the Issuer may adopt and the Trustee may accept supplemental ordinances, and the Trustee may, without the consent of any holders of the Bonds, consent to any waiver, amendment or modification ("Amendment") to the Agreement or any Credit Facility ("Document") in each case for any one or more of the following purposes: (a) to add to the covenants or agreements of the Issuer contained in the Ordinance, or of the Company or any Credit Provider contained in any Document, other covenants and agreements thereafter to be observed, or to assign or pledge additional security for the Bonds, or to surrender any right or power reserved to or conferred upon the Issuer or the Company in such Document, provided that no such change shall materially adversely affect the interests of the holders of the Bonds, (b) to make such provision for the curing of any ambiguity, inconsistency, defect or omission in the Ordinance or any Document or in regard to matters or questions arising thereunder as the Issuer may deem necessary or desirable and not inconsistent with the Ordinance and which shall not materially adversely affect the interest of the holders of the Bonds, (c) to permit the qualification of the Ordinance under the Trust Indenture Act of 1939 or any other similar federal statute and, if they so determine, to add to the Ordinance or any ordinance supplemental thereto any other terms, conditions and provisions as may be permitted by such Trust Indenture Act of 1939 or similar federal

statute and which shall not adversely affect the interest of the holders of the Bonds, (d) to provide for any additional procedures, covenants or agreements necessary to maintain the Tax-Exempt status of interest on the Bonds, (e) to modify or eliminate the book-entry registration system for any of the Bonds, (f) to provide for the procedures required to permit any holder of a Bond to separate the right to receive interest on the Bonds from the right to receive principal thereof and to sell or dispose of such rights, as contemplated by Section 1286 of the 1986 Code, (g) to provide for the appointment of a co-trustee or the succession of a new Trustee, Registrar or Paying Agent, (h) to change the description of the Project in the Agreement in accordance with the provisions thereof and of the Tax Certificate; (i) to provide for a Credit Facility; (j) in connection with any other change which, in the judgment of the Trustee, will not adversely affect the security for the Bonds or the Tax-Exempt status of interest thereon or otherwise materially adversely affect the holders of the Bonds; or (k) to modify, alter, amend or supplement the Ordinance or any Document in any other respect if the effective date of such supplemental ordinance or Amendment is a date on which all Bonds affected thereby are subject to mandatory tender for purchase or if notice of the proposed supplemental ordinance or Amendment is given to holders of the affected Bonds at least thirty days before the effective date thereof and, on or before such effective date, such holders of Bonds have the right to demand purchase of their Bonds pursuant to the Ordinance.

Any other modification or amendment of the Ordinance or the Agreement may be made only with the consent of the holders of a majority in aggregate principal amount of the Bonds at the time outstanding and the Credit Providers for the affected Series of Bonds. No such modification or amendment shall be made which will have the effect of extending the time for payment or reducing any amount due and payable by the Company pursuant to the Agreement without the consent of all the holders of the Bonds, and no such supplemental ordinance shall (1) extend the fixed maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each Bond so affected, or (2) reduce the aforesaid percentage of holders of Bonds whose consent is required for the execution of such supplemental ordinances or permit the creation of any lien on the Revenues prior to or on a parity with the lien of the Ordinance, except as permitted by the Ordinance, or permit the creation of any preference of any holder of a Bond over any other holder of a Bond or deprive the holders of the Bonds of the lien created by the Ordinance upon the Revenues or the pledge of any Credit Facility, without the consent of the holders of all the Bonds then outstanding.

The Trustee shall not accept any ordinance supplemental to, or amendatory of, the Ordinance or consent to any amendment to any Document unless the Trustee shall have received the prior written consent of the Company.

Defeasance

If at any time the entire indebtedness or obligation on all outstanding Bonds shall have been paid (or shall be deemed to have been paid) and if all other sums payable under the related Ordinance by the Issuer shall be paid and discharged, and upon the occurrence of certain other conditions, the related Ordinance shall terminate, and the Trustee shall acknowledge its satisfaction and discharge.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem outstanding Bonds, whether upon or prior to their maturity or the redemption date of such Bonds (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for giving such notice), all liability of the Issuer and the Company in respect of such Bonds shall cease, terminate and be completely discharged, except that the Issuer and Company will remain liable for such payment but only from, and the holders of the Bonds will thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date) out of, the money deposited with the Trustee as aforesaid for their payment.

Concerning the Trustee

The Issuer, in the absence of an event of default under the Ordinance, at the direction of the Company, or the holders of a majority in aggregate principal amount of the Bonds at the time outstanding may, at any time, remove the Trustee and appoint a successor Trustee. Under the Ordinance, the Trustee must be a corporation or banking association organized and doing business under the laws of the United States of America or a state thereof, authorized under such laws to exercise corporate trust powers, have a combined capital and surplus of at least $50,000,000 and be subject to supervision and examination by federal or state authorities. The Trustee may at any time resign by giving written notice to the Issuer, the Company and the related Credit

Providers and by giving to the holders of the Bonds notice either by publication of such resignation, which notice shall be published at least once in a qualified newspaper, or by mailing notice by first class mail to such holders of the Bonds.

THE REIMBURSEMENT AGREEMENTS

Each Reimbursement Agreement will operate independently of the other. However, to the extent described herein each Reimbursement Agreement contains substantially the same relevant terms and provisions, and the following is a summary of certain provisions of each Reimbursement Agreement. All references in this summary to the Reimbursement Agreement, the Ordinance, the Agreement, the Bonds, the Project and similar references shall be read as relating to each Reimbursement Agreement, and the Ordinance, the Agreement, the Bonds and the Project related thereto unless the context clearly indicates otherwise.

Reimbursement, Fees and Expenses

The Company will reimburse the applicable Credit Provider for all amounts drawn under the related Letter of Credit, together with interest thereon. The Company also agrees to pay certain other fees and expenses.

Events of Default

The occurrence of certain events shall be events of default under the Reimbursement Agreements. If an event of default occurs under a Reimbursement Agreement, the Credit Provider may provide written notice to the Trustee of such event of default and direct the Trustee to give notice to the holders of the affected Bonds of a mandatory tender of such Bonds. The mandatory tender date will be a date, as specified by the Trustee, not more than 20 days after receipt by the Trustee of the Credit Provider's notice described above. See "The Bonds--Mandatory Tender for Purchase." The occurrence of an event of default under a Reimbursement Agreement does not relieve the Credit Provider of its obligations under the related Letter of Credit.

Events of default under the Reimbursement Agreements generally include, among others, and depending on the particular Reimbursement Agreement: failure by the Company to make payments under the Reimbursement Agreement when due or, in certain cases, within the time specified in the Reimbursement Agreement; certain representations or warranties made by the Company or its officers in or in connection with the Reimbursement Agreement prove to have been false or misleading in any material respect when made; failure of the Company to abide by certain negative covenants or to perform certain other covenants and, with respect to certain covenants, the failure is not remedied within the time specified in the Reimbursement Agreement; failure by the Company to make payment on certain indebtedness or to perform certain covenants with respect to such indebtedness and the failure is not remedied within the time permitted; certain events of bankruptcy, insolvency or reorganization of the Company (or certain subsidiaries of the Company); the failure by the Company (or certain of its subsidiaries) to make payments on certain judgments and the failure is not remedied within the time specified in the Reimbursement Agreement; the occurrence of an event of default under the related Ordinance or, in certain cases, the occurrence of an event of default under certain other agreements; the occurrence of certain events relating to employee benefit plans of the Company or its affiliates; and the failure by the Company to make payments with respect to certain operating leases and the effect of such failure is to cause or permit the termination of such operating lease.

Covenants

The Company agrees to certain covenants under each Reimbursement Agreement. In addition, without the prior written consent of the Credit Provider and certain other banks who are participants in the applicable Reimbursement Agreement, the Company (and, with respect to certain covenants, certain of its subsidiaries) may not, among other things, and depending on the particular Reimbursement Agreement: incur or allow certain liens on its properties unless certain conditions are satisfied, or the Company grants to the Credit Provider liens on its assets as collateral for the obligations under the Reimbursement Agreement; sell, lease or otherwise dispose of certain assets or merge or consolidate unless certain conditions are satisfied; or enter into or consent to any amendment of the Ordinance, the Agreement, the Bonds, the Tender Agreement or the Remarketing Agreement or consent to any change in the Trustee, or, in certain cases, the Remarketing Agent for the related Bonds.

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement, CS First Boston Corporation and Goldman, Sachs & Co. have agreed to purchase the Bonds at prices equal to 100% of the principal amount. The Company has agreed to pay the Underwriters an underwriting fee equal to 0.377% of the principal amount of the Bonds.

Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to purchase all of the Bonds, if any are purchased.

The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the public offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriters.

The Company has agreed to indemnify the Underwriters and the Issuer against certain liabilities, including liabilities under the Federal securities laws.

Each of the Underwriters have provided various investment banking services, including serving as commercial paper dealers under the Company's commercial paper program, to the Company and its affiliates from time to time, for which they have received customary compensation. In addition, each of the Underwriters have provided various investment banking services to Pinnacle West Capital Corporation, the Company's parent, from time to time, for which they have received customary compensation.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe, Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series B Bonds is excluded from gross income for federal income tax purposes, except that Bond Counsel expresses no opinion as to the status of interest on any Series B Bond for federal income tax purposes during any period that such Series B Bond is held by a "substantial user" of facilities refinanced with proceeds of the Series B Bonds or by a "related person" within the meaning of Section 103(b)(13) of the 1954 Code. Interest on the Series B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Interest on the Series B Bonds is exempt from all taxation by the State of New Mexico or any subdivision thereof. A complete copy of the proposed form of opinion of Bond Counsel concerning the Series B Bonds is set forth as Appendix D hereto.

In the opinion of Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series C Bonds is excluded from gross income for federal income tax purposes, except that Bond Counsel expresses no opinion as to the status of interest on any Series C Bond during any period that such Series C Bond is held by a person who is a "substantial user" of the facilities financed with the proceeds of the Series C Bonds or by a "related person" within the meaning of Section 147(a) of the 1986 Code. Interest on the Series C Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Interest on the Series C Bonds is exempt from all taxation by the State of New Mexico or any subdivision thereof. A complete copy of the proposed form of opinion of Bond Counsel concerning the Series C Bonds is set forth as Appendix E hereto.

Title XIII of the Tax Reform Act of 1986, as amended, and Section 103 of the 1954 Code impose various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series B Bonds, and the 1986 Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series C Bonds. The Issuer and the Company have covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds. The opinions of Bond Counsel assume compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Ordinances, the Agreements, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken upon the advice or approval of counsel other than themselves.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and that interest on the Bonds is exempt from all taxation by the State of New Mexico or any subdivision thereof, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the tax liability of the holder of a Bond. The nature and extent of these other tax consequences will depend upon the particular tax status of the holder of the Bond or its other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery of the Bonds and with regard to the tax status thereof will be subject to the approval of Orrick, Herrington & Sutcliffe, San Francisco, California, Bond Counsel. Certain legal matters in connection with the Agreements and the Reimbursement Agreements will be passed upon for the Company by Snell & Wilmer, One Arizona Center, Phoenix, Arizona 85004-0001. The validity of the Agreements will be passed upon for the Underwriters by Sullivan & Cromwell, 444 South Flower Street, Los Angeles, California 90071. In giving their opinions, Sullivan & Cromwell and Snell & Wilmer may rely as to matters of New Mexico law upon the opinion of Keleher & McLeod, P.A., 1200 Public Service Building, Albuquerque, New Mexico 87102, and Sullivan & Cromwell may rely as to all matters of Arizona law upon the opinion of Snell & Wilmer.

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ARIZONA PUBLIC SERVICE COMPANY

The information contained in this Appendix A has been obtained from Arizona Public Service Company (the "Company") and no representation is made by the Issuer or the Underwriters as to its accuracy or completeness.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and in accordance therewith files reports, proxy statements, and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements, and other information can be obtained at prescribed rates from the Public Reference Section of the Commission or may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549 and at certain of its regional offices located at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; and 7 World Trade Center, 13th Floor, New York, New York 10048. Certain securities of the Company are listed on the New York Stock Exchange. Reports, proxy materials, and other information concerning the Company can be inspected at the office of this exchange at 20 Broad Street, 7th Floor, New York, New York 10005.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents previously filed with the Commission by the Company (File No. 1-4473) are incorporated by reference in this Official Statement:

1. The Company's Form 10-K Report for the fiscal year ended December 31, 1993 (the "1993 10-K Report").

2. The Company's Form 10-Q Reports for the fiscal quarters ended March 31 and June 30, 1994 (the "June 10-Q Report").

3. The Company's Form 8-K Reports, dated December 15, 1993, February 23, April 30 and May 19, 1994.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14, or 15(d) of the 1934 Act after the filing date of the June 10-Q Report and prior to the termination of the offering of the securities offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the date of filing of such documents.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which is also incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as modified or superseded, to constitute a part of this Official Statement.

The Company will provide without charge to each person, including any beneficial owner, to whom a copy of this Official Statement is delivered, upon the oral or written request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such documents. Request for such copies should be directed to Arizona Public Service Company, office of the Secretary, Station 9068, P.O. Box 53999, Phoenix, Arizona 85072-3999, (602) 250-3252.

THE COMPANY

The Company was incorporated in 1920 under the laws of Arizona and is principally engaged in providing electricity in the State of Arizona. The principal executive offices of the Company are located at 400 North Fifth Street, Phoenix, Arizona 85004 and its telephone number is (602) 250-1000.

INDEPENDENT AUDITORS

The financial statements and the related financial statement schedules incorporated in this Official Statement by reference to the Company's 1993 Annual Report on Form 10-K have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference.

SELECTED INFORMATION

The following material is qualified in its entirety by reference to the detailed information and financial statements in the documents incorporated by reference in this Official Statement.

The Company

Business	Electric utility servicing approximately 654,000 customers in an area that includes all or part of 11 of Arizona's 15 counties.
Generating Fuel Mix (estimated for the twelve months ended June 30, 1994)	Coal - 65.3%; Nuclear - 28.4%; Gas - 6.1%; Other - 0.2%.

Financial Data (thousands of dollars):

	Twelve Months Ended			
	June 30,	December 31,		
	1994(1)	1993	1992	1991
Electric Operating Revenues	$ 1,690,376	$ 1,686,290	$ 1,669,679	$ 1,515,289
Refund Obligation (2)	--	--	--	(53,436)
Net Operating Revenues	$ 1,690,376	$ 1,686,290	$ 1,669,679	$ 1,461,853
Net Income (Loss)	$ 246,175	$ 250,386	$ 246,805	$ (222,649)
Ratio of Earnings to Fixed Charges	2.97	2.99	2.73	(3)

Capitalization Data (thousands of dollars):

	As of June 30, 1994(1)	As Adjusted(4)	
		Amount	Percentage
Long-Term Debt (excluding current maturities)	$ 2,163,173	$ 2,170,673	55.0%
Redeemable Preferred Stock	145,000	95,000	2.4
Non-Redeemable Preferred Stock	193,561	193,561	4.9
Common Stock Equity	1,485,244	1,485,244	37.7
Total Capitalization	$ 3,986,978	$ 3,944,478	100.0%

(1) Financial data as of and for the twelve months ended June 30, 1994 is unaudited but, in the judgment of the Company's management, contains all necessary adjustments for a fair presentation of the financial position of the Company on such date and the results of operations for such period.

(2) The Company recorded a refund obligation to customers relating to and included in the write-off described in "Regulatory Matters—Rate Case Settlement" in Note 2 of Notes to Financial Statements in Part II, Item 8 of the 1993 10-K Report and in Note 5 of Notes to Financial Statements in Part I, Item 1 of the June 10-Q Report.

(3) The write-off resulting from the Arizona Corporation Commission order settling the Company's rate case (see "Regulatory Matters—Rate Case Settlement" in Note 2 of Notes to Financial Statements in Part II, Item 8 of the 1993 10-K Report) resulted in a negative coverage ratio and an earnings coverage deficiency of approximately $317 million for the twelve months ended December 31, 1991. Excluding the effects of the write-off, the coverage ratio would have been 2.11 for the same period.

(4) For the Company's (i) open market purchase during August 1994 of approximately $24 million in aggregate principal amount of its First Mortgage Bonds, 10 1/4% Series due 2000; (ii) redemption at maturity on September 1, 1994 of $50 million of its $8.50 Cumulative Preferred Stock, Series T ($100 Par Value); and (iii) assumed issuance of the Bonds. It is assumed that all of the net proceeds of the Series B Bonds will be used for the redemption of the 1983 Prior Bonds.

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BARCLAYS BANK PLC, NEW YORK BRANCH

Barclays Bank PLC (the "Bank") together with its subsidiary companies (the "Barclays Bank Group" or the "Group") is a UK based financial services group engaged primarily in the banking and investment banking businesses. In terms of assets employed, the Group is one of the largest financial services groups in the United Kingdom. The Group also operates in many other countries around the world. In addition to servicing domestic markets, it is a principal provider of co-ordinated global services to multinational corporations and financial institutions in the world's main financial centres. The whole of the issued ordinary share capital of the Bank is owned by Barclays PLC, the ultimate parent company of the Group, and the investment in the Bank is the only significant asset of Barclays PLC.

At June 30, 1994, total assets of the Barclays Bank Group were £161,003 million, total deposits by banks, customer accounts and debt securities in issue were £125,199 million, total loans and advances to banks and customers (including finance lease receivables) were £113,767 million and total capital resources were £10,800 million. At June 30, 1994 just over 40% of the Group's total assets were denominated in non-sterling currencies, principally U.S. dollars. On June 30, 1994 the noon buying rate for cable transfers in New York City payable in pounds sterling was US$1.55 per pound sterling.

The summary consolidated financial information for the Bank set forth below has been extracted from the Annual Report on Form 20-F of the Bank for the year ended December 31, 1993 (the "Annual Report") filed with the Securities and Exchange Commission (the "SEC") and from the Interim Report on Form 6-K of the Bank for the six month period ended June 30, 1994 (the "Interim Report"). For further information regarding the Group, reference is made to the Annual Report, the Interim Report and to any subsequent Reports on Form 6-K or Form 8, filed by the Bank with the SEC, copies of which will be provided, without charge, to each person to whom this document is delivered, on the written request of such person directed to:

Barclays Bank PLC
75 Wall Street
New York, New York 10265
Attention: Margaret M. Grieve
Managing Director and General Counsel

BARCLAYS BANK PLC
SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information appearing below has been prepared in accordance with accounting principles generally accepted in the United Kingdom and is based on published financial statements for the periods indicated, restated where appropriate to accord with current accounting practice.

	Six months ended June 30,		Year ended December 31,		
Results	**1994**	**1993**	**1993**	**1992**	**1991**
			(£ million)		
				(restated)	(restated)
Income/(loss) before taxes and minority interests	1,036	335	664	(242)	533
Net Income/(loss)	688	216	368	(298)	283
Financial Position					
Total assets	161,003	169,328	166,008	159,857	144,453
Loans and advances to banks and customers	113,767	120,701	117,081	114,579	108,066
Deposits by banks, customer accounts and debt securities in issue	125,199	137,305	133,288	126,393	118,965
Shareholders' equity	6,507	5,954	5,945	5,814	6,242
Total capital resources	10,800	10,624	10,303	9,813	9,676

Differences between UK and US Accounting Principles

The summary consolidated financial information presented above has been prepared in accordance with accounting principles generally accepted in the United Kingdom ("UK GAAP"). Such principles vary in significant respects from those generally accepted in the United States ("US GAAP"). The significant differences applicable to the Group are summarized in Note 53 to the Group's financial statements contained in the Annual Report.

Approximate net income/(loss) and shareholders' equity calculated in accordance with US GAAP are:

	Six months ended June 30,		Year ended December 31,		
	1994	1993	1993	1992	1991
			(£ million)		
				(restated)	(restated)
Net Income/(loss)	693	227	254	(205)	168
Shareholders' equity	6,165	5,533	5,466	5,358	5,734

The information contained in this Appendix relates to and has been obtained from Barclays Bank PLC. No assurance can be given by the Issuer, the Company or the Underwriters as to its accuracy or completeness. The delivery of the Official Statement or this Appendix shall not create any implication that there has been no change in the affairs of Barclays Bank PLC since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

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UNION BANK OF SWITZERLAND, LOS ANGELES BRANCH

Union Bank of Switzerland ("UBS"), a Swiss banking corporation, was chartered as a bank in Zurich in 1912. UBS's principal executive offices are located at Bahnhofstrasse 45, Zurich. The Los Angeles Branch of UBS is licensed by the Comptroller of the Currency (the "Comptroller") to conduct a banking business as a branch of a foreign bank. The office of the Los Angeles Branch is located at 444 South Flower Street, Los Angeles, California 90071.

UBS has approximately 306 branches and banking subsidiaries throughout Switzerland. UBS also has United States branches, agencies, representatives offices and subsidiaries in New York, Chicago, Houston, Los Angeles and San Francisco and other foreign offices including branches, representative offices and subsidiaries, in Beijing, Frankfurt, Hong Kong, London, Luxembourg, Singapore, Sydney, Taipei, Tokyo and Toronto, for a total of 54 business offices abroad. In addition to the receipt of deposits and the making of loans and advances, UBS engages in other banking and bank-related activities typical of the world's major international banks, including fiduciary, investment advisory and custodial services, foreign exchange and underwriting in the United States, Swiss and Euro-capital markets.

As a Swiss bank, UBS is subject to regulation by the Swiss Federal Banking Commission (the "Swiss Commission") and the Swiss National Bank, and its business is subject to inspection by an independent auditing firm. The auditors review compliance with the Swiss Banking Law and are required to report uncured violations or irregularities to the Swiss Commission, which is authorized to enforce compliance with the Swiss Banking Law. The Swiss National Bank oversees the financial condition and liquidity of Swiss banks. UBS is required to file with the Swiss National Bank annual statements of condition, monthly interim balance sheets, quarterly liquidity statements and other information regarding its financial condition. Information provided to the Swiss Commission and the Swiss National Bank is not available to the general public.

In addition to regulation by the Swiss banking authorities, UBS is subject to regulatory oversight in the United States. The scope of UBS's activities (directly or through subsidiaries) in the United States is limited by the International Banking Act of 1978 and the Bank Holding Act of 1956. The Los Angeles Branch of UBS is licensed by the Comptroller, pursuant to the International Banking Act of 1978, to conduct a banking business as a branch of a foreign bank. It is required to make reports to, and is subject to examination by, the Comptroller.

