

IMPORTANT NEWS ABOUT YOUR ELECTRIC RATES

After a rigorous analysis, several days of hearings, and careful consideration of the evidence presented, the Arizona Corporation Commission (ACC) issued a decision on APS' rate case request that authorized a net increase of approximately 6.8% to the average APS customer bill effective July 1, 2007. For residential customers using 800 kilowatt-hours per month served under our Standard Rate Plan, the average summer bill increase will be approximately 5.6%. The average increase at that consumption level in the winter will be approximately 3.9%. This would result in a \$5.13 increase in residential summer bills and \$3.00 increase in residential winter bills for customers using 800 kilowatt-hours per month. For small business customers, the average bill increase will be approximately 6.8% and the increase for average industrial customers will be approximately 5.0%. The impact on your individual bill will depend on your actual energy consumption and the applicable rate plan.

The decision consists of several pieces including 1) a 15.1% base rate increase which is partially offset by the concurrent termination of the interim PSA adjustor of 8.3% that has been in effect since May 1, 2006; 2) modifications to the Commission-approved Power Supply Adjuster (PSA) that will now use a forward-looking component

Continued on back

that better tracks current fuel and purchased power costs, and 3) a temporary, one-year, power supply adjuster surcharge of approximately 1.2% to recover fuel and purchased power costs incurred in 2005 and not previously charged to APS customers. Virtually all of these increases pay for higher fuel and purchased power costs. (*The surcharge and other PSA charges do not apply to the company's low income customers who are on either of the APS Energy Support (E-3 or E-4) programs.*)

Customers can minimize the impact of the increase by using electricity efficiently and wisely, thus reducing their overall energy usage. For tips on how to reduce your energy usage visit us at aps.com under APS Services or see the Lifestyles and Success newsletters that accompany your bill. For additional information on fuel and purchase power costs you can visit the aps.com web site or call (800) 253-9405 or (602) 371-7171 (in metro Phoenix).

Please visit aps.com or call the numbers listed above for a copy of the revised rates and charges effective July 1, 2007.