



A subsidiary of Pinnacle West Capital Corporation

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CERTIFIED MAIL, RETURN RECEIPT

May 26, 2005

Mr. Tyler Carlson
Regional Manager
Department of Energy
Western Area Power Administration
Desert Southwest Customer Service Region
615 S. 43rd Ave.
PO Box 6457
Phoenix, AZ 85005-6457

RE: Proposed Multiple System Transmission Rate (MSTR)

Dear Mr. Carlson,

First, I would like to once again thank Western along with Jack Murray for all of your work in this process. APS has attended and participated in the informal customer meetings that Western has conducted as well as the formal Public Information Forum and the Public Comment Forum. Although a new design was proposed for the MSTR, the resulting cost-shifting has not changed from APS' perspective.

APS has evaluated the alternatives throughout the process. APS has continued to be hopeful that Western would be able to design the MSTR in such a way that it would not adversely impact APS and its customers. However, as the proposal stands now, the proposed MSTR rate would not be acceptable to APS and its customers. The MSTR continues to be an endeavor to attempt to lower the rates of the existing "pancaked" customers at the expense of the rest of Western's customers.

From a financial standpoint, this proposed change results in a potential increase of somewhere between 13-15% to APS and its customers for use of the Parker-Davis system. Since this transmission service is used to serve our customers, APS' rates to our customers would have to increase to account for this difference. Additionally, APS would realize no additional benefit from the proposed MSTR.

In summary, APS cannot support Western's proposal to create a MSTR. If you have any questions, please feel free to contact me at (602) 250-1782.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Cole".

Brian W. Cole
Arizona Public Service Company
Transmission Interconnection Development

Cc: Jack Murray, Western

Bcc: Justin Thompson, APS
Rex Stulting, APS
Cary Deise, APS
David Rumolo, APS
Mark Hackney, APS
Antoine Cobb, APS