At December 31, 1993, UBS had total assets of Sfr. 230.8 billion, total deposits (including due to banks) of Sfr. 177.1 billion, notes, bonds and other liabilities of Sfr. 37.0 billion, equity capital and reserves of Sfr. 15.9 billion. At December 31, 1993, foreign (i.e., non-Swiss) business accounted for approximately 54% of UBS's assets and 47% of its liabilities. Such amounts are as reflected in UBS's 1993 Annual Report to Shareholders and do not include UBS's consolidated subsidiaries. The accounting principles applied in the preparation of its financial statements (and therefore reflected herein) may not conform to generally accepted accounting principles applied by United States banks.

Copies of UBS's annual reports to shareholders are available from the Los Angeles Branch of UBS on request at the address in Los Angeles, set forth above.

The information contained in this Appendix has been provided by Union Bank of Switzerland, and no assurance can be given by the Issuer, the Company or the Underwriters as to its accuracy or completeness. The delivery of the Official Statement or this Appendix shall not create any implication that there has been no change in the affairs of Union Bank since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

September __, 1994

City of Farmington, New Mexico,
Farmington, New Mexico

Re: City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series B
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Farmington, New Mexico (the "Issuer") of $65,750,000 aggregate principal amount of City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series B (the "Bonds"), issued pursuant to the provisions of Article 59 of Chapter 3 of the New Mexico Statutes Annotated, as amended and supplemented to the date hereof (the "Act"), and pursuant to an Ordinance adopted by the Issuer on May 10, 1994 and a Resolution adopted by the Issuer on August 23, 1994 (collectively, the "Ordinance"). The Bank of New York has been appointed trustee under the Ordinance (the "Trustee"). The Bonds are issued for the stated purpose of refinancing certain pollution control and solid waste disposal facilities of Arizona Public Service Company, an Arizona corporation (the "Company"), pursuant to an Amended and Restated Installment Sale Agreement, dated as of September 1, 1994 (the "Sale Agreement"), between the Issuer and the Company. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Ordinance.

In such connection, we have reviewed the Ordinance, the Sale Agreement, opinions of counsel to the Issuer, the Company and the Trustee, the Tax Certificate, certificates of the Issuer, the Company, the Trustee and others, and such other documents, opinions and matters to the extent deemed necessary by us to render the opinions set forth herein. We have not undertaken to verify independently, and we have assumed, the accuracy of the factual matters represented, warranted or certified in such documents, and of the legal conclusions contained in the opinions referred to above, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Ordinance, the Sale Agreement relating to the Bonds, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon on or after any such change that occurs or action that is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to

inform any person, whether any such actions are taken or omitted or events do occur, and we have no obligation to update this opinion. Our engagement with respect to the Bonds has concluded with their issuance. Further, we have assumed compliance with all covenants and agreements contained in the Ordinance, the Sale Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinance, the Sale Agreement and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, arrangement and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of New Mexico. We also express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering material relating to the Bonds and express herein no opinion with respect thereto.

Based on and subject to the forgoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer has lawful authority for the issuance of the Bonds, and the Bonds constitute valid and binding limited obligations of the Issuer payable solely from Revenues and other sources as and to the extent specified in the Ordinance.

2. The Ordinance has been duly adopted by, and constitutes the valid and binding obligation of, the Issuer. The Ordinance creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and (to the extent the Issuer has any interest therein) any Credit Facility provided with respect to the Bonds, subject to the provisions of the Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth in the Ordinance. The Ordinance also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Issuer in the Sale Agreement, except the right to receive certain payments and notices and to give certain consents and approvals (to the extent more particularly described in the Ordinance).

3. The Sale Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Issuer.

4. The Bonds are not a debt or liability or pledge of the faith and credit of the Issuer and are payable solely from the funds provided in the Ordinance therefor.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Title XIII of the Tax Reform Act of 1986 and Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of any facilities financed or refinanced with Bond proceeds or by a "related person" within the meaning of Section 103(b)(13) of the 1954 Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income. The Bonds and the income therefrom are exempt from all taxation by the State of New Mexico or any subdivision thereof. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE

per

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September __, 1994

City of Farmington, New Mexico,
Farmington, New Mexico

Re: City of Farmington, New Mexico
Pollution Control Revenue Bonds
(Arizona Public Service Company Four Corners Project)
1994 Series C
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Farmington, New Mexico (the "Issuer") of $31,500,000 aggregate principal amount of City of Farmington, New Mexico Pollution Control Revenue Bonds (Arizona Public Service Company Four Corners Project) 1994 Series C (the "Bonds"), issued pursuant to the provisions of Article 59 of Chapter 3 of the New Mexico Statutes Annotated, as amended and supplemented to the date hereof (the "Act"), and pursuant to an Ordinance adopted by the Issuer on August 9, 1994 and a Resolution adopted by the Issuer on August 23, 1994 (collectively, the "Ordinance"). The Bank of New York has been appointed trustee under the Ordinance (the "Trustee"). The Bonds are issued for the stated purpose of financing certain pollution control and solid waste disposal facilities of Arizona Public Service Company, an Arizona corporation (the "Company"), pursuant to an Installment Sale Agreement, dated as of September 1, 1994 (the "Sale Agreement"), between the Issuer and the Company. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Ordinance.

In such connection, we have reviewed the Ordinance, the Sale Agreement, opinions of counsel to the Issuer, the Company and the Trustee, the Tax Certificate, certificates of the Issuer, the Company, the Trustee and others, and such other documents, opinions and matters to the extent deemed necessary by us to render the opinions set forth herein. We have not undertaken to verify independently, and we have assumed, the accuracy of the factual matters represented, warranted or certified in such documents, and of the legal conclusions contained in the opinions referred to above, and we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer.

The interest rate determination method and certain other requirements, agreements and procedures contained or referred to in the Ordinance, the Sale Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon on or after any such change that occurs or action that is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we have no obligation to update this opinion. Our engagement with respect to the Bonds has concluded with their issuance. Further, we have assumed compliance with all covenants and agreements contained in the Ordinance, the Sale Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinance, the Sale Agreement and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, arrangement and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of New Mexico. We also express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering material relating to the Bonds and express herein no opinion with respect thereto.

Based on and subject to the forgoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Issuer has lawful authority for the issuance of the Bonds, and the Bonds constitute valid and binding limited obligations of the Issuer payable solely from Revenues and other sources as and to the extent specified in the Ordinance.

2. The Ordinance has been duly adopted by, and constitutes the valid and binding obligation of, the Issuer. The Ordinance creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and (to the extent the Issuer has any interest therein) any Credit Facility provided with respect to the Bonds, subject to the provisions of the Ordinance permitting the application thereof for the purposes and on the terms and conditions set forth in the Ordinance. The Ordinance also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Bonds, of the right, title and interest of the Issuer in the Sale Agreement, except the right to receive certain payments and notices and to give certain consents and approvals (to the extent more particularly described in the Ordinance).

3. The Sale Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the Issuer.

4. The Bonds are not a debt or liability or pledge of the faith and credit of the Issuer and are payable solely from the funds provided in the Ordinance therefor.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of any facilities financed with Bond proceeds or by a "related person" within the meaning of Section 147(a) of the Code. The Bonds and the income therefrom are exempt from all taxation by the State of New Mexico or any subdivision thereof. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds, although we observe that interest on the Bonds is a specific preference item for purposes of calculating the federal individual and corporate alternative minimum taxable income.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE

per

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The information contained in this Official Statement has been obtained from the City of Farmington, Arizona Public Service Company and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the City of Farmington, Arizona Public Service Company or the Underwriters. This Official Statement is submitted in connection with the sale of the securities referred to herein, and may not be reproduced or be used, in whole or in part, for any other purpose. Neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances at any time imply that the information herein is correct as of any time subsequent to its date.

No dealer, broker, salesman or any other person has been authorized by Arizona Public Service Company, the City of Farmington, or the Underwriters to give any information or to make any representations other than those contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer of any securities, other than those described on the cover page, or an offer to sell or a solicitation of any offer to buy in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

$65,750,000
City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company
Four Corners Project)
1994 Series B

$31,500,000
City of Farmington, New Mexico
Pollution Control Revenue Bonds
(Arizona Public Service Company
Four Corners Project)
1994 Series C

APS

Arizona Public Service Company

OFFICIAL STATEMENT

CS First Boston
Goldman, Sachs & Co.

Dated September 13, 1994

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated , 2010 (this "Disclosure Certificate"), is being executed and delivered by Arizona Public Service Company, a corporation organized under the laws of the State of Arizona (the "Company"), in connection with the reoffering on this date of $49,400,000 in aggregate principal amount of City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series A (the "Series A Bonds"), $65,750,000 in aggregate principal amount of City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series B (the "Series B Bonds") and $31,500,000 in aggregate principal amount of City of Farmington, New Mexico Pollution Control Revenue Bonds (Arizona Public Service Company Four Corners Project) 1994 Series C (the "Series C Bonds"). Each of the Series A Bonds, the Series B Bonds and the Series C Bonds constitute a "Series of Bonds", as such term is used herein, and are hereinafter collectively referred to as the "Bonds". The Series A Bonds were issued pursuant to an ordinance and a resolution, each adopted by the City of Farmington, New Mexico (the "Issuer") on May 10, 1994 (collectively, the "Series A Ordinance"). The Series B Bonds were issued pursuant to an ordinance adopted by the Issuer on May 10, 1994 and a resolution adopted by the Issuer on August 23, 1994 (collectively, the "Series B Ordinance"). The Series C Bonds were issued pursuant to an ordinance adopted by the Issuer on August 9, 1994 and a resolution adopted by the Issuer on August 23, 1994 (collectively, the "Series C Ordinance", and, together with the Series A Ordinance and the Series B Ordinance, the "Ordinances"). The Bank of New York Mellon, formerly The Bank of New York, is acting as trustee under each of the Ordinances (the "Trustee"). The Company covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Company for the benefit of the Bondholders (as hereinafter defined) in order to assist the Participating Underwriters (as hereinafter defined) in complying with the Rule (as hereinafter defined). The Company acknowledges that the Issuer and the Trustee have undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Certificate and have no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures.

SECTION 2. Definitions. In addition to the definitions set forth in the Ordinances, which apply to any capitalized term used and not otherwise defined in this Disclosure Certificate, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Company pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Bondholder" shall mean any registered owner of the Bonds or any person which (i) has or shares the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including persons holding through any nominee, securities depository or other intermediary) or (ii) is treated as the holder of any of the Bonds for federal income tax purposes.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Listed Event" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"Participating Underwriters" shall mean any remarketing agent required to comply with the Rule in connection with reoffering of the Bonds.

"Repository" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Exchange Act, as the same may be amended from time to time.

"SEC" shall mean the Securities and Exchange Commission or any successor agency thereto.

SECTION 3. Content of Annual Reports. Each Annual Report shall consist of the Company's Annual Report on Form 10-K (or any successor form adopted by the SEC) filed with the SEC, containing audited financial statements of the Company prepared in accordance with accounting principles generally accepted in the United States of America (which audited financial statements may be contained in the Company's annual report to shareholders if such audited financial statements are incorporated by reference in such Form 10-K from such annual report).

SECTION 4. Provision of Annual Reports.

(a) The Company shall, not later than four (4) months after the end of the Company's fiscal year (presently such fiscal year ends on December 31), commencing with the fiscal year ending December 31, 2010, provide to the Repository an Annual Report. Delivery of the Annual Report shall be in electronic format and such Annual Report shall be accompanied by such identifying information as is prescribed by the Repository. Delivery of the Annual Report may be accomplished by delivery of an instrument incorporating by reference material on file with the SEC. In the event the Company no longer files such reports with the SEC under the Exchange Act, it will deliver to the Repository, within the time period set forth in this subsection (a), a copy of its audited financial statements, prepared in accordance with accounting principles generally accepted in the United States of America, meeting the requirements of Regulation S-X of the Exchange Act, and the information required by Items 301 and 303 of Regulation S-K of the Exchange Act, and such audited financial statements and information shall be in electronic format and shall be accompanied by such identifying information as is prescribed by the Repository.

(b) If the Annual Report, including the audited financial statements, are not delivered by the date required in subsection (a), the Company shall, as promptly as possible, send a written notice to the Repository, such notice to be in substantially the form attached as Exhibit A hereto, such notice to be in electronic format and to be accompanied by such identifying information as is prescribed by the Repository.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to this Section 5, the Company shall, as promptly as possible, give notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(vii) Modifications to rights of Bondholders;

(viii) Optional, contingent or unscheduled Bond calls;

(ix) Defeasances;

(x) Release, substitution or sale of property securing repayment of the Bonds; or

(xi) Rating changes.

(b) Whenever the Company obtains knowledge of the occurrence of a Listed Event, the Company shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Company determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Company shall promptly file a notice of such occurrence with the Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (a)(ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Bondholders of affected Bonds pursuant to the Ordinances. Each notice of the occurrence of a Listed Event shall be submitted in electronic format and shall be accompanied by such identifying information as is prescribed by the Repository.

SECTION 6. Termination of Reporting Obligation. The Company's obligations under this Disclosure Certificate shall terminate with respect to a Series of Bonds upon the conversion of such Series of Bonds from a Term Rate Period to a Rate Period which shall not then require an undertaking pursuant to the Rule and, with respect to a Series of Bonds, upon the legal defeasance, prior redemption or payment in full of such Series of Bonds. If during the term of this Disclosure Certificate, the Company's obligations under the applicable Agreement with respect to a Series of Bonds are assumed in full by another obligated person, such other person shall be responsible for compliance with this Disclosure Certificate in the same manner as if it were the Company with respect to such Series of Bonds, and the Company shall have no further responsibility hereunder with respect to such Series of Bonds. In the event that the Company's obligations under this Disclosure Certificate are terminated with respect to a Series of Bonds as provided in this Section, the Company shall notify the Repository that the Company's obligations under this Disclosure Certificate have terminated with respect to such Series of Bonds, such notice to be in electronic format and to be accompanied by such identifying information as is prescribed by the Repository.

SECTION 7. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the Company may amend this Disclosure Certificate and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, 4, 5(a) or 5(c), including the definitions of any defined terms referenced in Section 3, 4, 5(a) or 5(c), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) This Disclosure Certificate, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any applicable amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of the Bonds in the same manner as provided in the applicable Ordinance for amendments to such Ordinance with the consent of owners, or (ii) does not, in the opinion of the Trustee, materially impair the interests of the Bondholders, which

opinion of the Trustee may be based upon an Opinion of Counsel, such Opinion of Counsel to be provided at the expense of the Company, and in either case does not adversely affect the Trustee.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Company shall describe such amendment or waiver in the next Annual Report or in a notice filed with the Repository, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of financial information or operating data being presented by the Company, such Annual Report or notice to be in electronic format and to be accompanied by such identifying information as is prescribed by the Repository.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Company from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate (such information to be submitted in electronic format and accompanied by such identifying information as is prescribed by the Repository) or any other means of communication, including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Company chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Company shall have no obligation under this Disclosure Certificate to update such information or to include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the Company to comply with any provision of this Disclosure Certificate, any Bondholder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Company to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Ordinance relating to any Series of Bonds or under the Agreement relating to any Series of Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the Company to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Company, the Participating Underwriters, the Bondholders and the Issuer, and shall create no rights in any other person or entity.

SECTION 11. Severability. In case any one or more of the provisions of this Disclosure Certificate shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Certificate, but this Disclosure Certificate shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

SECTION 12. Governing Law. This Disclosure Certificate shall be governed by the law of the State of Arizona.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

ARIZONA PUBLIC SERVICE COMPANY

By: _____
Name: Lee R. Nickloy
Title: Vice President and Treasurer

RECEIPT ACKNOWLEDGED BY:

THE BANK OF NEW YORK MELLON, as Trustee

By: _____
Name: Thomas Vlahakis
Title: Vice President

Exhibit A

Notice of Failure to File Annual Report

Name of Issuer:	City of Farmington, New Mexico
Name of Issues:	City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series A (originally issued May 25, 1994), City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series B (originally issued September 14, 1994) and City of Farmington, New Mexico Pollution Control Revenue Bonds (Arizona Public Service Company Four Corners Project) 1994 Series C (originally issued September 14, 1994)
Name of Obligor:	Arizona Public Service Company

NOTICE IS HEREBY GIVEN that Arizona Public Service Company has not provided an Annual Report with respect to the above-named Bonds as required by Section 4 of the Continuing Disclosure Certificate, dated , 2010, delivered by Arizona Public Service Company in connection with the reoffering of the City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series A, the City of Farmington, New Mexico Pollution Control Revenue Refunding Bonds (Arizona Public Service Company Four Corners Project) 1994 Series B and the City of Farmington, New Mexico Pollution Control Revenue Bonds (Arizona Public Service Company Four Corners Project) 1994 Series C. [Arizona Public Service Company anticipates that the Annual Report will be filed by _____.]

Dated: _____.

ARIZONA PUBLIC SERVICE COMPANY

By: _____

Name: _____

Title: _____

Dolyniuk, Karen E

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Tuesday, September 28, 2010 8:23 AM
To: Dolyniuk, Karen E
Subject: Press Release
Attachments: APS IRB PR for reveiw 2010-09-28.docx

Hello Karen,

As discussed, would you please review the attached draft press release to be sure it does not contain any factual errors, and to be sure we are not disclosing any information that needs to remain confidential. Please get back to me as soon as possible with any corrections or comments.

Thanks,

Laura

<<APS IRB PR for reveiw 2010-09-28.docx>>

Laura J.K. Schumacher
Vice President / Senior Analyst

Global Infrastructure Finance
Power / Utilities - Americas
212.553.3853 tel
212.298 6316 fax
laura.schumacher@moodys.com

Moody's Investors Service
7 World Trade Center

250 Greenwich Street
New York, NY 10007
www.moodys.com

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New York
William L. Hess
MD - Utilities
Infrastructure Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
Laura Schumacher
Vice President - Senior Analyst
Infrastructure Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Moody's assigns Baa2 to Arizona Public Service revenue bonds

Approximately $150 million of bonds rated

New York, <Rating Date Pending> -- Moody's Investors Service has assigned a rating of Baa2 to approximately $150 million of senior unsecured pollution control revenue refunding bonds of Arizona Public Service Company (City of Farmington, New Mexico).

The revenue bonds, issued by the City of Farmington, New Mexico, for the benefit of Arizona Public Service Company (APS; Baa2 senior unsecured) are being reoffered at term rates without the support of letters of credit; as such, they are serviced solely by payments from APS and rank pari-passu with APS' other senior unsecured debt obligations including its other senior unsecured revenue bonds. The rating outlook for APS is stable.

The Baa2 rating for APS senior unsecured obligations reflects the relative stability of its regulated operations and credit metrics that are expected to remain appropriate for the rating. The rating considers that APS operates within a regulatory environment that Moody's generally believes to be below average in terms of time required for regulatory decisions, predictability and supportiveness to utility credit quality; however we also recognizes that APS more recent rate decisions have resulted in improved timeliness of recovery of certain costs, including expenses for fuel and purchased power, transmission, and renewable and efficiency programs. The rating and stable outlook consider that growth in APS service territory is expected to remain relatively modest over the near-to-medium term and assumes that APS will finance capital investment in a balanced manner with a goal of maintaining or improving its financial strength.

For additional information please see Moody's credit opinion which can be found at www.moodys.com under the issuer's name.

The principal methodology used in rating APS was Regulated Electric and Gas Utilities rating methodology published in August 2009. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found on Moody's website.

Please see the ratings tab on the on the issuer/entity page on Moodys.com for the last rating action and the rating history.

Headquartered in Phoenix, Arizona, APS is a vertically integrated electric utility that provides electric service to most of the state of Arizona with the major exceptions of about one-half of the Phoenix metropolitan area and the Tucson metropolitan area. APS is the primary subsidiary of Pinnacle West Capital Corporation (Baa3 senior unsecured, stable), a holding company that through its other subsidiaries primarily sells energy related products and services.

end

Dolyniuk, Karen E

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Tuesday, September 28, 2010 9:39 AM
To: Dolyniuk, Karen E
Subject: Final PR
Attachments: APS IRB PR Final 9.28.10.pdf

Karen, attached is a pdf of the final press release which is now also posted on Moodys.com.

Thanks for your help,

Laura

<<APS IRB PR Final 9.28.10.pdf>>

Laura J.K. Schumacher
Vice President / Senior Analyst

Global Infrastructure Finance
Power / Utilities - Americas
212.553.3853 tel
212.298 6316 fax
laura.schumacher@moodys.com

Moody's Investors Service
7 World Trade Center

250 Greenwich Street
New York, NY 10007
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MOODY'S
INVESTORS SERVICE

Announcement: Moody's assigns Baa2 to Arizona Public Service revenue bonds

Global Credit Research - 28 Sep 2010

Approximately $150 million of bonds rated

New York, September 28, 2010 -- Moody's Investors Service has assigned a rating of Baa2 to approximately $150 million of senior unsecured pollution control revenue bonds of Arizona Public Service Company (City of Farmington, New Mexico).

The revenue bonds, issued by the City of Farmington, New Mexico, for the benefit of Arizona Public Service Company (APS; Baa2 senior unsecured) are being reoffered at term rates without the support of letters of credit; as such, they are serviced solely by payments from APS and rank pari-passu with APS' other senior unsecured debt obligations including its other senior unsecured revenue bonds. The rating outlook for APS is stable.

The Baa2 rating for APS senior unsecured obligations reflects the relative stability of its regulated operations and credit metrics that are expected to remain appropriate for the rating. The rating considers that APS operates within a regulatory environment that Moody's generally considers to be below average in terms of time required for regulatory decisions, predictability and supportiveness to utility credit quality; however we also recognize that APS' more recent rate decisions have resulted in improved timeliness of recovery of certain costs, including expenses for fuel and purchased power, transmission, and renewable and efficiency programs. The rating and stable outlook consider that growth in APS' service territory is expected to remain relatively modest over the near-to-medium term and assumes that APS will finance capital investment in a balanced manner with a goal of maintaining or improving its financial strength.

For additional information please see Moody's credit opinion which can be found at www.moodys.com under the issuer's name.

The principal methodology used in rating APS was Regulated Electric and Gas Utilities rating methodology published in August 2009. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found on Moody's website.

Please see the ratings tab on the on the issuer/entity page on Moodys.com for the last rating action and the rating history.

Headquartered in Phoenix, Arizona, APS is a vertically integrated electric utility that provides electric service to most of the state of Arizona with the major exceptions of about one-half of the Phoenix metropolitan area and the Tucson metropolitan area. APS is the primary subsidiary of Pinnacle West Capital Corporation (Baa3 senior unsecured, stable), a holding company that through its other subsidiaries primarily sells energy related products and services.

