

IMPORTANT NEWS ABOUT YOUR ELECTRIC BILL

In 2007, Arizona Public Service Company (“APS”) filed a transmission rate case with the Federal Energy Regulatory Commission (“FERC”) which sought to increase APS’ wholesale transmission rates to more accurately reflect the costs that APS incurs in providing transmission service. FERC approved the increased transmission rates to become effective March 1, 2008, subject to subsequent reconciliation or refund pending the final outcome of FERC proceedings on the matter. Transmission costs are federally regulated as a result of the interstate nature of electric transmission, and FERC has jurisdiction over electric transmission rates.

As part of this process, APS also filed an application with the Arizona Corporation Commission (“ACC”) seeking authorization for this increase to be implemented through APS’ transmission cost adjustor mechanism (“TCA”) which comprises a portion of the transmission rate APS charges its standard offer retail customers. Authorization was granted by the ACC and the new transmission rate takes effect, as previously approved by FERC, on March 1, 2008.

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The new charge appears as a separate line item on your bill under “*Charges for Electricity Services*” and is identified as “Transmission Cost Adjustment”. The TCA charge will increase average monthly bills by approximately 1% or by \$8.38 for general service customers based on monthly energy consumption of 8,817 kilowatt hours and by \$2,512 for large general service customers based on average monthly energy consumption of 3,761,674 kilowatt hours. Individual bill impacts will vary with a customer’s actual energy usage.

To help minimize the impact of this increase, APS offers tips and ideas for reducing electricity use on aps.com. See the “Save Energy” icon in the lower right hand corner of the Web Site. For additional information or questions, visit aps.com or call (800) 253-9405 or (602) 371-7171 (in metro Phoenix).

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