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March 7, 2006

Mr. Jack Davis
President and CEO
Arizona Public Service
Mail Station 9080
P.O. Box 53999
Phoenix, AZ 85072-3999

Re: Palo Verde Unit 1 outages and summer preparedness; Docket No. E-01345A-05-0816; Docket No. E-01345A-06-0009.

Dear Mr. Davis:

I have learned of your decision to shut down Palo Verde Nuclear Generating Station Unit 1 for five weeks beginning this June in order to make final repairs designed to bring that Unit back to full generating capacity.

Clearly, a permanent repair must be made so that Unit 1 can be safely operated at full capacity. However, the news that the Unit is going to be down for five weeks is of obvious concern as we head into the summer cooling season and potentially face more record peak demand days, given the pace of growth in your service territory.

Therefore, I would like APS to come to the Commission's upcoming Summer Preparedness meeting ready to answer the following questions regarding the impact that PVNGS Unit 1's extended outage will have.

First, in light of the knowledge that PVNGS Unit 1 will be off-line for five weeks this summer, will Arizona utilities be required to purchase power on the open market to address the loss of power that is normally generated by Unit 1? Do Arizona utilities have sufficient reserves to cover the loss of that power, plus another major electrical event in the Valley? Are Arizona utilities preparing a plan for purchasing power this summer? If not, do you anticipate that sufficient power will be available for purchase during the outage?

Second, APS recently told the Commission that it was pursuing other remedies to the vibration issue at Unit 1. It appears these alternatives have been pursued with little success since the vibrations first forced the Unit down in late December, 2005. Did the Company consider making the repairs contemplated for June, 2006 at the time of the December, 2005 outage?

Third, APS stated in its 8K filed with the SEC today that it estimates the cost of the outages of Unit 1 will reach approximately $60 million after taxes, $50 million of which the Company will seek to recover through the PSA. Does this estimate take into account the loss of off-system sales that may have resulted from Unit 1 outages? If not, what are your estimates of the lost off system sales related to the Unit 1 outages this year?

Finally, APS recently informed the Commission that it had made organizational changes in 2005 related to the operations of PVNGS. Given the recent spate of problems at PVGNS,[1] is APS considering additional operational or organizational changes or improvements designed to improve the performance of the plant?

Thank you for your attention to these questions.

Sincerely,

Kris Mayes
Commissioner

Cc: Chairman Jeff Hatch-Miller
Commissioner William A. Mundell
Commissioner Marc Spitzer
Commissioner Mike Gleason
Ernest Johnson
Brian McNeil
Heather Murphy

[1] In addition to the Unit 1 difficulties, Unit 3 recently tripped due to a faulty computer reading and a potential leak in a pipe outside Unit 3 led to tritium being found on the ground near the Unit.