New York
William L. Hess
MD - Utilities
Infrastructure Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
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New York
Laura Schumacher
Vice President - Senior Analyst
Infrastructure Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Moody's Investors Service
250 Greenwich Street
New York, NY 10007
USA

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Dolyniuk, Karen E

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Tuesday, September 28, 2010 2:31 PM
To: Dolyniuk, Karen E
Subject: Rating Letter
Attachments: Arizona Public Service Company IRB RL 9.28.10.pdf

Karen,

Attached is the rating letter for the Farmington IRBs, if you need anything else, please give me a call.

Thanks,

Laura

<<Arizona Public Service Company IRB RL 9.28.10.pdf>>

Laura J.K. Schumacher
Vice President / Senior Analyst

Global Infrastructure Finance
Power / Utilities - Americas
212.553.3853 tel
212.298 6316 fax
laura.schumacher@moodys.com

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Tuesday, September 28, 2010 2:33 PM
To: 'Schumacher, Laura'
Subject: RE: Rating Letter

Thank you so much!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Tuesday, September 28, 2010 2:31 PM
To: Dolyniuk, Karen E
Subject: Rating Letter

Karen,

Attached is the rating letter for the Farmington IRBs, if you need anything else, please give me a call.

Thanks,

Laura

<<Arizona Public Service Company IRB RL 9.28.10.pdf>>

Laura J.K. Schumacher
Vice President / Senior Analyst

Global Infrastructure Finance
Power / Utilities - Americas
212.553.3853 tel
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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Tuesday, September 28, 2010 2:34 PM
To: 'Schumacher, Laura'
Subject: RE: Rating Letter

I'm assuming I can distribute this to the working group – is that correct?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Tuesday, September 28, 2010 2:31 PM
To: Dolyniuk, Karen E
Subject: Rating Letter

Karen,

Attached is the rating letter for the Farmington IRBs, if you need anything else, please give me a call.

Thanks,

Laura

<<Arizona Public Service Company IRB RL 9.28.10.pdf>>

Laura J.K. Schumacher
Vice President / Senior Analyst

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Dolyniuk, Karen E

From: Higuchi, Dene C on behalf of Hickman, Rebecca L
Sent: Wednesday, September 29, 2010 9:27 AM
Subject: PNW: Press Release Regarding Sustainability Recognition

We are pleased to have been recognized for our strong commitment to sustainability. A press release we issued this morning regarding three lists to which Pinnacle West has been named recently is included below in this message.

As always, please call me if you have any questions about this announcement or need other information about our company.

Sincerely ~
Becky
Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

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PINNACLE WEST NAMED TO THREE PROMINENT SUSTAINABILITY LISTS

- *Dow Jones Sustainability Index North America*
- *Global 100 Most Sustainable Companies in the World*
- *JustMeans' Global 1000 Sustainable Performance Leaders*

PHOENIX – For the sixth straight year, the parent company of Arizona Public Service Co. has been separately named to the *Dow Jones Sustainability Index (DJSI) North America* and as one of the *Global 100 Most Sustainable Companies in the World.*

Pinnacle West Capital Corp. (NYSE: PNW) is one of 24 electric utilities worldwide and only 11 in the United States selected to the DJSI, the premier index recognizing sustainable business practices for publicly held corporations. Similarly, Pinnacle West is one of only 12 U.S.-based companies to make the Global 100, a list of the most sustainable companies in the world compiled by global investing magazine Corporate Knights. The Company also was named to the newly created *JustMeans' Global 1000 Sustainable Performance Leaders*, ranking 294 out of 1,000 companies worldwide.

"APS and Pinnacle West long ago adopted – and adhere to – a corporate strategy that balances financial strength with an equal focus on the environmental and community impacts of our business decisions," said Ed Fox, APS Vice President and Chief Sustainability Officer. "We are honored that independent and respected organizations, such as these three, continue to recognize our commitment to environmental stewardship and sustainable business practices, both of which are key drivers in our long-term strategy and our day-to-day decisions."

All three lists are based on thorough quantitative and qualitative analysis of corporate governance, economic, environmental and social performances. Specifically, the DJSI evaluates corporate governance, risk management, branding, climate change mitigation, supply chain standards and labor practices. The Global 100 benchmarks companies against an objective sustainable path standard for energy, carbon, water, and waste ratios, among other key indexes. JustMeans' Global 1000 ranks mid-to-large cap companies on more than 200 financial, environmental, social and governance performance metrics based on Global Reporting Initiative (GRI) standards.

Pinnacle West is a Phoenix-based company with consolidated assets of about $12.2 billion. Through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States.

Dolyniuk, Karen E

From: Higuchi, Dene C on behalf of Hickman, Rebecca L
Sent: Wednesday, September 29, 2010 3:55 PM
Subject: PNW/APS: Press Release Announcing Gila Bend Solar Photovoltaic Power Plant

Today, we issued a press release announcing a new utility-scale solar photovoltaic plant near Gila Bend, Arizona. This facility is the second announced to be build and owned by APS under its AZ Sun Program. The text of the release is included below in this message.

As always, please contact me if you have any questions about this announcement or need other information about our company.

Sincerely ~

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

---

APS CONTINUES TO BRING MORE SOLAR TO ARIZONA

New 18-Megawatt Plant to be Located in Gila Bend's New Solar Zone

PHOENIX – Arizona Public Service Company's drive to develop more solar energy took another step forward today with the announcement of an 18-megawatt solar photovoltaic plant to be located 70 miles southwest of Phoenix in Gila Bend.

The plant will be owned by APS and sited in the town's new Solar Overlay Zone. The municipality has designated a geographic area as a fast-track permitting district for new solar photovoltaic projects. Permitting in this area will take less than three months, instead of the typical one to two years. By locating the new project within the boundaries of the Solar Zone, construction can begin in early 2011 with a completion date in November 2011.

APS has selected SOLON Corporation, a subsidiary of SOLON SE, as the project developer. SOLON Corporation's North American headquarters, which includes a manufacturing facility, is located in Tucson.

"This project enables APS to continue building its renewable energy portfolio and helps us develop Arizona's vast solar resources," said APS President and Chief Operating Officer Don Robinson. "Our customers will benefit for years to come from this partnership between APS, SOLON and Gila Bend."

The plant will sit on 145 acres currently used for agriculture. The 75,000 solar panels needed to transform sunlight into electricity will be arranged in 1,566 rows connected to 108 single-axis trackers. This design enables the solar panels to follow the sun across the sky, making the plant more efficient than static-mounted panels typically seen on rooftops. On sunny days, the project is expected to produce enough energy to meet the needs of 4,500 residential customers.

"SOLON is proud to partner with APS and thrilled to provide the total system solution for this landmark project—from SOLON trackers and modules to our site development, system design and construction. The Gila Bend system showcases our truly comprehensive offering that will bring clean, renewable energy throughout the state," said Dan Alcombright, regional vice president and general manager of North America, SOLON Corporation.

Energy from the solar plant will go toward meeting the Arizona Corporation Commission's Renewable Energy Standard. The plant will be connected to the electric grid at the Cotton Center Substation, located less than a mile from the solar project.

APS currently provides its customers more than 250 megawatts of renewable energy, generated by a variety of resources including wind, geothermal, solar photovoltaic, solar thermal, biomass and biogas. Together, they produce enough energy to serve 63,000 customers.

In addition, APS has several other projects in development including the recently announced 15-megawatt solar photovoltaic plant to be sited at Luke Air Force Base in Glendale, Ariz. APS also has announced the 99-megawatt Perrin Ranch Wind Energy Center in northern Arizona and a 280-megawatt solar thermal plant to be built outside of Gila Bend.

APS, Arizona's largest and longest-serving electric utility, serves more than 1.1 million customers in 11 of the state's 15 counties. With headquarters in Phoenix, APS is the principal subsidiary of Pinnacle West Capital Corp. (NYSE: PNW).

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Thursday, September 30, 2010 9:26 AM
To: 'Schumacher, Laura'
Subject: FW: Moody's letter
Attachments: DOC001.PDF

Laura, here is the letter that was referenced.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

-----Original Message-----
From: Leak, Kathleen A. [mailto:kleak@orrick.com]
Sent: Thursday, September 30, 2010 9:24 AM
To: Dolyniuk, Karen E
Cc: Baum, Shirley A; Layton, Stefanie; cikegami@swlaw.com
Subject: Moody's letter

Karen,

Per your request.

Kathleen A. Leak

Orrick, Herrington & Sutcliffe LLP
The Orrick Building
405 Howard Street
San Francisco, CA 94105

tel 415 773-5408
fax 415 773-5759
kleak@orrick.com

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September 27, 2010

Mr. Randall Carlton
CFO
Contra Costa Transportation Authority, CA
2999 Oak Road, Suite 100
Walnut Creek, CA 94597

Dear Mr. Carlton:

We wish to inform you that on September 15, 2010, Moody's Investors Service reviewed and assigned a rating of **Aa2** to Contra Costa Transportation Authority, CA's Sales Tax Revenue Bonds (Limited Tax Bonds), Series 2010.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, of current financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's Rating Desk.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Kevork Khrimian at 212-553-4837.

Sincerely,

Eric Hoffmann

Eric Hoffmann
Senior Vice President

cc: Mr. Peter Shellenberger
Public Financial Management, Inc.
50 California Street, Suite 2300
San Francisco, CA 94111

Dolyniuk, Karen E

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Friday, October 01, 2010 8:18 AM
To: Dolyniuk, Karen E
Subject: Udated RL
Attachments: Revised APS Farmington IRB RL 10.01.10.pdf

Hello Karen,

Attached is the updated letter, please let me know if you need anything else, or have any more questions.

Regards,

Laura

<<Revised APS Farmington IRB RL 10.01.10.pdf>>

Laura J.K. Schumacher
Vice President / Senior Analyst

Global Infrastructure Finance
Power / Utilities - Americas
212.553.3853 tel
212.298 6316 fax
laura.schumacher@moodys.com

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Dolyniuk, Karen E

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Friday, October 01, 2010 8:40 AM
To: Dolyniuk, Karen E
Subject: Tax Exempt Listing
Attachments: APS Tax Exempt Portfolio.PDF

Hi Karen,

As we discussed, it would be helpful to have an update on the status of your tax exempt portfolio now that many of the issues have been remarketed. Attached is the last listing I had. It would be helpful to also show, for bonds that are in fixed rate mode but with mandatory tender/reset dates prior to maturity, what those dates are...not sure that was the case with any of the bonds on my 2008 listing.

Thanks,

Laura

<<APS Tax Exempt Portfolio.PDF>>

Laura J.K. Schumacher
Vice President / Senior Analyst

Global Infrastructure Finance
Power / Utilities - Americas
212.553.3853 tel
212.298 6316 fax
laura.schumacher@moodys.com

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APS Tax Exempt Portfolio

$ Millions

Series	Reset Mode	Interest Rate*	Date	Credit Support or Security	Amount	Percent
Farmington 1994A-C	Daily	1.3%	10/25/10	LOC	$147	
Coconino 1994A, 1998	Daily	1.2%	8/12/10	LOC	49	34%
Coconino 1996A, 1999	Daily	5.4%	4/1/34	None	27	
Maricopa 2005A-E	7 day auction	4.9%	5/1/29	Insurance	164	52%
Navajo/Coconino 2004	7 day auction	4.1%	6/1/34	Insurance	179	
Maricopa 2002A	Fixed (NC10)	5.1%	5/1/29	Insurance	90	14%
Total					$656	100%

* As of 8/15/08

52

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Friday, October 01, 2010 8:52 AM
To: 'Schumacher, Laura'
Subject: RE: Tax Exempt Listing

Laura, I will update this and get it to you soon.

Thanks again for all your help.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Friday, October 01, 2010 8:40 AM
To: Dolyniuk, Karen E
Subject: Tax Exempt Listing

Hi Karen,

As we discussed, it would be helpful to have an update on the status of your tax exempt portfolio now that many of the issues have been remarketed. Attached is the last listing I had. It would be helpful to also show, for bonds that are in fixed rate mode but with mandatory tender/reset dates prior to maturity, what those dates are...not sure that was the case with any of the bonds on my 2008 listing.

Thanks,

Laura

<<APS Tax Exempt Portfolio.PDF>>

Laura J.K. Schumacher
Vice President / Senior Analyst

Global Infrastructure Finance
Power / Utilities - Americas
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212.298 6316 fax
laura.schumacher@moodys.com

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Dolyniuk, Karen E

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Friday, October 01, 2010 8:57 AM
To: Dolyniuk, Karen E
Subject: RE: Tax Exempt Listing

You're welcome

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Friday, October 01, 2010 11:52 AM
To: Schumacher, Laura
Subject: RE: Tax Exempt Listing

Laura, I will update this and get it to you soon.

Thanks again for all your help.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Friday, October 01, 2010 8:40 AM
To: Dolyniuk, Karen E
Subject: Tax Exempt Listing

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Thanks,

Laura

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Laura J.K. Schumacher
Vice President / Senior Analyst

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212.298 6316 fax
laura.schumacher@moodys.com

Moody's Investors Service
7 World Trade Center

250 Greenwich Street
New York, NY 10007
www.moodys.com

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Tuesday, October 05, 2010 7:28 AM
To: 'Schumacher, Laura'
Cc: McGill, James T
Subject: Supplement to the Reoffering Circular - Farmington Bonds

Hi Laura! Attached is the supplement to the Reoffering Circular indicating the change for the Series C Bonds. Please let me know if you have any questions.

Thank you.

Supplement to Preliminary Reof...

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Tuesday, October 05, 2010 7:29 AM
To: 'Philip.Smyth@fitchratings.com'
Cc: McGill, James T
Subject: Supplement to the Reoffering Circular - Farmington Bonds

Hi Phil! Attached is the supplement to the Reoffering Circular indicating the change for the Series C Bonds. Please let me know if you have any questions.

Thank you.

Supplement to Preliminary Reof...

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Tuesday, October 05, 2010 7:30 AM
To: 'Bettinelli, Antonio'
Cc: McGill, James T
Subject: Supplement to the Reoffering Circular - Farmington Bonds

Hi Tony! Attached is the supplement to the Reoffering Circular indicating the change for the Series C Bonds. Please let me know if you have any questions.

Thank you.

Supplement to Preliminary Reof...

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

The information in this Supplement to the Preliminary Reoffering Circular is not complete and will be amended. This Supplement to the Preliminary Reoffering Circular, together with the Preliminary Reoffering Circular, is not an offer to sell these securities or a solicitation of your offer to buy these securities in any jurisdiction where that would not be permitted

SUPPLEMENT DATED OCTOBER 4, 2010 TO PRELIMINARY REOFFERING CIRCULAR DATED SEPTEMBER 28, 2010

NOT A NEW ISSUE

$49,400,000	$65,750,000	$31,500,000
City of Farmington, New Mexico	City of Farmington, New Mexico	City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds	Pollution Control Revenue Refunding Bonds	Pollution Control Revenue Bonds
(Arizona Public Service Company	(Arizona Public Service Company	(Arizona Public Service Company
Four Corners Project)	Four Corners Project)	Four Corners Project)
1994 Series A (the "Series A Bonds")	1994 Series B (the "Series B Bonds")	1994 Series C (the "Series C Bonds")

Reference is made to the Preliminary Reoffering Circular dated September 28, 2010 relating to the reoffering of the Series A Bonds, the Series B Bonds and the Series C Bonds (the "Preliminary Reoffering Circular"). Each capitalized term used and not otherwise defined herein shall have the meaning set forth in the Preliminary Reoffering Circular. On October 4, 2010, the Company determined that the last day of the Term Rate Period for the Series C Bonds will be October 10, 2013. No other terms relating to the Series A Bonds, the Series B Bonds or the Series C Bonds set forth in the Preliminary Reoffering Circular have been changed, including no change to the Company's determination that the Series C Bonds will not be subject to optional redemption during the Term Rate Period specified herein for the Series C Bonds. An opinion of Bond Counsel to the effect that the change in the length of the Term Rate Period will not, in and of itself, adversely affect the tax-exempt status of interest on the Series C Bonds was delivered in connection with the election of the Company to change the length of the Term Rate Period described in this Supplement.

Goldman, Sachs & Co.
(Remarketing Agent for the Series A Bonds, the Series B Bonds and the Series C Bonds)

KeyBanc Capital Markets
(Remarketing Agent for the Series A Bonds and the Series B Bonds)

Morgan Stanley
(Remarketing Agent for the Series B Bonds and the Series C Bonds)

SunTrust Robinson Humphrey
(Remarketing Agent for the Series A Bonds and the Series C Bonds)

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, October 06, 2010 1:37 PM
To: 'Schumacher, Laura'
Cc: Omanovic, Rufad
Subject: PC Bond Information

Laura, I've attached a spreadsheet that details all our tax exempt debt. Let me know if you need anything else.

Thanks.

PC Bonds Information.xls

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

PC BONDS INFORMATION

COUNTY/CITY	SERIES	CUSIP	AMT/Non-AMT	INTEREST RATE MODE	INTEREST RATE	TERM	CREDIT	NEXT MATURITY	FINAL MATURITY	FACE VALUE ($ MILLIONS)
Maricopa	2002A	566854CV5	Non-AMT	Fixed (NC10)	5.050%	Life	AMBAC	5/1/2029	5/1/2029	$ 90.000
										$ 90.000
Coconino	2009A	191855AX3	Non-AMT	Fixed	5.500%	Put	N/A	6/1/2014	6/1/2034	$ 12.850
										$ 12.850
Navajo	2009A	639096AX4	Non-AMT	Fixed	5.000%	Put	N/A	6/1/2012	6/1/2034	$ 38.150
Navajo	2009B	639096AY2	Non-AMT	Fixed	5.500%	Put	N/A	6/1/2014	6/1/2034	$ 32.000
Navajo	2009C	639096AZ9	Non-AMT	Fixed	5.500%	Put	N/A	6/1/2014	6/1/2034	$ 32.000
Navajo	2009D	639096BA3	Non-AMT	Fixed	5.750%	Put	N/A	6/1/2016	6/1/2034	$ 32.000
Navajo	2009E	639096BB1	Non-AMT	Fixed	5.750%	Put	N/A	6/1/2016	6/1/2034	$ 32.000
										$ 166.150
Maricopa	2009A	566854DM4	Non-AMT	Fixed	6.000%	Put	N/A	5/1/2014	5/1/2029	$ 35.975
Maricopa	2009B	566854DN2	Non-AMT	Fixed	5.500%	Put	N/A	5/1/2012	5/1/2029	$ 32.000
Maricopa	2009C	566854DP7	Non-AMT	Fixed	5.750%	Put	N/A	5/1/2013	5/1/2029	$ 32.000
Maricopa	2009D	566854DQ5	Non-AMT	Fixed	6.000%	Put	N/A	5/1/2014	5/1/2029	$ 32.000
Maricopa	2009E	566854DR3	Non-AMT	Fixed	6.000%	Put	N/A	5/1/2014	5/1/2029	$ 32.000
										$ 163.975
Farmington	1994A	311450CV	Non-AMT	Variable	N/A	Daily	Barclays L/C	10/25/2010	5/1/2024	$ 49.400
Farmington	1994B	311450CW	Non-AMT	Variable	N/A	Daily	Barclays L/C	10/25/2010	9/1/2024	$ 65.750
Farmington	1994C	311450CX	AMT	Variable	N/A	Daily	Barclays L/C	10/25/2010	9/1/2024	$ 31.500
										$ 146.650
Coconino	2009B	191855AY1	AMT	Variable	N/A	Daily	JPMC L/C	9/22/2011	4/1/2038	$ 26.710
										$ 26.710
Coconino	1994A	191855BB0	AMT	Fixed	3.625%	Put	N/A	7/12/2013[1]	10/1/2029	$ 32.650
Coconino	1998	191855BC8	AMT	Variable	N/A	Daily	JPMC L/C	8/10/2013	11/1/2033	$ 16.870
										$ 49.520
										$ 655.855

[1] Interest payment dates are January 1 and July 1 of each year.

Dolyniuk, Karen E

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Wednesday, October 06, 2010 2:00 PM
To: Dolyniuk, Karen E
Subject: RE: PC Bond Information

Thanks Karen, this is exactly what I was looking for.

Regards,
Laura

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Wednesday, October 06, 2010 4:37 PM
To: Schumacher, Laura
Cc: Rufad.Omanovic@pinnaclewest.com
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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, October 06, 2010 2:14 PM
To: 'Schumacher, Laura'
Subject: RE: PC Bond Information

You are very welcome!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Wednesday, October 06, 2010 2:00 PM
To: Dolyniuk, Karen E
Subject: RE: PC Bond Information

Thanks Karen, this is exactly what I was looking for.

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From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Thursday, October 07, 2010 3:18 AM
To: Dolyniuk, Karen E
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From: Karen.Dolyniuk@pinnaclewest.com <Karen.Dolyniuk@pinnaclewest.com>
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Sent: Wed Oct 06 17:14:17 2010
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Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Thursday, October 07, 2010 7:17 AM
To: 'Bettinelli, Antonio'
Subject: Letter

Importance: High

Tony, can you forward your ratings confirmation letter as soon as possible? Pricing is occurring as we speak.

Thanks!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Thursday, October 07, 2010 7:38 AM
To: Dolyniuk, Karen E
Subject: Re: Letter

I need the pricing before I can process the letter. If you send me the term sheet this morning, I should have the letter for you by this afternoon.

From: Karen.Dolyniuk@pinnaclewest.com <Karen.Dolyniuk@pinnaclewest.com>
To: Bettinelli, Antonio
Sent: Thu Oct 07 10:17:07 2010
Subject: Letter

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Thursday, October 07, 2010 7:39 AM
To: 'Bettinelli, Antonio'
Subject: RE: Letter

Okay – sorry – I jumped the gun a bit. I'll send the details when we are finished.

Thanks.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Thursday, October 07, 2010 7:48 AM
To: 'Schumacher, Laura'
Subject: RE: EPA ruling

Laura, I have forwarded your email to Lee Nickloy – he should be calling you in the next day or so. He really is the best person for a discussion on EPA and Four Corners.

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Karen E. Dolyniuk, CTP
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Subject: RE: PC Bond Information

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Monday, October 25, 2010 11:06 AM
To: Dolyniuk, Karen E
Subject: RE: Rating Agencies

Karen,

I spoke with Laura Schumacher (Moody's) on Oct. 7th. She sent an e-mail to us wanting to know about our plans with respect to Four Corners given the EPA BART announcement she had seen.

I also have some e-mails traffic which I will forward to you.

From: Dolyniuk, Karen E
Sent: Friday, October 22, 2010 7:43 AM
To: Hatfield, James R; Nickloy, Lee R
Subject: Rating Agencies

Hello! I have assumed responsibility for compiling rating agency communications for regulatory in the light of Jim McGill's departure. I will be meeting with regulatory next Tuesday (10/25). Please let me know if you have had any communications with the rating agencies from September 23 through today, October 22nd.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Dolyniuk, Karen E

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Thursday, October 07, 2010 8:05 AM
To: Dolyniuk, Karen E
Subject: RE: EPA ruling

Thanks for sending this along Karen, Lee called me this morning.

Regards,
Laura

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Thursday, October 07, 2010 10:48 AM
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Regards,
Laura

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Wednesday, October 06, 2010 4:37 PM
To: Schumacher, Laura
Cc: Rufad.Omanovic@pinnaclewest.com
Subject: PC Bond Information

Laura, I've attached a spreadsheet that details all our tax exempt debt. Let me know if you need anything else.

Thanks.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Email Firewall made the following annotations

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Thursday, October 07, 2010 8:07 AM
To: 'Schumacher, Laura'
Subject: RE: EPA ruling

Great – thanks.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Thursday, October 07, 2010 8:05 AM
To: Dolyniuk, Karen E
Subject: RE: EPA ruling

Thanks for sending this along Karen, Lee called me this morning.

Regards,
Laura

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Thursday, October 07, 2010 10:48 AM
To: Schumacher, Laura
Subject: RE: EPA ruling

Laura, I have forwarded your email to Lee Nickloy – he should be calling you in the next day or so. He really is the best person for a discussion on EPA and Four Corners.

Thanks.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Thursday, October 07, 2010 3:18 AM
To: Dolyniuk, Karen E
Subject: Re: EPA ruling

Karen, would you please give me a call this morning to touch base on the EPA decision on Four Corners. Thanks, Laura

---

From: Karen.Dolyniuk@pinnaclewest.com <Karen.Dolyniuk@pinnaclewest.com>
To: Schumacher, Laura
Sent: Wed Oct 06 17:14:17 2010
Subject: RE: PC Bond Information

You are very welcome!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Wednesday, October 06, 2010 2:00 PM
To: Dolyniuk, Karen E
Subject: RE: PC Bond Information

Thanks Karen, this is exactly what I was looking for.

Regards,
Laura

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Wednesday, October 06, 2010 4:37 PM
To: Schumacher, Laura
Cc: Rufad.Omanovic@pinnaclewest.com
Subject: PC Bond Information

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Thanks.

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Dolyniuk, Karen E

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Thursday, October 07, 2010 9:58 AM
To: Dolyniuk, Karen E
Subject: RE: Letter

Please call me when you have a chance.

Tony Bettinelli
Associate Director
Standard & Poor's
U.S. Electric Utilities
Corporate & Government Ratings
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Thursday, October 07, 2010 7:39 AM
To: Bettinelli, Antonio
Subject: RE: Letter

Okay – sorry – I jumped the gun a bit. I'll send the details when we are finished.

Thanks.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Thursday, October 07, 2010 7:38 AM
To: Dolyniuk, Karen E
Subject: Re: Letter

I need the pricing before I can process the letter. If you send me the term sheet this morning, I should have the letter for you by this afternoon.

From: Karen.Dolyniuk@pinnaclewest.com <Karen.Dolyniuk@pinnaclewest.com>
To: Bettinelli, Antonio
Sent: Thu Oct 07 10:17:07 2010
Subject: Letter

Tony, can you forward your ratings confirmation letter as soon as possible? Pricing is occurring as we speak.

Thanks!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Thursday, October 07, 2010 9:59 AM
To: 'Bettinelli, Antonio'
Cc: Omanovic, Rufad
Subject: FW: APS/Farmington: CUSIPs and Rates

Tony, the details on the pricing of the bonds.

Thanks.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Bansal, Garima [mailto:Garima.Bansal@gs.com]
Sent: Thursday, October 07, 2010 9:57 AM
To: Bansal, Garima; Martinez, Silvia; Nickloy, Lee R; Dolyniuk, Karen E; Omanovic, Rufad; Baum, Shirley A; Layton, Stefanie; cikegami@swlaw.com; bstoll@swlaw.com; Henck@ballardspahr.com; mgroshek@sah.com; sshaver@sah.com; thomas.vlahakis@bnymellon.com; bchapin@emmetmarvin.com; Lurie, R. Thornton; McCallum, Katherine; jfenwick@keybanccm.com; kurtis_j_holle@keybanccm.com; jay.sweeney@morganstanley.com; James.torrell@suntrust.com; karl.schaub@pillsburylaw.com; david.baxter@pillsburylaw.com; jeffrey.delaney@pillsburylaw.com; Leak, Kathleen A.; Criddle, Dean; Pohl, Wolfram; McAlpine, Bonita; Prater, Merinda
Subject: APS/Farmington: CUSIPs and Rates

Hi,

Please find below the CUSIP and Rate information associated with each series of bonds:

Series A
Par Amount: $49,400,000
Call Date: 11/01/2020 @ 100.00
Maturity: 05/01/2024
Rate: 4.70%
CUSIP: 311450FD7

Series B
Par Amount: $65,750,000
Call Date: 11/01/2020 @ 100.00
Maturity: 09/01/2024
Rate: 4.70%
CUSIP: 311450FE5

Series C
Par Amount: $31,500,000
Put Date: 10/11/2013
Maturity: 09/01/2024
Rate: 2.75%
CUSIP: 311450FF2

Thanks,

Goldman, Sachs & Co.
200 West Street | Floor 33 | New York, NY 10282
Tel: 212-902-8702
E-mail: garima.bansal@gs.com

Garima Bansal
Investment Banking Division
Public Sector and Infrastructure

Goldman
Sachs

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Thursday, October 07, 2010 10:10 AM
To: 'Bettinelli, Antonio'
Cc: Omanovic, Rufad
Subject: FW: APS/Farmington: CUSIPs and Rates

FYI – revised information.

Tony, regarding the question about how the Series C would be shown in our maturity table – we would show them with a 2013 maturity date.

Let me know if you need anything else.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Bansal, Garima [mailto:Garima.Bansal@gs.com]
Sent: Thursday, October 07, 2010 10:08 AM
To: Martinez, Silvia; Nickloy, Lee R; Dolyniuk, Karen E; Omanovic, Rufad; Baum, Shirley A; Layton, Stefanie; cikegami@swlaw.com; bstoll@swlaw.com; Henck@ballardspahr.com; mgroshek@sah.com; sshaver@sah.com; thomas.vlahakis@bnymellon.com; bchapin@emmetmarvin.com; Lurie, R. Thornton; McCallum, Katherine; jfenwick@keybanccm.com; kurtis_j_holle@keybanccm.com; jay.sweeney@morganstanley.com; James.torrell@suntrust.com; karl.schaub@pillsburylaw.com; david.baxter@pillsburylaw.com; jeffrey.delaney@pillsburylaw.com; Leak, Kathleen A.; Criddle, Dean; Pohl, Wolfram; McAlpine, Bonita; Prater, Merinda
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Apologies, but please disregard my previous email. Please find the revised information below:

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Maturity: 09/01/2024
Rate: 4.70%
CUSIP: 311450FE5

Series C
Par Amount: $31,500,000
Put Date: 10/11/2013
Maturity: 09/01/2024
Rate: 2.875%

CUSIP: 311450FF2

Thanks,

Goldman, Sachs & Co.
200 West Street | Floor 33 | New York, NY 10282
Tel: 212-902-8702
E-mail: garima.bansal@gs.com

Garima Bansal
Investment Banking Division
Public Sector and Infrastructure

Goldman
Sachs

From: Bansal, Garima
Sent: Thursday, October 07, 2010 12:57 PM
To: Bansal, Garima; 'Martinez, Silvia'; 'lee.nickloy@pinnaclewest.com'; 'karen.dolyniuk@pinnaclewest.com'; 'rufad.omanovic@pinnaclewest.com'; 'shirley.baum@pinnaclewest.com'; 'stefanie.layton@pinnaclewest.com'; 'cikegami@swlaw.com'; 'bstoll@swlaw.com'; 'Henck@ballardspahr.com'; 'mgroshek@sah.com'; 'sshaver@sah.com'; 'thomas.vlahakis@bnymellon.com'; 'bchapin@emmetmarvin.com'; Lurie, R. Thornton; McCallum, Katherine; 'jfenwick@keybanccm.com'; 'kurtis_j_holle@keybanccm.com'; 'jay.sweeney@morganstanley.com'; 'James.torrell@suntrust.com'; 'karl.schaub@pillsburylaw.com'; 'david.baxter@pillsburylaw.com'; 'jeffrey.delaney@pillsburylaw.com'; 'Leak, Kathleen A.'; 'Criddle, Dean'; 'Pohl, Wolfram'; 'McAlpine, Bonita'; 'Prater, Merinda'
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Call Date: 11/01/2020 @ 100.00
Maturity: 09/01/2024
Rate: 4.70%
CUSIP: 311450FE5

Series C
Par Amount: $31,500,000
Put Date: 10/11/2013
Maturity: 09/01/2024
Rate: 2.75%
CUSIP: 311450FF2

Thanks,

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200 West Street | Floor 33 | New York, NY 10282
Tel: 212-902-8702
E-mail: garima.bansal@gs.com

Garima Bansal
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Dolyniuk, Karen E

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Thursday, October 07, 2010 10:12 AM
To: Dolyniuk, Karen E
Subject: RE: APS/Farmington: CUSIPs and Rates

And what happens if the bonds are not put back in 2013?

From: Karen.Dolyniuk@pinnaclewest.com [mailto:Karen.Dolyniuk@pinnaclewest.com]
Sent: Thursday, October 07, 2010 10:10 AM
To: Bettinelli, Antonio
Cc: Rufad.Omanovic@pinnaclewest.com
Subject: FW: APS/Farmington: CUSIPs and Rates

FYI – revised information.

Tony, regarding the question about how the Series C would be shown in our maturity table – we would show them with a 2013 maturity date.

Let me know if you need anything else.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

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Sent: Thursday, October 07, 2010 10:08 AM
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Rate: 4.70%

CUSIP: 311450FE5

Series C
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Put Date: 10/11/2013
Maturity: 09/01/2024
Rate: 2.875%
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Series C
Par Amount: $31,500,000
Put Date: 10/11/2013

Maturity: 09/01/2024
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CUSIP: 311450FF2

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Goldman, Sachs & Co.
200 West Street | Floor 33 | New York, NY 10282
Tel: 212-902-8702
E-mail: garima.bansal@gs.com

Garima Bansal
Investment Banking Division
Public Sector and Infrastructure

Goldman Sachs

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Thursday, October 07, 2010 10:20 AM
To: 'Bettinelli, Antonio'
Cc: Omanovic, Rufad
Subject: RE: APS/Farmington: CUSIPs and Rates

Actually it is a mandatory put – if we don't take action to put the bonds in another term mode, the bonds are put back and the company has to come up with the funds to pay bondholders.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Thursday, October 07, 2010 10:12 AM
To: Dolyniuk, Karen E
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Sent: Thursday, October 07, 2010 10:10 AM
To: Bettinelli, Antonio
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Subject: FW: APS/Farmington: CUSIPs and Rates

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Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
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Sent: Thursday, October 07, 2010 10:08 AM
To: Martinez, Silvia; Nickloy, Lee R; Dolyniuk, Karen E; Omanovic, Rufad; Baum, Shirley A; Layton, Stefanie; cikegami@swlaw.com; bstoll@swlaw.com; Henck@ballardspahr.com; mgroshek@sah.com; sshaver@sah.com; thomas.vlahakis@bnymellon.com; bchapin@emmetmarvin.com; Lurie, R. Thornton; McCallum, Katherine; jfenwick@keybanccm.com; kurtis_j_holle@keybanccm.com; jay.sweeney@morganstanley.com; James.torrell@suntrust.com; karl.schaub@pillsburylaw.com; david.baxter@pillsburylaw.com; jeffrey.delaney@pillsburylaw.com; Leak, Kathleen A.; Criddle, Dean; Pohl, Wolfram; McAlpine, Bonita; Prater, Merinda
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Rate: 4.70%
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Par Amount: $31,500,000
Put Date: 10/11/2013
Maturity: 09/01/2024
Rate: 2.875%
CUSIP: 311450FF2

Thanks,

Goldman, Sachs & Co.
200 West Street | Floor 33 | New York, NY 10282
Tel: 212-902-8702
E-mail: garima.bansal@gs.com

Garima Bansal
Investment Banking Division
Public Sector and Infrastructure

Goldman Sachs

From: Bansal, Garima
Sent: Thursday, October 07, 2010 12:57 PM
To: Bansal, Garima; 'Martinez, Silvia'; 'lee.nickloy@pinnaclewest.com'; 'karen.dolyniuk@pinnaclewest.com'; 'rufad.omanovic@pinnaclewest.com'; 'shirley.baum@pinnaclewest.com'; 'stefanie.layton@pinnaclewest.com'; 'cikegami@swlaw.com'; 'bstoll@swlaw.com'; 'Henck@ballardspahr.com'; 'mgroshek@sah.com'; 'sshaver@sah.com'; 'thomas.vlahakis@bnymellon.com'; 'bchapin@emmetmarvin.com'; Lurie, R. Thornton; McCallum, Katherine; 'jfenwick@keybanccm.com'; 'kurtis_j_holle@keybanccm.com'; 'jay.sweeney@morganstanley.com'; 'James.torrell@suntrust.com'; 'karl.schaub@pillsburylaw.com'; 'david.baxter@pillsburylaw.com'; 'jeffrey.delaney@pillsburylaw.com'; 'Leak, Kathleen A.'; 'Criddle, Dean'; 'Pohl, Wolfram'; 'McAlpine, Bonita'; 'Prater, Merinda'
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Dolyniuk, Karen E

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From: Bansal, Garima [mailto:Garima.Bansal@gs.com]
Sent: Thursday, October 07, 2010 10:08 AM
To: Martinez, Silvia; Nickloy, Lee R; Dolyniuk, Karen E; Omanovic, Rufad; Baum, Shirley A; Layton, Stefanie; cikegami@swlaw.com; bstoll@swlaw.com; Henck@ballardspahr.com; mgroshek@sah.com; sshaver@sah.com; thomas.vlahakis@bnymellon.com; bchapin@emmetmarvin.com; Lurie, R. Thornton; McCallum, Katherine; jfenwick@keybanccm.com; kurtis_j_holle@keybanccm.com; jay.sweeney@morganstanley.com; James.torrell@suntrust.com; karl.schaub@pillsburylaw.com; david.baxter@pillsburylaw.com; jeffrey.delaney@pillsburylaw.com; Leak, Kathleen A.; Criddle, Dean; Pohl, Wolfram; McAlpine, Bonita; Prater, Merinda
Subject: RE: APS/Farmington: CUSIPs and Rates

Apologies, but please disregard my previous email. Please find the revised information below:

Series A
Par Amount: $49,400,000
Call Date: 11/01/2020 @ 100.00
Maturity: 05/01/2024
Rate: 4.70%
CUSIP: 311450FD7

Series B
Par Amount: $65,750,000
Call Date: 11/01/2020 @ 100.00
Maturity: 09/01/2024
Rate: 4.70%
CUSIP: 311450FE5

Series C
Par Amount: $31,500,000
Put Date: 10/11/2013
Maturity: 09/01/2024
Rate: 2.875%
CUSIP: 311450FF2

Thanks,

Goldman, Sachs & Co.
200 West Street | Floor 33 | New York, NY 10282

Tel: 212-902-8702
E-mail: garima.bansal@gs.com

Garima Bansal
Investment Banking Division
Public Sector and Infrastructure

Goldman Sachs

From: Bansal, Garima
Sent: Thursday, October 07, 2010 12:57 PM
To: Bansal, Garima; 'Martinez, Silvia'; 'lee.nickloy@pinnaclewest.com'; 'karen.dolyniuk@pinnaclewest.com'; 'rufad.omanovic@pinnaclewest.com'; 'shirley.baum@pinnaclewest.com'; 'stefanie.layton@pinnaclewest.com'; 'cikegami@swlaw.com'; 'bstoll@swlaw.com'; 'Henck@ballardspahr.com'; 'mgroshek@sah.com'; 'sshaver@sah.com'; 'thomas.vlahakis@bnymellon.com'; 'bchapin@emmetmarvin.com'; Lurie, R. Thornton; McCallum, Katherine; 'jfenwick@keybanccm.com'; 'kurtis_j_holle@keybanccm.com'; 'jay.sweeney@morganstanley.com'; 'James.torrell@suntrust.com'; 'karl.schaub@pillsburylaw.com'; 'david.baxter@pillsburylaw.com'; 'jeffrey.delaney@pillsburylaw.com'; 'Leak, Kathleen A.'; 'Criddle, Dean'; 'Pohl, Wolfram'; 'McAlpine, Bonita'; 'Prater, Merinda'
Subject: APS/Farmington: CUSIPs and Rates

Hi,

Please find below the CUSIP and Rate information associated with each series of bonds:

Series A
Par Amount: $49,400,000
Call Date: 11/01/2020 @ 100.00
Maturity: 05/01/2024
Rate: 4.70%
CUSIP: 311450FD7

Series B
Par Amount: $65,750,000
Call Date: 11/01/2020 @ 100.00
Maturity: 09/01/2024
Rate: 4.70%
CUSIP: 311450FE5

Series C
Par Amount: $31,500,000
Put Date: 10/11/2013
Maturity: 09/01/2024
Rate: 2.75%
CUSIP: 311450FF2

Thanks,

Goldman, Sachs & Co.
200 West Street | Floor 33 | New York, NY 10282
Tel: 212-902-8702
E-mail: garima.bansal@gs.com

Garima Bansal
Investment Banking Division
Public Sector and Infrastructure

Goldman Sachs

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Email Firewall made the following annotations

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Thursday, October 07, 2010 2:02 PM
To: 'Bettinelli, Antonio'
Cc: Omanovic, Rufad
Subject: FW: APS/Farmington: Term Sheet
Attachments: Term Sheet.pdf

Tony, we did get an official term sheet. It is attached.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Bansal, Garima [mailto:Garima.Bansal@gs.com]
Sent: Thursday, October 07, 2010 1:54 PM
To: Dolyniuk, Karen E
Cc: McCallum, Katherine
Subject: APS/Farmington: Term Sheet

Hi Karen,

Please find attached the Term Sheet for the transaction. Let us know if you have any questions.

Thanks,

<<Term Sheet.pdf>>

Goldman, Sachs & Co.
200 West Street | Floor 33 | New York, NY 10282
Tel: 212-902-8702
E-mail: garima.bansal@gs.com

Garima Bansal Goldman
Investment Banking Division Sachs
Public Sector and Infrastructure

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October 7, 2010

Summary of Final Terms

City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project)
Series 1994A

Issuer	City of Farmington, New Mexico
Project	Four Corners Project
Company	Arizona Public Service Company
Ratings	BBB- by S&P, Baa2 by Moody's, BBB by Fitch
Type of Issue	Tax-Exempt / Non-AMT
Principal Amount	$49,400,000
Pricing Date	October 07, 2010
Original Issue Date	May 25, 1994
Conversion Dated Date	October 12, 2010
Maturity Date	May 1, 2024
Interest Payment Period	Semi – Annual
Day Count Convention	Actual/Actual
Initial Price	100%
Initial Interest Rate	4.700%
Underwriter/Remarketing Agent	Goldman, Sachs & Co., KeyBanc Capital Markets, SunTrust Robinson Humphrey
Underwriting Fees	70.0 bps
Trustee/Paying Agent	The Bank of New York Mellon Trust Company, N.A.
Gross Proceeds	$49,400,000
Minimum Denomination	$100,000
CUSIP	311450FD7

October 7, 2010

Summary of Final Terms

City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
(Arizona Public Service Company Four Corners Project)
Series 1994B

Issuer	City of Farmington, New Mexico
Project	Four Corners Project
Company	Arizona Public Service Company
Ratings	BBB- by S&P, Baa2 by Moody's, BBB by Fitch
Type of Issue	Tax-Exempt / Non-AMT
Principal Amount	$65,750,000
Pricing Date	October 07, 2010
Original Issue Date	September 14, 1994
Conversion Dated Date	October 12, 2010
Maturity Date	September 1, 2024
Interest Payment Period	Semi – Annual
Day Count Convention	Actual/Actual
Initial Price	100%
Initial Interest Rate	4.700%
Underwriter/Remarketing Agent	Goldman, Sachs & Co., KeyBanc Capital Markets, Morgan Stanley & Co. Incorporated
Underwriting Fees	70.0 bps
Trustee/Paying Agent	The Bank of New York Mellon Trust Company, N.A.
Gross Proceeds	$65,750,000
Minimum Denomination	$100,000
CUSIP	311450FE5

October 7, 2010

Summary of Final Terms

City of Farmington, New Mexico
Pollution Control Revenue Bonds
(Arizona Public Service Company Four Corners Project)
Series 1994C

Issuer	City of Farmington, New Mexico
Project	Four Corners Project
Company	Arizona Public Service Company
Ratings	BBB- by S&P, Baa2 by Moody's, BBB by Fitch
Type of Issue	Tax-Exempt / AMT
Principal Amount	$31,500,000
Pricing Date	October 07, 2010
Original Issue Date	September 14, 1994
Conversion Dated Date	October 12, 2010
Put Date	October 10, 2013
Maturity Date	September 1, 2024
Interest Payment Period	Semi – Annual
Day Count Convention	Actual/Actual
Initial Price	100%
Initial Interest Rate	2.875%
Underwriter/Remarketing Agent	Goldman, Sachs & Co, Morgan Stanley & Co. Incorporated, SunTrust Robinson Humphrey
Underwriting Fees	45.0 bps
Trustee/Paying Agent	The Bank of New York Mellon Trust Company, N.A.
Gross Proceeds	$31,500,000
Minimum Denomination	$100,000
CUSIP	311450FF2

Dolyniuk, Karen E

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Thursday, October 07, 2010 2:10 PM
To: Dolyniuk, Karen E
Subject: FW: Arizona Public Service Rating Letters
Attachments: Arizona Public Service_RL_SeriesB_2010Oct7.pdf; Arizona Public Service_RL_SeriesC_2010Oct7.pdf; Arizona Public Service_RL_SeriesA_2010Oct7.pdf

Letters attached.

Regards,

Tony Bettinelli
Associate Director
Standard & Poor's
U.S. Electric Utilities
Corporate & Government Ratings
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

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Corporate & Government Ratings 55 Water Street
New York, NY 10041

October 7, 2010

Mr. Lee R. Nickloy
Director of Corporate Finance & Treasury
PINNACLE WEST CAPITAL CORPORATION
Arizona Public Service Co.
400 5th Street
MS-9996
Phoenix, AZ 85004

Re: ***ARIZONA PUBLIC SERVICE COMPANY***
$65,750,000, City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
Arizona Public Service Company Four Corners Project
1994 Series B, 4.70%, due September 1, 2024

Dear Mr. Nickloy:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions,* have assigned a rating of **"BBB-"**.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this

letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information, if necessary, to maintain the rating. Please send all information to Antonio Bettinelli at Standard & Poor's Corporate Ratings, 55 Water Street, New York, NY 10041.

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Very truly yours,

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Analytical Contact: Antonio Bettinelli
Phone: 415-371-5067

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Information to be Provided by You. For so long as this agreement is in effect, in connection with the rating provided hereunder, you warrant that you will provide, or cause to be provided, as promptly as practicable, to Ratings Services (i) all information requested by Ratings Services in accordance with its published ratings criteria, and (ii) any other information relevant to the rating and, if applicable, surveillance of the rating, including, without limitation, information on material changes to information previously provided by you, your agents or advisors to Ratings Services, other than information you reasonably believe is not material to the rating or such surveillance. The rating, and the maintenance of the rating, may be affected by Ratings Services' opinion of the information received from you or your agents or advisors. You further warrant that all information provided to Ratings Services by you or your agents or advisors regarding the rating or, if applicable, surveillance of the rating, contains no untrue statement of material fact and does not omit a material fact necessary in order to make such information, in light of the circumstances in which it was provided, not misleading. A material breach of the warranties in this paragraph shall constitute a material breach of this Agreement. To the extent permitted by applicable law, you will be liable to

Rating Services and its affiliates for all losses, damages, liabilities, judgments, costs, charges and expenses (including reasonable attorneys' fees) ("Losses") (x) resulting from a material breach of the warranties in this paragraph, including but not limited to all Losses arising from claims asserted by any third party against Ratings Services, or (y) that arise out of or relate to any claim that the information provided by you or your agents or advisors infringes or violates the intellectual property rights of a third party, except in either case, to the extent such Losses are judicially determined to result from gross negligence or willful misconduct of Ratings Services.

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Termination of Agreement. This Agreement may be terminated by either party at any time upon written notice to the other party. Except where expressly limited to the term of this Agreement, these Terms and Conditions shall survive the termination of this Agreement.

No Third-Party Beneficiaries. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary of this Agreement or of the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Amendments. This Agreement may not be amended except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties irrevocably agree that the state and federal courts of New York located in the County of New York shall be the exclusive forums for any dispute arising out of or relating to this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

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Corporate & Government Ratings 55 Water Street
New York, NY 10041

October 7, 2010

Mr. Lee R. Nickloy
Director of Corporate Finance & Treasury
PINNACLE WEST CAPITAL CORPORATION
Arizona Public Service Co.
400 5th Street
MS-9996
Phoenix, AZ 85004

Re: ***ARIZONA PUBLIC SERVICE COMPANY***
$31,500,000 City of Farmington, New Mexico
Pollution Control Revenue Bonds
Arizona Public Service Company Four Corners Project
1994 Series C, 2.875% due September 1, 2024

Dear Mr. Nickloy:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of **"BBB-"**.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this

letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information, if necessary, to maintain the rating. Please send all information to Antonio Bettinelli at Standard & Poor's Corporate Ratings, 55 Water Street, New York, NY 10041.

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Very truly yours,

Standard & Poor's Ratings Services,
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Standard & Poor's

Analytical Contact: Antonio Bettinelli
Phone: 415-371-5067

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Terms and Conditions Applicable To Ratings

You understand and agree that:

General. The ratings and other views of Standard & Poor's Ratings Services ("Ratings Services") are statements of opinion and not statements of fact. A rating is not a recommendation to purchase, hold, or sell any securities nor does it comment on market price, marketability, investor preference or suitability of any security. While Ratings Services bases its ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, Ratings Services does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and Ratings Services' opinions should not be relied upon in making any investment decision. Ratings Services does not act as a "fiduciary" or an investment advisor. Ratings Services neither recommends or will recommend how an issuer can or should achieve a particular rating outcome nor provides or will provide consulting, advisory, financial or structuring advice.

All Rating Actions in Ratings Services' Sole Discretion. Ratings Services may assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, at any time, in Ratings Services' sole discretion. Ratings Services may take any of the foregoing actions notwithstanding any request for a confidential rating or a withdrawal of a rating, or termination of this Agreement. Ratings Services will not convert a public rating to a confidential rating.

Publication. Ratings Services reserves the right to use, publish, disseminate, or license others to use, publish or disseminate the rating provided hereunder and any analytical reports, including the rationale for the rating, unless you specifically request in connection with the initial rating that the rating be assigned and maintained on a confidential basis. If, however, a confidential rating or the existence of a confidential rating subsequently becomes public through disclosure other than by an act of Ratings Services or its affiliates, Ratings Services reserves the right to treat the rating as a public rating, including, without limitation, publishing the rating and any related analytical reports. Any analytical reports published by Ratings Services are not issued by or on behalf of you or at your request. Notwithstanding anything to the contrary herein, Ratings Services reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public ratings that have been withdrawn, regardless of the reason for such withdrawal. Ratings Services may publish explanations of Ratings Services' ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Ratings Services' ability to modify or refine its ratings criteria at any time as Ratings Services deems appropriate.

Information to be Provided by You. For so long as this agreement is in effect, in connection with the rating provided hereunder, you warrant that you will provide, or cause to be provided, as promptly as practicable, to Ratings Services (i) all information requested by Ratings Services in accordance with its published ratings criteria, and (ii) any other information relevant to the rating and, if applicable, surveillance of the rating, including, without limitation, information on material changes to information previously provided by you, your agents or advisors to Ratings Services, other than information you reasonably believe is not material to the rating or such surveillance. The rating, and the maintenance of the rating, may be affected by Ratings Services' opinion of the information received from you or your agents or advisors. You further warrant that all information provided to Ratings Services by you or your agents or advisors regarding the rating or, if applicable, surveillance of the rating, contains no untrue statement of material fact and does not omit a material fact necessary in order to make such information, in light of the circumstances in which it was provided, not misleading. A material breach of the warranties in this paragraph shall constitute a material breach of this Agreement. To the extent permitted by applicable law, you will be liable to

Rating Services and its affiliates for all losses, damages, liabilities, judgments, costs, charges and expenses (including reasonable attorneys' fees) ("Losses") (x) resulting from a material breach of the warranties in this paragraph, including but not limited to all Losses arising from claims asserted by any third party against Ratings Services, or (y) that arise out of or relate to any claim that the information provided by you or your agents or advisors infringes or violates the intellectual property rights of a third party, except in either case, to the extent such Losses are judicially determined to result from gross negligence or willful misconduct of Ratings Services.

Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean information that you or your agents or advisors have provided to Ratings Services and, in a specific and particularized manner, have marked or otherwise indicated in writing that such information is "Proprietary and Confidential." Notwithstanding the foregoing, information disclosed by you or your agents or advisors to Ratings Services shall not be deemed to be Confidential Information, and Ratings Services shall have no obligation to treat such information as Confidential Information, if such information (i) was known by Ratings Services or its affiliates at the time of such disclosure and was not known by Ratings Services to be subject to a prohibition on disclosure, (ii) was known to the public at the time of such disclosure, (iii) becomes known to the public (other than by an act of Ratings Services or its affiliates) subsequent to such disclosure, (iv) is disclosed to Ratings Services or its affiliates by a third party subsequent to such disclosure and Ratings Services reasonably believes that such third party's disclosure to Ratings Services or its affiliates was not prohibited, (v) is developed independently by Ratings Services or its affiliates without reference to the Confidential Information, (vi) is approved in writing by you for public disclosure, or (vii) is required by law or regulation to be disclosed by Ratings Services or its affiliates or publicly disclosed by you.

Ratings Services' Use of Information. Except as otherwise provided herein, Ratings Services shall not disclose Confidential Information to third parties. Ratings Services may use Confidential Information to assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, and may share Confidential Information with its affiliates engaged in the ratings business, provided that, in each case, the Confidential Information is not presented publicly in a way that can be attributed to you and such affiliates are bound by appropriate confidentiality obligations. Ratings Services may also use, publish and share Confidential Information with any of its affiliates or agents engaged in the ratings or other financial services businesses who are bound by appropriate confidentiality obligations ("Relevant Affiliates and Agents"), for modelling, benchmarking and research purposes, provided that, in each case, Confidential Information is not presented publicly in a way that can be attributed to you. With respect to structured finance ratings not maintained on a confidential basis, Ratings Services may publish data aggregated from Confidential Information, excluding data that is specific to and identifies individual debtors ("Relevant Data"), and share such Confidential Information with any of its Relevant Affiliates and Agents for general market dissemination of Relevant Data; you confirm that, to the best of your knowledge, there are no third parties whose rights would be adversely affected by any such publication. Ratings Services and its affiliates reserve the right to use, publish, disseminate, or license others to use, publish or disseminate any non-Confidential Information provided by you, your agents or advisors.

Ratings Services Not an Expert, Underwriter or Seller under Securities Laws. Ratings Services has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. Ratings Services is not an "underwriter" or "seller" as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933. Rating Services has not performed the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with this engagement.

Office of Foreign Assets Control. Neither you nor the issuer (if you are not the issuer) is subject to economic, trade, or transactional sanctions imposed by the United States Government or any state government. None of you, the issuer (if you are not the issuer), or any of your or the issuer's owners, directors, officers, employees, or group companies appears on any list of known or suspected terrorists, terrorist organizations or other prohibited persons maintained by any agency of the United States Government or of any other jurisdiction in which you or the issuer or any of your or the issuer's group of companies are doing business, including but not limited to the List of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control of the U.S.

Department of the Treasury. Neither you nor the issuer (if you are not the issuer) is owned or controlled, directly or indirectly, by any entity subject to such sanctions or appearing on such lists. For so long as this agreement is in effect, you will promptly notify Ratings Services if any of these circumstances change.

Ratings Services' Use of Confidential Ratings. Ratings Services may use confidential ratings in its analysis of the debt issued by collateralized debt obligation (CDO) and other investment vehicles. Ratings Services may disclose a confidential rating as a confidential credit estimate to the managers of CDO and similar investment vehicles. Ratings Services may permit CDO managers to use and disseminate credit estimates on a limited basis and subject to various restrictions; however, Ratings Services cannot control any such use or dissemination.

Entire Agreement. Nothing in this Agreement shall prevent Ratings Services from acting in accordance with applicable laws, regulations and Ratings Services' policies as published from time to time. Subject to the prior sentence, this Agreement constitutes the complete and entire agreement between the parties regarding its subject matter. The terms of this Agreement supersede any other terms and conditions relating to information provided to Ratings Services by you or your agents and advisors, including without limitation, terms and conditions of websites through which you or your agents and advisors make such information available to Ratings Services, and such terms and conditions shall not apply to Ratings Services.

Limitation on Damages. Ratings Services does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information. RATINGS SERVICES GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. Ratings Services, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to you, your affiliates or any person asserting claims on your behalf, directly or indirectly, for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to the rating provided hereunder or the related analytic services even if advised of the possibility of such damages or other amounts except to the extent such damages or other amounts are judicially determined to result from gross negligence or willful misconduct of Ratings Services. In furtherance and not in limitation of the foregoing, Ratings Services will not be liable to you, your affiliates or any person asserting claims on your behalf in respect of any decisions alleged to be made by any person based on anything that may be perceived as advice or recommendations. In the event that Ratings Services is nevertheless held liable to you, your affiliates, or any person asserting claims on your behalf for monetary damages under this Agreement, in no event shall Ratings Services be liable in an aggregate amount in excess of three times the aggregate fees paid to Ratings Services for the rating giving rise to the cause of action during the twelve-months preceding the date the alleged claim has arisen, up to a maximum of US$1,000,000 except to the extent such limitation is unenforceable by law. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. Neither party waives any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Termination of Agreement. This Agreement may be terminated by either party at any time upon written notice to the other party. Except where expressly limited to the term of this Agreement, these Terms and Conditions shall survive the termination of this Agreement.

No Third-Party Beneficiaries. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary of this Agreement or of the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Amendments. This Agreement may not be amended except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties irrevocably agree that the state and federal courts of New York located in the County of New York shall be the exclusive forums for any dispute arising out of or relating to this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

STANDARD
&POOR'S

Corporate & Government Ratings 55 Water Street
New York, NY 10041

October 7, 2010

Mr. Lee R. Nickloy
Director of Corporate Finance & Treasury
PINNACLE WEST CAPITAL CORPORATION
Arizona Public Service Co.
400 5th Street
MS-9996
Phoenix, AZ 85004

Re: ***ARIZONA PUBLIC SERVICE COMPANY***
$49,400,000 City of Farmington, New Mexico
Pollution Control Revenue Refunding Bonds
Arizona Public Service Company Four Corners Project
1994 Series A, 4.70% due May 1, 2024

Dear Mr. Nickloy:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions,* have assigned a rating of "BBB-".

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This

rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information, if necessary, to maintain the rating. Please send all information to Antonio Bettinelli at Standard & Poor's Corporate Ratings, 55 Water Street, New York, NY 10041.

Standard & Poor's is pleased to have the opportunity to be of service to you. For more information please visit our website at www.standardandpoors.com. If we can be of help in any other way, please contact us. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Very truly yours,

Standard & Poor's Ratings Services,
a division of The McGraw-Hill Companies, Inc.

Analytical Contact: Antonio Bettinelli
Phone: 415-371-5067

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Standard & Poor's Ratings Services
Terms and Conditions Applicable To Ratings

You understand and agree that:

General. The ratings and other views of Standard & Poor's Ratings Services ("Ratings Services") are statements of opinion and not statements of fact. A rating is not a recommendation to purchase, hold, or sell any securities nor does it comment on market price, marketability, investor preference or suitability of any security. While Ratings Services bases its ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, Ratings Services does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and Ratings Services' opinions should not be relied upon in making any investment decision. Ratings Services does not act as a "fiduciary" or an investment advisor. Ratings Services neither recommends or will recommend how an issuer can or should achieve a particular rating outcome nor provides or will provide consulting, advisory, financial or structuring advice.

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Information to be Provided by You. For so long as this agreement is in effect, in connection with the rating provided hereunder, you warrant that you will provide, or cause to be provided, as promptly as practicable, to Ratings Services (i) all information requested by Ratings Services in accordance with its published ratings criteria, and (ii) any other information relevant to the rating and, if applicable, surveillance of the rating, including, without limitation, information on material changes to information previously provided by you, your agents or advisors to Ratings Services, other than information you reasonably believe is not material to the rating or such surveillance. The rating, and the maintenance of the rating, may be affected by Ratings Services' opinion of the information received from you or your agents or advisors. You further warrant that all information provided to Ratings Services by you or your agents or advisors regarding the rating or, if applicable, surveillance of the rating, contains no untrue statement of material fact and does not omit a material fact necessary in order to make such information, in light of the circumstances in which it was provided, not misleading. A material breach of the warranties in this paragraph shall constitute a material breach of this Agreement. To the extent permitted by applicable law, you will be liable to

Rating Services and its affiliates for all losses, damages, liabilities, judgments, costs, charges and expenses (including reasonable attorneys' fees) ("Losses") (x) resulting from a material breach of the warranties in this paragraph, including but not limited to all Losses arising from claims asserted by any third party against Ratings Services, or (y) that arise out of or relate to any claim that the information provided by you or your agents or advisors infringes or violates the intellectual property rights of a third party, except in either case, to the extent such Losses are judicially determined to result from gross negligence or willful misconduct of Ratings Services.

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Office of Foreign Assets Control. Neither you nor the issuer (if you are not the issuer) is subject to economic, trade, or transactional sanctions imposed by the United States Government or any state government. None of you, the issuer (if you are not the issuer), or any of your or the issuer's owners, directors, officers, employees, or group companies appears on any list of known or suspected terrorists, terrorist organizations or other prohibited persons maintained by any agency of the United States Government or of any other jurisdiction in which you or the issuer or any of your or the issuer's group of companies are doing business, including but not limited to the List of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control of the U.S.

Department of the Treasury. Neither you nor the issuer (if you are not the issuer) is owned or controlled, directly or indirectly, by any entity subject to such sanctions or appearing on such lists. For so long as this agreement is in effect, you will promptly notify Ratings Services if any of these circumstances change.

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Limitation on Damages. Ratings Services does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information. RATINGS SERVICES GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. Ratings Services, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to you, your affiliates or any person asserting claims on your behalf, directly or indirectly, for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to the rating provided hereunder or the related analytic services even if advised of the possibility of such damages or other amounts except to the extent such damages or other amounts are judicially determined to result from gross negligence or willful misconduct of Ratings Services. In furtherance and not in limitation of the foregoing, Ratings Services will not be liable to you, your affiliates or any person asserting claims on your behalf in respect of any decisions alleged to be made by any person based on anything that may be perceived as advice or recommendations. In the event that Ratings Services is nevertheless held liable to you, your affiliates, or any person asserting claims on your behalf for monetary damages under this Agreement, in no event shall Ratings Services be liable in an aggregate amount in excess of three times the aggregate fees paid to Ratings Services for the rating giving rise to the cause of action during the twelve-months preceding the date the alleged claim has arisen, up to a maximum of US$1,000,000 except to the extent such limitation is unenforceable by law. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. Neither party waives any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

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Amendments. This Agreement may not be amended except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties irrevocably agree that the state and federal courts of New York located in the County of New York shall be the exclusive forums for any dispute arising out of or relating to this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Thursday, October 07, 2010 3:03 PM
To: 'Bettinelli, Antonio'
Subject: RE: Arizona Public Service Rating Letters

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Thursday, October 07, 2010 2:10 PM
To: Dolyniuk, Karen E
Subject: FW: Arizona Public Service Rating Letters

Letters attached.

Regards,

Tony Bettinelli
Associate Director
Standard & Poor's
U.S. Electric Utilities
Corporate & Government Ratings
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

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Dolyniuk, Karen E

From: Bettinelli, Antonio [Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, October 08, 2010 10:14 AM
To: Dolyniuk, Karen E
Cc: Omanovic, Rufad; McGill, James T
Subject: Remarketed Issues: S&P Pre-Publication Notice
Attachments: APS_PUBW_2010OCT08_pre-publication sent to issue.pdf

Importance: High

Karen,

As I mentioned yesterday, here is a copy of our report.

Standard & Poor's Ratings Services is sending you this draft so that you can call our attention to any factual errors or the inadvertent inclusion of confidential information in the draft. If you have any questions or comments on the analysis that are not factual in nature, we ask that you discuss these matters with us. We will use our sole discretion in making editorial changes to the document, which represents our independent opinion. We will finalize and release our report after a period of one hour from the time we have sent this email regardless of whether we have received a reply. The information in the draft is confidential and should not be disclosed or released prior to its publication by Standard & Poor's Ratings Services.

Tony Bettinelli
Associate Director
Standard & Poor's
U.S. Electric Utilities
Corporate & Government Ratings
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
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Arizona Public Service Co. 's Tax-Exempt Revenue Bonds Series 1994 Downgraded To 'BBB-'

Primary Credit Analyst: Tony Bettinelli, San Francisco, (1) 415-371-5067; antonio_bettinelli@standardandpoors.com

Secondary Contact: Anne Selting, San Francisco, (1) 415-371-5009; anne_selting@standardandpoors.com

SAN FRANCISCO (Standard & Poor's) Oct. 8, 2010--Standard & Poor's Ratings Services said today that it lowered its long-term rating to 'BBB-' from 'AA-' and withdrew its short-term rating of 'A-1+' on Farmington, New Mexico's 1994 $49.4 million series A, $65.75 million series B, and $31.5 million series C pollution control revenue bonds (Arizona Public Service Co. Four Corners Project) issued on behalf of Arizona Public Service, following the remarketing of the debt.

The bonds were originally issued with irrevocable direct-pay letters of credit (LOCs), the ratings on which were linked to that on the LOC provider, Barclays. Following the bonds' Oct. 12, 2010, conversion, the series A and B bonds will bear a fixed interest rate through the May 2024 and September 2024 maturity dates, respectively, and the series C bonds will be fixed through the October 2013 put date. As a result, all bonds are rated pari passu with Arizona Public Service's senior unsecured debt obligations, which are rated 'BBB-'.

The corporate credit rating remains unchanged. For details on Arizona Public Service's underlying credit quality, please refer to our report published April 27, 2010, on RatingsDirect on the Global Credit Portal.

RELATED RESEARCH
2008 Corporate Criteria: Analytical Methodology, April 15, 2008
RATINGS LIST
Arizona Public Service Co.

Corporate Credit Rating	BBB-/Positive/A-3

Downgraded; Rating Withdrawn

	To	From
Pollution control rev bds	BBB-	AA-/A-1+

Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Friday, October 08, 2010 10:43 AM
To: 'Bettinelli, Antonio'
Cc: Omanovic, Rufad
Subject: FW: Remarketed Issues: S&P Pre-Publication Notice
Attachments: APS_PUBW_2010OCT08_pre-publication sent to issue.pdf

Importance: High

Tony, looks good to us. The A & B series have a 10 year call provision – not sure if that's important to mention.

Thanks.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, October 08, 2010 10:14 AM
To: Dolyniuk, Karen E
Cc: Omanovic, Rufad; McGill, James T
Subject: Remarketed Issues: S&P Pre-Publication Notice
Importance: High

Karen,

As I mentioned yesterday, here is a copy of our report.

Standard & Poor's Ratings Services is sending you this draft so that you can call our attention to any factual errors or the inadvertent inclusion of confidential information in the draft. If you have any questions or comments on the analysis that are not factual in nature, we ask that you discuss these matters with us. We will use our sole discretion in making editorial changes to the document, which represents our independent opinion. We will finalize and release our report after a period of one hour from the time we have sent this email regardless of whether we have received a reply. The information in the draft is confidential and should not be disclosed or released prior to its publication by Standard & Poor's Ratings Services.

Tony Bettinelli
Associate Director
Standard & Poor's
U.S. Electric Utilities
Corporate & Government Ratings
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, October 13, 2010 9:44 AM
To: 'Schumacher, Laura'
Subject: Updated PC Bond Information

Laura, this spreadsheet is updated for the Farmington transaction.

PC Bonds Information.xls

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

PC BONDS INFORMATION

COUNTY/CITY	SERIES	CUSIP	AMT/Non-AMT	INTEREST RATE MODE	TERM	CREDIT SUPPORT	INTEREST RATE	REMARKETING AGENT	EARLIEST CALL-DATE (AT PAR)	NEXT MATURITY	FINAL MATURITY	FACE VALUE ($MM)
Farmington	1994 A	311450FD7	Non-AMT	Fixed (NC10)	Life	N/A	4.700%	N/A	11/1/2020	5/1/2024[2]	5/1/2024	$ 49.400
Farmington	1994 B	311450FE5	Non-AMT	Fixed (NC10)	Life	N/A	4.700%	N/A	11/1/2020	9/1/2024[2]	9/1/2024	$ 65.750
Farmington	1994 C	311450FF2	AMT	Fixed	Put	N/A	2.875%	N/A	N/A	10/11/2013[2]	9/1/2024	$ 31.500
												$ 146.650
Coconino	1994 A	191855BB0	AMT	Fixed	Put	N/A	3.625%	BAML/SunTrust	N/A	7/12/2013[1]	10/1/2029	$ 32.650
Coconino	1998	191855BC8	AMT	Variable	Daily	JPMC L/C	N/A	JPM Securities Inc.	N/A	8/10/2013	11/1/2033	$ 16.870
Coconino	2009 A	191855AX3	Non-AMT	Fixed	Put	N/A	5.500%	N/A	N/A	6/1/2014	6/1/2034	$ 12.850
Coconino	2009 B	191855AY1	AMT	Variable	Daily	JPMC L/C	N/A	JPM Securities Inc.	N/A	9/22/2011	4/1/2038	$ 26.710
												$ 89.080
Maricopa	2002 A	566854CV5	Non-AMT	Fixed (NC10)	Life	AMBAC	5.050%	N/A	11/1/2012	5/1/2029	5/1/2029	$ 90.000
Maricopa	2009 A	566854DM4	Non-AMT	Fixed	Put	N/A	6.000%	N/A	N/A	5/1/2014	5/1/2029	$ 35.975
Maricopa	2009 B	566854DN2	Non-AMT	Fixed	Put	N/A	5.500%	N/A	N/A	5/1/2012	5/1/2029	$ 32.000
Maricopa	2009 C	566854DP7	Non-AMT	Fixed	Put	N/A	5.750%	N/A	N/A	5/1/2013	5/1/2029	$ 32.000
Maricopa	2009 D	566854DQ5	Non-AMT	Fixed	Put	N/A	6.000%	N/A	N/A	5/1/2014	5/1/2029	$ 32.000
Maricopa	2009 E	566854DR3	Non-AMT	Fixed	Put	N/A	6.000%	N/A	N/A	5/1/2014	5/1/2029	$ 32.000
												$ 253.975
Navajo	2009 A	639096AX4	Non-AMT	Fixed	Put	N/A	5.000%	N/A	N/A	6/1/2012	6/1/2034	$ 38.150
Navajo	2009 B	639096AY2	Non-AMT	Fixed	Put	N/A	5.500%	N/A	N/A	6/1/2014	6/1/2034	$ 32.000
Navajo	2009 C	639096AZ9	Non-AMT	Fixed	Put	N/A	5.500%	N/A	N/A	6/1/2014	6/1/2034	$ 32.000
Navajo	2009 D	639096BA3	Non-AMT	Fixed	Put	N/A	5.750%	N/A	N/A	6/1/2016	6/1/2034	$ 32.000
Navajo	2009 E	639096BB1	Non-AMT	Fixed	Put	N/A	5.750%	N/A	N/A	6/1/2016	6/1/2034	$ 32.000
												$ 166.150
												$ 655.855

[1] Interest payment dates are January 1 and July 1 of each year.
[2] Interest payment dates are April 1 and October 1 of each year.

Dolyniuk, Karen E

From: Schumacher, Laura [Laura.Schumacher@moodys.com]
Sent: Wednesday, October 13, 2010 11:16 AM
To: Dolyniuk, Karen E
Subject: Re: Updated PC Bond Information

Thanks Karen

From: Karen.Dolyniuk@pinnaclewest.com <Karen.Dolyniuk@pinnaclewest.com>
To: Schumacher, Laura
Sent: Wed Oct 13 12:44:24 2010
Subject: Updated PC Bond Information

Laura, this spreadsheet is updated for the Farmington transaction.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

Email Firewall made the following annotations

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Dolyniuk, Karen E

From: Dolyniuk, Karen E
Sent: Wednesday, October 13, 2010 11:59 AM
To: 'Schumacher, Laura'
Subject: RE: Updated PC Bond Information

You are welcome!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Wednesday, October 13, 2010 11:16 AM
To: Dolyniuk, Karen E
Subject: Re: Updated PC Bond Information

Thanks Karen

From: Karen.Dolyniuk@pinnaclewest.com <Karen.Dolyniuk@pinnaclewest.com>
To: Schumacher, Laura
Sent: Wed Oct 13 12:44:24 2010
Subject: Updated PC Bond Information

Laura, this spreadsheet is updated for the Farmington transaction.

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Monday, October 25, 2010 11:06 AM
To: Dolyniuk, Karen E
Subject: FW: EEI

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Tuesday, October 19, 2010 4:23 AM
To: Nickloy, Lee R
Subject: RE: EEI

Thanks Lee

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Monday, October 18, 2010 8:53 PM
To: Schumacher, Laura
Subject: RE: EEI

Laura,

Sure, I worked with AJ from time-to-time during my Ameren days. 2:00 Monday works fine.

Lee

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Monday, October 18, 2010 11:23 AM
To: Nickloy, Lee R
Subject: RE: EEI

Hello again Lee,

Sorry to do this, but, would it be possible to meet at 2:00, or else after 3:30? I would like AJ Sabatelle (I believe you know AJ?), to be able to join us if possible, and apparently the 2:30 -3:30 slot is booked.

Thanks,
Laura

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Monday, October 18, 2010 9:51 AM
To: Schumacher, Laura
Subject: RE: EEI

Laura,

2:30 on Monday afternoon is fine. Let's communicate via e-mail once out there to determine logistics.

Lee

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Monday, October 18, 2010 4:24 AM
To: Nickloy, Lee R
Subject: RE: EEI

Good morning Lee,

Apologies for the delayed response. Are you still open on Monday afternoon? Do you want to plan to meet around 2:30?

Laura

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Tuesday, October 12, 2010 11:28 AM
To: Schumacher, Laura
Subject: RE: EEI

Laura,

I am generally flexible during the day. Perhaps we could find 30 minutes to meet sometime on Monday afternoon? I have another commitment that will go until 2:00 but open after that.

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Monday, October 11, 2010 2:35 PM
To: Nickloy, Lee R
Subject: RE: EEI

Hello Lee,

We are hosting a breakfast, but unfortunately it is intended to be only for investors. Sorry about that. I would also like to meet and say hello, will you be at your visitation table during the open sessions, or are you booked with one-on-ones?

Laura

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Monday, October 11, 2010 11:25 AM
To: Schumacher, Laura
Subject: EEI

Laura,

Is Moody's hosting anything during EEI? I haven't seen anything, but thought I would check. If not, I would like to find a time out there to meet and say hello.

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004

ph: 602-250-3300
fax: 602-250-2367
Lee.Nickloy@pinnaclewest.com

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Dolyniuk, Karen E

From: Higuchi, Dene C on behalf of Hickman, Rebecca L
Sent: Wednesday, October 20, 2010 2:17 PM
Subject: PNW: Dividend Declaration and Earnings Conference Call/Web Cast

Today, we issued a press release announcing our latest dividend declaration and our 2010 third-quarter earnings release conference call and web cast. The text of the release is included below in this message.

As always, if you need any information about our company, please contact me.

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

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PINNACLE WEST DECLARES QUARTERLY DIVIDEND;
ANNOUNCES THIRD-QUARTER CONFERENCE CALL

PHOENIX – Pinnacle West Capital Corporation's (NYSE: PNW) Board of Directors today declared a quarterly dividend of $0.525 per share of common stock, payable on December 1, 2010, to shareholders of record on November 1, 2010.

In addition, Pinnacle West plans to release its 2010 third-quarter results on Thursday, October 28, 2010. That same day at 12:00 noon (ET), the Company invites interested parties to listen to a live webcast of management's conference call to discuss results and recent developments.

The webcast can be accessed at www.pinnaclewest.com/presentations and will be available for replay on the website for 30 days. To access the live conference call by telephone, dial (877) 407-8035 or (201) 689-8035 for international callers. A replay of the call also will be available until 11:55 p.m. (ET), Wednesday, November 3, 2010, by calling (877) 660-6853 in the U.S. and Canada or (201) 612-7415 internationally and entering account number 286, followed by Conference ID number 358822.

Pinnacle West is a Phoenix-based company with consolidated assets of about $12.2 billion. Through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States.

-30-

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Thursday, November 18, 2010 12:55 PM
To: Dolyniuk, Karen E
Subject: FW: Call

From: Nickloy, Lee R
Sent: Monday, November 08, 2010 7:20 AM
To: 'Schumacher, Laura'
Subject: RE: Call

Yes. Thanks Laura.

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Monday, November 08, 2010 7:19 AM
To: Nickloy, Lee R
Subject: RE: Call

12:00 pm Eastern also works for me. Will you call me?

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Monday, November 08, 2010 8:59 AM
To: Schumacher, Laura
Subject: RE: Call

Laura,

Thanks for the reminder on the time change. Would 12:00 (Eastern) work for you today instead of 1:00?

Lee

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Monday, November 08, 2010 6:03 AM
To: Nickloy, Lee R
Subject: Call

Good morning Lee,

I Got your voice mail, and yes, it was definitely nice to be able to meet at EEI. A call today at 1pm Eastern works fine for me. FYI, as of yesterday, we are no longer on daylight savings time, so our time difference is now only two hours. Let me know if that still works for you.

Thanks,

Laura

Laura J.K. Schumacher
Vice President / Senior Analyst

Global Infrastructure Finance
Power / Utilities - Americas
212.553.3853 tel
212.298 6316 fax
laura.schumacher@moodys.com

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Thursday, November 18, 2010 12:55 PM
To: Dolyniuk, Karen E
Subject: FW: Discussion Materials

From: Nickloy, Lee R
Sent: Monday, November 08, 2010 8:58 AM
To: 'Schumacher, Laura'
Subject: Discussion Materials

Laura,

Attached are a few pages to accompany our call.

Four Corners
Rating Agency Upd..

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
fax: 602-250-2367
Lee.Nickloy@pinnaclewest.com

Attachment(s) Intentionally Omitted – Contains Confidential Information

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Thursday, November 18, 2010 12:55 PM
To: Dolyniuk, Karen E
Subject: FW: Discussion Materials

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Monday, November 08, 2010 12:59 PM
To: Nickloy, Lee R
Subject: RE: Discussion Materials

Lee, thanks for the call. A couple of follow-up questions:

1) On the cap-ex slide – what is included in the "Other Cap-Ex" is that the cost of the Baghouse, or regular ongoing cap-ex or both. If both, how much are the baghouse costs...or are they included in with the SCRs, and if so, how much are they?
2) What is the cost of the upgrades on Units 1-3 that you are avoiding by shutting them down?

Thanks,
Laura

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Monday, November 08, 2010 10:58 AM
To: Schumacher, Laura
Subject: Discussion Materials

Laura,

Attached are a few pages to accompany our call.

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
fax: 602-250-2367
Lee.Nickloy@pinnaclewest.com

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Dolyniuk, Karen E

From: Higuchi, Dene C on behalf of Hickman, Rebecca L
Sent: Monday, November 08, 2010 2:37 PM
Subject: PNW/APS: Press Release Regarding Four Corners Plant Share Purchase and Planned Closure of Units

Today, we issued a press release announcing APS' purchase of Southern California Edison's ownership in Units 4 and 5 of our coal-fired Four Corners Power Plant for approximately $294 million. Upon regulatory approval at the state and federal level, we will install additional emission controls on Units 4 and 5. Also upon closing, we plan to close Units 1, 2 and 3 at the Plant, which are less efficient and wholly owned by APS. The companies look to close the transaction near the end of 2012. The text of the release is included below in this message.

As always, if you have any questions about this announcement or need other information about our company, please contact me or Geoff Wendt (602-250-5643).

Sincerely ~

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

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APS ANNOUNCES LANDMARK ACCORD FOR FOUR CORNERS POWER PLANT

Company Agrees to Purchase Southern California Edison Share of Units 4, 5; Close Units 1, 2, 3 if Deal Approved

PHOENIX – Arizona Public Service Company has entered into an agreement to purchase Southern California Edison's ownership in Units 4 and 5 of the Four Corners Power Plant near Farmington, N.M. If the transaction gains approval from state and federal regulators, APS will close the plant's older, less efficient Units 1, 2 and 3 and install additional emission controls on the remaining units, the company announced today.

APS will pay $294 million for the Southern California Edison share, which is substantially less than other generation alternatives.

"This course of action represents the best alternative for APS and its customers and provides a cleaner environment while preserving a needed reliable and affordable supply of energy for the Southwest," said Mark Schiavoni, APS Senior Vice President of Fossil Generation.

In announcing the agreement, Schiavoni said there will be no layoffs at the plant, which employs 549 workers (74 percent of whom are Navajo) and provides enough electricity for more than a half-million homes. The plant and the supporting mining operations have a $225 million annual impact on the New Mexico and Navajo economies.

"This proposal enables us to continue to support the Navajo Nation and the Farmington area with high-quality jobs that are important economic drivers for the region," said Schiavoni. Continued operation of Units 4 and 5

is expected to provide more than $6.3 billion in economic value to the region over the next 30 years, at least 70 percent of which will benefit the Navajo Nation and its citizens.

APS, the plant operator, owns 100 percent of Units 1, 2 and 3, which are subject to significant environmental upgrades under rules proposed by the U.S. Environmental Protection Agency in October. "These rules would present a major economic challenge for continued operation and require us to look at alternatives for Units 1, 2 and 3," said Schiavoni.

As a result of the anticipated shutdown of Units 1, 2 and 3, capacity at the coal-fired station, one of the nation's largest, would be reduced by 560 megawatts from 2,100 MW to 1,540 MW (of which APS would own 970 MW). Emissions of NO_X would decline by 36 percent, mercury by 61 percent, particulates by 43 percent, CO_2 by 30 percent and SO_2 by 24 percent. APS would replace the energy lost through the closure of the three older units with 739 MW from Southern California Edison's 48 percent share of the newer, more efficient Units 4 and 5. APS currently owns 15 percent of the two units.

"Closing the three smaller, less efficient units and keeping the cleaner, more efficient Units 4 and 5 in operation would dramatically reduce the carbon footprint in the region and enable the plant to remain compliant with state and federal environmental standards," said Schiavoni. "As always, our commitment to outstanding performance and environmental stewardship at the plant remains unwavering."

The Four Corners plant meets or exceeds all current state and federal environmental regulations and has performed at a high level for more than four decades. Southern California Edison, however, has informed the plant's other owners that California state law requires it to end participation in the plant by 2016, when the current lease with the Navajo Nation expires.

The transaction requires approval from the Arizona Corporation Commission, the California Public Utilities Commission and the Federal Energy Regulatory Commission. In addition, the acquisition is contingent on the Navajo Nation approving a lease extension for the plant beyond 2016. It also requires successful negotiation of a new fuel contract with mine-operator BHP Billiton for the post-2016 period. Assuming timely receipt of required approvals and extensions of the land-lease and fuel contract, the companies are targeting closing the purchase by the end of 2012.

APS will submit a filing with the ACC in mid-November followed shortly thereafter with a filing at FERC.

"Installing emission control equipment at Units 1, 2 and 3, or shutting them down and seeking replacement power elsewhere, would have imposed substantial additional costs on our customers. The proposal to acquire Southern California Edison's share of Units 4 and 5 saves customers nearly $500 million over the next best alternative," said Jeff Guldner, APS Vice President of Regulation. "While reducing overall power plant emissions in the Southwest, this proposal maintains a healthy diversity in APS's generation portfolio as we integrate more renewable resources and manage our exposure to volatile fuel sources such as natural gas."

Other owners of Units 4 and 5 include Public Service of New Mexico, Salt River Project, El Paso Electric and Tucson Electric Power.

APS, Arizona's largest and longest-serving electricity utility, serves more than 1.1 million customers in 11 of the state's 15 counties. With headquarters in Phoenix, APS is the largest subsidiary of Pinnacle West Capital Corp. (NYSE: PNW).

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Thursday, November 18, 2010 12:55 PM
To: Dolyniuk, Karen E
Subject: FW: Draft for review
Attachments: APS Four Corners IssuerComment for review 2010-11-09 .docx

---

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Tuesday, November 09, 2010 6:23 AM
To: Nickloy, Lee R
Subject: Draft for review

Hello Lee,

As discussed, attached is a draft of a brief Issuer Comment we would like to post on Moody's.com relating to your planned acquisition. Would you please review it for factual accuracy, and to be sure we are not disclosing any information that needs to remain confidential and get back to me this morning with any corrections or comments.

Thanks,

Laura

<<APS Four Corners IssuerComment for review 2010-11-09 .docx>>

Laura J.K. Schumacher
Vice President / Senior Analyst

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Power / Utilities - Americas
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Arizona Public Service Company

Phoenix, Arizona, United States

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A.J. Sabatelle / New York	1.212.553.1653
William L. Hess / New York	1.212.553.1653

APS planned purchase of SCE's interest in Four Corners neutral for credit ratings

Moody's Investors Service (Moody's) views Arizona Public Service's (APS: Baa2 senior unsecured, stable) planned acquisition of Southern California Edison's (SCE) ownership interest in Units 4 and 5 of the Four Corners coal plant in New Mexico as neutral to the credit quality of APS and its parent company, Pinnacle West Capital Corporation (PNW: Baa3 senior unsecured, stable) and having no impact on the rating or outlook of PNW or APS at this time.

The planned acquisition follows an October 6, 2010 proposed determination by the Environmental Protection Agency that Best Available Retrofit Technology for Four Corners would require the installation of significant additional pollution control equipment on all five of its coal-fired units. APS believes that the acquisition, and related shut down of the smaller Units 1-3, is the most cost effective and operationally efficient means of complying with the proposed EPA determination.

"Moody's view of the proposed transaction reflects our understanding that APS intends to obtain regulatory assurance of its ability to reasonably recover and earn a return on its investment in these assets prior to closing" said Laura Schumacher, Vice President/Senior Analyst. "We also anticipate that PNW will take a balanced approach in funding this transaction, ultimately utilizing a combination of equity and debt financing in a manner that is supportive of APS and PNW's credit profile and consistent with its existing financial structure."

On November 8, 2010, APS announced that it had reached an agreement with SCE to purchase its 48% (740-MW) ownership share of Four Corners Units 4 and 5 coal-fired generating facility for $294 million. The acquisition will increase APS' ownership share of Units 4 and 5 to 63% (approximately 970 - MW). APS currently operates all five units at Four Corners, including its 100% owned Units 1-3 (total 560 MW). In conjunction with the acquisition, APS also announced plans to cease operations at Units 1-3. The planned acquisition is subject to numerous state and federal regulatory approvals, including approvals of cost recovery, and the approval of the Navajo Nation in conjunction with a proposed lease extension. APS anticipates the transaction will close by late 2012.

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Thursday, November 18, 2010 12:56 PM
To: Dolyniuk, Karen E
Subject: FW: Discussion Materials

From: Nickloy, Lee R
Sent: Tuesday, November 09, 2010 7:11 AM
To: 'Schumacher, Laura'
Subject: FW: Discussion Materials

Laura,

See below for the answers to your questions on the capex table. Hopefully this is helpful.

Lee

From: Ewen, Peter M
Sent: Monday, November 08, 2010 5:32 PM
To: Nickloy, Lee R
Subject: RE: Discussion Materials

Lee,

In response to Laura's questions . . . .

1) Of the $174 million "Other Cap-Ex", $20 million is for expected ash compliance costs and the remainder is just *on-going routine* capex. Baghouses are already installed on Units 4 and 5.
2) Of the $642 million we showed in the 10Q disclosure, $572 million relates to Units 1-3 and therefore won't be spent. The remaining $70 million relates to the pre-acquisition APS share of Unit 4 and 5 SCRs and is included in the $293 million from the presentation.

Make sense? Let me know if you need anything else.

From: Nickloy, Lee R
Sent: Monday, November 08, 2010 1:34 PM
To: Ewen, Peter M
Subject: FW: Discussion Materials

Pete,

Can you provide?

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From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Monday, November 08, 2010 12:59 PM
To: Nickloy, Lee R
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1) On the cap-ex slide – what is included in the "Other Cap-Ex" is that the cost of the Baghouse, or regular ongoing cap-ex or both. If both, how much are the baghouse costs...or are they included in with the SCRs, and if so, how much are they?
2) What is the cost of the upgrades on Units 1-3 that you are avoiding by shutting them down?

Thanks,
Laura

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Monday, November 08, 2010 10:58 AM
To: Schumacher, Laura
Subject: Discussion Materials

Laura,

Attached are a few pages to accompany our call.

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
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Email Firewall made the following annotations

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From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Tuesday, November 09, 2010 8:39 AM
To: Nickloy, Lee R
Subject: RE: Discussion Materials

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ARIZONA PUBLIC SERVICE COMPANY
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fax: 602-250-2367
Lee.Nickloy@pinnaclewest.com

Email Firewall made the following annotations

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Vice President / Senior Analyst

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Issuer Comment: APS planned purchase of SCE's interest in Four Corners neutral for credit ratings

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Global Credit Research - 09 Nov 2010

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Dolyniuk, Karen E

From: Higuchi, Dene C on behalf of Hickman, Rebecca L
Sent: Thursday, October 28, 2010 5:17 AM
To: Wendt, Geoffrey
Subject: PNW/APS: Third-Quarter 2010 Form 10-Q

The PDF file of the combined Pinnacle West and APS third-quarter 2010 Form 10-Q is attached for your use. If you would like to receive a printed copy of the report, please let me know and we will be happy to mail it to you.

As always, please contact me if you need information about our company.

Sincerely,

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

3Q2010 PNW Form 10Q.doc.pdf

Dolyniuk, Karen E

From: Higuchi, Dene C on behalf of Hickman, Rebecca L
Sent: Thursday, October 28, 2010 5:17 AM
Subject: PNW/APS: Third-Quarter 2010 Earnings Release

This morning, we released our third-quarter 2010 earnings. The text of our earnings release is included below in this message.

For your convenience, we've attached PDF files of our Earnings Release Kit (which contains supplemental information) and the slides we will use during our conference call and web cast. This information is also available on our web site, www.pinnaclewest.com/investors.

Conference Call and Web Cast
Pinnacle West invites interested parties to listen to the live web cast of management's conference call to discuss the Company's 2010 third-quarter results, as well as recent developments, at 12:00 noon (ET) today, October 28. The web cast can be accessed at www.pinnaclewest.com/presentations and will be available for replay on the web site for 30 days. To access the live conference call by telephone, dial (877) 407-8035 or (201) 689-8035 for international callers. A replay of the call also will be available until 11:55 p.m. (ET), Wednesday, November 3, 2010, by calling (877) 660-6853 in the U.S. and Canada or (201) 612-7415 internationally and entering Account number 286, followed by Conference ID number 358822.

As always, please contact me if you have any questions or need information about our company.

Becky
Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

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PINNACLE WEST REPORTS STRONGER THIRD-QUARTER RESULTS

- *On-going earnings improve on higher retail revenue*
- *Company affirms earnings guidance*
- *Renewable energy expansion and continuing cost management remain company priorities*

PHOENIX – Pinnacle West Capital Corp. (NYSE: PNW) today reported consolidated on-going earnings of $226.7 million, or $2.08 per diluted share of common stock, for the quarter ended September 30, 2010, compared to on-going earnings of $198.4 million, or $1.96 per share, for the same quarter in 2009. The quarterly comparison excludes results of discontinued operations, primarily related to the Company's real estate segment. A reconciliation of on-going earnings to net income attributable to common shareholders is provided at the end of this release.

"Our financial and operating performance in the third quarter was solid, even with slow economic recovery," said Pinnacle West Chairman, President and Chief Executive Officer Don Brandt. "Focusing on our core utility business, our top priorities remain operational excellence, disciplined cost management and sound capital investment to provide a reliable, sustainable energy future for Arizona."

Pinnacle West's consolidated net income attributable to common shareholders in the 2010 third quarter was $233.9 million, or $2.14 per diluted share of common stock, compared with net income attributable to common shareholders of $186.7 million, or $1.84 per diluted share, in the same period a year ago.

The third-quarter on-going results comparison was positively impacted by the following factors:

- *Higher revenues resulting from retail electricity rate increases* improved earnings by $0.33 per share. Of this amount, $0.30 per share was related to base rates and the remainder was related to line extension revenues, both implemented in January 2010 as a result of Arizona Public Service's 2009 regulatory settlement.
- *Increased capitalized financing costs* related to projects under construction improved earnings by $0.06 per share.
- *Weather patterns* improved the Company's earnings by $0.02 per share. While the average daily temperature in the 2010 third quarter of 94.1 degrees was not as hot as the 2009 quarterly average of 94.6 degrees, weather effects also were impacted by humidity. The mean daily humidity was almost 5 percent higher than the year-ago quarter.
- *The net effect of other miscellaneous items*, including the favorable resolution of tax matters and fuel market prices, increased earnings $0.02 per share.

These positive factors were partially offset by the following items:

- *An increase in operations and maintenance expenses* of $0.09 per share due largely to employee benefit costs and acceleration of a fossil plant overhaul. The variance excludes costs associated with renewable energy and demand-side management programs, which are offset by comparable amounts of operating revenues.
- *Lower retail electricity sales, excluding the effects of weather*, reduced earnings by $0.05 per share. Weather-normalized retail sales decreased 1.7 percent in the current-year third quarter compared with the corresponding 2009 period. The sales decrease was related largely to the impact of APS's energy efficiency programs for customers.
- *Higher infrastructure-related costs* decreased earnings by $0.03 per share as property taxes and depreciation and amortization increased.
- *The common share issuance* in April 2010 diluted earnings $0.14 per share.

Consolidated on-going earnings exclude results from discontinued operations, principally the Company's real estate operations. Income from discontinued operations was $7.2 million, or $0.06 per share, for the 2010 third-quarter, which compared favorably with a loss from discontinued operations of $11.7 million, or $0.12 per share, for the same quarter a year earlier.

APS, the Company's principal subsidiary, reported 2010 third-quarter net income attributable to common shareholder of $226.6 million versus earnings of $197.1 million for the comparable 2009 quarter.

During the quarter, APS announced 33 megawatts of new solar power plants to be built in Arizona. The facilities, which are expected to begin operating in mid- to late-2011, will produce enough power at peak production to serve 8,250 homes.

2010 and 2011 Earnings Outlook

The Company continues to expect its 2010 consolidated on-going earnings to be in the range of $2.95 to $3.10 per diluted share. Key factors and assumptions underlying the outlook remain unchanged, except for the following:

- Actual weather for first nine months of year and normal weather patterns for remainder of year;
- Weather-normalized retail electricity sales volumes to be slightly below the prior year, in part due to the Company's energy efficiency initiatives and reflecting weak first-quarter and third-quarter results;
- Total electricity gross margin (operating revenues, net of fuel and purchased power expenses, excluding Renewable Energy Surcharge and similar rate adjustors) of about $2.00 billion to $2.02 billion, which was previously expected to be $2.00 billion to $2.05 billion;
- Operating expenses (operations and maintenance, excluding costs for Renewable Energy Standard and similar regulatory programs; depreciation and amortization; and taxes other than income taxes) of about $1.29 billion to $1.31 billion, which was previously expected to be $1.26 billion to $1.29 billion; and
- Interest expense, net of allowances for borrowed and equity funds used for construction, of about $200 million to $210 million, which was previously expected to be $210 million to $220 million.

The Company also continues to estimate its 2011 consolidated on-going earnings will be within the 2010 guidance range with some opportunity for modestly exceeding that range.

Conference Call and Web Cast

Pinnacle West invites interested parties to listen to the live web cast of management's conference call to discuss the Company's 2010 third-quarter results, as well as recent developments, at 12:00 noon (ET) today, October 28. The web cast can be accessed at www.pinnaclewest.com/presentations and will be available for replay on the web site for 30 days. To access the live conference call by telephone, dial (877) 407-8035 or (201) 689-8035 for international callers. A replay of the call also will be available until 11:55 p.m. (ET), Wednesday, November 3, 2010, by calling (877) 660-6853 in the U.S. and Canada or (201) 612-7415 internationally and entering Account number 286, followed by Conference ID number 358822.

General Information

Pinnacle West is a Phoenix-based company with consolidated assets of about $12.4 billion. Through its subsidiaries, the Company generates, sells and delivers electricity and sells energy-related products and services to retail and wholesale customers in the western United States.

Dollar amounts in this news release are after income taxes. Earnings per share amounts are based on average diluted common shares outstanding. For more information on Pinnacle West's operating statistics and earnings, please visit www.pinnaclewest.com/investors.

PINNACLE WEST CAPITAL CORPORATION
NON-GAAP FINANCIAL MEASURE RECONCILIATION

NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS
(GAAP MEASURE) TO ON-GOING EARNINGS (NON-GAAP FINANCIAL MEASURE)

	Three Months Ended Sept. 30, 2010		Three Months Ended Sept. 30, 2009	
	Dollars in Millions	Diluted EPS	Dollars in Millions	Diluted EPS
Net Income Attributable to Common Shareholders	$ 233.9	$ 2.14	$ 186.7	$ 1.84
Adjustments:				
Discontinued Operations, primarily real estate segment	(7.2)	(0.06)	11.7	0.12
On-going Earnings	$ 226.7	$ 2.08	$ 198.4	$ 1.96

NON-GAAP FINANCIAL INFORMATION

In this press release, we refer to "on-going earnings." On-going earnings is a "non-GAAP financial measure," as defined in accordance with SEC rules. We believe on-going earnings provide investors with a useful indicator of our results that is comparable among periods because it excludes the effects of unusual items that may occur on an irregular basis. Investors should note that these non-GAAP financial measures involve judgments by management, including whether an item is classified as an unusual item. We use on-going earnings, or similar concepts, to measure our performance internally in reports for management.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements regarding our 2010 and 2011 earnings outlook, and neither Pinnacle West nor APS assumes any obligation to update these statements, even if our internal estimates change, except as required by applicable law. These forward-looking statements are often identified by words such as "estimate," "predict," "may," "believe," "plan," "expect," "require," "intend," "assume" and similar words. Because actual results may differ materially from expectations, we caution you not to place undue reliance on these statements. A number of factors could cause future results to differ materially from historical results, or from outcomes currently expected or sought by Pinnacle West or APS. These factors include, but are not limited to:

- regulatory and judicial decisions, developments and proceedings;
- our ability to achieve timely and adequate rate recovery of our costs;
- our ability to reduce capital expenditures and other costs while maintaining reliability and customer service levels;
- variations in demand for electricity, including those due to weather, the general economy, customer and sales growth (or decline), and the effects of energy conservation measures;
- power plant performance and outages;
- volatile fuel and purchased power costs;
- fuel and water supply availability;
- new legislation or regulation including those relating to greenhouse gas emissions, renewable energy mandates and energy efficiency standards;
- our ability to meet renewable energy requirements and recover related costs, including returns on debt and equity capital;
- risks inherent in the operation of nuclear facilities, including spent fuel disposal uncertainty;
- competition in retail and wholesale power markets;
- the duration and severity of the economic decline in Arizona and current credit, financial and real estate market conditions;
- the cost of debt and equity capital and the ability to access capital markets when required;
- restrictions on dividends or other burdensome provisions in our credit agreements and Arizona Corporation Commission orders;
- our ability, or the ability of our subsidiaries, to meet debt service obligations;
- changes to our credit ratings;
- the investment performance of the assets of our nuclear decommissioning trust, pension, and other postretirement benefit plans and the resulting impact on future funding requirements;
- the liquidity of wholesale power markets and the use of derivative contracts in our business;
- potential shortfalls in insurance coverage;
- new accounting requirements or new interpretations of existing requirements;
- generation, transmission and distribution facility and system conditions and operating costs;
- the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our region;
- the willingness or ability of our counterparties and power plant participants to meet contractual or other obligations;

- technological developments affecting the electric industry; and
- economic and other conditions affecting SunCor Development Company's ability to dispose of its remaining assets and satisfy its debt obligations.

These and other factors are discussed in Risk Factors described in Item 1A of the Pinnacle West/APS Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which readers should review carefully before placing any reliance on our financial statements, disclosures or our earnings outlook.

3Q2010_Earnings_ ReleaseKit.pdf...

3Q2010_PNW_Earn ings_Slides.pdf...

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Thursday, November 18, 2010 12:54 PM
To: Dolyniuk, Karen E
Subject: FW: Meeting

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Monday, November 01, 2010 9:38 AM
To: Nickloy, Lee R
Subject: Re: Meeting

Looking forward to it

From: Lee.Nickloy@PinnacleWest.com <Lee.Nickloy@PinnacleWest.com>
To: Schumacher, Laura
Sent: Mon Nov 01 12:08:35 2010
Subject: Re: Meeting

Laura,

That sounds fine. See you and AJ there at 2:00.

Lee

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Monday, November 01, 2010 09:05 AM
To: Nickloy, Lee R
Subject: Fw: Meeting

Do you want to try the lobby/bar seating area?

----- Original Message -----
From: Schumacher, Laura
To: 'Lee.Nickloy@PinnacleWest.com' <Lee.Nickloy@PinnacleWest.com>
Sent: Mon Nov 01 12:02:34 2010
Subject: Meeting

Lee, where would you like to meet later? Laura

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Wednesday, November 17, 2010 9:48 AM
To: Dolyniuk, Karen E
Subject: RE: Rating Agency Communications

We spoke with Moody's on Nov. 8th and Fitch on Nov. 5th. I also spoke with S&P on Nov. 4th.

From: Dolyniuk, Karen E
Sent: Wednesday, November 17, 2010 9:47 AM
To: Hatfield, James R; Nickloy, Lee R
Subject: RE: Rating Agency Communications

Do you recall the date? Was it when it was announced – November 8th?

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation
602-250-5630

From: Hatfield, James R
Sent: Wednesday, November 17, 2010 9:46 AM
To: Dolyniuk, Karen E; Nickloy, Lee R
Subject: RE: Rating Agency Communications

Karen:

Lee, Pete and I called both Moody's and Fitch to brief them on the 4C transaction.

Jim

From: Dolyniuk, Karen E
Sent: Wednesday, November 17, 2010 9:42 AM
To: Nickloy, Lee R; Hatfield, James R
Subject: Rating Agency Communications
Importance: High

Hello gentlemen! Please let me know if you have had communication with the rating agencies for the time period October 26-November 18th. Because of the holiday I wanted to get this wrapped up a little sooner than normal.

Thank you!

Karen E. Dolyniuk, CTP
Manager Treasury Operations
Pinnacle West Capital Corporation

Dolyniuk, Karen E

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Manager Treasury Operations
Pinnacle West Capital Corporation

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Thursday, November 18, 2010 12:54 PM
To: Dolyniuk, Karen E
Subject: FW: Discussion Materials

From: Nickloy, Lee R
Sent: Friday, November 05, 2010 9:46 AM
To: 'Phil Smith (philip.smyth@fitchratings.com)'
Subject: Discussion Materials

Phil,

Attached are a few pages for our call.

Four Corners
Rating Agency Upd..

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
fax: 602-250-2367
Lee.Nickloy@pinnaclewest.com

Attachment(s) Intentionally Omitted – Contains Confidential Information

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Thursday, November 18, 2010 12:54 PM
To: Dolyniuk, Karen E
Subject: FW: Four Corners Strategy Update

From: Nickloy, Lee R
Sent: Friday, November 05, 2010 12:08 PM
To: 'Bettinelli, Antonio'
Subject: Four Corners Strategy Update

Tony,

Following up on our conversation yesterday, attached are some slides providing some additional background and details around our Four Corners plans. Hopefully this is helpful.

Lee

Four Corners
Rating Agency Upd..

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Thursday, November 18, 2010 12:54 PM
To: Dolyniuk, Karen E
Subject: FW: Four Corners Strategy Update

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, November 05, 2010 12:26 PM
To: Nickloy, Lee R
Subject: RE: Four Corners Strategy Update

Thanks for sending this. What is the difference between the $350 of cap-ex we discussed yesterday and the higher total in the slides?

Regards,
Tony

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Friday, November 05, 2010 12:08 PM
To: Bettinelli, Antonio
Subject: Four Corners Strategy Update

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Thursday, November 18, 2010 12:54 PM
To: Dolyniuk, Karen E
Subject: FW: Four Corners Strategy Update

From: Nickloy, Lee R
Sent: Friday, November 05, 2010 12:31 PM
To: 'Bettinelli, Antonio'
Subject: RE: Four Corners Strategy Update

Tony,

The $350MM was an earlier estimate for our portion (15% APS existing + 48% SCE share to be acquired) of SCR costs on Units 4 and 5. The slides include our most up-to-date capex projections, so the $350MM should be compared to the $293MM.

Lee

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Friday, November 05, 2010 12:26 PM
To: Nickloy, Lee R
Subject: RE: Four Corners Strategy Update

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To: Bettinelli, Antonio
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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Thursday, November 18, 2010 12:55 PM
To: Dolyniuk, Karen E
Subject: FW: Call

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Monday, November 08, 2010 6:03 AM
To: Nickloy, Lee R
Subject: Call

Good morning Lee,

I Got your voice mail, and yes, it was definitely nice to be able to meet at EEI. A call today at 1pm Eastern works fine for me. FYI, as of yesterday, we are no longer on daylight savings time, so our time difference is now only two hours. Let me know if that still works for you.

Thanks,

Laura

Laura J.K. Schumacher
Vice President / Senior Analyst

Global Infrastructure Finance
Power / Utilities - Americas
212.553.3853 tel
212.298 6316 fax
laura.schumacher@moodys.com

Moody's Investors Service
7 World Trade Center

250 Greenwich Street
New York, NY 10007
www.moodys.com

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Thursday, November 18, 2010 12:55 PM
To: Dolyniuk, Karen E
Subject: FW: Call

From: Nickloy, Lee R
Sent: Monday, November 08, 2010 6:59 AM
To: 'Schumacher, Laura'
Subject: RE: Call

Laura,

Thanks for the reminder on the time change. Would 12:00 (Eastern) work for you today instead of 1:00?

Lee

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Monday, November 08, 2010 6:03 AM
To: Nickloy, Lee R
Subject: Call

Good morning Lee,

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Thursday, November 18, 2010 12:55 PM
To: Dolyniuk, Karen E
Subject: FW: Call

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Monday, November 08, 2010 7:19 AM
To: Nickloy, Lee R
Subject: RE: Call

12:00 pm Eastern also works for me. Will you call me?

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Monday, November 08, 2010 8:59 AM
To: Schumacher, Laura
Subject: RE: Call

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:29 AM
To: Dolyniuk, Karen E
Subject: FW: Question

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Tuesday, December 07, 2010 9:49 AM
To: Nickloy, Lee R
Subject: Question

When are you planning to renew the APS facility that will expire Sept 11'?

Tony
Standard & Poor's: Empowering Investors and Markets for 150 Years

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:29 AM
To: Dolyniuk, Karen E
Subject: FW: Question

From: Nickloy, Lee R
Sent: Tuesday, December 07, 2010 10:37 AM
To: 'Bettinelli, Antonio'
Subject: RE: Question

Tony,

We are actually working on that now. We have begun the documentation process with the lead arrangers and are having discussions with the various banks which will be participating in the facility. We expect to do the formal market launch in January once folks are back in the office from the holiday break and close in the latter part of January or February.

Lee

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Tuesday, December 07, 2010 9:49 AM
To: Nickloy, Lee R
Subject: Question

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Tony
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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:30 AM
To: Dolyniuk, Karen E
Subject: FW: Question

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Tuesday, December 07, 2010 10:45 AM
To: Nickloy, Lee R
Subject: RE: Question

Thanks.

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Tuesday, December 07, 2010 9:37 AM
To: Bettinelli, Antonio
Subject: RE: Question

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From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Tuesday, December 07, 2010 9:49 AM
To: Nickloy, Lee R
Subject: Question

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Tony
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Dolyniuk, Karen E

From: Wendt, Geoffrey on behalf of Hickman, Rebecca L
Sent: Thursday, December 09, 2010 7:06 AM
Subject: PNW/APS: Press Release Announcing Two New Solar Photovoltaic Power Plants

Today, we issued a press release announcing two new solar photovoltaic power plants. These facilities have combined capacity of 37 megawatts and are expected to be owned by APS under its AZ Sun Program. With the addition of these two projects, AZ Sun has a total of 70 megawatts in development. The text of the release is included below in this message.

I will be out of the office through Friday, December 10, 2010. If you have any questions about this announcement or need other information about our company, please contact Geoff Wendt at 602.250.5643 or geoffrey.wendt@pinnaclewest.com.

Sincerely ~

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

---

APS CONTINUES TO EXPAND SOLAR GENERATION

Two New Solar Plants to be Located in Chino Valley and Hyder

PHOENIX – Arizona Public Service Co. has signed contracts for the construction of two photovoltaic power plants with a combined capacity of 37 megawatts. Both plants will be developed by SunEdison, with APS taking ownership at completion.

Located in Hyder (40 miles east of Yuma) and Chino Valley (15 miles north of Prescott), the two plants will bring APS's renewable energy portfolio to nearly 682 megawatts by 2013 (including projects currently online or in development).

The 17-megawatt Hyder solar plant and the 20-megawatt Chino Valley solar plant are part of APS's AZ Sun program. Through this program, APS plans to develop 100 megawatts of utility-owned photovoltaic power plants using a procurement model where a third party builds the solar plant and APS takes ownership when it goes into commercial operation.

"These two solar projects will further increase the resource and geographic diversity of our energy supply, and under the AZ Sun program they will also provide ownership diversity," said Don Robinson, APS President and Chief Operating Officer. "By adding layers of diversity to our energy supply, we are reducing our fuel cost risk and increasing energy security for our customers. We also are providing another substantial boost to Arizona's growing renewable energy industry."

With the two projects announced today, AZ Sun has 70 megawatts in development.

Construction on the Hyder plant is expected to begin in June 2011, with an in-service date expected in the fourth quarter of 2011. Construction on the Chino Valley project is expected to start in the first quarter of 2012, with

completion expected in the fourth quarter of 2012. Both facilities will use polycrystalline photovoltaic panels mounted on single-axis tracking systems.

"SunEdison continues to make large-scale solar generation a reality for utilities worldwide," said Carlos Domenech, President of SunEdison. "With a solid track record, SunEdison is a proven choice for utility-scale solar deployment and is proud to be working with APS to help the company reach its renewable energy goals."

SunEdison is a leading worldwide solar energy services provider and a subsidiary of MEMC Electronic Materials (NYSE: WFR).

In 2010 the Arizona Corporation Commission approved the AZ Sun program. APS's other two AZ Sun projects, a 15-megawatt installation at Luke Air Force Base and an 18-megawatt project in Gila Bend, are both scheduled to come online in 2011.

APS, Arizona's largest and longest-serving electric utility, serves more than 1.1 million customers in 11 of the state's 15 counties. With headquarters in Phoenix, APS is the principal subsidiary of Pinnacle West Capital Corp. (NYSE: PNW).

-30-

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:30 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in January?

From: Nickloy, Lee R
Sent: Tuesday, December 14, 2010 3:47 PM
To: 'Schumacher, Laura'
Subject: Meeting in January?

Laura,

Jim Hatfield and I will be in New York during the early part of the week of January 24th. Thought it would be timely to meet with you for an update. Would you be available for a meeting with us sometime during the afternoon of Tuesday, January 25th?

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
fax: 602-250-2367
Lee.Nickloy@pinnaclewest.com

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:30 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in January?

From: Nickloy, Lee R
Sent: Tuesday, December 14, 2010 3:55 PM
To: 'Phil Smith (philip.smyth@fitchratings.com)'
Subject: Meeting in January?

Phil,

Jim Hatfield and I will be in New York during the early part of the week of January 24th. Thought it would be timely to meet with you for an update. Would you be available for a meeting with us sometime during the afternoon of Tuesday, January 25th?

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
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400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
fax: 602-250-2367
Lee.Nickloy@pinnaclewest.com

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:30 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in Early February?

From: Nickloy, Lee R
Sent: Tuesday, December 14, 2010 3:57 PM
To: 'Bettinelli, Antonio'
Subject: Meeting in Early February?

Tony,

Thought it would be timely to come out to San Francisco to meet with you for an update. Would you have some availability sometime during early February?

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
fax: 602-250-2367
Lee.Nickloy@pinnaclewest.com

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:30 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in Early February?

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Tuesday, December 14, 2010 5:40 PM
To: Nickloy, Lee R
Subject: RE: Meeting in Early February?

Sure. Feb. 7th, 8th & 9th are clear. If those dates don't work, let me know what you propose.

Tony Bettinelli
Associate Director
Standard & Poor's
U.S. Electric Utilities
Corporate & Government Ratings
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Tuesday, December 14, 2010 2:57 PM
To: Bettinelli, Antonio
Subject: Meeting in Early February?

Tony,

Thought it would be timely to come out to San Francisco to meet with you for an update. Would you have some availability sometime during early February?

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ph: 602-250-3300
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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:30 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in January?

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Wednesday, December 15, 2010 7:57 AM
To: Nickloy, Lee R
Subject: Re: Meeting in January?

Yes. I welcome the opportunity to discuss recent developments at PNW with you and Jim Hatfield in January 2011. Please let me know what time works best for you and Jim on the afternoon of January 25th and I will make the appropriate arrangements.

Best Regards,

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
212 908 0531

From: Lee.Nickloy@PinnacleWest.com

To: philip.smyth@fitchratings.com

Date: 12/14/2010 05:54 PM

Subject: Meeting in January?

Phil,

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Would you be available for a meeting with us sometime during the afternoon of Tuesday, January 25th?

Lee

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:30 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in Early February?

From: Nickloy, Lee R
Sent: Wednesday, December 15, 2010 4:05 PM
To: 'Bettinelli, Antonio'
Subject: RE: Meeting in Early February?

Tony,

How about sometime the afternoon of the 7th?

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Tuesday, December 14, 2010 5:40 PM
To: Nickloy, Lee R
Subject: RE: Meeting in Early February?

Sure. Feb. 7th, 8th & 9th are clear. If those dates don't work, let me know what you propose.

Tony Bettinelli
Associate Director
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One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Tuesday, December 14, 2010 2:57 PM
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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:31 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in Early February?

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Wednesday, December 15, 2010 4:20 PM
To: Nickloy, Lee R
Subject: RE: Meeting in Early February?

The meeting would need to wrap up by 2pm because NY participants may dial in. Were you thinking later?

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Wednesday, December 15, 2010 3:05 PM
To: Bettinelli, Antonio
Subject: RE: Meeting in Early February?

Tony,

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From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
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Lee.Nickloy@pinnaclewest.com

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:31 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in January?

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Thursday, December 16, 2010 6:03 AM
To: Nickloy, Lee R
Subject: RE: Meeting in January?

Hi Lee,

The afternoon of Tuesday January 25th should work for us; is 2 pm a good start time?

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Tuesday, December 14, 2010 5:47 PM
To: Schumacher, Laura
Subject: Meeting in January?

Laura,

Jim Hatfield and I will be in New York during the early part of the week of January 24th. Thought it would be timely to meet with you for an update. Would you be available for a meeting with us sometime during the afternoon of Tuesday, January 25th?

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
fax: 602-250-2367
Lee.Nickloy@pinnaclewest.com

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:31 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in January?

-----Original Message-----
From: Nickloy, Lee R
Sent: Thursday, December 16, 2010 7:34 AM
To: 'Philip.Smyth@fitchratings.com'
Subject: RE: Meeting in January?

Phil,

Would 4:00 work for you?

Lee

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Wednesday, December 15, 2010 7:57 AM
To: Nickloy, Lee R
Subject: Re: Meeting in January?

Yes. I welcome the opportunity to discuss recent developments at PNW with you and Jim Hatfield in January 2011. Please let me know what time works best for you and Jim on the afternoon of January 25th and I will make the appropriate arrangements.

Best Regards,

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
212 908 0531

From: Lee.Nickloy@PinnacleWest.com

To: philip.smyth@fitchratings.com

Date: 12/14/2010 05:54 PM

Subject: Meeting in January?

Phil,

Jim Hatfield and I will be in New York during the early part of the week of January 24th. Thought it would be timely to meet with you for an update.
Would you be available for a meeting with us sometime during the afternoon of Tuesday, January 25th?

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
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Lee.Nickloy@pinnaclewest.com

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:31 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in January?

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Thursday, December 16, 2010 7:56 AM
To: Nickloy, Lee R
Subject: RE: Meeting in January?

Lee,

Yes, 4PM on Jan. 25th is convenient. I will make the appropriate arrangements and look forward to seeing you and Jim then. Recall that we will meet at our 33 - Whitehall Street building which is across the street from our 1 State Street Plaza HQ address and has the Fitch logo emblazoned on it. Please proceed through security to the 18th floor of 33 Whitehall where you will be greeted and led to a conference room for our meeting. We look forward to meeting with you and Jim. Please let us know if others from PNW/APS will be joining us and do not hesitate to call if you have any questions.

Best Regards,

Phil

Philip W. Smyth, CFA
Senior Director
Utilties, Power and Gas
Fitch Ratings
212 908 0531

From: <Lee.Nickloy@PinnacleWest.com>

To: <Philip.Smyth@fitchratings.com>

Date: 12/16/2010 09:34 AM

Subject: RE: Meeting in January?

Phil,

Would 4:00 work for you?

Lee

-----Original Message-----

From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Wednesday, December 15, 2010 7:57 AM
To: Nickloy, Lee R
Subject: Re: Meeting in January?

Yes. I welcome the opportunity to discuss recent developments at PNW with you and Jim Hatfield in January 2011. Please let me know what time works best for you and Jim on the afternoon of January 25th and I will make the appropriate arrangements.

Best Regards,

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
212 908 0531

From: Lee.Nickloy@PinnacleWest.com

To: philip.smyth@fitchratings.com

Date: 12/14/2010 05:54 PM

Subject: Meeting in January?

Phil,

Jim Hatfield and I will be in New York during the early part of the week of January 24th. Thought it would be timely to meet with you for an update.
Would you be available for a meeting with us sometime during the afternoon of Tuesday, January 25th?

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
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Lee.Nickloy@pinnaclewest.com

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Dolyniuk, Karen E

From: Higuchi, Dene C on behalf of Hickman, Rebecca L
Sent: Thursday, December 16, 2010 12:05 PM
Subject: PNW/APS: ACC Approves Decoupling Policy Statement

On December 15, the Arizona Corporation Commission unanimously approved a decoupling policy statement. The policy statement is supportive of using a revenue-per-customer methodology, which is the mechanism APS and a number of other parties support. It will allow each utility to file a decoupling plan as part of its next general rate case. APS intends to propose a decoupling mechanism for Commission consideration as part of the general rate case it expects to file in mid-2011. [The text of the Form 8-K we filed today is included below in this message.]

As always, if you have any questions about this regulatory decision or need other information about our company, please contact me (or Geoff Wendt, 602-250-5643).

Sincerely,

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

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Item 8.01. Other Events.

Arizona Corporation Commission ("ACC") Approves Decoupling Policy Statement

As previously disclosed in the Pinnacle West Capital Corporation/Arizona Public Service Company ("APS") Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, in October 2010 the Chairman of the ACC issued a draft decoupling policy statement for consideration by the commission. On December 15, 2010, the ACC unanimously approved a slightly modified decoupling policy statement supportive of using a revenue-per-customer methodology, which is the mechanism APS and a number of other parties also support. Decoupling refers to a ratemaking design which reduces or removes the linkage between sales and utility revenues and/or profits, reducing utility disincentives to the adoption of programs that benefit customers by saving energy. Mechanically, decoupling compares actual versus authorized revenues or revenue per customer over a period and either credits or collects any differences from customers in a subsequent period. The policy permits regulated utilities to file a decoupling proposal in their next general rate case. APS intends to include a decoupling model consistent with the policy statement for consideration in its upcoming general rate case, currently expected to be filed in mid-2011.

Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:31 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in January?

From: Nickloy, Lee R
Sent: Thursday, December 16, 2010 3:16 PM
To: 'Schumacher, Laura'
Subject: RE: Meeting in January?

Laura,

Thanks. 2:00 will be fine.

Lee

From: Schumacher, Laura [mailto:Laura.Schumacher@moodys.com]
Sent: Thursday, December 16, 2010 6:03 AM
To: Nickloy, Lee R
Subject: RE: Meeting in January?

Hi Lee,

The afternoon of Tuesday January 25th should work for us; is 2 pm a good start time?

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Tuesday, December 14, 2010 5:47 PM
To: Schumacher, Laura
Subject: Meeting in January?

Laura,

Jim Hatfield and I will be in New York during the early part of the week of January 24th. Thought it would be timely to meet with you for an update. Would you be available for a meeting with us sometime during the afternoon of Tuesday, January 25th?

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
fax: 602-250-2367
Lee.Nickloy@pinnaclewest.com

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:31 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in January?

-----Original Message-----
From: Nickloy, Lee R
Sent: Thursday, December 16, 2010 3:19 PM
To: 'Philip.Smyth@fitchratings.com'
Subject: RE: Meeting in January?

Phil,

Let's call it 4:00 on Tuesday, January 25th, if that works for you.

thanks

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Wednesday, December 15, 2010 7:57 AM
To: Nickloy, Lee R
Subject: Re: Meeting in January?

Yes. I welcome the opportunity to discuss recent developments at PNW with you and Jim Hatfield in January 2011. Please let me know what time works best for you and Jim on the afternoon of January 25th and I will make the appropriate arrangements.

Best Regards,

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
212 908 0531

From: Lee.Nickloy@PinnacleWest.com

To: philip.smyth@fitchratings.com

Date: 12/14/2010 05:54 PM

Subject: Meeting in January?

Phil,

Jim Hatfield and I will be in New York during the early part of the week of January 24th. Thought it would be timely to meet with you for an update.
Would you be available for a meeting with us sometime during the afternoon of Tuesday, January 25th?

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
fax: 602-250-2367
Lee.Nickloy@pinnaclewest.com

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:31 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in Early February?

From: Nickloy, Lee R
Sent: Thursday, December 16, 2010 3:20 PM
To: 'Bettinelli, Antonio'
Subject: RE: Meeting in Early February?

Tony,

That should work. Want to call it 12:00 noon on February 7th?

Lee

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Wednesday, December 15, 2010 4:20 PM
To: Nickloy, Lee R
Subject: RE: Meeting in Early February?

The meeting would need to wrap up by 2pm because NY participants may dial in. Were you thinking later?

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Wednesday, December 15, 2010 3:05 PM
To: Bettinelli, Antonio
Subject: RE: Meeting in Early February?

Tony,

How about sometime the afternoon of the 7th?

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Tuesday, December 14, 2010 5:40 PM
To: Nickloy, Lee R
Subject: RE: Meeting in Early February?

Sure. Feb. 7th, 8th & 9th are clear. If those dates don't work, let me know what you propose.

Tony Bettinelli
Associate Director
Standard & Poor's
U.S. Electric Utilities
Corporate & Government Ratings
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Tuesday, December 14, 2010 2:57 PM
To: Bettinelli, Antonio
Subject: Meeting in Early February?

Tony,

Thought it would be timely to come out to San Francisco to meet with you for an update. Would you have some availability sometime during early February?

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
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Lee.Nickloy@pinnaclewest.com

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:31 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in January?

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Thursday, December 16, 2010 3:34 PM
To: Nickloy, Lee R
Subject: RE: Meeting in January?

Lee,

Confirming Tuesday, January 25th meeting at 4PM at Fitch's NYC offices at 33 - Whitehall St. In addition to myself, Glen Grabelsky and Rob Hornick will likely attend. Looking forward to it.

Phil

From: <Lee.Nickloy@PinnacleWest.com>

To: <Philip.Smyth@fitchratings.com>

Date: 12/16/2010 05:18 PM

Subject: RE: Meeting in January?

Phil,

Let's call it 4:00 on Tuesday, January 25th, if that works for you.

thanks

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Wednesday, December 15, 2010 7:57 AM
To: Nickloy, Lee R
Subject: Re: Meeting in January?

Yes. I welcome the opportunity to discuss recent developments at PNW with you and Jim Hatfield in January 2011. Please let me know what time works best for you and Jim on the afternoon of January 25th and I will make the appropriate arrangements.

Best Regards,

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
212 908 0531

From: Lee.Nickloy@PinnacleWest.com

To: philip.smyth@fitchratings.com

Date: 12/14/2010 05:54 PM

Subject: Meeting in January?

Phil,

Jim Hatfield and I will be in New York during the early part of the week of January 24th. Thought it would be timely to meet with you for an update.
Would you be available for a meeting with us sometime during the afternoon of Tuesday, January 25th?

Lee

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Phoenix, AZ 85004
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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:32 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in Early February?

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Thursday, December 16, 2010 4:30 PM
To: Nickloy, Lee R
Subject: RE: Meeting in Early February?

See you on Feb. 7th. Hatfield is coming, correct?

Tony

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Thursday, December 16, 2010 2:20 PM
To: Bettinelli, Antonio
Subject: RE: Meeting in Early February?

Tony,

That should work. Want to call it 12:00 noon on February 7th?

Lee

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Wednesday, December 15, 2010 4:20 PM
To: Nickloy, Lee R
Subject: RE: Meeting in Early February?

The meeting would need to wrap up by 2pm because NY participants may dial in. Were you thinking later?

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Wednesday, December 15, 2010 3:05 PM
To: Bettinelli, Antonio
Subject: RE: Meeting in Early February?

Tony,

How about sometime the afternoon of the 7th?

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Tuesday, December 14, 2010 5:40 PM
To: Nickloy, Lee R
Subject: RE: Meeting in Early February?

Sure. Feb. 7th, 8th & 9th are clear. If those dates don't work, let me know what you propose.

Tony Bettinelli
Associate Director
Standard & Poor's
U.S. Electric Utilities
Corporate & Government Ratings
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Tuesday, December 14, 2010 2:57 PM
To: Bettinelli, Antonio
Subject: Meeting in Early February?

Tony,

Thought it would be timely to come out to San Francisco to meet with you for an update. Would you have some availability sometime during early February?

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004
ph: 602-250-3300
fax: 602-250-2367
Lee.Nickloy@pinnaclewest.com

Email Firewall made the following annotations

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:32 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in January?

-----Original Message-----
From: Nickloy, Lee R
Sent: Friday, December 17, 2010 7:40 AM
To: 'Philip.Smyth@fitchratings.com'
Subject: RE: Meeting in January?

Thanks Phil. With me will be Jim Hatfield and Pete Ewen. Pete is a Director in my group and is responsible for our financial planning and load and revenue forecasting functions. See you then.

Lee

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Thursday, December 16, 2010 3:34 PM
To: Nickloy, Lee R
Subject: RE: Meeting in January?

Lee,

Confirming Tuesday, January 25th meeting at 4PM at Fitch's NYC offices at
33 - Whitehall St. In addition to myself, Glen Grabelsky and Rob Hornick will likely attend.
Looking forward to it.

Phil

From: <Lee.Nickloy@PinnacleWest.com>

To: <Philip.Smyth@fitchratings.com>

Date: 12/16/2010 05:18 PM

Subject: RE: Meeting in January?

Phil,

Let's call it 4:00 on Tuesday, January 25th, if that works for you.

thanks

-----Original Message-----
From: Philip.Smyth@fitchratings.com [mailto:Philip.Smyth@fitchratings.com]
Sent: Wednesday, December 15, 2010 7:57 AM
To: Nickloy, Lee R
Subject: Re: Meeting in January?

Yes. I welcome the opportunity to discuss recent developments at PNW with you and Jim Hatfield in January 2011. Please let me know what time works best for you and Jim on the afternoon of January 25th and I will make the appropriate arrangements.

Best Regards,

Phil

Philip W. Smyth, CFA
Senior Director
Fitch Ratings
212 908 0531

From: Lee.Nickloy@PinnacleWest.com

To: philip.smyth@fitchratings.com

Date: 12/14/2010 05:54 PM

Subject: Meeting in January?

Phil,

Jim Hatfield and I will be in New York during the early part of the week of January 24th. Thought it would be timely to meet with you for an update.
Would you be available for a meeting with us sometime during the afternoon of Tuesday, January 25th?

Lee

Lee R. Nickloy
Vice President and Treasurer
PINNACLE WEST CAPITAL CORPORATION
ARIZONA PUBLIC SERVICE COMPANY
400 North 5th Street, MS 9040
Phoenix, AZ 85004

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Lee.Nickloy@pinnaclewest.com

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Dolyniuk, Karen E

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 8:32 AM
To: Dolyniuk, Karen E
Subject: FW: Meeting in Early February?

From: Nickloy, Lee R
Sent: Friday, December 17, 2010 7:42 AM
To: 'Bettinelli, Antonio'
Subject: RE: Meeting in Early February?

Tony,

Yes, Jim will be coming as will Pete Ewen. Pete is a Director in my group and is responsible for our financial planning and load and revenue forecasting functions.

Lee

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Thursday, December 16, 2010 4:30 PM
To: Nickloy, Lee R
Subject: RE: Meeting in Early February?

See you on Feb. 7th. Hatfield is coming, correct?

Tony

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Thursday, December 16, 2010 2:20 PM
To: Bettinelli, Antonio
Subject: RE: Meeting in Early February?

Tony,

That should work. Want to call it 12:00 noon on February 7th?

Lee

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Wednesday, December 15, 2010 4:20 PM
To: Nickloy, Lee R
Subject: RE: Meeting in Early February?

The meeting would need to wrap up by 2pm because NY participants may dial in. Were you thinking later?

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Wednesday, December 15, 2010 3:05 PM

To: Bettinelli, Antonio
Subject: RE: Meeting in Early February?

Tony,

How about sometime the afternoon of the 7th?

From: Bettinelli, Antonio [mailto:Antonio_Bettinelli@standardandpoors.com]
Sent: Tuesday, December 14, 2010 5:40 PM
To: Nickloy, Lee R
Subject: RE: Meeting in Early February?

Sure. Feb. 7th, 8th & 9th are clear. If those dates don't work, let me know what you propose.

Tony Bettinelli
Associate Director
Standard & Poor's
U.S. Electric Utilities
Corporate & Government Ratings
One Market, Steuart Tower, 15th Floor, San Francisco, CA 94105
(415) 371-5067
tony_bettinelli@sandp.com

From: Lee.Nickloy@PinnacleWest.com [mailto:Lee.Nickloy@PinnacleWest.com]
Sent: Tuesday, December 14, 2010 2:57 PM
To: Bettinelli, Antonio
Subject: Meeting in Early February?

Tony,

Thought it would be timely to come out to San Francisco to meet with you for an update. Would you have some availability sometime during early February?

Lee

Lee R. Nickloy
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Dolyniuk, Karen E

From: Higuchi, Dene C on behalf of Hickman, Rebecca L
Sent: Friday, December 17, 2010 10:42 AM
Subject: PNW/APS: Press Release Regarding New Solar Purchased Power Agreement

Today, we issued a press release announcing a new 10-megawatt solar purchase power agreement. This agreement is not part of APS' AZ Sun Program for utility-owned solar plants. The text of the press release is included below in this message.

As always, if you have any questions about this announcement or need other information about our company, please contact me (or Geoff Wendt, 602-250-5643).

Sincerely ~

Becky

Rebecca L. Hickman
Director of Investor Relations | Pinnacle West Capital Corporation
Two Arizona Center | 400 North 5th Street | Station 9998 | Phoenix, AZ 85004
Office 602-250-5668 | Fax 602-250-2789 | E-mail rhickman@pinnaclewest.com

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Arizona Public Service, SunEdison Announce Construction of 10-Megawatt Solar Power Plant in Prescott, Ariz.

Prescott, AZ - December 17, 2010 — SunEdison, a subsidiary of MEMC Electronic Materials Inc. (NYSE: WFR), and Arizona Public Service Co. today announced construction of a utility-scale photovoltaic solar power plant located two miles north of the Prescott Regional Airport. SunEdison will own and operate the plant with APS purchasing the entire output. APS estimates the 10-megawatt facility can provide enough power to meet the annual energy needs of 2,500 Arizona customers.

The announcement event, held at the Hassayampa Inn in Prescott, spotlighted the new solar deployment, which is anticipated to become active in the fall of 2011. The plant is expected to generate more than 25 million kilowatt-hours (kWh) of clean energy in its first year of operation alone and approximately 653 million kWh over 30 years.

"APS's investments in renewable energy – well-diversified by technology, ownership, size and location – are forging a sustainable energy future for Arizona," said Don Robinson, APS president and chief operating officer. "With five solar facilities operating or under construction, Prescott is becoming an important hub for solar development. It is an ideal location because of its abundant sunshine, cooler weather, available land and access to the transmission system."

APS's decade-long history of solar in Prescott includes a 194-kilowatt system at Embry Riddle Aeronautical University (completed in 2001), a small system on the roof of Prescott College (completed in 2004) and a 3.6-megawatt plant near the Prescott Regional Airport (completed in 2006).

Earlier this month, APS and SunEdison announced plans for two other Arizona solar plants, a 20-megawatt facility in Chino Valley – another Prescott-area solar plant – and a 17-megawatt facility in Hyder. Those plants also will be developed by SunEdison. However, instead of purchasing the power, APS will own the facilities after construction is completed. With these two solar plants plus today's announcement, APS's renewable portfolio totals approximately 851 megawatts, of which 282 is in operation and serving customers.

"SunEdison offers smart, cost effective, solar solutions that utilities have come to expect and trust," said Carlos Domenech, president of SunEdison. "We have a global demonstrated utility track record and welcome the opportunity to partner with a progressive utility like APS."

Since 2004, SunEdison has deployed close to 100 megawatts of utility-scale solar including the recently activated 70-megawatt solar power plant in Rovigo, Italy.

About SunEdison
SunEdison is a global provider of solar energy services. The company develops, finances, installs and operates distributed power plants using proven photovoltaic technologies, delivering fully managed, predictably priced solar energy services for its commercial, government and utility customers. In 2009, SunEdison delivered more kilowatt hours (kWh) of energy than any other solar services provider in North America. For more information about SunEdison, please visit www.sunedison.com.

About MEMC
MEMC is a global leader in the manufacture and sale of wafers and related intermediate products to the semiconductor and solar industries. MEMC has been a pioneer in the design and development of wafer technologies over the past 50 years. With R&D and manufacturing facilities in the U.S., Europe and Asia, MEMC enables the next generation of high performance semiconductor devices and solar cells. With the acquisition of SunEdison, MEMC is now a developer of solar power projects and North America's largest solar energy services provider.

MEMC's common stock is listed on the New York Stock Exchange under the symbol "WFR" and is included in the S&P 500 Index. For more information about MEMC, please visit www.memc.com.

About APS
APS, Arizona's largest and longest-serving electric utility, serves more than 1.1 million customers in 11 of the state's 15 counties. With headquarters in Phoenix, APS is the principal subsidiary of Pinnacle West Capital Corp. (NYSE: PNW).